

## **Ultimate Sports Group Plc ('USG' or 'the Company')**

### **Final Results for the year ended 31 December 2016**

Ultimate Sports Group Plc, the AIM listed investment vehicle, is pleased to announce its results for the year ended 31 December 2016.

#### **Chairman's Statement and Chief Executive's Review**

**For the year ended 31<sup>st</sup> December 2016, we are reporting an operating loss before adjusted items of £287,433 (2015: loss before adjusted items £259,830).**

These figures exclude website development costs and amortisation of £141,763 for 2016 and £71,813 in the previous year.

Additionally and as a result of terminating our small-sided football league activities, the results exclude non-recurring losses of £158,747 in 2016 and £77,436 in the previous year.

USG's net cash balances at 31<sup>st</sup> December 2016 were £129,437 (2015: £357,915). The Directors are not recommending the payment of a dividend.

#### **Share Placing**

In June 2016, USG issued 5 million new Ordinary shares at 10p per share to raise £500,000 before expenses. Following the share placing and allotments during the year, the Company had 20,486,638 Ordinary shares in issue at 31 December 2016. Since the year end, the Company has raised £212,500 before expenses through a placing of 2,125,000 shares at 10p per share.

#### **Ultimate Player.me**

UltimatePlayer.me is a new digital platform that increases the participation and enjoyment of children in school sports.

The platform is operating as a Freemium business model – aiming to achieve web scale of free users with a percentage encouraged to subscribe as members.

Given that the platform is built to be used by coaches with children it has a complex set of users to satisfy and there have been a number of challenges successfully dealt with:

- Coaches must be motivated to use the platform (for free) with their classes
- Parents must be comfortable to allow their children to join the platform, and help their children engage with it, ultimately getting enough value to purchase memberships and products
- Children must be excited enough about the platform to want to log in regularly and to participate in the platform

We have successfully dealt with the challenges because the young players embrace it. In our experience when a coach uses the platform with a class, their players are excited to participate. They change their behaviour in the classes, wanting to develop a wider range of skills and ultimately they participate in more classes. They are excited by awards and actively engage with their parents in the evenings to check their results.

Equally, we have found that the early adopter coaches are enthusiastic about the platform and we have feedback on what it has achieved for them.

We have also had very positive feedback from parents. They value awards, and the increased interest of their children in the sports that they are participating in. Over 50% of parents activate their children on the platform once invited. Parents are also needed to help their children log on to the site in the evenings, and are doing so in high numbers.

The traction that the platform has gained with both children and parents, has led to 10% of active players over a 3 month period purchasing memberships.

We have also demonstrated that parents are happy to purchase UltimatePlayer.me merchandise.

We believe that the dynamics of the platform are functioning as planned: coaches are signing up, inviting children who are participating and their parents are spending on memberships and merchandise.

The cost of development to date is represented by the investment we have made of £729,157.

The pilot for Ultimate Player, which is currently being used by a number of coaches and children, has indicated very positive results. The board is now exploring avenues to exploit it.

### **Pantheon Leisure Plc (“Pantheon”)**

USG holds 85.87% of the issued share capital of Pantheon which in turn owns 100% of the operating business of Pantheon’s Sport and Leisure division.

Pantheon’s Sport and Leisure division comprises two trading companies, Sport in Schools Limited (“ESS”) also known as The Elms Sport in Schools and Football Partners Limited (“FPL”) also known as The Elms Small Sided football.

The business of FPL was sold in November 2016 to Powerplay Team Sports Limited, a company operating in the same sector for a consideration of up to £100,000 with cash payable on deferred terms and subject to certain conditions. Those conditions have now been fulfilled and £82,500 has been received with a further final payment of £17,500 due in October 2017.

Pantheon trading companies made a trading loss of £36,212 before exceptional items for the year (2015: Profit £67,243).

On a turnover of £1,246,888 (2015: £1,243,011), ESS has contributed divisional profit (before exceptional item) of £122,535 as compared with £144,679 to 31 December 2015.

ESS specialises in the delivery of primary school sport – covering the National Curriculum during the day and The Extended Day before and after school hours (breakfast, lunchtime and after-school clubs).

The majority of the breakfast and lunchtime clubs are provided and paid for by the school, whilst the majority of after-school clubs are paid for by the parents.

Holiday camps are a successful area for ESS where it provides sports tuition during the school holidays. The majority of the camps are paid for by parents, whilst a few are paid for by the school.

The ESS directors have developed bespoke skill sets which have been adopted with great enthusiasm by its full time staff and part time coaches. On average, some 20,000 children are coached between 12 to 25 hours a week. All its coaches are highly qualified (minimum level 2), DBS checked, child protection vetted and rigorously trained by ESS in all the main disciplines required by the National Curriculum. The management of ESS constantly monitors and assesses the level of performance of its coaches throughout the school year.

### **Outlook**

The continuing success of the sports tuition activities of ESS is encouraging and the directors consider that together with the gradual acceptance of the Ultimate Player.me website, there is potential for growth.

We look forward to updating shareholders on progress.

### **Notice of Annual General Meeting**

The Annual General Meeting of the Company in respect of the year ended 31 December 2016 will be held at the Hellenic Centre, 16/18 Paddington Street, London W1U 5AS on 30 August 2017 at 11:00 am.

**R.L. Owen**

**G.M. Simmonds**

Consolidated statement of comprehensive income for the year ended 31  
December 2016

|  | Notes | 2016<br>£        | Restated<br>2015<br>£ |
|--|-------|------------------|-----------------------|
| <b>Continued activities</b>  |       |                  |                       |
| Revenue  | 3b, 6 | 1,248,490        | 1,243,011             |
| Cost of sales  |       | <u>(717,020)</u> | <u>(628,348)</u>      |
| Gross profit   |       | 531,470          | 614,663               |
| Administrative expenses  |       | <u>(818,903)</u> | <u>(874,493)</u>      |
| <b>Loss before website costs written off</b>                         |       | (287,433)        | (259,830)             |
| Website costs and amortisation                                       |       | <u>(141,763)</u> | <u>(71,813)</u>       |
| <b>Operating loss</b>  | 7     | <u>(429,196)</u> | <u>(331,643)</u>      |
| Finance income   | 9     | 1,602            | 1,150                 |
| Finance costs  | 10    | (3,972)          | (3,972)               |
| Other gains and losses   | 11    | -                | 55,480                |
| <b>Profit/(loss) before taxation</b>                                 |       | <u>(431,566)</u> | <u>(278,985)</u>      |
| Taxation   | 12    | 6,836            | (23,334)              |
| <b>Profit/(loss) after taxation</b>                                  |       | <u>(424,730)</u> | <u>(302,319)</u>      |
| <b>Discontinued activities</b>                                       |       |                  |                       |
| Revenue  | 3b, 6 | 373,935          | 431,510               |
| Cost of sales and expenses   |       | <u>(532,682)</u> | <u>(508,946)</u>      |
| <b>Operating loss</b>  | 7     | <u>(158,747)</u> | <u>(77,436)</u>       |
| <b>Attributable to:</b>  |       |                  |                       |
| Equity holders of the parent company                                 |       | (566,581)        | (377,424)             |
| Non-controlling interests  |       | <u>(16,896)</u>  | <u>(2,331)</u>        |
|  |       | <u>(583,477)</u> | <u>(379,755)</u>      |
| <b>Other comprehensive loss:</b>                                     |       |                  |                       |
| Revaluation losses on available-for-sale investments taken to equity |       | (3,275)          | (14,553)              |
| Taxation on items taken directly to equity                           | 12    | 618              | 23,334                |
| <b>Other comprehensive profit/(loss)</b>                             |       | <u>(2,657)</u>   | <u>8,781</u>          |
| <b>Comprehensive loss attributable to:</b>                           |       |                  |                       |
| Equity holders of the parent company                                 |       | (569,238)        | (368,643)             |
| Minority interest  |       | <u>(16,896)</u>  | <u>(2,331)</u>        |
| <b>Total comprehensive loss</b>                                      |       | <u>(586,134)</u> | <u>(370,974)</u>      |
| <b>Loss per share (basic and diluted)</b>                            |       |                  |                       |
| (Loss)/Earnings from operations per share                            | 13    | (0.0318)p        | (0.02655)p            |
| Other comprehensive earnings/(loss) per share                        |       | <u>(0.0001)p</u> | <u>0.00045p</u>       |
| <b>Total comprehensive loss per share</b>                            |       | <u>(0.0319)p</u> | <u>(0.02610)p</u>     |

