

# *goals*<sup>®</sup> soccer centres



**INTERIM REPORT 2013**

the way 5-a-side should be!



# Goals Soccer Centres plc

## Interim Results for the six months ended 30 June 2013

Goals Soccer Centres plc (“Goals,” the “Company” or the “Group”) is the leading player in the fast growing 5-a-side soccer market. The Company currently operates 43 centres in the UK, and one in Los Angeles.

### Financial highlights

- **Sales up 2% to £16.6m** (2012: £16.3m)
- **Like-for-like sales up 1%** (2012: 2%)
- **EBITDA down by 4% to £6.7m** (2012: £6.9m)
- **Adjusted Profit Before Income Tax\* down by 7%** to £4.1m (2012: £4.4m)
- **Adjusted diluted Earnings Per Share\* down by 11%** to 5.9p (2012: 6.6p)
- **Ordinary dividend maintained at 0.675p** per share
- **Cash generated from operations increased by 27%** to £4.8m (2012: £3.8m)
- **Net bank debt reduced by 11% to £48.1m** (2012: £53.9m)

\*Adjusted profit before tax is profit before tax adjusted for the impact of the net exceptional cost of NIL (2012: £2.8m). Adjusted Diluted Earnings Per Share is Diluted Earnings per Share adjusted for the net of tax impact of the exceptional items.

### Operational highlights

- Organisational and operational reviews now complete
- Key findings highlight strong foundations and business well positioned for future growth
- US site performing strongly and confirms potential for future rollout in US
- Key senior appointments to support scale of business
- Mobile-responsive website with supporting apps in development

### Keith Rogers, Managing Director of Goals said:

*“We have grown rapidly in recent years and now have a successful national brand with 44 centres. Following this period of rapid growth, 2013 has been a year of consolidation. We have strengthened our operational team, are developing our plans for new digital enabled technology and continue to listen to our customers to ensure we have a product that remains focused on delivering an unrivalled customer experience. We have a great business and are confident that we are well positioned for future growth, both in the UK and the US.”*

3 September 2013

## Chairman's statement

Firstly, I would like to introduce myself as your new Chairman and to thank Sir Rodney Walker, our former Chairman, for his hard work and service over the past 12 years. Sir Rodney has been appointed Honorary President and the Group will continue to benefit from his extensive experience and strong contacts within the world of sport.

I am pleased to report that trading for the first six months has been in line with management expectations despite a challenging consumer environment and some well documented adverse weather in the first quarter which reduced sales and profits by £0.5m.

Group sales increased by 2% to £16.6m (2012: £16.3m) and Group like-for-like sales increased by 1%. Goals now has a 42% share of the UK branded 5-a-side football market and continues to be the UK's most profitable 5-a-side operator.

Our centre in the US performed especially well and generated sales growth of 35% as awareness of the Goals brand in Los Angeles continues to grow.

I am happy to report that the Operational and Organisational Review announced in February has been completed and has confirmed that the Company has strong foundations and is well placed for future growth. We have already begun implementing the recommendations including an increase in the resources within our Head Office to support the enlarged scale of the business. This has increased Head Office costs by £0.3m in the period. We anticipate that this initiative will start to assist in growing like-for-like sales over the coming months and beyond. Our Operational Excellence strategy is well developed and is already driving improvement in process and consistency across the business.

Due to this planned investment in Head Office resources, the adverse weather and an increase of £0.2m in business rates payable Profit Before Income Tax reduced by 7% to £4.1m (2012: £4.4m) for the period.

### Financial Review

Trading for the first six months ended 30 June 2013 has been in line with management expectations with Group sales increasing by 2% to £16.6m (2012: £16.3m). Group like-for-like sales increased by 1%.

Like-for-like sales in the key product areas within Goals UK were:

- Core Football, which represents 75% of sales and over 80% of gross profit, was flat;
- Birthday Parties, which represent 4% of sales, grew by 10% benefiting from a successful digital marketing campaign;
- Corporate events, which represent 4% of sales, grew by 34% benefiting from several large national events; and

- Bar and Vending, which represents 16% of sales, declined by 7%. Our midweek bar sales, in common with other operators in the leisure industry, have declined as customers have reduced their mid-week alcohol intake. Our weekend bar sales have been maintained.

