



engineering partnerships, manufacturing solutions.

Annual Report 2008



Annual Report 2008

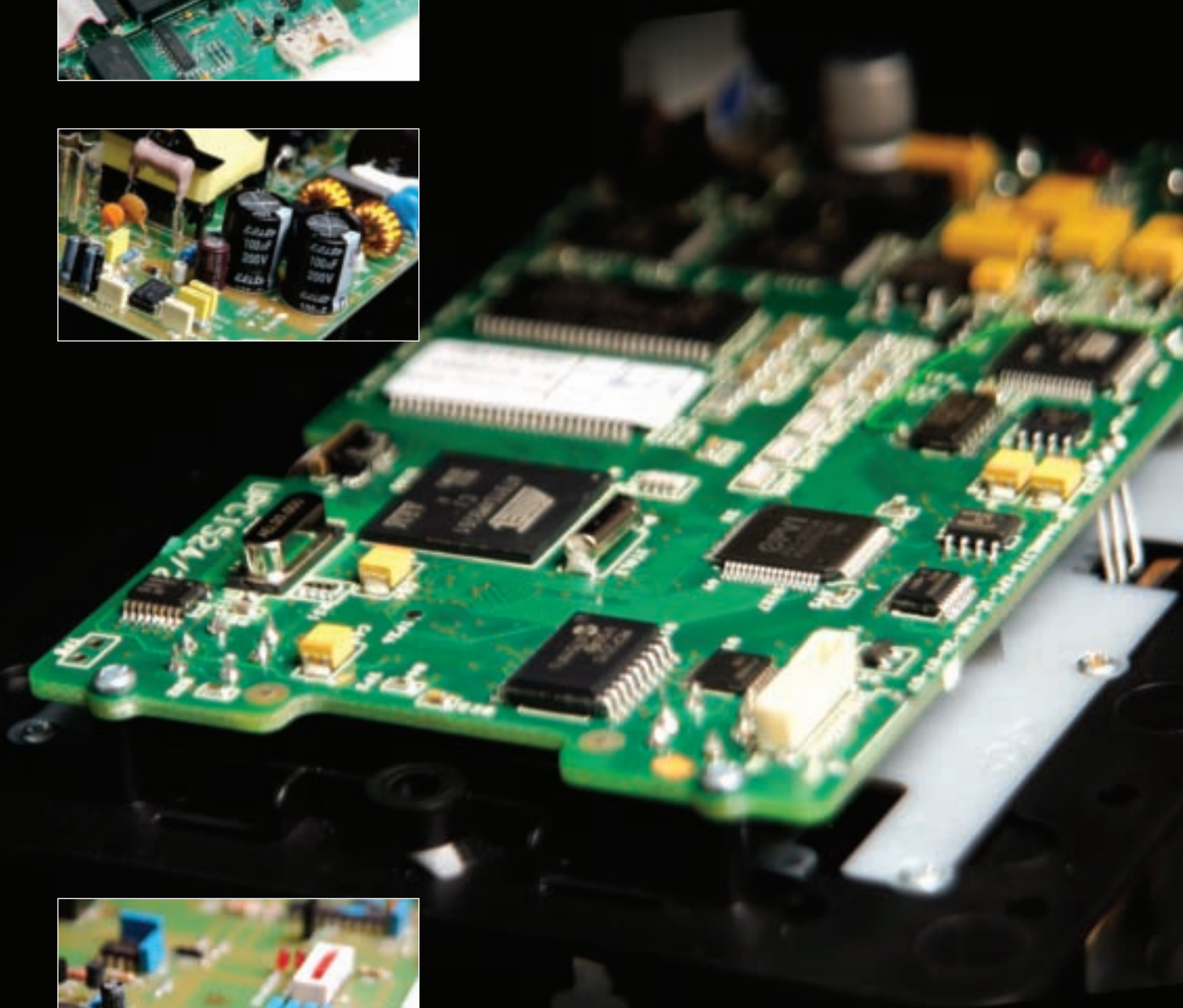
Stadium Group plc is a leading provider of design and manufacturing services to a broad range of markets worldwide. We deliver quality, cost-effective solutions through a partnership approach.

Our goal is to achieve sustained growth through market development, technology investment and strategic acquisitions. With over 1,300 employees, Stadium has manufacturing facilities in the UK and China, and sales and engineering offices in key global markets.

Contents

Financial Highlights	3
Group Structure	4
Operations	7
Board of Directors	9
Chairman's Statement	10
Chief Executive's Review	12
Financial Review	14
Financial Information and Financial Statements	16
Notice of AGM	62
Corporate Directory	66
Group Directory	67





Financial Highlights

	2008	2007
Revenue	£47.61m	£40.76m
Profit before taxation	£2.78m	£2.66m*
Earnings per share	7.6p	7.4p*
Net cash flow from trading	£4.12m	£4.85m
Net bank borrowings	£2.05m	£0.50m
Dividend	2.55p	3.75p
Dividend cover	3.0x	2.1x

*adjusted to exclude property disposal

revenues up

+17%

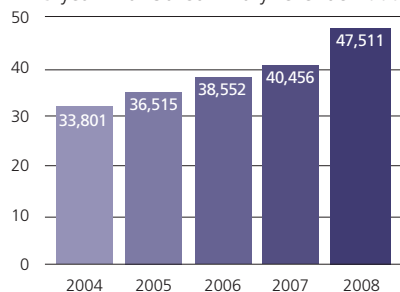
profit up

+5%

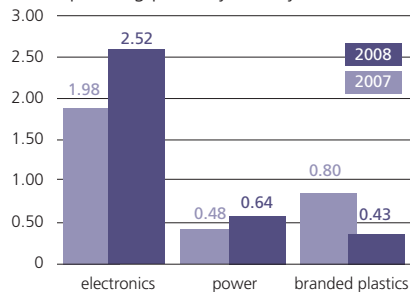
earnings up

+3%

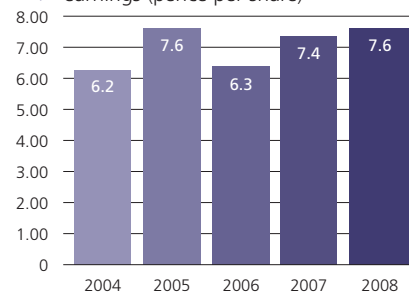
£m 5 year financial summary-revenue £000's



£m operating profit by activity £m

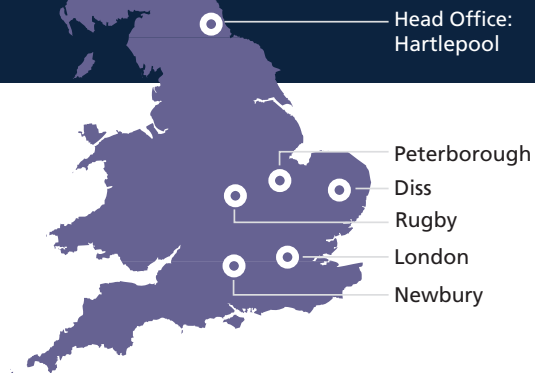


p earnings (pence per share)



Group Structure

Stadium Group plc global operations includes manufacturing sites in the UK and China supported by offshore commercial offices in Hong Kong and the USA, and a network of sales agents in key markets.





Stadium Electronics
Stadium Power
Ferrus Power
KRP Power Source

Stadium Building Products
Quest Consumer Products

Stadium Asia

Sales and Engineering Offices:

New York

Hong Kong

Agent Representation:

USA

Germany

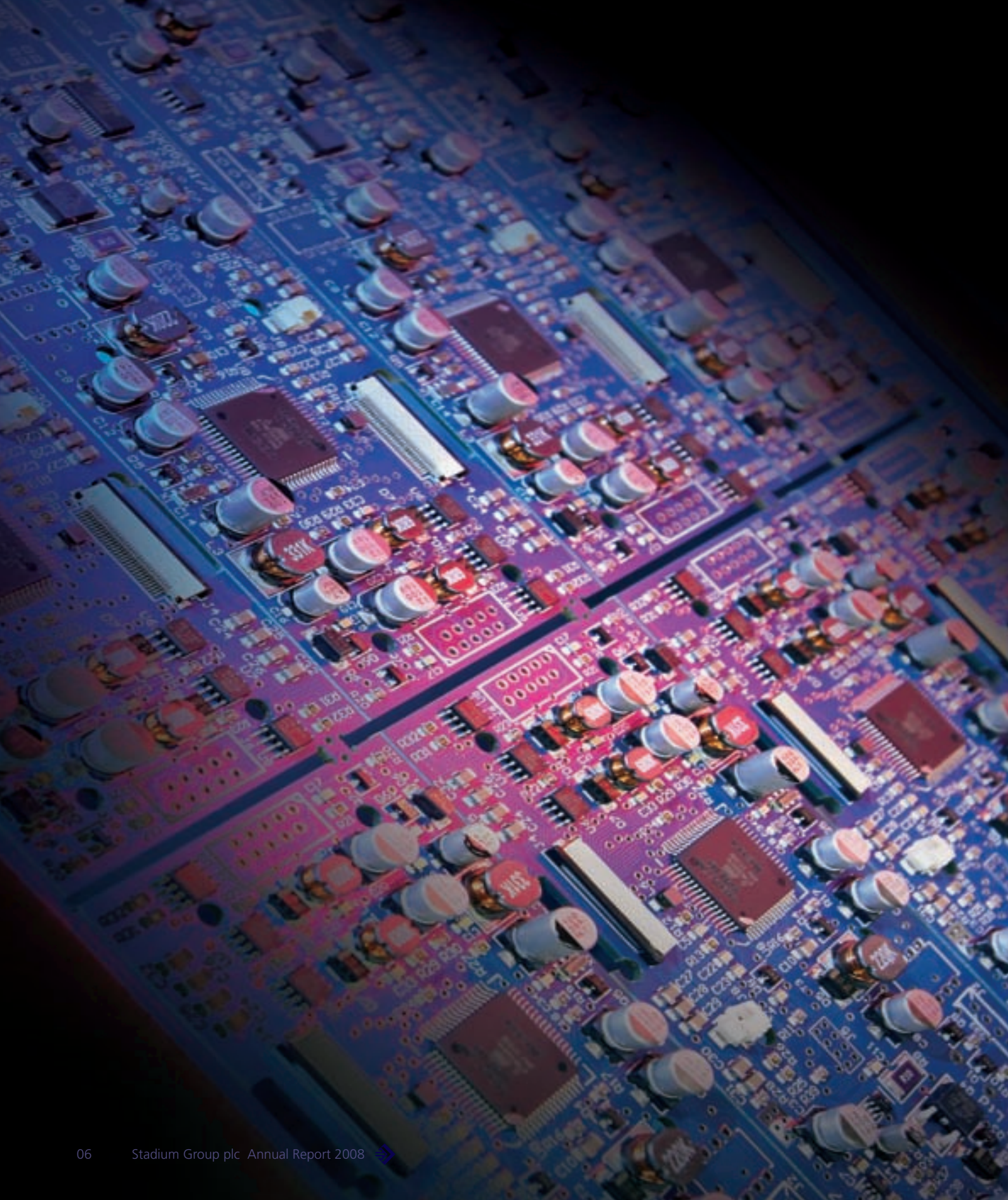
Netherlands

France

Canada

Australia





Operations

Stadium Electronics

Stadium Electronics provides high quality electronic manufacturing services (ems) to original equipment manufacturers in the consumer, industrial, medical and personal care and automotive markets through a partnership approach and responsive flexible working. Providing full turnkey project management from PCB assembly to complete product build and packaging solutions, Stadium Electronics ensures cost effectiveness through a project managed solution incorporating NPI, supply chain management and global logistics.

On 31 October 2008 the acquisition of Zirkon Limited was completed adding a second manufacturing site to the UK ems operations. Zirkon is fully integrated within Stadium Electronics and the enhanced ems capability offers additional surface mount capability bringing the total production to six lines in the UK and five in China.

Stadium Power

Stadium Power provides power supply solutions to original equipment manufacturers including custom and standard switch mode power supplies, programmable power supplies, AC-DC and DC-DC converters, inverters and battery chargers designed and manufactured to international standards EN, IEC, CSA and UL. Stadium Power continues to grow both by acquisition and organically.

Fox Industries, acquired in 2008, is a niche manufacturer of specialist power supplies including emc filter products, with expertise in specialist markets including military, medical and railway.

Ferrus Power, acquired in 2007, brings significant custom design and manufacturing expertise and specialist knowledge in the medical, instrumentation and oil and gas markets.

KRP Power Source, acquired in 2006, brings significant knowledge of the power supply distribution marketplace and market share within the telecom, medical, transport and datacom sectors.

Stadium Asia

Stadium Asia, a wholly owned Stadium Group operation in China, provides Stadium Electronics and Stadium Power with competitive offshore manufacturing solutions. Global competitiveness is offered through local design and engineering, alternative manufacturing location to suit volume and technology requirements and extended resource to manage increase in demand or disaster recovery planning and global component procurement.

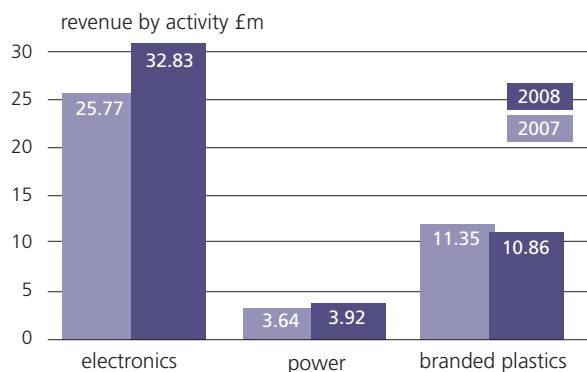
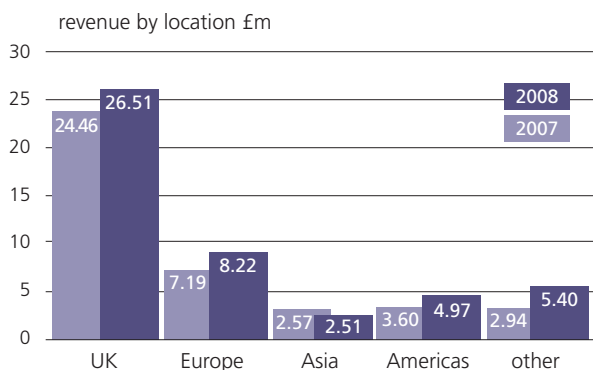
Comprising of a 15,000m² production facility in the Guangdong Province of China and a design and commercial centre in Hong Kong, Stadium Asia operates to UL ISO 9000:2001, ISO14001, CE, SEMKO and is TS16949 approved for the supply of automotive assemblies. ISO13485 for the manufacture of medical was also achieved in 2008.