Consolidated statement of financial position as at 31 December 2016

|   | Notes | 2016           | 2015             |
|---|-------|----------------|------------------|
|   |       | £              | £                |
| <b>Non current assets</b>   |       |                |                  |
| Goodwill and other intangibles                                    | 15    | 564,546        | 487,021          |
| Property, plant and equipment                                     | 17    | 31,570         | 80,975           |
| <b>Total non-current assets</b>                                   |       | <u>596,116</u> | <u>567,996</u>   |
| <b>Current assets</b>   |       |                |                  |
| Available-for-sale investments                                    | 18    | 25,998         | 29,273           |
| Trade and other receivables                                       | 19    | 97,702         | 182,254          |
| Cash and cash equivalents   |       | 129,437        | 357,915          |
| <b>Total current assets</b>                                       |       | <u>253,137</u> | <u>569,442</u>   |
| <b>Total assets</b>   |       | <b>849,253</b> | <b>1,137,438</b> |
| <b>Current liabilities</b>  |       |                |                  |
| Trade and other payables  | 20    | 222,547        | 385,114          |
| Borrowings  | 23    | 17,377         | 18,877           |
| <b>Total current liabilities</b>                                  |       | <u>239,924</u> | <u>403,991</u>   |
| <b>Non-current liabilities</b>                                    |       |                |                  |
| Borrowings  | 23    | 30,562         | 47,939           |
| <b>Total non-current liabilities</b>                              |       | <u>30,562</u>  | <u>47,939</u>    |
| <b>Total liabilities</b>  |       | <b>270,486</b> | <b>451,930</b>   |
| <b>Net assets</b>   |       | <b>578,767</b> | <b>685,508</b>   |
| <b>Equity</b>   |       |                |                  |
| Share capital   | 24    | 2,048,664      | 1,526,164        |
| Share premium account   |       | 393,454        | 401,039          |
| Merger reserve  |       | 325,584        | 325,584          |
| Fair value reserve  |       | (1,507)        | 1,150            |
| Retained earnings   |       | (2,123,512)    | (1,569,380)      |
| <b>Equity attributable to shareholders' of the parent company</b> |       | <b>642,683</b> | <b>684,557</b>   |
| Non- controlling interests  |       | (63,916)       | 951              |
| <b>Total Equity</b>   |       | <b>578,767</b> | <b>685,508</b>   |

## Consolidated statements of changes in equity

|   | Share<br>capital<br>£ | Share<br>premium<br>£ | Merger<br>reserve<br>£ | Fair<br>value<br>reserve<br>£ | Retained<br>earnings<br>£ | To equity<br>holders of the<br>parent<br>company<br>£ | Non-<br>controlling<br>interest<br>£ | Total<br>£     |
|---|-----------------------|-----------------------|------------------------|-------------------------------|---------------------------|---|--------------------------------------|----------------|
| Balance at 1 January 2015                             | 1,426,164             | 304,289               | 325,584                | 92,268                        | (1,204,404)               | 943,901   | 3,282                                | 947,183        |
| Issue of new shares                                   | 100,000               | 96,750                | -                      | -                             | -                         | 196,750   | -                                    | 196,750        |
| Released on sale of available<br>for sale investments | -                     | -                     | -                      | (99,900)                      | -                         | (99,900)  | -                                    | (99,900)       |
| Revaluation profits taken to<br>equity                | -                     | -                     | -                      | (14,552)                      | -                         | (14,552)  | -                                    | (14,552)       |
| Deferred tax on items taken<br>directly to equity     | -                     | -                     | -                      | 23,334                        | -                         | 23,334  | -                                    | 23,334         |
| Share based payment                                   | -                     | -                     | -                      | -                             | 12,448                    | 12,448  | -                                    | 12,448         |
| Loss for the year                                     | -                     | -                     | -                      | -                             | (377,424)                 | (377,424)   | (2,331)                              | (379,755)      |
| <b>Reserves at 1 January 2016</b>                     | <b>1,526,164</b>      | <b>401,039</b>        | <b>325,584</b>         | <b>1,150</b>                  | <b>(1,569,380)</b>        | <b>684,557</b>  | <b>951</b>                           | <b>685,501</b> |
| Issue of new shares                                   | 522,500               | 18,000                | -                      | -                             | -                         | 540,500   | -                                    | 540,500        |
| Share issue costs                                     | -                     | (25,585)              | -                      | -                             | -                         | (25,585)  | -                                    | (25,585)       |
| Released on sale of available<br>for sale investments | -                     | -                     | -                      | (3,275)                       | -                         | (3,275)   | -                                    | (3,275)        |
| Deferred tax on items taken<br>directly to equity     | -                     | -                     | -                      | 618                           | -                         | 618   | -                                    | 618            |
| adjustment for non- controlling<br>interest           | -                     | -                     | -                      | -                             | -                         | -   | (47,971)                             | (47,971)       |
| Share based payment                                   | -                     | -                     | -                      | -                             | 12,449                    | 12,449  | -                                    | 12,449         |
| Loss for the year                                     | -                     | -                     | -                      | -                             | (566,581)                 | (566,581)   | (16,896)                             | (583,477)      |
| <b>At 31 December 2016</b>                            | <b>2,048,664</b>      | <b>393,454</b>        | <b>325,584</b>         | <b>(1,507)</b>                | <b>(2,123,512)</b>        | <b>642,683</b>  | <b>(63,916)</b>                      | <b>578,762</b> |

Consolidated statement of cash flows for the year ended 31 December 2016

|   | <b>2016</b>      | <b>2015</b>      |
|---|------------------|------------------|
|   | <b>£</b>         | <b>£</b>         |
| <b>Cash flow from all operating activities</b>                          |                  |                  |
| (Loss)/profit before taxation   | (590,313)        | (356,421)        |
| <b>Adjustments for:</b>   |                  |                  |
| Finance income  | (1,602)          | (1,150)          |
| Finance expense   | 3,972            | 3,972            |
| Amortisation of intangible assets                                       | 57,089           | 9,306            |
| Other gains and losses  | -                | (55,480)         |
| Depreciation  | 53,406           | 46,181           |
| Share based payments  | 12,448           | 12,448           |
| <b>Operating cash flow before working capital movements</b>             | <b>(465,000)</b> | <b>(341,144)</b> |
| Decrease/(increase) in receivables                                      | 84,552           | (40,074)         |
| (Decrease)/increase in payables   | (162,567)        | 46,333           |
| <b>Net cash absorbed by operations</b>                                  | <b>(543,015)</b> | <b>(334,885)</b> |
| <b>Taxation</b>   | <b>7,454</b>     | <b>-</b>         |
| <b>Cash flow from investing activities</b>                              |                  |                  |
| Finance income  | 1,602            | 1,150            |
| Property, plant and equipment acquired                                  | (4,001)          | (10,563)         |
| Social media website development costs                                  | (134,614)        | (270,250)        |
| Acquisition of non- controlling interest                                | (47,970)         |                  |
| Proceeds on disposal of available for sale investments                  | -                | 89,230           |
| <b>Net cash from investing activities</b>                               | <b>(184,983)</b> | <b>(190,433)</b> |
| <b>Cash flow from financing activities</b>                              |                  |                  |
| Finance expense   | (3,972)          | (3,972)          |
| Funds from share issue  | 514,915          | 196,750          |
| Repayment of borrowings   | (18,877)         | (18,877)         |
| <b>Net cash from financing activities</b>                               | <b>492,066</b>   | <b>173,901</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents in the year</b> | <b>31</b>        | <b>(228,478)</b> |
| Cash and cash equivalents at the beginning of the year                  | 357,915          | 709,332          |
| <b>Cash and cash equivalents at the end of the year</b>                 | <b>129,437</b>   | <b>357,915</b>   |

## **Notes to the group and parent company financial statements**

### **1. General information**

Ultimate Sports Group Plc is a company incorporated in the United Kingdom and its activities are as described in the chairman's statement and directors' report.

These financial statements are prepared in pounds sterling because that is the currency of the primary economic environment in which the group operates.

### **2. Basis of Accounting**

The consolidated financial statements of the group for the year ended 31 December 2016 have been prepared under the historical cost convention except for the revaluation of available-for-sale investments to fair value and are in accordance with International Financial Reporting standards ("IFRS") as adopted by the EU. These policies have been applied consistently except where otherwise stated.

The following new and amended IFRSs have been adopted during the year.

IFRS 14 Regulatory Deferral Accounts

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

Annual Improvements 2012-2014 Cycle

Disclosure Initiative (Amendments to IAS 1)

Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

There were no material changes in the financial statements as a result of adopting new or revised accounting standards during the year.

The Group has not yet adopted certain new standards, amendments and interpretations to existing standards, which have been published but are not yet effective. The new pronouncements are listed below:

IFRS 9 Financial Instruments (effective 1 February 2015)

IFRS 15 Revenue from Contracts with Customer (IASB effective 1 January 2018)

IFRS 16 Leases (IASB effective 1 January 2019; not yet adopted by EU)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date deferred indefinitely, not yet adopted by EU)

Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective 1 January 2017, not yet adopted by EU)

Amendments to IAS 7: Disclosure Initiative (effective 1 January 2017, not yet adopted by EU)

Clarifications to IFRS 15 'Revenue from Contracts with Customers' (effective 1 January 2018, not yet adopted by EU)

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective 1 January 2018, not yet adopted by EU)

Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective 1 January 2018, not yet adopted by EU)

Annual improvements to IFRS Standards 2014-2016 Cycle (effective 1 January 2017 for amendments to IFRS 12, effective 1 January 2018 for amendments to IFRS 1 and IAS 28, not yet adopted by EU)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the group.



### **3. Significant accounting policies**

#### **(a) Basis of consolidation**

The financial statements of the group incorporate the financial statements of the company and entities controlled by the company which are its subsidiary undertakings. Control is achieved where the company has the power to govern the financial and operating policies of its subsidiary undertakings so as to benefit from their activities.

Details of subsidiary undertakings are set out in note 16.

All intra-group transactions and balances have been eliminated in preparing the consolidated financial statements.

#### **(b) Revenue**

Revenue arises from the disposal of available-for-sale investments and income from sports and leisure activities undertaken by the company and its subsidiary undertakings. In the case of sports and leisure activities it represents invoiced and accrued amounts for services supplied in the year, exclusive of value added tax and trade discounts.

#### **(c) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets and liabilities of subsidiary entities at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the group's cash generating units expected to benefit from synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS's has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date.

#### **c) Development costs**

Development costs are written off in arriving at the operating profit or loss for the year unless the directors are satisfied as to the technical, commercial and financial viability of individual project. In this situation, the expenditure is recognised as an asset and is reviewed for impairment on an annual basis.

Any impairment is recognised immediately in the income statement and is not subsequently reversed. Development costs not written off in the year are amortised over a 10 year life which commenced in September 2015 with the initial launch of the website.

#### **(d) Plant and equipment**

Plant and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less their estimated residual value over their expected useful lives.

The rates applied to these assets are as follows:

|                   |                         |
|-------------------|-------------------------|
| Plant & equipment | 25% & 10% straight line |
|-------------------|-------------------------|

Motor vehicles 33.3% straight line

### 3. Significant accounting policies (continued)

#### (e) Operating leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against revenue as and when incurred.

#### (f) Deferred taxation

Deferred taxation is provided in full in respect of timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance is not discounted.

The recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

#### (g) Trade receivables

Trade receivables are recognised at fair value. A provision for impairment of trade receivables is established where there is objective evidence that the company or group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or liquidation and default or delinquency of payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectable it is written off against the allowance account for trade receivables.

#### (h) Investments

Investments are classified as available for sale, and are measured at fair value. Gains or losses in changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. Impairment losses recognised in profit or loss are not subsequently reversed through profit or loss.

Fair value of quoted investments is based on current bid prices. If an investment is suspended from trading, fair value is based on quoted bid prices on the first day that trading recommences following suspension.

Investments in subsidiary undertakings are stated at cost less provision for impairment in the parent company balance sheet.

#### (i) Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks. Bank overdrafts are shown as borrowings within current liabilities.

### Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Ordinary shares are classified as equity. Incremental costs directly attributable to new shares are shown in equity as a deduction from the proceeds.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### **3. Significant accounting policies (continued)**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

### **4. Critical accounting judgements and key sources of estimation uncertainty**

#### **Deferred tax asset**

At the present time the directors' do not consider that there is sufficient certainty regarding the utilisation of tax losses available in the group. As a result, no deferred tax asset has been recognised.

#### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill is the deemed cost on first time application of IFRS.

Details of the impairment review calculation are given in note 15.

#### **Impairment of investment in subsidiary undertakings**

The company holds listed investments through various subsidiary undertakings. The values of these investments have been assessed based on their current quoted market value. These values have been used to estimate the recoverable value of the subsidiary undertakings. Where the estimated recoverable value of the company's investments in these subsidiary undertakings is less than the carrying value, the investment has been written down to the estimated recoverable value.

### **5. Going concern**

The directors have prepared financial forecasts covering the 12 months following approval of these financial statements, which show the Group can, subject to certain directors personally settling hire purchase liabilities of £33,187, continue to carry on trading within its existing finance facilities over that period. The forecasts, however, exclude expenditure on the marketing and promotion of the Ultimate Player online platform, which is a fundamental part of the Group's plans to enable a return to profitability. If such funds cannot be raised to support this expenditure, there is significant uncertainty as to whether the Group will be able to continue to trade for the foreseeable future.

Development costs associated with the Ultimate Player platform are included as an intangible asset with a carrying value of £504,492. Without expenditure being incurred to market and promote the platform it will be difficult to generate revenues to support its carrying value as an intangible asset.

The directors are pursuing a number of options to raise the funding necessary to enable the launch of Ultimate Player. On the assumption that the directors are able to secure sufficient funding, the directors consider 1) it appropriate to prepare the financial statements on the going concern basis, and 2) that no impairment in value is required to be reflected in the financial statements in respect of the carrying value of the intangible asset, or amounts due to the Company from Ultimate Player Limited. The financial statements do not therefore include the adjustments that would result if the Company and the Group are unable to continue as a going concern.

## 6. Business segment analysis

Segmental information with regard to continuing and non- continuing activities is disclosed below. All turnover, profits, losses, assets and liabilities relate to operations undertaken in the UK.