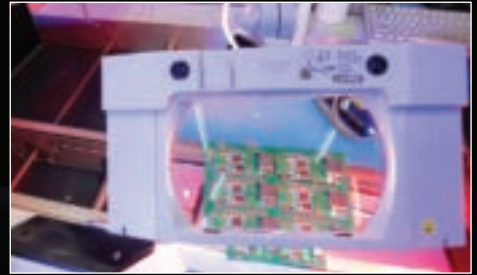
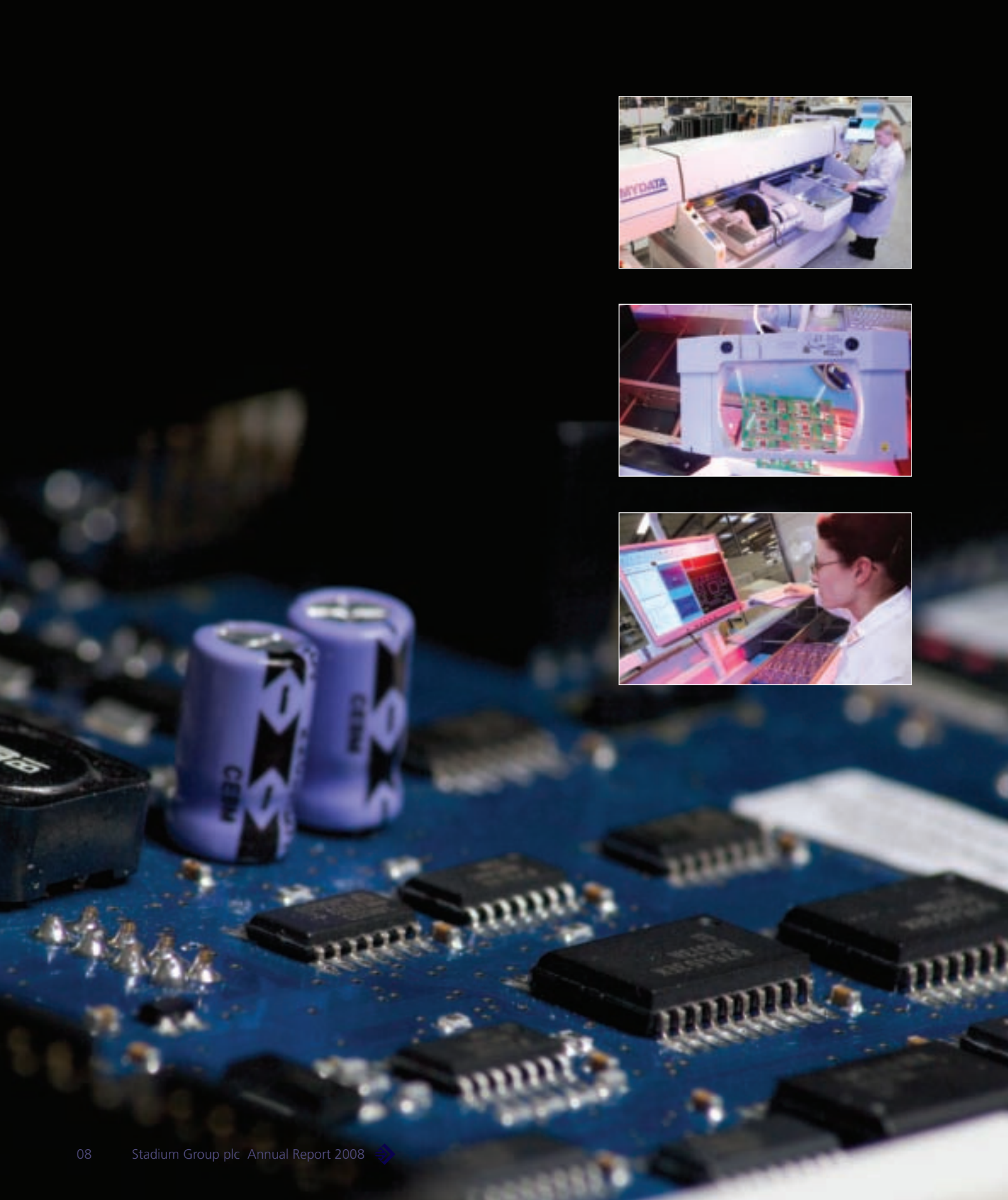
Branded Plastics

Branded Plastics comprises Stadium Building Products and Quest Consumer Products.

Stadium Building Products manufactures specialist plastic and ventilation products for the consumer DIY and construction markets. Products include heating, heat recovery and roof ventilation, ducting, extractor fans, building and plumbing parts, hardware and safety products.

Quest Consumer Products specialises in the design and manufacture of plastic injection moulded products for the baby care market. As one of the leading UK manufacturers in this sector, Quest is an established provider of branded products to high street retailers.





Directors

Executive Directors



Nigel Rogers FCA
Chief Executive
(Nominations Committee)
Aged 47, Nigel is a Chartered Accountant and joined Stadium in 1993 as Group Finance Director. He was responsible for the UK Electronics operations from 1998 until appointed Chief Executive in March 2001.

Nigel was formerly Business Development Manager at Formica Corporation, and held both Audit Manager and Senior Manager Positions at PWC.



Kamal Verma BSc
Managing Director – Electronics
Aged 59, Kamal joined Stadium Group in 1985. He holds a First Class honours degree in Applied Physics from the University of Aston, Birmingham and has led the development of Stadium Electronics operations since his appointment as Managing Director for

Electronics in 1989. From 1998 to 2001 as Deputy Group Managing Director Kamal was responsible for integrating new acquisitions including Quest Consumer products and Arlec (Stadium Asia) into the Group.



Ken Leung BSc
Managing Director – Stadium Asia
Aged 56, Ken holds a BSc (Eng) in Industrial Engineering from the University of Hong Kong. Based in Hong Kong, Ken joined the Group on the acquisition of Arlec Power (now Stadium Asia) in March 2000. Appointed to the board as Managing Director for Stadium

Asia on 1 January 2003. Formerly operations Manager at Philips LCD Hong Kong 1995-1997, Ken is a member of the IET - Institution of Engineering and Technology (UK) Institute of Industrial Engineers (U.S.A) and P.Eng of Professional Engineers Ontario (Canada). Ken is also Vice Chairman for the Hong Kong SME Association and Industrial Adviser to the City University of Hong Kong.



Colin Wilson ACA
Finance Director and Company Secretary
Aged 41, Colin is a Chartered Accountant who joined Stadium in April 2006 as Finance Manager. He was appointed as Company Secretary in December 2006. Colin trained with Coopers & Lybrand prior to moving into industry. Before joining ICI's Uniqema business,

where he spent over 10 years in diverse roles covering production accounting, systems implementations, planning and performance management and business analysis. Colin was appointed as Finance Director in February 2008.

Non-Executive Directors



Nick Brayshaw OBE CEng, FIMechE, FRSA.
Chairman
(Audit, Remuneration and Nominations Committees)
Aged 53, Nick was appointed as a Non-executive Director in April 2005 and Chairman in April 2006. He began his career with Rio Tinto plc and Caradon plc, before being

appointed Group Chief Executive of Wagon plc until March 2004. He is non-executive Chairman of UK Manufacturing, Barclays Bank plc, and Chairman of Worldmark International Limited, and Kee Safety Limited.



Chris Gill ACA Senior Independent Director
(Audit, Remuneration and Nominations Committees)

Aged 46, Chris is a Chartered Accountant and was appointed as a Non-executive Director in April 2006. He is also Chairman of the Audit Committee at Stadium Group and a member of the North of England Industrial Development Board. Chris was appointed Financial Director of Wellstream Holdings plc in November 2007.



Nick Brayshaw
Chairman

Chairman's Statement

Covering the year ended 31 December 2008

Introduction

I am pleased to report that the Group has delivered excellent results for the year ended 31 December 2008 with sales increased by 17%. Operating profits from Stadium Electronics and Stadium Power showed growth well in excess of 25%, although this was offset by reduced returns from Branded Plastics. Profit before taxation and property disposal rose by 5% to £2.78m (2007 : £2.66m), and net cash flow from trading activities of £4.12m represented 132% of operating profit (2007: £4.85m and 164% respectively).

The acquisition of Zirkon Limited on 31 October 2008 marked a significant event in the implementation of our acquisition strategy, and the integration of its operations at Rugby into our Electronic Manufacturing Services (EMS) business is progressing very well.

Group operations are in robust condition, and have the strength and resilience to take advantage of the opportunities that are anticipated in a much more challenging trading environment in 2009.

Strategy

Stadium Electronics provides high quality, cost-effective EMS through a partnership approach with key customers. We aim to deliver sustained growth through market development, technology investment and strategic acquisitions. Our manufacturing operations in the UK offer flexible solutions for new product development and lower volume high mix production, whilst our facility in Asia is able to deliver cost effective manufacturing services for customers with higher volume requirements.

Stadium Power offers power supply solutions to original equipment manufacturers including custom and standard switch mode power supplies, inverters, converters and battery chargers. The business is able to draw upon the manufacturing capabilities of Stadium Electronics to offer flexibility and competitiveness. The business delivers organic growth through the identification of new customers and product opportunities, and this is augmented by the acquisition of other businesses offering complementary technology, skills, products and customers.

Branded Plastics comprises Stadium Building Products and Quest Consumer Products. Operating from a single plastic injection moulding facility in North London, we design, produce, source, market and distribute products for the building products and baby care market sectors in the UK and overseas.

Cash generated from Group operations is utilised to meet the funding requirements of the defined benefit pension scheme, and to meet a progressive dividend policy with historic cover of approximately two times. Accordingly, gearing has been maintained at relatively prudent levels in recent years, and investment activity (including acquisitions) has been set against relatively short payback periods.

Pension scheme

The triennial actuarial review of the defined benefit pension scheme was completed during the year with an effective date of April 2008. In broad terms, the review reconfirmed the ongoing validity of the funding model initiated in 2005, and it was agreed with the Trustees that deficit contributions of approximately £1.02m per annum would continue to be paid.

In September 2008 the Trustees entered into an insurance contract to cover payments equivalent to all future benefits relating to pensions in payment at that date. This contract was funded by the sale of equities, bonds and other investments, thus reducing the exposure of the scheme to investment volatility, inflation and mortality risk in respect of approximately one half of its projected total liabilities.

In anticipation of more challenging conditions in 2009, and in recognition of the reduced risk profile resulting from the transaction outlined above, the Company has made a proposal to the Trustees to link the level of contributions required prior to the next triennial review in April 2011 to a proportion of profits after taxation.

Dividends

The Board has given careful consideration to dividend policy in view of heightened uncertainty in both trading and financial markets. Accordingly, it is considered prudent to increase dividend cover to a level of three times, in order to ensure the retention of a greater proportion of free cash flow for investment in the business.

The Board therefore proposes a final dividend of 1.3 pence per share (2007: 2.55 pence) to be paid on 5 May 2009 to shareholders on the register on 3 April 2009. This brings the total dividends for the year to 2.55 pence per share, (2007: 3.75 pence per share), which is covered by earnings 3.0 times (2007: 2.1 times).

Prospects

Our customers are broadly distributed across many geographical markets and industry sectors and this provides greater stability in a time of unprecedented uncertainty. Our people are dedicated to the provision of high quality products and services, and we enjoy a favourable degree of customer loyalty.

The strength of our balance sheet, and the pre-emptive actions taken on operating costs, cash generation and financial structure, will enable the Group to be well placed to take advantage of opportunities going forward.

Nick Brayshaw

Chairman

4 March 2009



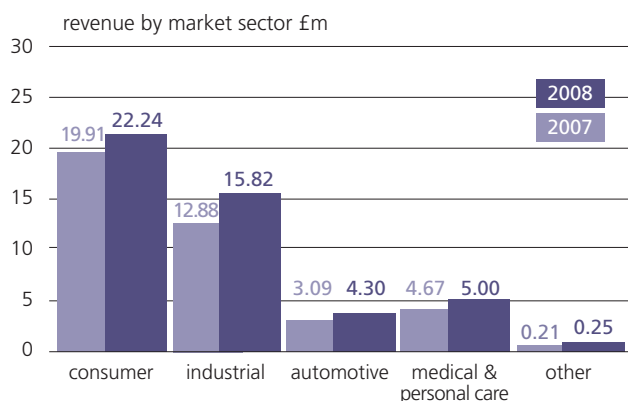


Nigel Rogers
Chief Executive

Chief Executive's Review

Covering the year ended 31 December 2008

Sales demand during the year remained reasonably robust, although the final quarter of the year saw a significant reduction in sales to the automotive sector from our operations in Asia. Commodity price increases in the first half, especially those linked to oil, continued into the third quarter and began to abate thereafter. Towards the end of the year, very rapid depreciation of sterling relative to most major currencies (including US and Hong Kong dollars) also added to volatility.



Overview

I am pleased to report solid revenue growth, increases in profits and earnings, and continued strong cash flow.

Revenues increased by 17% to £47.61m (2007: £40.76m), with the major part of this growth delivered within Stadium Electronics. Profit before taxation amounted to £2.78m; an increase of 4% over the prior year (2007: £2.66m before property disposal).

Net cash inflow from operating activities was £2.75m (2007: £3.68m) and year end net debt was £2.05m (2007 : £0.50m) with gearing of 19% (2007: 6%). This increase reflects the net cash invested in acquisitions of £2.50m; primarily that of Zirkon Limited announced on 3 November 2008 of £2.40m.

Electronics	£m	£m
Revenue by source	2008	2007
Asia	25.12	20.14
UK	7.71	5.63
Total	32.83	25.77
operating profit	2.52	1.98
operating margin	7.7%	7.7%

Revenue growth of 27% was delivered, which reflected an underlying rate of like-for-like organic growth (adjusted for currency movements) of approximately 15%. Each of our key market segments; consumer, industrial, automotive and medical and personal care, showed improved revenues. Similarly, growth was broadly based across all key geographical markets.

On 3 November 2008 we announced the acquisition of Zirkon Limited for net cash consideration of £2.40m. Zirkon Limited (now Stadium Zirkon (UK) Limited) offers a range of services from its location at Rugby which complement those of our Hartlepool facility, and is of a similar size.