### Year ended 31 December 2016

|   | Sports and<br>leisure<br>£ | Social<br>media<br>website | Consolidated<br>£ |
|---|----------------------------|----------------------------|-------------------|
| Revenue   | <u>1,246,888</u>           | <u>1,602</u>               | <u>1,248,490</u>  |
| Segment operating profit/(loss)                       | <u>122,535</u>             | <u>(164,256)</u>           | (41,721)          |
| Group operating expenses*                             |                            |                            | <u>(387,475)</u>  |
| <b>Operating loss</b>                                 |                            |                            | (429,196)         |
| Other gains and losses                                |                            |                            | -                 |
| Finance revenues less finance costs                   |                            |                            | <u>(2,370)</u>    |
| <b>Loss before taxation</b>                           |                            |                            | (431,566)         |
| Taxation  |                            |                            | <u>6,836</u>      |
| <b>Loss after taxation from continuing activities</b> |                            |                            | (424,730)         |
| <b>Discontinued activities</b>                        | <u>(158,747)</u>           |                            | <u>(158,747)</u>  |
|   | <u>(158,747)</u>           |                            | <u>(583,477)</u>  |

### Year ended 31 December 2015

|   | Sports and<br>leisure<br>£ | Social<br>media<br>website | Consolidated<br>£ |
|---|----------------------------|----------------------------|-------------------|
| Revenue   | <u>1,243,011</u>           | <u>-</u>                   | <u>1,243,011</u>  |
| Segment operating profit/(loss)                         | <u>144,677</u>             | <u>(93,105)</u>            | 51,572            |
| Impairment of intangible assets                         |                            |                            | (383,215)         |
| Group operating expenses*                               |                            |                            | <u>(331,643)</u>  |
| Other gains and losses                                  |                            |                            | 55,480            |
| Finance revenues less finance costs                     |                            |                            | <u>(2,822)</u>    |
| <b>Profit before taxation</b>                           |                            |                            | (278,985)         |
| Taxation  |                            |                            | <u>(23,334)</u>   |
| <b>Profit after taxation from continuing activities</b> |                            |                            | (302,319)         |
| <b>Discontinued activities</b>                          | <u>(77,436)</u>            |                            | <u>(77,436)</u>   |
|   | <u>(113,436)</u>           |                            | <u>(379,755)</u>  |

\* 'Group operating expenses' represent the costs of running the group as a whole. The directors consider that the costs of running Pantheon Leisure Plc of £54,677 (2015: £53,675) form part of these costs as opposed to forming part of the segmental costs of the sports and leisure division.

## 6. Business Segment analysis (continued.)

### Financial position at 31 December 2016

|                                     | Sports and<br>leisure<br>£ | Social media<br>website<br>£ | Consolidated<br>£ |
|-------------------------------------|----------------------------|------------------------------|-------------------|
| Segment assets                      | <u>77,264</u>              | <u>519,065</u>               | 596,329           |
| Non segmental assets                |                            |                              | <u>252,924</u>    |
| Consolidated total assets           |                            |                              | <u>849,253</u>    |
| Segment liabilities                 | <u>197,053</u>             | <u>19,168</u>                | 216,221           |
| Non segmental corporate liabilities |                            |                              | <u>54,265</u>     |
|                                     |                            |                              | <u>270,486</u>    |
| Capital additions                   | 4,001                      | 134,614                      |                   |
| Depreciation/amortisation charges   | <u>53,406</u>              | <u>57,089</u>                |                   |

### Financial position at 31 December 2015

|                                     | £              | £              | Consolidated<br>£ |
|-------------------------------------|----------------|----------------|-------------------|
| Segment assets                      | <u>150,215</u> | <u>453,407</u> | 603,622           |
| Non segmental assets                |                |                | <u>533,816</u>    |
| Consolidated total assets           |                |                | <u>1,137,438</u>  |
| Segment liabilities                 | <u>335,311</u> | <u>24,095</u>  | 359,406           |
| Non segmental corporate liabilities |                |                | <u>92,524</u>     |
|                                     |                |                | <u>451,930</u>    |
| Capital additions                   | 10,563         | 270,247        |                   |
| Depreciation charge                 | <u>46,181</u>  | <u>9,306</u>   |                   |

Unallocated assets include group cash balances of £129,437 (2015: £357,915), plant and equipment of £20,915 (2015: £48,803), goodwill of £59,954 (2015: £59,954), other assets and receivables of £42,618 (2015: £67,144). Unallocated liabilities include trade and other payables of £54,265 (2015: £36,208), hire purchase liabilities attributable to the parent company of £42,439 (2015: £56,316).

Segment assets include £6,013 (2015: £53,606) from discontinued activities. Segment liabilities include £65,937 (2015: £162,612) from discontinued activities.

## 7. Operating loss

| The operating loss is stated after charging<br>/(crediting): | 2016<br>£ | 2015<br>£ |
|--|-----------|-----------|
| Auditors' remuneration – audit services                      | 25,840    | 20,200    |
| Operating lease rentals – land and buildings                 | 10,905    | 12,001    |
| Depreciation of property, plant and equipment                | 53,406    | 46,181    |
| Amortisation – Website development                           | 57,089    | 9,306     |

Included in the audit fee for the group is an amount of £6,000 (2015: £3,000) in respect of the Company. The auditors received fees of £1,250 (2015: £1,250) in respect of the provision of services in connection with advice relating to the group's interim results, and general advice.

## 8. (a) Staff Costs

Employee benefit costs were as follows:

|                       | Group            |                  |
|-----------------------|------------------|------------------|
|                       | 2016             | 2015             |
|                       | £                | £                |
| Wages and salaries    | 1,185,972        | 1,172,122        |
| Social security costs | 80,716           | 80,516           |
| Pension contributions | 8,169            | 7,910            |
| Share based payment   | 12,449           | 12,448           |
|                       | <u>1,287,306</u> | <u>1,272,996</u> |

The average numbers of employees, including directors during the year, was as follows:-

|  | No.       | No.       |
|--|-----------|-----------|
| Administration, sales and coaching staff | <u>80</u> | <u>85</u> |

## (b) Directors' remuneration

An analysis of directors' remuneration (who are the key management personnel) is set out below:

|                             | 2016           | 2015           |
|-----------------------------|----------------|----------------|
|                             | £              | £              |
| Salary and consultancy fees | <u>106,951</u> | <u>173,585</u> |
| Executive directors:        |                |                |
| Salaries and benefits       | 63,951         | 87,585         |
| Consultancy fees            | <u>30,500</u>  | <u>61,000</u>  |
|                             | <u>94,451</u>  | <u>148,585</u> |
| Non-executive directors:    |                |                |
| Salaries and benefits       | 8,750          | 17,500         |
| Consultancy fees            | <u>3,750</u>   | <u>7,500</u>   |
|                             | <u>12,500</u>  | <u>25,000</u>  |

|                                      | 2016          | 2015          |
|--------------------------------------|---------------|---------------|
|                                      | £             | £             |
| Directors consultancy fees comprise: |               |               |
| G Simmonds and Simmonds & Co         | 22,500        | 45,000        |
| D Hillel                             | 8,000         | 16,000        |
| D J Coldbeck                         | <u>3,750</u>  | <u>7,500</u>  |
|                                      | <u>34,250</u> | <u>68,500</u> |

The total cost of key management personnel being the executive directors and including employers' national insurance was £98,002 (2015: £151,889).

The following amounts were paid for the services of the directors in the year:

|              | 2016                     | 2016          | 2016           | 2015           |
|--------------|--------------------------|---------------|----------------|----------------|
|              | £                        | £             | £              | £              |
|              | Salaries<br>and benefits | Consultancy   | Total          | Total          |
| R L Owen     | 41,403                   | -             | 41,403         | 63,318         |
| G Simmonds   | 22,548                   | 22,500        | 45,048         | 69,267         |
| D Hillel     | -                        | 8,000         | 8,000          | 16,000         |
| J Zucker     | 6,250                    | -             | 6,250          | 12,500         |
| D J Coldbeck | <u>2,500</u>             | <u>3,750</u>  | <u>6,250</u>   | <u>12,500</u>  |
|              | <u>72,701</u>            | <u>34,250</u> | <u>106,951</u> | <u>173,585</u> |

Consultancy fees in respect of G Simmonds were paid to Simmonds & Co.

## 9. Finance income

|                                  | 2016<br>£    | 2015<br>£    |
|----------------------------------|--------------|--------------|
| Interest revenue – bank deposits | 102          | 250          |
| Dividends received               | 1,500        | 900          |
|                                  | <u>1,602</u> | <u>1,150</u> |

## 10. Finance costs

|  | 2016<br>£    | 2015<br>£    |
|--|--------------|--------------|
| Interest on obligations under hire purchase agreements | <u>3,972</u> | <u>3,972</u> |

## 11. Other gains and losses

|  | 2016<br>£ | 2015<br>£     |
|--|-----------|---------------|
| Profit on disposal of available for sale investments | <u>-</u>  | <u>55,480</u> |

## 12. Taxation

|   | 2016<br>£      | 2015<br>£     |
|---|----------------|---------------|
| <b>Deferred tax charge/(credit)</b>               |                |               |
| Origination and reversal of temporary differences | 618            | 23,334        |
| Total deferred tax charge/(credit)                | <u>618</u>     | <u>23,334</u> |
| Research and development tax credits              | <u>(7,454)</u> | <u>-</u>      |
| <b>Tax (credit)/charge in income statement</b>    | <u>(6,836)</u> | <u>23,334</u> |

No income tax charge arises based on the loss for the year (2015: nil).

The group has unutilised tax losses of £7,315,000 (2015: £6,842,000) which includes £2,982,000 (2015: £2,724,000) in relation to the company's subsidiary undertakings. Where it is anticipated that future taxable profits will be available to utilise these losses a deferred tax asset or a reduction in deferred tax liability is recognised as appropriate. Tax losses available in the parent company are available for offset only against income and gains of that company.

### Factors affecting the tax charge in the year

|  | 2016<br>£        | 2015<br>£        |
|--|------------------|------------------|
| <b>(Loss)/profit on ordinary activities before taxation</b>  | <u>(590,313)</u> | <u>(356,421)</u> |
| Loss on ordinary activities before taxation at the standard rate of UK corporation tax of 20% (2015: 20.25%) | (118,063)        | (72,175)         |
| <b>Effects of:</b>   |                  |                  |
| Expenses not deductible for tax purposes   | 3,016            | 2,521            |
| Dividend income  | (300)            | (182)            |
| Temporary differences in respect of depreciation and capital allowances not reflected in deferred tax        | 21,140           | 7,804            |
| Unutilised tax losses not recognised as a deferred tax asset   | 94,207           | 62,032           |
| Adjustment on available-for-sale investments   | 618              | 23,334           |
| Research and development tax credits   | <u>(7,454)</u>   | <u>-</u>         |
| <b>Tax charge/(credit)</b>   | <u>(6,836)</u>   | <u>23,334</u>    |

## 12. Taxation (cont.)

In recognition of the effects on taxation arising from the revaluation of the group's available-for-sale investments, a deferred tax adjustment to the provision by £618 (2015: £23,334) has been made and reflected as an adjustment to equity. During the year claims for tax credits in relation to research and development costs were made giving rise to cash credits of £7,454. These claims related to expenditure incurred to December 2014.

## 13. Loss per share

Basic loss per share has been calculated on the group's loss attributable to equity holders of the parent company of £566,581 (2015: £377,424) and on the weighted average number of shares in issue during the year, which was 17,809,583 (2015: 14,302,364).

Comprehensive loss per share is based on the same number of shares and on the comprehensive loss for the year attributable to the equity holders in the parent company of £569,238 (2015: £368,643).

In view of the group loss for the year, share warrants and options to subscribe for ordinary shares in the company are anti-dilutive and therefore diluted earnings per share information is not presented. There are options outstanding at 31 December 2016 on 577,500 ordinary shares.

## 14. Loss for the financial year

As permitted by Section 400 of the Companies Act 2006, the profit and loss account for the company is not presented as part of these financial statements.

The consolidated loss for the year of £583,477 (2015: loss: £379,755) includes a loss of £294,214 (2015: loss £494,573) dealt with in the accounts of the company.

## 15. Goodwill, intangibles and development costs

|                               | 2016           | 2015           |
|-------------------------------|----------------|----------------|
|                               | £              | £              |
| Cost at 1 January             | 496,327        | 226,077        |
| Additions in the year         | 134,614        | 270,250        |
| Cost at 31 December           | <u>630,941</u> | <u>496,327</u> |
| Amortisation at 1 January     | 9,306          | -              |
| Charged in the year           | 57,089         | 9,306          |
| Amortisation at 31 December   | <u>66,395</u>  | <u>9,306</u>   |
| Carrying value at 31 December | <u>564,546</u> | <u>487,021</u> |

Goodwill of £59,954 included above relates to the acquisition of Pantheon Leisure Plc which is included at its deemed cost on first time application of IFRS.

The Group acquired £100 of intangible assets in 2013 at the time of acquisition of a subsidiary.

Goodwill acquired in a business combination is allocated, at acquisition, to cash generating units ("CGUs") that are expected to benefit from that business combination. The carrying amount of goodwill relates wholly to the leisure activities business segment.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding forecast revenues and operating costs. Management have taken into account the following two elements:

- (i) Based on current enquiries into the Sport in Schools activities, revenues will continue to grow in 2017 and 2018; and
- (ii) Operational costs are monitored and controlled.

### Development costs

During the year, subsidiary undertakings incurred costs developing the sports related social media website totalling £134,614 (2015: £270,250).



## 16. Investments in Subsidiaries

| Company                              | 2016<br>£        | 2015<br>£        |
|--------------------------------------|------------------|------------------|
| <b>Cost of shares</b>                | 1,947,932        | 1,900,932        |
| Loan notes                           | 220,000          | 220,000          |
| At 31 December                       | <u>2,167,932</u> | <u>2,120,932</u> |
| <b>Impairment</b>                    |                  |                  |
| At 1 January                         | 1,550,596        | 1,424,061        |
| Increase of provision in year        | 10,765           | 126,535          |
| At 31 December                       | <u>1,561,361</u> | <u>1,550,596</u> |
| <b>Carrying value at 31 December</b> | <u>606,571</u>   | <u>570,336</u>   |

Included in investments is £220,000 of loan notes which carry an interest coupon of 7.5% and are repayable on demand at par.

The following companies were subsidiaries at the balance sheet date and the results and year end position of these companies has been included in these consolidated financial statements.

| Subsidiary undertakings                 | Description and<br>proportion of<br>share capital<br>owned | Country of<br>incorporation or<br>registration | Nature of business                             |
|---|--|--|--|
| Westside Acquisitions Limited           | Ordinary 100%  | England & Wales                                | Holding company                                |
| Reverse Take-Over Investments Limited * | Ordinary 100%  | England & Wales                                | Acquisition and development of shell companies |
| Westsidetech Limited                    | Ordinary 100%  | England & Wales                                | Dormant  |
| Westside Mining Plc                     | Ordinary 100%  | England & Wales                                | Investment - inactive                          |
| Westside Sports Limited                 | Ordinary 100%  | England & Wales                                | Holding company                                |
| Ultimate Player Limited                 | Ordinary 100%  | England & Wales                                | Social media website                           |
| Football Data Services Limited          | Ordinary 100%  | England & Wales                                | Website data services                          |
| FootballFanatix Limited                 | Ordinary 100%  | England & Wales                                | Social media website                           |
| Pantheon Leisure Plc **                 | Ordinary 85.87%  | England & Wales                                | Holding company                                |
| Sport in Schools Limited ***            | Ordinary 85.87%  | England & Wales                                | Sports coaching in schools                     |
| Football Partners Limited ***           | Ordinary 85.87%  | England & Wales                                | Small sided football leagues                   |
| The Elms Group Limited                  | Ordinary 85.87%  | England & Wales                                | Non trading                                    |
| Footballdirectory.co.uk Limited         | Ordinary 85.87%  | England & Wales                                | Dormant  |