The acquisition provides enhanced scale and market profile for our UK manufacturing operations, and offers breadth of industry sector and geographical coverage. Integration of the two UK sites into a single organisation structure is progressing very well, and will deliver service benefits to customers as well as greater competitiveness to each site. Furthermore, the combined UK entity will further increase the opportunities to act as a gateway for customers to access our operation in Asia.



There is clear evidence of moves towards further consolidation of the EMS industry in the UK, which is likely to accelerate in the event of a prolonged downturn in trading conditions. We consider our EMS business to be in a strong position to be a leader in this process, but will continue to exercise extreme caution in evaluating the quality of any opportunities presented.

Power	£m	£m
Revenue by source	2008	2007
Asia	1.01	0.93
UK	2.91	2.71
Total	3.92	3.64
operating profit	0.64	0.48
operating margin	16.3%	13.2%

Stadium Power offers design and manufacture of standard and custom power conversion products across a broad range of industrial, commercial and medical applications.

Revenue in the year grew by 8%, reflecting the impetus from acquisitions made in each of the last two years. The integration of KRP Power Source and Ferrus into Stadium Power has also resulted in significant overhead cost savings. New standard products aimed at growth markets including fire protection and commercial LED lighting were launched in November, and are attracting interest.

In September 2008 we acquired Fox Industries, a designer and manufacturer of specialist filters and power supplies for consideration of approximately £0.10m net of cash acquired. The business of Fox was quickly integrated into our existing operations and its products added to our existing ranges.

Design and development engineering on behalf of customers seeking custom power solutions has continued to build momentum. The activity level is significantly higher than at the start of the year, although timescales are expected to extend somewhat in the current trading environment.

Branded Plastics	£m	£m
Sales	2008	2007
Babycare	4.88	5.02
Building Products	5.98	6.33
Total	10.86	11.35
operating profit	0.43	0.80
operating margin	4.0%	7.1%

Branded Plastics designs, manufactures and distributes a broad range of high quality plastic baby care and building products to retail outlets and builders merchants. The rapid escalation in the cost of raw materials and energy evident in the first half of the year presented

significant commercial challenges and these have only stabilised more recently. It is anticipated that price stability will prevail in coming months, providing opportunities for focus to return to new products and business development.

Current trading and outlook

We have experienced a significant weakening of customer demand in the opening few weeks of 2009, and these conditions are expected to prevail in the short term. At this early stage, it is not clear the extent to which the rapid slowdown is exacerbated by the reduction of customer inventories, nor the duration over which this will continue.

Steps have been taken throughout 2008 to trim operating costs and focus on careful management of working capital. Further measures have already been implemented since the year began, including headcount reductions in Asia and the UK, in order to adjust the cost base to reflect a lower level of sales. We have also continued to reduce inventories and receivables, and remain cash generative.

The full extent of the global downturn and its impact on manufacturers worldwide is as yet unclear. We are, however, prepared for the possibility of a prolonged period of muted demand and uncertainty. In view of the unprecedented level of turmoil in worldwide economic conditions, we are unable to forecast the impact on revenues or earnings with any degree of certainty.

We recognise the likelihood that there will be significant opportunities to seek reductions in material and other costs, although also pressure to pass on the benefits in our pricing structure. These will be assessed on their individual merits, where additional business or improved working capital terms can be achieved.

There will also be many opportunities to win new customer business as a result of supply chain rationalisation programmes and industry wide consolidation. We believe that we have the operational and financial strength to use this more challenging period to build market share, and to provide increased momentum for growth in the medium to longer term.

Nigel Rogers
Chief Executive
4 March 2009



Colin Wilson

Finance Director

Financial Review

Covering the year ended 31 December 2008

Trading in our Asia operations is also affected adversely by the appreciation of the Chinese Yuan against the US dollar, as this has the effect of increasing operating costs in China. Exchange losses of approximately £0.28m have been recognised in current year earnings in respect of movements during 2008 (2007: £0.13m).

Balance sheet and cash flow

Net cash flow from trading activities amounted to £4.12m (2007: £4.85m) which represents 132% of operating profit (2007: 164%). After payment of pension deficit contributions and taxation amounting to £1.37m (2007: £1.16m), operating cash flow was £2.75m (2007: £3.68m).

Net bank borrowings at 31 December 2008 stood at £2.05m (2007: £0.50m) and gearing at 19% (2007: 6%). The principal reason for the increase in net borrowings was the investment in the acquisition of Zirkon of £2.40m set out in Note 24.

In November 2008, the Company secured a multi-currency revolving line of credit equivalent to £3m at the rate of exchange ruling at drawdown. The full value of the facility was drawn down in US dollars, providing a partial hedge against the carrying value of the net investment in our Asia operations.

The net outstanding balance was retranslated at the year end rate of exchange, and the net loss of £0.38m was dealt with in reserves. This offsets the net translation gain of £1.66m arising on the net investment in Asia operations.

Taxation

The effective rate of taxation represented 21% of profit before taxation (2007: 19%). Tax on profits earned in our Asia operations are incurred at a rate of approximately 20%, and paid locally. The charge to taxation in the UK relates to the release of deferred taxation asset associated with pension deficit contributions, and is not payable in cash.

The future effective rate of taxation is therefore substantially dependent upon the level of pension deficit contributions relative to profits before taxation.

Results

Revenues increased by 17% to £47.61m (2007: £40.76m). Gross margin contracted by approximately 1% to 22.6% (2007: 23.6%) which was primarily attributable to the effect of increased raw material costs in Branded Plastics. This also suppressed overall operating margin by a similar factor to 6.5% (2007: 7.3%) of total sales.

Profit before taxation and property disposal rose by 5% to £2.78m (2007: £2.66m). Earnings per share (excluding the effect of property disposal) increased by 3% to 7.6p (2007: 7.4p).

Foreign currency effects

The majority of sales originating from UK operations are denominated in sterling, and hence match the currency of the underlying costs. Similarly, sales sourced from our Asia operations are normally denominated in US dollars, or local currencies closely aligned therewith.

Accordingly, there is a translation effect on consolidation of trading activities in Asia. This becomes realised only upon remittance.

The rapid appreciation of the US dollar (and aligned currencies) against sterling during the final quarter of the year contributed approximately £2.00m to sales and approximately £0.20m to operating profit relative to the average rate prevailing in the prior year.



Dividends

During the year the Company paid the final dividend for 2007 of 2.55 pence per share, and the 2008 interim dividend of 1.25 pence per share. Aggregate cash outflow in respect of these items was £1.10m (2007: £1.05m). The board considers it prudent to increase dividend cover to three times in current financial market conditions, and accordingly proposes to pay a final dividend of 1.30 pence per share on 5 May 2009 at a cost of £0.38m.

Acquisitions

The Company completed two acquisitions during the year with aggregate consideration (including acquisition costs, and net of cash acquired) of £2.50m. Full details are set out in notes 23 and 24.

Pension scheme

The Company operates a defined benefit pension scheme which was closed to new entrants in 1995. The pension liability at the end of the year (net of related deferred tax asset) was £3.76m (2007: £4.13m). Pension contributions of approximately £1.02m were paid to the scheme in addition to those relating to current service (2007: £1.02m). During the year the Trustees of the scheme entered into an insurance contract relating to the pensions in payment at the date of the transaction, covering approximately half of the aggregate liabilities. This is considered to have materially reduced future volatility.

The Company has made a proposal to the Trustees relating to the timing of future deficit funding contributions, and will continue to address the level and volatility of pension costs and related obligations.

Bank facilities

At the end of the year the Group had aggregate banking facilities of approximately £6.10m, of which approximately £3.40m are committed for a period of greater than one year and approximately £2.70m are repayable on demand. Group companies have complied with all financial covenants relating to these facilities. Facilities extending beyond one year were fully utilised, and there were aggregate net credit balances of approximately £1.74m held in accounts in respect of which facilities of £2.31m were also available.

Treasury and risk management

Financial Risks

The main financial risks faced by the Group are credit risk, foreign currency risk, interest rate risk, and liquidity risk. The directors regularly review and agree policies for managing these risks. Further details are set out in Note 15.

Credit risk is managed by monitoring limits and payment performance of counterparties. The directors consider the level of general credit risk in current market conditions to be higher than normal.

Foreign currency risk is managed by matching payments and receipts in foreign currency to minimise exposure. Foreign currency is bought to match liabilities as they fall due where currency receipts are insufficient to match the liability. The results of Stadium Asia are reported in Hong Kong dollars, and as a result of this the Group's balance sheet and trading results can be affected by movements in the Hong Kong dollar. Part of this exposure is hedged by entering into loan facilities denominated in United States dollars.

Liquidity risk is managed by the Group maintaining undrawn overdraft facilities in order to provide short term flexibility.

Interest rate risk is managed by holding a mixture of cash and borrowings in Sterling, United States dollars and Hong Kong dollars at floating rates of interest.

Market Risks

The Group's main exposure to market risk arises from increases in input costs insofar as it is unable to pass them onto customers through price increases. The Group does not undertake any hedging activity in this area and all materials and utilities are purchased in spot markets. The Group is also exposed to the risk of a downturn in its customers' end markets leading to reduced levels of activity for the Group.

Input prices are monitored continually and underlying commodity prices are tracked. The Group seeks to mitigate increases in input costs through a combination of continuous improvement activities to increase the efficiency of operations and passing cost increases on to customers, where this is commercially viable.

The directors seek to ensure that the Group's activities are not significantly concentrated in sales to either one individual customer or into a single market sector in order to mitigate the exposure to downturn in activity levels. The directors consider that the current level of general market risk is higher than normal.

Going concern

The directors confirm that, after having made appropriate enquiries, they have a reasonable expectation that the Group and the Company have adequate resources to continue operations for the foreseeable future. Accordingly, the directors continue to adopt the going concern basis in preparation of the financial statements.

Colin Wilson

Finance Director

4 March 2009

Contents

Directors' Report	17
Corporate Governance	19
Social Responsibility	20
Remuneration Report	21
Statement of Directors' Responsibilities	22
Independent Auditors' Report	23
Consolidated Income Statement	24
Consolidated Statement of Recognised Income and Expense	24
Consolidated Balance Sheet	25
Consolidated Cash Flow Statement	26
Consolidated Cash Flow Statement Notes	27
Statement of Accounting Policies	28
Notes to the Financial Statements	31
Independent Auditors' Report (Company)	52
Company Balance Sheet	53
Notes to the Company Financial Statements	54
Five Year Financial Summary	61
Notice of AGM	62
Corporate Directory	66
Group Directory	67

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Principal activities

The principal activities of the Group are the manufacture and sale of electronic assemblies, and plastic mouldings.

Results and dividends

The results for the year are set out in the consolidated income statement on page 24.

Business review

A review of the activities, results, key performance measures and future development of the Group is given in the Chairman's statement, Chief Executive's review, and the Financial review, which are set out on pages 10 to 15. An interim dividend of 1.25 pence (2007: 1.20 pence) per ordinary share amounting to £360,000 (2007: £346,000) was paid on 3 October 2008. The directors recommend payment of a final dividend of 1.3 pence (2007: 2.55 pence) per share amounting to £375,000 (2007: £735,000).

Directors and directors' interests

The directors of the Company during the year and their interests in the ordinary share capital at the beginning and the end of the year, all beneficial (and including related family interests) were as follows:

	31 Dec 2008	Acquired	Ordinary Shares of 5p each Family transfers	Options exercised	31 Dec 2007
Nick Brayshaw	66,674	46,674	–	–	20,000
Chris Gill	40,000	20,000	–	–	20,000
Ken Leung	290,400	50,000	–	–	240,400
Nigel Rogers	327,905	38,850	–	–	289,055
Kamal Verma	433,637	40,000	–	–	393,637
Colin Wilson	10,000	10,000	–	–	–

Entitlements of the directors at 31 December 2008 to purchase ordinary shares of 5p each under the share option schemes in Note 17 to the accounts, were as follows:

	1997 Executive Share Option Scheme		Performance Share Plan	
	Granted 31 Dec 02	Granted 4 April 05	Granted 4 April 07	Granted 4 April 08
Exercise price	35p	85.5p	5p	5p
Ken Leung	470,200	37,500	–	–
Nigel Rogers	470,200	37,500	–	–
Kamal Verma	470,200	37,500	–	–
Colin Wilson	–	–	30,000	20,000

The market price of ordinary shares at 31 December 2008 was 43p, and the shares traded in the range 37p to 71.5p during the year.

Full details of directors' shareholdings and options to subscribe are recorded in the Register of Directors' Interests, which is open to inspection by members.

Authority to purchase own shares

A resolution renewing the Company authority to purchase its own issued ordinary shares of 5 pence each will be proposed at the Annual General Meeting. This authority is limited to purchases through the London Stock Exchange at a price of not less than 5 pence per share and not more than 5% above the average of the middle-market quotations of the Company's shares as shown in the Alternative Investment Market Daily Official List for the 10 business days before the purchase is made, covering a maximum number of 4,324,000 shares, being approximately 15% of the Company's present issued ordinary share capital.

The directors would not propose to exercise the authority to make purchases unless the expected effect of the purchase would be to increase earnings per share of the remaining shares in the capital of the Company, and unless the purchase is generally in the best interest of shareholders. Any shares purchased under this authority would be treated as cancelled and the number of shares in issue reduced accordingly. The directors to renew this authority will be proposed at each succeeding Annual General Meeting.

Directors' report

continued

Substantial shareholdings

As far as the directors are aware, the only notifiable holdings equal to or in excess of 3 per cent of the issued ordinary share capital at 20 February 2009 were:

Ordinary shares of 5p each	Number	%
Framlington Investment Management	3,543,250	12.3
Gartmore Investment Management	2,649,839	9.2
Barclays Stockbrokers	1,444,612	5.0
GD Fry	1,432,750	5.0
Chelverton Asset Management	1,175,000	4.1
DC Fry	1,022,750	3.5
RM & O Giles	1,000,000	3.5
AE Wiseman	926,072	3.2

Treasury and Risk management

A review of treasury activities and risk management is set out in the Financial review on page 15 and in Note 15.

Payment of suppliers

It is the Company's policy to pay all suppliers within payment terms formally agreed on an individual basis. The average period of credit taken during 2008 was 60 days (2007: 60 days).

Donations

The Group made charitable donations during the year amounting to £5,000 (2007: £1,000). No contributions were made to any political organisation.

Employees

The Group actively encourages employee communication and involvement through representation by Works Committee, and participation in schemes offering an element of performance related remuneration. In addition, the share option schemes outlined in note 17 to the accounts offer employees the opportunity to benefit from the future development prospects of the Group.

It is the Group's policy to give full and fair consideration to all applications from disabled persons, with due consideration being given to respective aptitudes and abilities. The same policy applies in the event of employees who become disabled during employment. Appropriate training is provided where applicable.

Independent auditors

A resolution to reappoint PKF (UK) LLP as auditors to the Company will be proposed at the annual general meeting. So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the Company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

By order of the Board

Colin Wilson
Company Secretary
4 March 2009

Corporate governance

The Directors

The board of directors, which leads and controls the Company, has a formal schedule of matters reserved for it, and consists of:

Non-executive chairman
Chief executive
Finance director
Managing director – Electronics
Managing director – Stadium Asia
Senior independent director

The chairman and the senior independent director provide the appropriate balance between the executive and non-executive directors, for a company of this size.

The board of directors take independent professional advice where necessary, at the Company's expense. The board meets monthly, and the monthly management accounts and other relevant information are circulated to all board members in advance of these meetings. The consolidated Group management accounts allow the performance of individual businesses to be monitored against budget, previous forecasts and prior year actual results.

Existing directors are required to retire and submit themselves for re-election at least every three years or at the first AGM after appointment. The appointment of new directors is delegated to a nominations committee, which makes recommendations to the board.

Directors' remuneration

The Remuneration Committee consists entirely of the non-executive directors, and its policy and the details of each director's remuneration are clearly explained in its report on page 21 and in note 4.

A proportion of the executive directors' remuneration is structured so as to link rewards to corporate and individual performance. The board will consider every year whether the report of the Remuneration Committee should be an item on the AGM agenda.

Relations with the shareholders

After the announcement of the interim and final results the directors meet the major institutional and private shareholders to discuss trading and future developments. The board encourages all shareholders to participate at the AGM. Corporate news and financial information is provided on the Company's website at www.stadium-plc.com

Combined code

The board recognises that the Combined Code represents best practice for AIM-listed companies, and regulates its activities with regard to the principles and provisions contained therein.

Internal control

The system of internal controls established by the directors is intended to be comprehensive, although the limitations of any system of control are such that it is designed to manage rather than eliminate the risk of failure to achieve business objectives and it provides a reasonable, rather than absolute, level of assurance against material misstatement or loss.

The principal features of the system of internal financial controls are:

- budgetary control over all operating units, measuring performance against pre-determined targets on at least a monthly basis
- regular forecasting and reviews covering trading performance, assets, liabilities and cash flows
- delegated limits of authority covering key financial commitments including capital expenditure and recruitment
- identification and management of key business and inherent risks
- implementation and annual review of a group compliance manual.

The board continually reviews the effectiveness of other internal controls, including financial, operational, compliance controls and risk management.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Audit Committee

The Audit Committee, which comprises the non-executive directors, meets to consider the scope and key issues in planning the external audit. The external auditors report their findings and any recommendations to the Audit Committee prior to the approval of the financial statements.

By order of the Board

Colin Wilson
Company Secretary
4 March 2009

Social responsibility

Maintaining the highest ethical and professional standards and accepting social responsibility is key to the way we operate throughout Stadium Group plc. We run our businesses based on sustained growth and transparency at all levels.

Our People

The development of our people is a core value throughout the Group and as we see it as our duty to be a responsible employer we are committed to the creation of training opportunities to support our employees in reaching their full potential.

Equality

Stadium Group operates a global policy on equality and we are committed to providing a working environment with a culture of respect towards the diversity of our people.

We are committed to offering equal opportunities to all people without discrimination as to race, sex, nationality, ethnic or national origin, language, age, marital status, sexual orientation, religion or disability.

Health & Safety

A comprehensive health and safety policy is in place to ensure a safe working environment at all times. The health and safety policy also demonstrates our additional responsibility to customers, suppliers and contractors and we maintain communication of the policy at all levels throughout the Company.

Communication

We encourage two-way and open lines of communication throughout the Group and are committed to ongoing dialogue with local and global stakeholders to create trust, opportunity and long term sustainable value.

Environment and Energy Management

Our focus on environmental impact is expanding as we increasingly recognise our responsibility to define and manage environmental objectives and targets. Key focus areas include resource efficiency, reducing energy consumption, material waste management and recycling initiatives. Environmental aspects are also considered in product development and process improvement projects.

ISO14001 certification is in place at Stadium Asia and Stadium Electronics Rugby, and it is our aim to achieve this standard for all sites within the Group.

Community

At our corporate headquarters we support the community through charitable support and education initiatives. We have forged strong links with local schools and undertake work placement programmes throughout the year. We also seek to support communities at our additional company sites.

Social Responsibility in China

Stadium Group strives for sustained profitable growth through ethical conduct and we take seriously our responsibility to manage an ethical supply chain through our Stadium Asia operation. With full control over our manufacturing facilities in China, we are able to offer total commitment to be a responsible employer and it is our policy to exceed expectations in social policy. Our three focus areas in Stadium Asia are employee welfare, health and safety and product quality.

Stadium Asia operates against certified ISO/TS16949, ISO9001, ISO14001 and ISO13485 standards and is subject to internal and customer audits periodically.



Report of the remuneration committee on behalf of the board

I present, on behalf of the Remuneration Committee of the board of directors, a report on executive remuneration for the year ended 31 December 2008.

All matters relating to the remuneration of the executive directors are dealt with by the Remuneration Committee which comprises the two non-executive directors of the Company. The objective of the Remuneration Committee is to ensure that the executive directors are fairly rewarded for their contribution to the overall performance of the Group, and that their remuneration is set in such a manner as to attract, retain and motivate suitable individuals with due regard to the effect upon the operating costs of the Company.

The Remuneration Committee considers all elements comprising executive remuneration, including basic salary, annual performance related payments, benefits in kind, grants of share options and other longer term performance related remuneration, pension provision and period of contractual notice.

Basic entitlements

The executive directors have service contracts which are subject to a notice period of between three and twelve months.

The executive directors are each paid a basic annual salary which is open to review each January. In addition, the executive directors are entitled to annual performance related bonuses which are dependent upon the attainment of specific financial targets. Further benefits in kind are awarded as appropriate, including the provision of a company car and private medical insurance.

Pension provision

Nigel Rogers and Kamal Verma are members of the Stadium Group Retirement Benefits Plan (1974), with benefits accruing at a rate at which they become entitled to a pension of two thirds of final earnings at 60 years of age. Membership of the plan also provides a death in service benefit of four times earnings and a widow's pension of half the directors' pension. The plan is contributory at the rate of 7.5% (2007: 7.5%).

Share options and other long term performance related payments

The executive directors are entitled to participate in the 1996 Executive Share Option Scheme on the same terms as all other employees.

In addition, three executive directors have been granted further options under this scheme ("Super Options") which are subject to more stringent performance criteria.

The Remuneration Committee has determined that 50% of these options (covering 705,300 shares) are now exercisable. The remaining 50% are determined to have lapsed.

Details of these options are set out on page 17 and in note 17 to the accounts.

The executive directors participate in a long term incentive scheme which commenced on 1 January 2009 and matures on 31 December 2011. Payments under the scheme are dependent upon the level of real growth (adjusted for RPI changes) in fully diluted earnings per ordinary share, against a base point of pre-exceptional earnings per share from continuing activities before goodwill amortisation.

Only current directors who continue to be employed on 1 January 2012 will receive any payment. Payment will be determined according to the following scale:

Real EPS growth (after costs of scheme)	Bonus as a % of 2011 salary
<25%	nil
25%	25
each add. 1% up to 35%	2
35%	45
each additional 1%	3
Upper limit	100

There will be no substantive changes to the scheme in future without prior shareholder approval. Copies of the terms of the scheme are available for inspection at the Registered Office, Stephen House, Brenda Road, Hartlepool and will be available immediately prior to the Annual General Meeting.

Non-executive directors' remuneration is determined by the board as a whole, and is set at levels intended to attract individuals of an appropriate calibre.

Details of directors' remuneration for the year ended 31 December 2008 are provided in note 4 to the accounts.

Nick Brayshaw

Chairman – Remuneration Committee
4 March 2009

Statement of directors' responsibilities Stadium Group plc

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, prepared the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have elected to prepare the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state, in the parent company financial statements, whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent Auditors' Report to the members of Stadium Group plc

We have audited the Group financial statements of Stadium Group plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of recognised income and expense and the related notes. These Group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent Company financial statements of Stadium Group plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the Group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Group financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the Group financial statements. The information in the directors' report includes that specific information presented in the chairman's statement, chief executive's review and financial review that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited Group financial statements. The other information comprises only the directors' report, the report of the remuneration committee, the chairman's statement, the chief executive's review, the financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Group financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PKF (UK) LLP
Registered Auditors
Leeds, UK
4 March 2009

Consolidated income statement

For the year ended 31 December 2008

	Note	2008 £000's	2007 £000's
Revenue	1	47,611	40,756
Cost of sales		(36,842)	(31,145)
Gross profit		10,769	9,611
Other income		-	439
Operating expenses		(7,653)	(7,093)
Operating profit	1	3,116	2,957
Finance costs	2	(334)	(294)
Profit before sale of property and tax		2,782	2,663
Profit on sale of property	2	-	97
Profit before tax	2	2,782	2,760
Taxation	5	(591)	(521)
Profit attributable to equity holders of the parent		2,191	2,239
Basic earnings per share	25	7.6p	7.8p
Diluted earnings per share	25	7.6p	7.8p

Consolidated statement of recognised income and expense

For the year ended 31 December 2008

	2008 £000's	2007 £000's
Actuarial loss in pension scheme net of deferred tax	(287)	(444)
Net exchange difference on translation of foreign operation	1,070	(43)
Net income/(expense) recognised directly in equity	783	(487)
Profit for the year	2,191	2,239
Total recognised income and expense for the year attributable to equity holders of the parent	2,974	1,752

Consolidated balance sheet

At 31 December 2008

	Note	2008 £000's	2007 £000's
Assets			
Non-current assets			
Property, plant and equipment	8	7,723	6,654
Goodwill	7	2,589	1,524
Other intangible assets	10	172	–
Deferred tax assets	16	1,463	1,769
Other receivables	12	489	524
		12,436	10,471
Current assets			
Inventories	11	5,547	5,176
Trade and other receivables	12	9,286	8,271
Cash and cash equivalents		1,738	862
		16,571	14,309
Total assets		29,007	24,780
Equity			
Equity share capital	17	1,441	1,440
Share premium	18	4,237	4,233
Capital redemption reserve	19	88	88
Translation reserve	20	142	(928)
Retained earnings	21	4,698	3,859
Total equity		10,606	8,692
Non-current liabilities			
Non-current payables	14	3,437	720
Pension liability	26	5,226	5,896
Total non-current liabilities		8,663	6,616
Current liabilities			
Bank overdrafts		–	401
Current portion of long-term borrowings	13	386	239
Trade payables	13	5,617	5,563
Current tax payable	13	647	318
Other payables	13	3,088	2,951
Total current liabilities		9,738	9,472
Total liabilities		18,401	16,088
Total equity and liabilities		29,007	24,780

The accounts were approved and authorised for issue by the Board on 4 March 2009 and signed on its behalf by:

Nigel Rogers
Director



Consolidated cash flow statement

For the year ended 31 December 2008

	Note	2008 £000's	2007 £000's
Net cash flow from operating activities	A	2,752	3,684
Investing activities			
Purchase of property, plant and equipment		(654)	(589)
Sale of property, plant and equipment		26	2,846
Acquisition of subsidiary net of cash acquired		(2,502)	(667)
Cash flows from investing activities		(3,130)	1,590
Financing activities			
Equity share capital subscribed		5	–
Interest paid		(90)	(337)
Increase/(decrease) in bank loans		2,835	(2,286)
Dividends paid on ordinary shares		(1,095)	(1,052)
Cash flows from financing activities		1,655	(3,675)
Net increase in cash and cash equivalents	B	1,277	1,599
Cash and cash equivalents at start of period		461	(1,138)
Cash and cash equivalents at end of period		1,738	461



Consolidated cash flow statement notes

For the year ended 31 December 2008

A Net cash inflow from operating activities

	2008 £000's	2007 £000's
Operating profit	3,116	2,957
Share option costs	30	70
Depreciation	898	780
Development costs	(90)	–
Decrease in inventories	296	843
Decrease/(increase) in trade and other receivables	280	(489)
(Decrease)/increase in trade and other payables	(407)	686
Net cash inflow from trading activities	4,123	4,847
Difference between pension charge and cash contributions	(1,211)	(1,050)
Tax paid	(160)	(113)
Net cash inflow from operating activities	2,752	3,684

B Analysis of changes in net debt

	2007 £000's	Cash Flow £000's	2008 £000's
Cash	862	876	1,738
Bank overdrafts	(401)	401	–
Cash and cash equivalents	461	1,277	1,738
Loans due within one year	(239)	(147)	(386)
Loans due after more than one year	(720)	(2,688)	(3,408)
Net debt	(498)	(1,558)	(2,056)
Total equity	8,692		10,606
Gearing	6%		19%

Statement of accounting policies

For the year ended 31 December 2008

The Company

Stadium Group plc (the 'Company') is a company incorporated in England and is listed on the Alternative Investment Market. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the 'Group'). The financial statements were authorised for issue by the directors on 4 March 2009.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), as adopted for use by the European Union (EU) effective at 31 December 2008 and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The Company has elected to prepare its parent Company accounts under UK Generally Accepted Accounting Principles (UK GAAP).

The Group's IFRS accounting policies, set out below, have been consistently applied to all the periods presented. The accounting policies have been applied consistently by Group entities.

The following interpretations were mandatory for the Group's accounting period, but are not relevant to the operations of the Group.

- IFRIC 12 Service concession arrangements
- IAS 39 and IFRS 7 (amendment) Reclassification of financial instruments

The following standards and interpretations were issued and available for early application but have not yet been applied by the Group in these financial statements. The Group intends to apply these standards and interpretations, where applicable, when they become effective:

- IFRS 1 and IAS 27 (Amendment) Cost of investment in subsidiary
- IFRS 2 (Amendment) Share-based payment
- IFRS 3 (Revised) Business combinations
- IFRS 8 Operating segments
- IAS 1 (Revised) Presentation of financial statements
- IAS 1 and IAS 32 (Amendment) Puttable financial instruments and obligations arising on liquidation
- IAS 23 (Amendment) Borrowing costs
- IAS 27 (Amendment) Consolidated and separate financial statements

- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Agreements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation

The adoption of these standards is not expected to have a material effect on the financial statements.