\* 33<sup>1</sup>/<sub>3</sub>% held indirectly through Westside Acquisitions Limited

\*\* held indirectly through Westside Sports Limited

\*\*\* held indirectly through Pantheon Leisure Plc

## 17. Property, plant and equipment

| Group                    | Plant and equipment<br>£ | Motor Vehicles<br>£ | Total<br>£ |
|--------------------------|--------------------------|---------------------|------------|
| <b>Cost</b>              |                          |                     |            |
| At 1 January 2015        | 133,879                  | 83,662              | 217,541    |
| Additions                | 10,563                   | -                   | 10,563     |
| Disposals                | -                        | -                   | -          |
| Cost at 31 December 2015 | 144,442                  | 83,662              | 228,104    |
| Additions                | 4,001                    | -                   | 4,001      |
| Disposals                | -                        | -                   | -          |
| At 31 December 2016      | 148,443                  | 83,662              | 232,105    |
| <b>Depreciation</b>      |                          |                     |            |
| At 1 January 2015        | 93,976                   | 6,972               | 100,948    |
| Charge for the year      | 18,293                   | 27,888              | 46,181     |
| Disposals                | -                        | -                   | -          |
| At 31 December 2015      | 112,269                  | 34,860              | 147,129    |
| Charge for the year      | 25,518                   | 27,888              | 53,406     |
| Disposals                | -                        | -                   | -          |
| At 31 December 2016      | 137,787                  | 62,748              | 200,535    |
| <b>Carrying value</b>    |                          |                     |            |
| At 31 December 2016      | 10,656                   | 20,914              | 31,570     |
| At 31 December 2015      | 32,173                   | 48,802              | 80,975     |
| <b>Company</b>           |                          |                     |            |
| Company                  | Plant and equipment<br>£ | Motor Vehicles<br>£ | Total<br>£ |
| <b>Cost</b>              |                          |                     |            |
| At 1 January 2015        | 1,848                    | 83,662              | 85,510     |
| Additions                | -                        | -                   | -          |
| Disposals                | -                        | -                   | -          |
| Cost at 31 December 2015 | 1,848                    | 83,662              | 85,510     |
| Additions                | -                        | -                   | -          |
| Disposals                | -                        | -                   | -          |
| At 31 December 2016      | 1,848                    | 83,662              | 85,510     |
| <b>Depreciation</b>      |                          |                     |            |
| At 1 January 2015        | 1,847                    | 6,972               | 8,819      |
| Disposals                | -                        | -                   | -          |
| Charge for year          | -                        | 27,888              | 27,888     |
| At 31 December 2015      | 1,847                    | 34,860              | 36,707     |
| Disposals                | -                        | -                   | -          |
| Charge for the year      | -                        | 27,888              | 27,888     |
| At 31 December 2016      | 1,847                    | 62,748              | 64,595     |
| <b>Carrying value</b>    |                          |                     |            |
| At 31 December 2016      | 1                        | 20,914              | 20,915     |
| At 31 December 2015      | 1                        | 48,802              | 48,803     |

The company was party to hire purchase agreements in respect of its motor vehicles during the year. Depreciation charged on assets subject to hire purchase agreements in the year was £27,888 (2015: £27,888). The net book value of these assets at the end of the year was £20,914 (2015: £48,802).

## 18. Available-for-sale investments

The group holds the following investments which are stated at fair value:

|  | Group         |               | Company      |              |
|--|---------------|---------------|--------------|--------------|
|  | 2016<br>£     | 2015<br>£     | 2016<br>£    | 2015<br>£    |
| <b>Investments admitted to trading on AIM:</b> |               |               |              |              |
| <b>Current assets</b>                          |               |               |              |              |
| Aeorema Communications Plc                     | 7,650         | 9,675         | -            | -            |
| SigmaRoc Plc                                   | 18,348        | 19,598        | 1,688        | 1,688        |
| Total  | <u>25,998</u> | <u>29,273</u> | <u>1,688</u> | <u>1,688</u> |

The group has not designated any investments as financial assets at fair value through profit or loss.

Details of investment held at 31 December were:-

### **Aeorema Communications Plc:**

30,000 ordinary shares in Aeorema Communications Plc ('Aeorema') representing 0.37% of Aeorema's issued share capital. There were no sales or purchases in the year.

At 26 June 2017, the market bid price was 25p per share valuing the group's holding of 30,000 Aeorema shares at £7,500.

### **SigmaRoc Plc (formerly Messaging International Plc)**

In August 2016, following the disposal of its subsidiary, SigmaRoc Plc (formerly Messaging International Plc) a new venture commenced under new management. In January 2017, the company undertook a share consolidation, whereby every 104 existing ordinary shares were consolidated into 1 new ordinary share, The group's holding of 86,193 new shares represents 0.08% of the shares in issue.

At 26 June 2017, the market bid price was 40p per share valuing its holding in SigmaRoc shares at £34,477.

## 19. Receivables and loan notes

### **Non-current assets**

#### **Company**

In 2016, amounts due within one year included £220,000 of loan notes (2015 - £220,000). The loan notes are convertible into 50 million new shares in Pantheon Leisure Plc (the borrower) at any time before redemption. The loan notes carry an interest coupon of 7.5% and are repayable on demand at par.

Pantheon Leisure Plc is a subsidiary undertaking of Ultimate Sports Group Plc.

The loan notes are included in investments.

## Group

The group has no receivables and loan notes classified as non-current assets.

## Current assets

|  | Group         |                | Company        |                |
|--|---------------|----------------|----------------|----------------|
|  | 2016<br>£     | 2015<br>£      | 2016<br>£      | 2015<br>£      |
| Trade receivables                        | 41,763        | 71,973         | -              | -              |
| Other receivables                        | 34,612        | 59,202         | 5,364          | 25,973         |
| Amounts due from subsidiary undertakings | -             | -              | 955,667        | 647,992        |
| Prepayments and deferred expenditure     | 21,327        | 51,079         | 10,962         | 11,603         |
|  | <u>97,702</u> | <u>182,254</u> | <u>971,993</u> | <u>685,568</u> |

The average credit period given for trade receivables at the end of the year is 9 days (2015:16 days). Trade receivables are stated net of a provision for irrecoverable amounts of £Nil (2015: £Nil).

Amounts due from subsidiary undertakings are stated net of provisions for irrecoverable amounts which total £576,722 (2015: £548,332).

The total charge in the year in respect of irrecoverable receivables in the group accounts was £Nil (2015: £Nil).

As at 31 December, the ageing analysis of trade receivables is as follows:

|      | Total<br>£ | Due but not impaired |                   |                |
|------|------------|----------------------|-------------------|----------------|
|      |            | £<br><3 months       | £<br>3 – 6 months | £<br>>6 months |
| 2016 | 41,763     | 41,763               | -                 | -              |
| 2015 | 71,973     | <u>71,973</u>        | <u>-</u>          | <u>-</u>       |

## 20. Trade and other payables

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2016<br>£      | 2015<br>£      | 2016<br>£      | 2015<br>£      |
| Trade payables                         | 29,102         | 60,145         | -              | -              |
| Other payables                         | 48,263         | 91,480         | -              | -              |
| Taxes and social security              | 71,960         | 107,746        | -              | -              |
| Amounts due to subsidiary undertakings | -              | -              | 273,573        | 209,573        |
| Accruals and deferred income           | 73,222         | 125,743        | 9,500          | 31,508         |
|  | <u>222,547</u> | <u>385,114</u> | <u>283,073</u> | <u>241,081</u> |

The average credit period taken for trade payables at the end of the year is 12 days (2015: 29 days).