Basis of consolidation

The Group financial information consolidates that of the Company and its subsidiaries. Businesses acquired or disposed of during the period are consolidated from the effective date of acquisition or until the effective date of disposal.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Goodwill

Goodwill arising on consolidation consists of the excess of the fair value of the consideration over the fair value of the Group's interest in the identifiable tangible and intangible assets net of liabilities including contingencies of the business acquired at the date of acquisition. Goodwill is recognised as an asset at cost less any recognised impairment losses. It is reviewed for impairment at least annually and any impairment is recognised immediately in the Income Statement.

Revenue recognition

Revenue is measured at the fair value of goods provided to customers net of returns, discounts, value added tax and other sales taxes. Revenue is recognised when goods are despatched to the customer and the collectability of the revenue is reasonably assured.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged at rates calculated to write down the cost of assets (excluding freehold land) over their estimated useful lives by equal instalments at the following rates:

Freehold buildings	2%
Plant and machinery	10% – 25%
Fixtures and equipment	10% – 25%

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in income.

Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Cost is determined on a first-in-first-out basis including transport and handling costs and, in the case of manufactured products, includes all direct expenditure and production overheads based on normal levels of activity.

Deferred taxation

Deferred taxation is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying temporary differences can be deducted.

Other intangible assets

Other intangible assets are shown at historical cost less accumulated amortisation and impairment losses.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset unless such lives are indefinite. Intangible assets with an indefinite useful life are tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The useful lives are as follows:

- Development costs – 5 years

Amortisation periods and methods are reviewed annually and adjusted if appropriate.

Share based payments

Employee share options are measured at fair value at grant date using the Black-Scholes model. The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest.

Pension costs

Defined benefit scheme

Assets and liabilities arising from retirement benefit obligations and the related funding are reflected at fair value in the financial statements, and operating and finance costs are recognised in the financial periods in which they arise. Gains and losses arising from actuarial experience during the accounting period are recognised in the consolidated statement of recognised income and expense.

Defined contribution schemes

Contributions payable are charged to the income statement in the accounting period in which they are incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the prevailing rate on the date of the transaction.

Trading assets and liabilities denominated in foreign currencies are translated into Sterling at the rate prevailing at the period end. Gains and losses arising on the translation of foreign currencies are dealt with as part of operating profit.

The assets and liabilities of foreign subsidiary undertakings are translated into Sterling at the period end exchange rate.

The income and expenditure of foreign subsidiary undertakings are translated into Sterling at the average exchange rate prevailing during the period. Exchange differences arising on retranslation of opening assets and liabilities, long term financing denominated in foreign currency and the trading of foreign subsidiary undertakings are taken directly to the translation reserve using the net investment method.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as Sterling denominated assets and liabilities (see note 15). As permitted by IFRS 1, the Group elected to deem cumulative currency translation differences to be £nil as at 31 December 2005.

Financial Instruments

The Group's financial instruments comprise borrowings, some cash and liquid resources and items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to manage the finance of the Group's operations.

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.



Statement of accounting policies

For the year ended 31 December 2008

Trade receivables:

Trade receivables do not carry any interest and are stated at their nominal value less appropriate allowances for estimated irrecoverable amounts.

Bank borrowings:

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the Income Statement and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

Trade payables:

Trade payables do not carry any interest and are stated at their nominal value.

Equity instruments:

Equity instruments issued by the Group are recorded at the proceeds received net of direct issue costs.

It has been, throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The Group does not consider that it has any obligations or rights under derivative financial instruments.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these policies are set out in Note 15.

Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Key sources of estimation uncertainty

Stock provisions – The stock provision is based on average loss rates of stock in recent months. The provision makes use of stock counts performed which is considered to be representative of all stock items held.

Retirement benefit obligations – Refer to note 26 for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Goodwill – Goodwill is evaluated for impairment at each balance sheet date. The recoverable amounts of cash generating units have been estimated based on value in use calculations.

Credit risk – Trade and other receivables are recognised to the extent that, in the opinion of the directors, they are recoverable in the ordinary course of business.



Notes to the financial statements

1. Segmental analysis

By business segment

	Stadium Electronics £000's	Stadium Power £000's	2008 Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Revenue – external customers	32,832	3,920	10,859	–	47,611
Operating profit	2,521	641	427	(473)	3,116
Interest payable					(336)
Interest receivable					2
Profit on sale of freehold property					–
Taxation					(591)
Profit for the year					2,191

	Stadium Electronics £000's	Stadium Power £000's	2007 (Restated) Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Revenue – external customers	25,765	3,643	11,348	–	40,756
Operating profit	1,978	482	800	(303)	2,957
Interest payable					(296)
Interest receivable					2
Profit on sale of freehold property					97
Taxation					(521)
Profit for the year					2,239

Notes to the financial statements

Segmental analysis continued

	Stadium Electronics £000's	Stadium Power £000's	2008 Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Segment assets	16,752	1,420	5,319	6,305	29,796
Segment liabilities	(8,156)	(271)	(1,145)	(9,618)	(19,190)
Segment net assets	8,596	1,149	4,174	(3,313)	10,606
Expenditure on property, plant and equipment	489	79	86	–	654
Expenditure on development costs	–	90	–	–	90
Depreciation and amortisation	544	68	221	65	898
			2007 (Restated)		
	Stadium Electronics £000's	Stadium Power £000's	Branded Plastics £000's	Unallocated & Adjustments £000's	Consolidated £000's
Segment assets	12,810	1,495	5,831	4,644	24,780
Segment liabilities	(6,287)	(447)	(1,448)	(7,906)	(16,088)
Segment net assets	6,523	1,048	4,383	(3,262)	8,692
Expenditure on property, plant and equipment	306	39	219	25	589
Expenditure on development costs	–	–	–	–	–
Depreciation and amortisation	430	67	271	12	780

In 2007 the results of Stadium Power segment were reported within Electronics. From 2008 Stadium Power results have been reported internally as a separate operating segment. The 2007 comparatives have been restated accordingly.

Segmental analysis
By geographical location

	Revenue – external customers by location of customer £000's	2008 Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	26,509	5,958	352
Europe	8,226	–	–
Asia	2,508	4,648	302
Americas	4,967	–	–
Other	5,401	–	–
	47,611	10,606	654

	Revenue – external customers by location of customer £000's	2007 Net assets by location of assets £000's	Capital expenditure by location of assets £000's
UK	24,457	5,103	386
Europe	7,191	–	–
Asia	2,569	3,589	203
Americas	3,597	–	–
Other	2,942	–	–
	40,756	8,692	589

Notes to the financial statements

2. Profit before taxation

	2008 £000's	2007 £000's
(a) Net operating expenses		
Distribution costs (2008: £nil in acquired entities)	(1,333)	(1,328)
Administrative expenses (2008: £135,000 in acquired entities)	(6,320)	(5,765)
Operating lease income (2008: £nil in acquired entities)	–	439
	(7,653)	(6,654)
(b) Profit on sale of property (2007) comprises gains on the sale of freehold properties, including factory, warehouse and office premises let to third parties at Hartlepool.		
(c) Profit before taxation is stated after charging/(crediting):		
Inventories recognised as costs of sale	36,842	31,145
Costs of equity settled share based payments	30	70
Foreign exchange losses	276	125
Auditors' remuneration:		
Fees payable to the Company's auditors for audit of the parent company and consolidated financial statements	28	36
The audit of the Company's subsidiaries pursuant to legislation	71	51
Taxation services	17	15
Other services	7	4
For audit of Company pension schemes	7	6
Operating lease costs	59	30
Depreciation	898	780
Profit on sale of property	–	(97)
(d) Finance Cost (net) comprises:		
Interest receivable	2	2
Interest payable on bank loan and overdrafts	(92)	(339)
Other finance costs	(244)	43
	(334)	(294)
(e) Other finance costs comprises:		
Expected return on pension scheme assets	1,426	1,505
Interest on pension scheme liabilities	(1,670)	(1,462)
	(244)	43



3. Employees

Average number of employees (including directors) during the year was:

	2008	2007
Direct production – Plastics	90	91
– UK Electronics	196	143
– Asia Electronics	595	572
Selling and administrative (including indirect production)	505	522
	1,386	1,328

Aggregate payroll costs were as follows:

	£000's	£000's
Wages and salaries	9,141	8,104
Social Security costs	582	510
Pension costs (note 26)	301	256
	10,024	8,870

4. Directors' remuneration

	2008 £000's	2007 £000's
Fees	74	72
Salaries and benefits in kind	668	562
	742	634

Directors' remuneration comprised:

	Fees £000's	Salary £000's	Annual Bonus (see below) £000's	Benefits in kind £000's	Total 2008 £000's	Total 2007 £000's
Nick Brayshaw	47	–	–	–	47	46
Chris Gill	27	–	–	–	27	26
Ken Leung	–	118	24	13	155	136
Nigel Rogers	–	184	36	10	230	224
Kamal Verma	–	164	33	9	206	202
Colin Wilson	–	62	14	1	77	–
Total	74	528	107	33	742	634

Nigel Rogers and Kamal Verma are both members of a defined benefit pension scheme (see note 26) and total Company contributions in the year were £57,000 (2007: £55,000). Colin Wilson is a member of a defined contribution scheme (see note 26) and total Company contributions for the year were £3,000 (2007: £nil). The accrued pension of the highest paid director was £66,000 (2007: £62,000). No pension contributions were paid on behalf of other directors.

The annual bonus of the executive directors was earned at the rate of 20% of basic salary. By agreement, approximately one third of the bonus stated above amounting to 7% of basic salary (total £38,000) was deferred for payment at a later date at the discretion of the Remuneration Committee.

Notes to the financial statements

5. Taxation

	2008 £'000s	2007 £'000s
<i>Current tax</i>		
UK corporation tax on profit of the period	–	–
Adjustments in respect of previous periods	(115)	20
	(115)	20
Foreign tax	446	179
Prior year adjustment	–	–
Total current tax	331	199
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	260	322
Adjustments in respect of previous periods	–	–
Total deferred tax	260	322
Tax on profit	591	521
<i>The tax assessed for the period is lower than the standard rate of corporation tax in the UK (28%; 2007: 30%)</i>		
<i>The differences are explained below:</i>		
Profit before tax	2,782	2,760
Profit multiplied by standard rate of corporation tax in the UK of 28% (2007: 30%)	779	828
<i>Effects of:</i>		
Expenses not deductible for tax purposes	6	56
Overseas earnings at lower rates	420	(158)
Unrecognised temporary differences	91	(225)
Foreign exchange loss in reserves	(573)	–
Losses brought forward utilised	(22)	–
Adjustments in respect of previous periods	(110)	20
Tax charge for period	591	521

6. Dividends

	2008 £000's	2007 £000's
<i>Equity</i>		
Ordinary dividends paid:		
2007 final dividend at 2.55p per share (2006: 2.45p)	735	706
2008 interim dividend at 1.25p per share (2007: 1.20p)	360	346
	1,095	1,052

The board proposes to pay a 2008 final dividend of 1.30p per share (2007: 2.55p) on 5 May 2009 to shareholders on the register on 3 April 2009, amounting to £375,000 (2007: £735,000).

7. Goodwill

Cost	2008 £000's	2007 £000's
At 1 January	1,524	1,020
Acquired during the year (notes 23 & 24)	1,065	504
At 31 December	2,589	1,524
Accumulated impairment loss		
At 1 January	–	–
Charge for year	–	–
At 31 December	–	–
Net book amount		
At end of year	2,589	1,524
At start of year	1,524	1,020

Goodwill acquired through business combinations has been allocated at acquisition to the cash generating units (CGU's) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as per the table below:

	2008 £000's	2007 £000's
Asia	536	536
KRP	484	484
Ferrus	504	504
Zirkon	1,065	–
Fox	82	–
	2,671	1,524

Goodwill arises on the consolidation of subsidiary undertakings. Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP net book value subject to being tested for impairment at that date.

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

The increase in goodwill in 2008 comprises £1.1 million arising on the acquisition of Zirkon Limited.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions to the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales and overheads during the period. Management use discount rates of 12% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the cash generating units. The growth rates are based on industry growth forecasts.

Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.



Notes to the financial statements

8. Property, plant and equipment

	Freehold land & buildings £000's	Plant & machinery £000's	Fixtures & equipment £000's	Total £000's
Cost				
At 31 December 2006	10,793	12,867	2,573	26,233
Additions	25	511	53	589
Acquisitions	–	–	306	306
Disposals	(4,917)	(317)	(8)	(5,242)
Exchange	(11)	(32)	(9)	(52)
At 31 December 2007	5,890	13,029	2,915	21,834
Additions	2	549	103	654
Acquisition	49	3,234	265	3,548
Transfers	–	35	(35)	–
Disposals	(10)	(340)	(159)	(509)
Exchange	331	1,027	279	1,637
At 31 December 2008	6,262	17,534	3,368	27,164
Depreciation				
At 31 December 2006	3,219	10,679	2,233	16,131
Charge in year	112	554	114	780
Acquisition	–	–	263	263
Disposals	(1,671)	(293)	(6)	(1,970)
Exchange	–	(18)	(6)	(24)
At 31 December 2007	1,660	10,922	2,598	15,180
Charge in year	120	647	131	898
Acquisition	45	2,727	239	3,011
Transfers	–	12	(12)	–
Disposals	(10)	(318)	(155)	(483)
Exchange	15	610	210	835
At 31 December 2008	1,830	14,600	3,011	19,441
NBV				
NBV at 31 December 2008	4,432	2,934	357	7,723
NBV at 31 December 2007	4,230	2,107	317	6,654
NBV at 31 December 2006	7,574	2,188	340	10,102

There were no outstanding commitments in respect of Group capital expenditure. The net book value of property, plant and equipment includes £220,000 (2007: £nil) held within plant and machinery relating to finance leases. Freehold land and buildings includes assets with a net book value of £3,295,000 (2007: £3,386,000) which are subject of fixed charges referred to in note 14.

9. Investments

At 31 December 2008 the principal subsidiaries of the Company included on consolidation, all of which were wholly owned, were as follows:

Name	Nature of business	Registration	Operation
Stadium Asia Limited	Electronic Manufacturing Services	British Virgin Islands	China/Hong Kong
STMC Limited	Electronic Manufacturing Services	Hong Kong	China
Stadium Power Limited	Custom power supplies	England & Wales	UK
Quest Consumer Products Limited	Babycare and nursery goods	England & Wales	UK
KRP Power Source (UK) Limited	Power supply distribution	England & Wales	UK
Ferrus Power Limited	Custom Power suppliers	England & Wales	UK
Fox Industries Limited	Filters and power supplies	England & Wales	UK
Stadium Zirkon (UK) Limited	Electronic Manufacturing Services	England & Wales	UK

10. Other intangible assets

	Development costs £000's
Cost	
At 1 January 2008	–
Additions	90
Acquisition of Fox Industries Limited (note 23)	82
Disposals	–
At 31 December 2008	172
Accumulated amortisation	
At 1 January 2008	–
Amortisation	–
Disposals	–
At 31 December 2008	–
Carrying value at 31 December 2008	172
Carrying value at 31 December 2007	–

Amortisation of development costs will commence when associated revenues are earned.

11. Inventories

	2008 £000's	2007 £000's
Raw materials and consumables	2,921	2,467
Work in progress	478	436
Finished goods and goods for resale	2,148	2,273
	5,547	5,176



Notes to the financial statements

12. Trade and other receivables

	2008 £000's	2007 £000's
Non-current receivables:		
Other non-trade receivables	489	524
Current receivables:		
Trade receivables	8,567	7,265
Other non-trade receivables	321	480
Prepayments and accrued income	398	526
	9,286	8,271
	9,775	8,795

Other non-current receivables represents the deferred portion of the consideration for a property disposal which was made in 2007. The deferred amount is receivable on flexible terms across three years from the date of sale, attracts interest at 3% above base rate and is secured by a fixed charge over the property. The amount of the deferred consideration outstanding at the year end was £489,000.

13. Current payables

	2008 £000's	2007 £000's
Bank overdrafts	–	401
Current portion of long term borrowings	386	239
Trade payables	5,617	5,563
Current tax payable	647	318
Other payables:		
Tax and social security	604	520
Other non-trade payables	540	281
Accruals and deferred income	1,944	2,150
	9,738	9,472

Net bank overdrafts of £nil (2007: £401,000) are stated net of associated cash and cash equivalents to the extent that they are covered by offset arrangements.

14. Non-current payables

	2008 £000's	2007 £000's
Long term borrowings	3,408	720
Other non-trade payables	29	–
	3,437	720

The net bank borrowings, including overdrafts, of Group companies are secured by fixed and floating charges over the assets of the Group. There is a guarantee relating to indebtedness of all Stadium Group companies in the UK to Barclays Bank Plc, which is secured by a fixed and floating charge over the assets of all UK group companies.

Other non-trade payables comprises hire purchase liabilities falling due between one and two years.

15. Financial instruments

Set out below are the narrative and numerical disclosures which the directors consider to be material, and required by International Financial Reporting Standard 7 "Financial Instruments."

Financial instruments:

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors, trade creditors, etc. that arise directly from its operations. The main purpose of these financial instruments is to manage the finance of the Group's operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk:

Exposure to credit risk arises on trade receivables on sales to customers, other non-trade receivables and cash at bank totalling £10,794,000. Credit risk arises to the extent that any counterparty may become unable to satisfy its obligations in respect of prior transactions.

Management has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are carried out on all significant prospective customers and all existing customers requiring credit beyond a certain threshold. Varying approval levels are set on the extension of credit depending upon the value of the sale.

Where credit risk is deemed to have risen to an unacceptable level, remedial actions including the variation of terms of trade are implemented under the guidance of senior management until the level of credit risk has been normalised.

The directors consider the level of general credit risk in current market conditions to be higher than normal.

Trade receivables at 31 December 2008 comprised:

	<u>£000's</u>
Gross amount:	
Neither impaired nor past due	7,989
Impaired but not past due	460
Past due but not impaired:	
31-60 days	265
61-90 days	45
91-120 days	104
more than 121 days	93
	<u>8,956</u>
Less: provisions held	<u>(389)</u>
Carrying amount	<u><u>8,567</u></u>

The Group allows an average debtors payment period of between 45 and 75 days from invoice date. Trade receivables that are neither impaired nor past due are made up of approximately 500 balances, of which approximately 300 relate to Branded Plastics. None of the individual balances is considered to represent a significant portion of the total balance; the largest individual balance was 9% of the total balance. Historically, these debtors have always paid balances when due, unless the balance or the quality of goods delivered is disputed. The average age of these debtors is 65 days.

Balances impaired but not past due include an amount of approximately £460,000 relating to two balances which have been re-negotiated during the year which are provided against to the extent of 50%. Balances past due but not impaired are covered by allowances to the extent of 30%.

Subsequent to the end of the year, a balance of approximately £418,000 included as neither impaired nor past due was not settled by the counterparty as a result of its ultimate parent company filing a motion for the sale of certain of its US assets under Chapter 11. Assurances have been received that the pre-petition receivables and inventory held will be recoverable upon the resolution of the ownership of the counterparty in due course. Accordingly, the directors do not currently consider this balance to be impaired.

Notes to the financial statements

15. Financial instruments

continued

Interest rate risk:

The Group finances its operations through a mixture of equity retained earnings and bank borrowings. The Group holds cash and borrows in Sterling and US dollars at floating rates of interest and does not undertake any hedging activity in this area.

The Group's exposure to interest rate risk all relates to the floating rates at which it borrows and lends. This exposure is monitored continually to ensure that the Group remains able to meet its financing commitments from operational cash flows.

The Group's financial liabilities are denominated in Sterling and HK\$ and have floating interest rates. The floating rate financial liabilities comprise:

- Bank borrowings in HK\$ that bear interest at bank base rate less 2%.
- Loans in US\$ that bear interest at rates based on LIBOR plus 1.5%.
- Overdraft in Sterling that bears interest at rates based on bank base rates plus 1.5%.

The interest rate profile of the Group's financial assets and liabilities at 31 December was as follows:

	Interest rate	2008 £000's	2007 £000's
Assets			
Sterling	4%	489	524
Liabilities			
Sterling	–%	–	1,026
US dollar	5.3%	3,384	–
HK dollar	2.8%	410	334
		3,794	1,360

The financial liabilities comprise bank loans and overdrafts bearing interest rates set by reference to the relevant base rate.

The financial assets comprise the deferred consideration on the sale of surplus property bearing interest set by relevant base rate.

The maturity profile of the Group's loans and overdrafts and undrawn facilities at 31 December 2008 was as follows:

	2008		2007	
	Liabilities £000's	Undrawn £000's	Liabilities £000's	Undrawn £000's
In 1 year or less, or on demand	386	2,311	640	1,825
In more than 1 year but not more than 2 years	730	–	244	–
In more than 2 years but not more than 5 years	2,539	–	326	–
In more than 5 years	139	–	150	–
	3,794	2,311	1,360	1,825

It is estimated that a 1% change in relevant base rates would have an annual impact of £38,000 on interest costs.

Liquidity risk:

The Group's exposure to liquidity risk reflects its ability to readily access the funds to support its operations. The Group's policy is to maintain undrawn overdraft borrowing facilities in order to provide the flexibility required in the management of the Group's liquidity. The Group's liquidity requirements are continually reviewed and additional facilities put in place as appropriate.

At the year end the Group had overdraft facilities of £2,311,000 (2007: £2,226,000) of which £nil was being used (2007: £401,000).

15. Financial instruments

continued

Foreign currency risk:

The Group's exposure to currency risk arises from transactions which are not in the functional currency of the operating unit and from the retranslation of the operating unit's results into Sterling, being the Group's functional currency.

The Group manages its exposure to currency risk by matching the currency of payments and receipts in order to minimise exposure and buys currency when the liability falls due. The directors do not believe that the Group has a significant foreign currency exposure on transactions.

The Group foreign currency risk exposure from recognised assets and liabilities arises primarily from its investment in Stadium Asia Limited denominated in Hong Kong Dollars (notes 1 and 9). During the year, the Group has hedged part of this exposure by the drawdown of long term borrowings denominated in US dollars (notes 13 and 14).

There is no significant impact on profit and loss account from foreign currency movements associated with these assets and liabilities as the effective portion of foreign currency gains and losses arising are recorded through the translation reserve. The net gain of £1,070,000 (2007: loss of £43,000) on the translation reserve takes into account the related hedge.

In the opinion of the directors, the hedge transaction is effective as the US dollar and Hong Kong dollar exchange rates have been pegged for many years.

At 31 December 2008 the Group had net borrowings denominated in US\$ of £3,384,000 (2007: £nil) and in Hong Kong Dollars of £410,000 (2007: £334,000).

It is estimated that a 1% movement in the exchange rate would have an impact of £15,000 on the Group's operating profit and £13,000 on the Group's net assets.

Fair values of financial assets and liabilities:

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 December 2008.

	2008		2007	
	Book value £000's	Fair value £000's	Book value £000's	Fair value £000's
Cash at bank	1,738	1,738	862	862
Loans receivable	489	489	524	524
Trade receivables	8,567	8,567	7,265	7,265
Loans and receivables	10,794	10,794	8,651	8,651
Bank loans and overdrafts repayable within one year	(386)	(386)	(640)	(640)
Bank loans repayable after more than one year	(3,408)	(3,408)	(720)	(720)
Trade payables	(5,617)	(5,617)	(5,563)	(5,563)
Financial liabilities at amortised cost	(9,411)	(9,411)	(6,923)	(6,923)

In the opinion of the directors, there is no material difference between the book value and the fair value of cash, bank borrowings and trade receivables and payables in view of their short term nature.

Notes to the financial statements

16. Deferred tax assets

	2008 £000's	2007 £000's
Deferred tax asset on pension liability (Note 26)	1,463	1,769
Movement on the deferred asset was as follows:		
At 1 January 2008	1,769	1,907
Recognised directly in equity	(52)	190
Recognised in income statement	(254)	(328)
At 31 December 2008	1,463	1,769

Deferred tax assets have not been recognised in relation to capital allowances in the UK subsidiaries, as profits in these subsidiaries are currently covered by losses arising in the parent company. The UK companies within the Group expect to be able to claim capital allowances in excess of depreciation in future years. The total amount unrecognised is £1,366,000 (2007: £1,138,000). Future tax charges will be affected by the extent to which these unprovided deferred tax assets are recognised.

17. Equity share capital

	2008 £000's	2007 £000's
Authorised:		
40,140,000 ordinary shares of 5p each	2,007	2,007
Allotted, called up and fully paid:		
1 January 2008: 28,804,698 ordinary shares of 5p each	1,440	1,440
Issued during the year: 22,500 (2007: nil) ordinary shares of 5p each	1	–
31 December 2008: 28,827,198 ordinary shares of 5p each	1,441	1,440

Option agreements existed at 31 December 2008 to purchase ordinary shares of 5p each as follows:

Date granted	Number of options	Exercisable between:	Price
29 March 1999	34,000	29 March 2002 & 29 March 2009	102.5p
31 December 2002	705,300	31 December 2007 & 31 December 2012	35.0p
17 March 2004	290,000	17 March 2007 & 17 March 2014	78.5p
4 April 2005	359,500	4 April 2008 & 4 April 2015	85.5p
4 April 2007	230,000	4 April 2010 & 4 April 2017	5.0p
4 April 2008	135,000	4 April 2011 & 4 April 2018	5.0p

Share based payments

The Company operates two schemes offering share based incentive to employees. The Executive Share Option Scheme provided employees the option to buy shares, subject to certain performance criteria being met, between three and ten years from the date of grant (between five and ten years for certain categories of option) at an exercise price equivalent to the share price on the date of grant. The scheme ceased to offer new grants of options in 2005.

The performance Share Plan offers employees the option to buy shares, subject to certain performance criteria being met, three years from the date of grant at an exercise price equivalent to the nominal value of 5 pence each. The last grant of options under this scheme took place in April 2008.

17. Equity share capital
continued

Details in respect of options outstanding and movements during the year are as follows:

	2008		2007	
	No of options	Weighted average exercise price £	No of options	Weighted average exercise price £
Executive Scheme				
At 1 January	2,141,600	0.53	2,212,100	0.54
Options lapsed	(745,300)	0.42	(70,500)	0.90
Options exercised	(7,500)	0.59	–	–
At 31 December	1,388,800	0.59	2,141,600	0.53
Out of which exercisable	739,300	0.38	81,500	1.30
Performance Share Plan				
At 1 January	260,000	0.05	–	–
Granted in year	135,000	0.05	260,000	0.05
Options lapsed	(15,000)	0.05	–	–
Options exercised	(15,000)	0.05	–	–
At 31 December	365,000	0.05	260,000	0.05
Of which exercisable	–	–	–	–

The weighted average share price of options exercised during the year was £0.48 (2007: £0.70).

Total share options outstanding at 31 December 2008 had a weighted average exercise price of £0.48 (2007: £0.48) and a weighted average contractual life of 5 years (2007: 6 years). The fair value of share options granted during the year was determined by the Black Scholes method using a three year expected volatility, a risk free return of 5% per annum, and an expected yield of 6% per annum.

The charge to income statement account during the year, based on the fair value of options using Black Scholes, was as follows:

	2008 £000's	2007 £000's
Fair value of options recognised	36	80
Credit in respect of options lapsed	(6)	(10)
Charge to income statement	30	70

The charge includes a total of £5,000 (2007: £28,000) relating to the four executive directors.

Notes to the financial statements

17. Equity share capital continued

Managing Capital

The Group's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group monitors capital on the basis of the gearing ratio. Gearing is calculated as Net Debt divided by Total Equity. During 2008 the Group maintained gearing in the range between 0% and 25%, which in the opinion of the directors, is appropriate to the business activities undertaken. Details of the Group's gearing are given in note B to the Cash Flow Statement.

18. Share premium account

	2008 £000's	2007 £000's
Balance at 1 January	4,233	4,233
22,500 shares issued (2007: nil shares) at between 5 and 59 pence each	4	–
Balance at 31 December	4,237	4,233

19. Capital redemption reserve

	2008 £000's	2007 £000's
Balance at 1 January and 31 December	88	88

20. Translation reserve

	2008 £000's	2007 £000's
Balance at 1 January	(928)	(885)
Net exchange differences on translation of foreign operations	1,070	(43)
Balance at 31 December	142	(928)

21. Retained earnings

	2008 £000's	2007 £000's
Retained earnings at 1 January	3,859	3,046
Profit for the financial year	2,191	2,239
Actuarial loss in pension scheme net of deferred tax	(287)	(444)
Share option costs recognised	30	70
Dividends paid	(1,095)	(1,052)
Retained earnings at 31 December	4,698	3,859

22. Reconciliation of movements in equity shareholders' funds

	2008 £000's	2007 £000's
Profit for the financial year	2,191	2,239
Dividends paid	(1,095)	(1,052)
Equity share capital subscribed	5	–
Foreign exchange movement	1,070	(43)
Share option costs recognised	30	70
Actuarial loss in pension scheme net of deferred tax	(287)	(444)
Net movement	1,914	770
Equity shareholders' funds at beginning of year	8,692	7,922
Equity shareholders' funds at end of year	10,606	8,692

23. Acquisition of Fox Industries Limited ("Fox")

On 30 September 2008 the Company acquired for cash consideration 100% of the issued share capital of Fox, a company registered in England and Wales that designs and manufactures filters and power supplies.