## 21 Bank overdraft

Sport in Schools Limited and Football Partners Limited have bank overdraft facilities of £50,000 and £20,000 respectively which are secured by guarantees of up to £50,000 and £20,000 for each company given by Ultimate Sports Group Plc. Both overdrafts are repayable on demand.

## 22. Deferred tax

The following are the deferred tax liabilities and assets recognised by the group and movements during the current and previous year:

| <b>Deferred tax liabilities (Restated)</b> | <b>Fair value gains<br/>£</b> | <b>Tax losses<br/>offset<br/>£</b> | <b>Total<br/>£</b> |
|--|-------------------------------|------------------------------------|--------------------|
| At 1 January 2015                          | 23,621                        | (23,621)                           | -                  |
| Charged in the income statement            | -                             | 23,334                             | (23,334)           |
| Credited directly to equity                | (23,334)                      | -                                  | 23,334             |
| At 31 December 2015                        | 287                           | (287)                              | -                  |
| Charged in the income statement            | -                             | 618                                | (618)              |
| Credited directly to equity                | (618)                         | -                                  | 618                |
| At 31 December 2016                        | (331)                         | 331                                | -                  |

Unutilised tax losses available for offset against future fair value gains are deducted in computing net deferred tax liabilities.

## 23. Borrowings

|   | <b>Group</b>      |                   | <b>Company</b>    |                   |
|---|-------------------|-------------------|-------------------|-------------------|
|   | <b>2016<br/>£</b> | <b>2015<br/>£</b> | <b>2016<br/>£</b> | <b>2015<br/>£</b> |
| <b>Due within one year</b>                |                   |                   |                   |                   |
| Interest free loans                       | 3,500             | 5,000             | -                 | -                 |
| Hire purchase finance                     | 13,877            | 13,877            | 13,877            | 13,877            |
| <b>Total due within one year</b>          | <u>17,377</u>     | <u>18,877</u>     | <u>13,877</u>     | <u>13,877</u>     |
| <b>Due after more than one year</b>       |                   |                   |                   |                   |
| Interest free loans                       | 2,000             | 5,500             | -                 | -                 |
| Hire purchase finance                     | 28,562            | 42,439            | 28,562            | 42,439            |
| <b>Total due after more than one year</b> | <u>30,562</u>     | <u>47,939</u>     | <u>28,562</u>     | <u>42,439</u>     |
| <b>Total borrowings</b>                   | <u>47,939</u>     | <u>66,816</u>     | <u>42,439</u>     | <u>56,316</u>     |

## 24. Issued share capital

| <b>Shares of 10p each</b> | <b>Number of shares</b> | <b>£</b>  |
|---------------------------|-------------------------|-----------|
| At 1 January 2015         | 14,261,638              | 1,426,164 |
| Shares issued in the year | 1,000,000               | 100,000   |
| At 1 January 2016         | 15,261,638              | 1,526,164 |
| Shares issued in the year | 5,225,000               | 522,500   |
| At 31 December 2016       | 20,486,638              | 2,048,664 |

In June 2016, the company raised £500,000 before costs from a placing at a price of 10p per share resulting in the issue of a further 5,000,000 shares of 10p each.

In September 2016, the company issued a further 225,000 shares at 10p per share in consideration of £22,500 of development expenditure.

At 31 December 2016 the company's issued shares carry no rights to fixed income.

### Share options and warrants

On 17 January 2011 the company adopted an unapproved share option scheme details of which are given in note 27.

To date the company has granted 577,500 to key executives and employees engaged in the development of the social network. At the year end and at the date of this report there are 392,500 options to acquire ordinary share.

The market price of the company's shares at 31 December 2016 was 12.50p and the price range during the financial year was 12.5p and 22.5p.

## 25. Financial commitments

The group is committed to making the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                                   | <b>2016</b> | <b>2015</b> |
|-----------------------------------|-------------|-------------|
|                                   | <b>£</b>    | <b>£</b>    |
| <b>Within one year</b>            |             |             |
| Land and buildings                | 14,091      | 12,001      |
| <b>Between two and five years</b> |             |             |
| Land and buildings                | 49,732      | 45,499      |
| <b>After five years</b>           |             |             |
| Land and buildings                | 46,189      | 52,500      |
|                                   | <hr/>       | <hr/>       |
|                                   | 110,012     | 110,000     |

## **26. Statement of changes in equity**

Retained earnings represent the cumulative retained profit or loss of the group.

Share premium is the amount subscribed for share capital in excess of nominal value and is a capital reserve required by UK company law.

The merger reserve is a non-statutory reserve and represents the difference between the fair value and nominal value of the shares exchanged for shares on acquisition of Reverse Take-Over Investments Plc which took place in 2003.

The fair value reserve represents the cumulative surplus and deficits on recognition of available-for-sale investments at fair value, less tax attributable to the net surplus.

No dividend was paid during the year (2015: Nil).

## **27. Post balance sheet events**

Since the year end, the company raised a further £212,500 on 29 March 2017 by the issue of 2,125,000 ordinary shares at 10p per share. There are no other post balance sheet events to be disclosed by way of note.

## **28. Related parties**

Details of the remuneration of directors are given in note 8. In addition to the information given in that note, the following provides further details of related party transactions involving the company and its directors.

The directors are considered to be the key management personnel of the group.

### **Simmonds & Co**

The group made payments of £35,080 [excluding VAT] (2015 £31,200) as contributions towards office and secretarial costs to Simmonds & Co, Chartered Accountants, a practice in which G Simmonds is sole proprietor.

## 29. Share-based payment transaction

At the date of this report, 577,500 share options have been granted to employees or key executives involved in the group's trading operations.

### These include:-

Share options to acquire 210,000 shares were originally awarded in 2011 and amended in 2012.

Share options to acquire 367,500 shares were awarded to employees and key executives in 2014.

Options are valued using the Black-Scholes option pricing model. The fair value per option granted and the assumptions used in the calculation are as follows:

|                            |                 |                 |                 |
|----------------------------|-----------------|-----------------|-----------------|
| Grant date                 | 17 January 2011 | 6 March 2014    | 30 April 2014   |
| Share price at grant date  | 25p per share   | 27.5p per share | 27.5p per share |
| Exercise price             | 25p per share   | 27.5p per share | 27.5p per share |
| Shares under option        | 210,000         | 167,500         | 200,000         |
| Expected volatility        | 17.0%           | 20.9%           | 20.9%           |
| Option life (years)        | 10 years        | 7 Years         | 7 Years         |
| Expected life (years)      | 10 Years        | 7 Years         | 7 Years         |
| Risk-free interest rate    | 2.0%            | 2.0%            | 2.0%            |
| Fair value per option      | 0.4p            | 0.07p           | 0.07p           |
| Annual charge under IFRS 2 | £8,970          | £1,586          | £1,892          |

In accordance with IFRS2, the fair value of the share options issued and recognised as a charge in the accounts for the year is £12,448 (2015 - £12,448).

In arriving at the above:-

The expected volatility is based on historical volatility, the expected life is the average expected period to exercise and the risk-free rate of return is the yield on a zero-coupon UK government bond for a term consistent with the assumed option life.

At the date of this report there remained share options to acquire 392,500 shares in place.

## 30. Capital management and financial instruments

The group is mainly equity funded which together with interest free loans and hire purchase borrowings totalling £47,939 represent the group's capital.

The group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can begin to provide returns for shareholders and benefits for 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 amounts of capital it requires in proportion to risk. The group manages its capital structure and makes adjustments to it in light of changes in economic conditions and 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.