The net assets of Fox at the date of acquisition were as follows:

	Book value £000's	Fair value adjustment £000's	Fair value £000's
Property, plant and equipment	11	–	11
Inventories	36	–	36
Trade and other receivables	40	–	40
Trade and other payables (due in <1 year)	(61)	(6)	(67)
Intangible asset – product development	–	82	82
Net trading assets	26	76	102
Consideration – paid and payable		(196)	
– acquisition costs		(2)	
– total cash outflow		(198)	
– cash balance acquired		96	(102)
Goodwill arising on acquisition			–

On 1 October 2008 the business and assets of Fox were transferred to Stadium Power Limited at book value. It is impractical to quantify the separate contribution made by Fox from the date of transfer.

The revenues of Fox for the year ended 31 December 2007 were £391,000. The profit before tax for the same period was £73,000.



Notes to the financial statements

24. Acquisition of Zirkon Limited ("Zirkon")

On 31 October 2008 the Company acquired for cash consideration 100% of the issued share capital of Zirkon, a company registered in England and Wales that provides Electronic Manufacturing Services (EMS).

The net assets of Zirkon at acquisition were as follows:

	Book value £000's	Fair value adjustment £000's	Fair value £000's
Property, plant and equipment	526	–	526
Inventories	706	(75)	631
Trade and other receivables	1,215	–	1,215
Trade and other payables (due in <1 year)	(1,023)	(15)	(1,038)
Net trading assets	1,424	(90)	1,334
Consideration – paid and payable		(3,000)	
– acquisition costs		(102)	
– total cash outflow		(3,102)	
– cash balance acquired		703	(2,399)
Goodwill arising on acquisition			1,065

At the date of acquisition there were no separately identifiable intangible assets requiring recognition under IAS 38.

The revenues of Zirkon for the year ended 30 June 2008 were £7,300,000. The profit before tax for the same period was £600,000.

Zirkon contributed £1,127,000 to Group turnover and £69,000 to Group operating profit in the period from 1 November 2008 to 31 December 2008.

25. Earnings per share

The calculation of basic earnings per share is based on the profit for the financial year of £2,191,000 (2007: £2,239,000) and the weighted average number of ordinary shares in issue during the year of 28,811,399 (2007: 28,804,698).

Diluted earnings per share reflect dilutive options granted resulting in a weighted average number of 29,066,165 ordinary shares (2007: 28,890,270), and profit for the financial year of £2,191,000 (2007: £2,239,000).

The reconciliation of basic earnings per share is as follows:

	2008		2007	
	£000's	per share	£000's	per share
Earnings before disposal of property	2,191	7.6p	2,142	7.4p
Profit on disposal of property	–	–	97	0.4p
Basic earnings per share	2,191	7.6p	2,239	7.8p

26. Retirement benefit obligations

The Group pension arrangements are operated through a defined contribution scheme and a Group defined benefit scheme.

Defined contribution scheme

	2008 £000's	2007 £000's
Amount recognised as an expense	69	66

Defined benefit scheme

The Stadium Group plc 1974 Pension Scheme is a final salary pension plan operating for qualifying employees of the Group. It was closed to new entrants in 1995.

The amounts recognised in the balance sheet are as follows:

	2008 £000's	2007 £000's
Present value of funded obligations	(24,777)	(29,479)
Fair value of plan assets	19,551	23,583
Net pension liability	(5,226)	(5,896)
Related deferred tax asset	1,463	1,769
Net liability after taxation	(3,763)	(4,127)

The amounts recognised in the income statement are as follows:

	2008 £000's	2007 £000's
Current service cost	(232)	(149)
Interest on obligation	(1,670)	(1,462)
Expected return on plan assets	1,426	1,506
Past service cost	-	-
Total in income statement	(476)	(105)
Actual return on plan assets	(4,420)	1,247

Changes in the present value of the defined benefit obligation are as follows:

	2008 £000's	2007 £000's
Opening defined benefit obligation	(29,479)	(28,737)
Current service cost	(231)	(149)
Interest cost	(1,670)	(1,462)
Actuarial gains/(losses)	(371)	337
Changes in underlying assumptions	5,654	(672)
Benefits paid	1,320	1,204
Closing defined benefit obligation	(24,777)	(29,479)

Notes to the financial statements

Retirement benefit obligations

continued

Changes in the fair value of plan assets are as follows:

	2008 £000's	2007 £000's
Opening fair value of plan assets	23,583	22,381
Expected return	1,426	1,506
Actuarial (losses)/gains	(5,483)	(298)
Contribution by employer	1,345	1,198
Benefits paid	(1,320)	(1,204)
	19,551	23,583

The Group expects to contribute £1,192,000 to its defined benefit pension plans in 2009.

Principle actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2008	2007
Discount rate at 31 December	6.7%	5.8%
Expected return on plan assets at 31 December	7.1%	6.7%
Future salary increases	2.5%	3.2%
Future pension increases	2.5%	3.2%
Proportion of employees opting for early retirement	0.0%	0.0%

Investigations have been carried out within the past three years into the mortality experience of the Group's scheme.

These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates.

The assumed life expectations on retirement at age 65 are:

	2008	2007
Retiring today:		
Males	23.3	23.3
Females	25.7	25.7
Retiring in 20 years:		
Males	24.5	24.5
Females	26.7	26.7

	2008 £000's	2007 £000's	2006 £000's	2005 £000's	2004 £000's
Actuarial gains and losses recognised in the SORIE	(287)	(444)	(298)	(331)	222
The cumulative actuarial gains and losses recognised in the SORIE	(5,952)	(5,665)	(5,223)	(4,925)	(4,594)
Experience adjustments on plan liabilities	(371)	336	100	(210)	240
Experience adjustments on plan assets	(5,483)	(259)	792	1,884	682



Retirement benefit obligations

continued

Pension plan assets are made up as follows:

	2008		2007	
	£000's	%	£000's	%
Insured pensions in payment	12,111	62	–	–
Equity	3,379	17	11,330	48%
Debt	1,678	9	8,880	38%
Other	2,383	12	3,373	14%
	19,551	100%	23,583	100%

Pension plan assets do not include any of the Group's own shares or any property occupied by, or other assets used by the Group.

The overall expected rate of return on assets is the weighted average expected rate of return on each asset class, based upon long term historical rates adjusted to take account of current market conditions.

Defined benefit pension plans

	2008 £000's	2007 £000's	2006 £000's	2005 £000's	2004 £000's
Defined benefit obligation	(24,777)	(29,479)	(28,737)	(27,085)	(24,275)
Plan assets	19,551	23,583	22,381	20,145	16,720
Net pension liability	(5,226)	(5,896)	(6,356)	(6,940)	(7,555)
Related deferred tax asset	1,463	1,769	1,907	2,082	2,267
Net liability (after taxation)	(3,763)	(4,127)	(4,449)	(4,858)	(5,288)

27. Operating lease commitments

	2008 £000's	2007 £000's
Future minimum lease payments under non-cancellable operating leases:		
Within one year	198	30
From one to five years	743	23
After five years	–	–
	941	53

The Group does not sub-lease any of its leased premises.

Lease payments recognised in profit for the period amounted to £59,000 (2007: £30,000).



Independent Auditors' Report to the members of Stadium Group plc

We have audited the parent Company financial statements of Stadium Group plc for the year ended 31 December 2008 which comprise the balance sheet and the related notes. These parent Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Stadium Group plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the parent Company financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent Company financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the parent Company financial statements. The information in the directors' report includes that specific information presented in the chairman's statement, chief executive's review and financial review that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited parent Company financial statements. The other information comprises only the directors' report, the report of the remuneration committee, the chairman's statement, the chief executive's review, the financial review and the corporate governance statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the parent company financial statements.

PKF (UK) LLP
Registered Auditors
Leeds, UK
4 March 2009

Company balance sheet

At 31 December 2008

	Note	2008 £000's	2007 £000's
Fixed assets			
Tangible assets	3	3,790	3,870
Investments	4	10,345	7,044
		14,135	10,914
Current assets			
Stocks	5	1,701	1,652
Debtors due after more one year	6	489	524
Debtors due within one year	6	4,530	4,258
Cash at bank and in hand		3	2
		6,723	6,436
Creditors: amounts falling due within one year			
Bank overdrafts		(528)	(3,423)
Creditors	7	(9,780)	(5,543)
		(10,308)	(8,966)
Net current liabilities		(3,585)	(2,530)
Total assets less current liabilities		10,550	8,384
Creditors: amounts falling due after more than one year	8	(3,046)	(417)
Net assets		7,504	7,967
Capital and reserves			
Called up equity share capital	10	1,441	1,440
Share premium account	11	4,237	4,233
Capital redemption reserve	12	88	88
Profit and loss account	13	1,738	2,206
Equity shareholders' funds	14	7,504	7,967

The accounts were approved and authorised for issue by the Board on 4 March 2009 and signed on its behalf by:

Nigel Rogers

Director

Notes to the Company financial statements

Statement of accounting policies

1. Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

Fixed assets

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write down the cost of assets (excluding freehold land) over their estimated useful lives by equal annual instalments at the following rates:

Freehold buildings	2%
Plant and machinery	10%–25%
Fixtures and equipment	10%–25%

Investments in subsidiary undertakings in the accounts of the Company are stated at cost less provision for impairment.

Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in, first out basis including transport and handling costs and, in the case of manufactured products, includes all direct expenditure and production overheads based on normal levels of activity.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred tax balances are not discounted.

Pension costs

Defined benefit scheme

The multi-employer scheme for which the net pension liability cannot be split between entities is accounted for in the Group accounts only.

Defined contribution schemes

Contributions payable are charged to the profit and loss account in the accounting period in which they are incurred.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the prevailing rate on the date of the transaction.

Trading assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing at the year end. Gains and losses arising on the translation of foreign currencies are dealt with as part of operating profit.

Turnover

Turnover represents the value of invoiced sales of goods and services during the year, net of value added tax and discounts. Invoices are raised when goods are despatched to customers and title to the goods passes.

Financial Instruments

The Company's financial instruments comprise borrowings, some cash and liquid resources and items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to manage the finance of the Company's operations.

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade debtors:

Trade receivables do not carry any interest and are stated at their nominal value less appropriate allowances for estimated irrecoverable amounts.



Bank borrowings:

Interest bearing bank loans and overdrafts are recorded at the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the profit and loss account and are added to the carrying amount of the instruments to the extent that they are not settled in the period in which they arise.

Trade creditors:

Trade payables do not carry any interest and are stated at their nominal value.

Equity instruments:

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs.

It has been, throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken. The Company does not consider that it has any obligations or rights under derivative financial instruments.

The main risks arising from the Company's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The board reviews and agrees policies for managing each of these risks and these policies are summarised below.

Accounting estimates and judgements

The estimates and judgements that have a significant risk of causing a material adjustment to the carry amounts of assets and liabilities within the next financial year are as follows:

Key sources of estimation uncertainty

Stock provisions – The stock provision is based on average loss rates of stock in recent months. The provision makes use of stock counts performed which is considered to be representative of all stock items held.

Retirement benefit obligations – Refer to note 26 of the group financial statements for disclosure of the key sources of estimation uncertainty relating to the retirement benefit obligation.

Goodwill – Goodwill is estimated for impairment at each balance sheet date. The recoverable amounts of cash generating units have been estimated based on value in use calculations.

Credit risk – Trade and other receivables are recognised to the extent that, in the opinion of the directors, they are recoverable in the ordinary course of business.

Notes to the Company financial statements

2. Profit on ordinary activities before taxation

The directors have taken advantage of the exemption under Section 230 of the Companies Act 1985 and have not presented a profit and loss account of the Company alone.

The profit for the year dealt with in the accounts of the holding company amounted to £597,000 (2007: £668,000).

Auditors' fees during the year: for the audit of the Company were £28,000 (2007: £36,000). Other fees paid to the auditors during 2008 are detailed in note 2 to the Group accounts.

The average number of employees (including executive directors) employed by the Company was 148 (2007: 150).

The cost of these employees was £3,849,000 (2007: £3,587,000).

3. Tangible fixed assets

	Freehold land & buildings £000's	Plant & machinery £000's	Fixtures & equipment £000's	Total £000's
Cost				
At 1 January 2008	4,614	4,121	1,038	9,773
Additions	1	180	49	230
Transfers	–	35	(35)	–
Disposals	–	(105)	–	(105)
At 31 December 2008	4,615	4,231	1,052	9,898
Depreciation				
At 1 January 2008	1,227	3,720	956	5,903
Charge in year	93	178	39	310
Transfers	–	12	(12)	–
Disposals	–	(105)	–	(105)
At 31 December 2008	1,320	3,805	983	6,108
NBV				
NBV at 31 December 2008	3,295	426	69	3,790
NBV at 1 January 2008	3,387	401	82	3,870

There were no outstanding commitments in respect of capital expenditure.

4. Investments

Investments in subsidiary companies at net book amount:

	2008 £000's	2007 £000's
At 1 January 2008	7,044	6,102
Acquired during the year	3,301	942
At 31 December 2008	10,345	7,044

At 31 December 2008 the principal subsidiaries of the Company included on consolidation, all of which were wholly owned, were as follows:

Name	Nature of business	Registration	Operation
Stadium Asia Limited	Electronic Manufacturing Services	British Virgin Islands	China/Hong Kong
STMC Limited	Electronic Manufacturing Services	Hong Kong	China
Stadium Power Limited	Custom power supplies	England & Wales	UK
Quest Consumer Products Limited	Babycare and nursery goods	England & Wales	UK
KRP Power Source (UK) Limited	Power supply distribution	England & Wales	UK
Ferrus Power Limited	Custom power supplies	England & Wales	UK
Fox Industries Limited	Filters and power supplies	England & Wales	UK
Stadium Zirkon (UK) Limited	Electronic manufacturing services	England & Wales	UK

5. Stocks

	2008 £000's	2007 £000's
Raw materials and consumables	393	398
Work in progress	201	182
Finished goods and goods for resale	1,107	1,072
	1,701	1,652

6. Debtors

	2008 £000's	2007 £000's
Amounts due after more than one year:		
Other debtors	489	524
Amounts due within one year:		
Trade debtors	2,030	2,248
Amounts due from Group companies	2,383	1,906
Other debtors	2	2
Prepayments and accrued income	115	102
	4,530	4,258
	5,019	4,782

The other debtor receivable in more than one year relates to deferred consideration on a property sale made during 2007 (note 12 of the Group accounts). The deferred amount is receivable on flexible terms across three years from the date of sale, attracts interest at 3% above base rate and is secured by a fixed charge over the property.



Notes to the Company financial statements

7. Creditors: amounts falling due within one year

	2008	2007
	£000's	£000's
Current portion of bank loans (secured)	338	208
Trade creditors	910	877
Amounts owed to Group companies	7,262	3,380
Tax and social security	316	331
Other creditors	49	36
Accruals and deferred income	905	711
	9,780	5,543

8. Creditors: amounts falling due after more than one year

	2008	2007
	£000's	£000's
Bank loans (secured)	3,046	417

The net bank borrowings, including overdrafts, of Group companies are secured by fixed and floating charges over the assets of the Group. There is a guarantee relating to indebtedness of all Stadium Group companies in the UK to Barclays Bank Plc, which is secured by a fixed and floating charge over the assets of all UK group companies.

9. Financial instruments

Information on financial instruments is provided in note 15 to the Group accounts.

10. Equity share capital

	2008	2007
	£000's	£000's
Authorised:		
40,140,000 ordinary shares of 5p each	2,007	2,007
Allotted, called up and fully paid:		
1 January 2008: 28,804,698 ordinary shares of 5p each	1,440	1,440
Issued during the year: 22,500 (2007: nil) ordinary shares of 5p each	1	–
31 December 2008: 28,827,198 ordinary shares of 5p each	1,441	1,440

Option agreements existed at 31 December 2008 to purchase ordinary shares of 5p each as follows:

Date granted	Number of options	Exercisable between:	Price
29 March 1999	34,000	29 March 2002 & 29 March 2009	102.5p
31 December 2002	705,300	31 December 2007 & 31 December 2012	35.0p
17 March 2004	290,000	17 March 2007 & 17 March 2014	78.5p
4 April 2005	359,500	4 April 2008 & 4 April 2015	85.5p
4 April 2007	230,000	4 April 2010 & 4 April 2017	5.0p
4 April 2008	135,000	4 April 2011 & 4 April 2018	5.0p

Details of the schemes offering share based incentives to employees are given in note 17 to the Group accounts.

11. Share premium account

	2008 £000's	2007 £000's
Balance at 1 January:	4,233	4,233
22,500 shares issued at between 5 pence and 59 pence each (2007: nil shares at 35 pence each)	4	–
Balance at 31 December	<u>4,237</u>	<u>4,233</u>

12. Capital redemption reserve

	2008 £000's
Balance at 1 January 2008 and 31 December 2008	<u>88</u>

13. Profit and loss account

	2008 £000's
Retained profits at 1 January 2008	2,206
Total net gains for the year	597
Share option costs recognised	30
Dividends paid	(1,095)
Retained profits at 31 December 2008	<u>1,738</u>

14. Reconciliation of movements in equity shareholders' funds

	2008 £000's	2007 £000's
Profit for the financial year	597	688
Dividends paid	(1,095)	(1,052)
Equity share capital subscribed	5	–
Share option costs recognised	30	70
Net movement	(463)	(294)
Equity shareholders' funds at beginning of year	7,967	8,261
Equity shareholders' funds at end of year	<u>7,504</u>	<u>7,967</u>

Notes to the Company financial statements

15. Directors' remuneration

	2008 £000's	2007 £000's
Fees	74	72
Salaries and benefits in kind	668	562
	742	634

Directors' remuneration comprised:

	Fees £000's	Salary £000's	Annual Bonus (see below) £000's	Benefits in kind £000's	Total 2008 £000's	Total 2007 £000's
Nick Brayshaw	47	–	–	–	47	46
Chris Gill	27	–	–	–	27	26
Ken Leung	–	118	24	13	155	136
Nigel Rogers	–	184	36	10	230	224
Kamal Verma	–	164	33	9	206	202
Colin Wilson	–	62	14	1	77	–
Total	74	528	107	33	742	634

Nigel Rogers and Kamal Verma are both members of a defined benefit pension scheme (see note 26) and total Company contributions in the year were £57,000 (2007: £55,000). Colin Wilson is a member of a defined contribution scheme (see note 26) and total Company contributions for the year were £3,000 (2007: £nil). The accrued pension of the highest paid director was £66,000 (2007: £62,000). No pension contributions were paid on behalf of other directors.

The annual bonus of the executive directors was earned at the rate of 20% of basic salary. By agreement, approximately one third of the bonus stated above amounting to 7% of basic salary (total £38,000) was deferred for payment at a later date at the discretion of the Remuneration Committee.



Five year financial summary

This summary does not form part of the notes to the financial statements

	UK GAAP		IFRS		
	2004 £000's	2005 £000's	2006 £000's	2007 £000's	2008 £000's
Revenue* ¹	33,801	36,515	38,552	40,756	47,611
Operating profit* ¹	2,655	2,894	2,423	2,957	3,116
Discontinued activities	–	–	–	–	–
Exceptional items	(202)	169	340	97	–
Goodwill amortisation and impairment	(132)	(132)	–	–	–
Interest payable	(342)	(294)	(262)	(294)	(334)
Profit before taxation	1,979	2,637	2,501	2,760	2,782
Earnings per share* ¹	7.2p	7.6p	6.3p	7.4p	7.6p
Ordinary dividend per share	3.25p	3.5p	3.6p	3.75p	2.55p
Interest cover* ¹	12.9x	10.2x	9.2x	10.1x	9.3x
Dividend cover* ¹	2.2x	2.2x	1.8x	2.0x	3.0x
Property, plant and equipment and goodwill	10,801	10,369	11,122	8,178	10,394
Working capital	2,449	4,421	5,632	4,615	5,571
Bank borrowings (net)	(1,581)	(2,064)	(4,383)	(498)	(2,056)
Other assets/(liabilities)	(53)	(28)	–	524	460
Net assets (before net pension liability)	11,616	12,698	12,371	12,819	14,369
Net assets per share (before net pension liability)	41p	44p	43p	43p	50p
Bank gearing (before net pension liability)	14%	16%	36%	4%	14%
Net pension liability	(5,288)	(4,858)	(4,449)	(4,127)	(3,763)

The amounts disclosed for 2005 and prior period are stated on the basis of UK GAAP. The main adjustment that would have to be made to make the data compliant with IFRSs is the elimination of the amortisation of goodwill. The amounts are described under IFRS headings.

*¹ Pre-exceptional items and goodwill amortisation, from continuing activities.



Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Stadium Group plc (the "Company") will be held at Brewin Dolphin's offices at 12 Smithfield Street, London, EC1A 4BD on 22 April 2009 at 11am for the following purposes:-

1. To receive and adopt the accounts and the reports of the directors and the auditors for the financial year ended on 31 December 2008.
2. To approve the directors' remuneration report for the financial year ended on 31 December 2008.
3. To declare a final dividend for the financial year ended on 31 December 2008 of 1.30 pence per ordinary share payable on 5 May 2009 to shareholders on the register of members at the close of business on 3 April 2009.
4. To re-elect as a director Mr K K W Leung who retires by rotation in accordance with the Company's articles of association.
5. To re-elect as a director Mr C J Gill who retires by rotation in accordance with the Company's articles of association.
6. To re-appoint PKF (UK) LLP as auditors of the Company from the conclusion of this meeting to hold office until the conclusion of the next general meeting at which accounts are laid before the shareholders and to authorise the directors to fix the auditors' remuneration.

To consider and, if thought fit, to pass the following resolutions of which resolutions 7 and 8 will be proposed as an ordinary resolution and resolutions 9 to 11 will be proposed as special resolutions:-

7. That, pursuant to section 239 of the Companies Act 2006, the potential conflicts of interest which may have arisen between 1 October 2008 and the date of this Meeting due to the directorships of the Company of Mr N Rogers, Mr K Verma and Mr C Gill and their role as trustees of the Stadium Group Retirement Benefits Plan (1974) be ratified.
8. That the directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985 (the "Act")) up to an aggregate nominal amount of £480,453.30, for the period expiring on 21 July 2010 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever first occurs (unless previously renewed, varied or revoked by the Company in general meeting) but the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred by this resolution had not expired.
9. That, subject to the passing of resolution 8, the directors be and they are hereby generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to section 94 (3A) of the Act) for cash pursuant to the authority conferred by resolution 8, as if section 89(1) of the Act did not apply to the allotment. This power is limited to:-
 - (a) the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to holders of ordinary shares in the capital of the Company made in proportion (as nearly as may be) to their existing holdings of ordinary shares but subject to the directors having a right to make such exclusions or other arrangements in connection with the offering as they deem necessary or expedient:-
 - (i) to deal with equity securities representing fractional entitlements; and
 - (ii) to deal with legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

(b) the allotment of equity securities for cash otherwise than pursuant to paragraph (a) up to an aggregate nominal amount of £144,136.

and will expire on 21 July 2010 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever first occurs, but the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the power conferred by this resolution had not expired.

10. That the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make market purchases (within the meaning of Section 163(3) of the Act) of ordinary shares of 5 pence each in the Company provided that:-

(a) the maximum number of ordinary shares which may be purchased is 4,324,080 (representing 15 per cent of the Company's issued ordinary share capital as at 4 March 2009);

(b) the minimum price (exclusive of expenses) which may be paid for each ordinary share is 5 pence;

(c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is an amount equal to 105 per cent of the average of the middle market quotations of an ordinary share of the Company taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased;

(d) this authority shall expire on 21 July 2010 or at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, whichever first occurs (unless previously renewed, varied or revoked by the Company in general meeting); and

(e) the Company may, before such expiry, enter into one or more contracts to purchase ordinary shares under which such purchases may be completed or executed wholly or partly after the expiry of this authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

11. THAT the existing Article 105 to 107 of the Articles of Association of the Company be deleted in their entirety, that new Articles 105 to 126 as set out in the document produced to the Meeting and signed by the Chairman of the Meeting be substituted in its place with the consequent renumbering of existing Articles 108 to 134 as Articles 127 to 153.

By order of the Board

C Wilson
Company Secretary
4 March 2009

Registered office:
Stephen House
Brenda Road
Hartlepool
TS25 2BQ

Notice of Annual General Meeting

Notes

1. A member entitled to attend and vote at the Meeting is also entitled to appoint a proxy or proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy need not be a member of the Company. Appointment of a proxy will not preclude a member from attending and voting in person at the Meeting.
2. To be effective at the Meeting this form of proxy duly executed (together with any power of attorney or other written authority under which it is executed or a notarially certified copy of such power or authority) must be delivered to Capita Registrars (Proxies), The Registry, 34 Beckenham Road, Kent, BR3 4BR not less than 48 hours before the time of the meeting or adjourned meeting together with any authority under which it is agreed.
3. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority is determined by the order in which the names of the holders stand in the register of members in respect of the joint holding.
4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 6 pm on 20 April 2009 (being not more than 48 hours prior to the time fixed for the Meeting) or, if the Meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the Meeting.
5. A copy of the amendments proposed to be made to the Articles of Association of the Company in accordance with resolution 11 is available for inspection during normal business hours at the Company's registered office (public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the Annual General Meeting. In addition, the following documents, which are available for inspection during normal business hours at the registered office for the Company (public holidays excluded) will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the Annual General Meeting:-
 - (a) copies of all directors' service contracts with the Company and the letters of appointment of non-executive directors; and
 - (b) a statement of the interests of the directors and their connected persons in shares in the Company.
6. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives - www.icsa.org.uk - for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (i) above.
7. Persons who are not shareholders in the Company will not be admitted to the Meeting unless prior arrangements are made with the Company.



8. Resolution 7.

Under the Companies Act 2006 (the "2006 Act"), a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director of the Company becomes a director of another company or a trustee of another organisation. The changes proposed in Resolution 11 will give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position. In respect of any such situations which have arisen since 1 October 2008 the shareholders are able to ratify any potential conflicts. This resolution ratifies the potential conflicts of interest which could have arisen as a result of the fact that three of the directors are also trustees of the Company's pension scheme.

9. Resolution 8.

This authority will allow the directors to allot new shares up to a nominal value of £480,453.30 which is equivalent to one third of the total issued ordinary share capital as at 4 March 2009. The directors have no current intention of exercising this authority.

10. Resolution 9.

This resolution empowers the directors to allot ordinary shares for cash otherwise than pro-rata to existing shareholders. This power is limited to allotments in connection with a rights issue, and otherwise to 2,882,720 ordinary shares representing 10 per cent of the issued ordinary share capital of the Company as at 31 December 2008.

11. Resolution 10.

This resolution gives the Company authority to buy back shares in the Company up to a maximum of 15 per cent of the Company's issued share capital.

12. Resolution 11.

This resolution proposes amendments to Article 105 of the Company's Articles of Association, which relates to directors' conflicts of interests, in order to facilitate compliance with provisions of the 2006 Act which came into force on 1 October 2008.

The 2006 Act sets out directors' general duties. The provisions largely codify the existing law, but with some changes. Under the 2006 Act, a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director of the Company becomes a director of another company or a trustee of another organisation. The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where the Articles of Association contain a provision to this effect. The 2006 Act also allows the Articles of Association to contain other provisions for dealing with director's conflicts of interest to avoid a breach of duty. The amendments proposed to be made to the Articles by Resolution 11 give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. These include, first, only independent directors (ie those who have no interest in the matter being considered) will be able to take the relevant decision, and second, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation or subsequently if they think this is appropriate.

It is proposed to include provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

Due to the phased nature of implementation of the 2006 Act it is likely that further related changes to the Articles of Association will be proposed at the 2010 Annual General Meeting.

Corporate Directory

Registered office	Stephen House Brenda Road Hartlepool TS25 2BQ
Registered number	236394
Registrars	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield W. Yorkshire HD8 0LA
Independent auditors	PKF (UK) LLP Pannell House 6 Queen Street Leeds LS1 2TW
Bankers	Barclays Bank plc 71 Grey Street Newcastle Upon Tyne NE99 1JP
Advisors	Brewin Dolphin Securities Ltd 34 Lisbon Street Leeds LS1 4LX



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Shareholders Notes



 **stadium**
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