Capital for the group comprises all components of equity – share capital of £2,048,664 (2015: £1,526,164), share premium of £393,454 (2015: £401,039), other reserves of £324,077 (2015: £326,734), the retained deficit of £2,123,512 (2015: £1,569,380) and debts which comprises loans of £5,500 (2015: £10,500) and hire purchase commitments of £42,439 (2015: £56,316).

During the year ended 31 December 2016 the group's strategy was to preserve net cash resources by limiting cash absorbed from losses and through good cash management.



### 30. Capital management and financial instruments (continued)

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

At 31 December 2016 and 31 December 2015, there were no material differences between the fair value and the book value of the group's financial assets and liabilities other than the interest free loan which has a carrying value of £5,500 and a fair value of approximately £4,000. Relevant financial assets and liabilities are set out below.

|   | Group          |                | Company          |                |
|---|----------------|----------------|------------------|----------------|
|   | 2016<br>£      | 2015<br>£      | 2016<br>£        | 2015<br>£      |
| <b>Financial assets</b>   |                |                |                  |                |
| Available-for-sale investments                                      | 25,998         | 29,273         | 1,688            | 1,688          |
| Cash and cash equivalents   | 129,437        | 357,915        | 175,789          | 209,296        |
| Due from subsidiary undertakings                                    | -              | -              | 955,667          | 647,992        |
| Trade and other short term receivables                              | 53,615         | 102,696        | -                | -              |
|   | <u>209,050</u> | <u>489,884</u> | <u>1,133,144</u> | <u>858,976</u> |
| <b>Financial liabilities (which are included at amortised cost)</b> |                |                |                  |                |
| Trade and other short term payables                                 | 77,365         | 151,625        | -                | 18,316         |
| Due to subsidiary undertakings                                      | -              | -              | 273,573          | 209,573        |
| Hire purchase obligations   | 42,439         | 56,816         | 42,439           | 56,316         |
| Loans   | 5,500          | 10,500         | -                | -              |
|   | <u>125,304</u> | <u>218,941</u> | <u>316,012</u>   | <u>284,205</u> |

The group's financial instruments comprise available-for-sale investments, cash and cash equivalents, receivables, payables, loans and hire purchase obligations that arise directly from its operations.

Amounts shown in trade and other short term receivables exclude prepayments and deferred expenditure for the group of £21,327 (2015: £51,079) and vat recoverable of £22,760 (2015: £28,479) for the group and £10,962 (2015: £35,303) of short term receivables and vat recoverable of £5,364 (2015: £2,273) for the company.

Trade and short term payables exclude deferred income and accruals of £73,222 (2015: £125,743), tax and social security creditors of £71,960 (2015: £107,746) company for tax and accruals - £9,500 (2015: £13,192).

The group has not adopted a policy of using financial derivatives and does not rely on the use of interest rate hedges.

In common with other businesses, the group is exposed to risks that arise from its use of financial instruments. There have been no substantive changes to the group's response to financial instrument risk and the methods used to measure them from previous periods.

The main risks arising from the group's financial instruments are market, credit and liquidity risks.

Market risk arises mainly from uncertainty about future prices of available-for-sale investments held by the group. The board monitors movements in the carrying value of its investments on a regular basis. A 20% increase or decrease in the market value of investments would impact on the carrying value of investments by £5,200.(2015: £5,000) Results are not sensitive to changes in interest rates unless the change was significant.

Credit risk arises from trade receivables where the party fails to discharge their obligation in relation to the instrument. To minimise this risk, management have appropriate credit assessment methods to establish credit worthiness of new customers and monitor receivables by regularly reviewing aged receivable reports. There is no concentration of credit risk other than in respect to cash held on deposit at the company's bank as set out above.

### 30. Capital management and financial instruments (continued)

The amount exposed to risk in respect of trade receivables at 31 December 2016 was £41,763 (2015: £71,973).

Liquidity risk arises in relation to the group's management of working capital and the risk that the company or any of its subsidiary undertakings will encounter difficulties in meeting financial obligations as and when they fall due. To minimise this risk the liquidity position and working capital requirements are regularly reviewed by management.

The directors do not consider changes in interest rates have a significant impact on the group's cost of finance or operating performance.

As the group's operations are conducted in the United Kingdom, risks associated with foreign currency fluctuations are not relevant.

### 31. Notes to statements of cash flows

#### a) Analysis of net funds

|                           | At 1 January<br>2016<br>£ | Cash Flow<br>£   | Non-cash<br>movements<br>£ | At 31<br>December<br>2016<br>£ |
|---------------------------|---------------------------|------------------|----------------------------|--------------------------------|
| <b>Group</b>              |                           |                  |                            |                                |
| Cash and cash equivalents | 357,915                   | (228,478)        | -                          | <b>129,437</b>                 |
| Borrowings                | (66,816)                  | 18,877           | -                          | <b>(47,939)</b>                |
| Net funds                 | <u>291,099</u>            | <u>(209,601)</u> | -                          | <u><b>81,498</b></u>           |
| <b>Company</b>            |                           |                  |                            |                                |
| Cash and cash equivalents | 209,296                   | (33,507)         | -                          | <b>175,789</b>                 |
| Borrowings                | (56,316)                  | 13,877           | -                          | <b>(42,439)</b>                |
| Net funds                 | <u>152,980</u>            | <u>(19,630)</u>  | -                          | <u><b>133,350</b></u>          |

#### (b) Reconciliation of net cash flow to movement in net funds

|   | Group<br>£       | Company<br>£    |
|---|------------------|-----------------|
| (Decrease) in cash and cash equivalents in the year | (228,478)        | (33,507)        |
| Cash inflow from new borrowings                     | -                | -               |
| Cash outflow on borrowings repaid in the year       | 18,877           | 13,877          |
| Movement in net funds/(debt)                        | <u>(209,601)</u> | <u>(19,630)</u> |

## 31. Notes to statements of cash flows (Cont.)

### (c) Statement of cash flows from discontinued activities

|  | <u>2016</u>     | <u>2015</u>     |
|--|-----------------|-----------------|
|  | £               | £               |
| <b>Cash flow from discontinued activities</b>                    |                 |                 |
| Loss before tax  | (158,747)       | (77,437)        |
| <b>Adjustments for:</b>  |                 |                 |
| Depreciation and impairment of fixed assets                      | 15,530          | 5,477           |
| Movements in working capital                                     |                 |                 |
| Decrease in debtors  | 47,593          | 22,398          |
| Increase in creditors  | 101,229         | 48,989          |
| <b>Cash generated/(absorbed) from operations</b>                 | <u>5,605</u>    | <u>(573)</u>    |
| <b>Investing activities</b>                                      |                 |                 |
| Purchase of tangible assets                                      | -               | (2,918)         |
| <b>Net cash used in investing activities</b>                     | <u>-</u>        | <u>(2,918)</u>  |
| <b>Financing activities</b>                                      |                 |                 |
| Repayment of borrowings  | (2,000)         | (2,000)         |
| <b>Net cash used in financing activities</b>                     | <u>(2,000)</u>  | <u>(2,000)</u>  |
| <b>Net cash increase/(decrease) in cash and cash equivalents</b> | 3,605           | (5,491)         |
| Cash and cash equivalents at the beginning of the year           | (26,039)        | (20,548)        |
| <b>Cash and cash equivalents at the end of the year</b>          | <u>(22,434)</u> | <u>(26,309)</u> |

### General

A copy of the report and accounts are being posted to shareholders today and will be available on the Company's website [www.ultimatesportsgroup.me](http://www.ultimatesportsgroup.me) later today.

**\*\*ENDS\*\***

For further information please visit [www.ultimatesportsgroup.me](http://www.ultimatesportsgroup.me) or contact:

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