Our overall gross profit margin increased from 89% to 90% as the sales mix continued to move towards the higher margin football product (2013: 75% football; 2012 74% football) and tight control over the cost of sales was exercised. Our bar gross margin decreased from 61% to 59% as we chose not to increase prices in the current climate.

A strong focus on overhead costs was maintained throughout the year. However, our average overheads per centre increased by 4% to £153,000 (2012: £147,000) principally due to an increase of £5,000 per centre (total £0.2m) in business rates payable. Our annual rates payable has increased by £0.8m over a 3 year period due to revaluations of our centres. The revaluations remain under discussion with The Valuation Office Agency and a number of the current valuations may be appealed.

The resources within our Head Office have been increased to support the enlarged scale of the business and to drive like-for-like sales growth including senior appointments within marketing, human resources and operations. This has resulted in a planned increase in Head Office costs to £1.4m (2012: £1.1m).

Due to this planned investment in Head Office resource, the adverse weather and the increase of £0.2m in business rates payable earnings before interest, tax, depreciation and amortisation ("EBITDA") of Goals UK reduced by 6% to £6.4m (2012: £6.8m) and the EBITDA margin reduced marginally from 43% to 40%.

Goals US performed well during the period with sales increasing by 35% to £0.5m (2012: £0.4m) and EBITDA increasing by 150% to £0.2m (2012: £0.1m). Our centre in Los Angeles is now well established in the soccer market in California and we anticipate further growth. This strong growth confirms that the Goals Concept can be successful outside of the United Kingdom.

Group Operating Profit decreased by 3% to £5.2m (2012: £5.3m) and the Operating Profit margin reduced marginally from 33% to 31%. Goals UK generated an Operating Profit of £5.0m (2012: £5.4m) and Goals US generated an Operating Profit of £0.2m (2012: £0m).

Financial expenses increased by 18% to £1.1m (2012: £1.0m) for the first six months as the bank arrangement fees for the bank facility put in place in 2012 were amortised for the full period. EBITDA bank interest cover was 7.8 times during the 12 months ended 30 June 2013 (2012: 7.7 times). The interest rate of our stepped swap increases from 1.7% to 2.7% from July 2013 and the blended interest rate will increase from 4.2% to 5%.

Profit Before Income Tax reduced by 7% to £4.1m (2012: £4.4m) for the period.

The tax charge for the period is at an effective rate of 23% (2012: 25%). The decrease in the effective rate relates primarily to a reduction in the UK corporation tax rate.

Earnings Per Share reduced by 11% to 5.9p (2012: 6.6p).

The Board continues to focus on strong cash generation and enhancing return on capital from immature centres. Net cash generated from operations increased by 27% to £4.8m (2012: £3.8m). This strategy has enabled the Board to meet a key objective of further reducing net bank debt which has been reduced by 11% to £48.1m (2012: £53.9m). Our net debt/ebitda ratio has reduced to 3.3 (2012: 3.7). At 30 June 2013, the Group had total bank loan facilities of £51.25m.

The Group invested £1.9m in capital expenditure (2012: £3.1m) during the period. £0.2m was incurred on our pipeline centres, £0.3m on information technology and call centre systems, £0.4m on final accounts for centres opened in previous years and £1m on upgrading and extending our mature centres. Our Return on Capital Employed has been maintained at 10.2%.

### **Improving Returns**

Earlier this year, we launched our 'Path to Success' programme, an initiative supported by key strategies aimed at improving the overall returns of each centre through operational improvement and investment in central resource. This programme is on track and the delivery of the early benefits will start to accrue in the second half of the year.

### **Operational Excellence**

As part of our 'Path to Success' programme, we implemented Organisational and Operational Reviews to identify potential challenges that may affect future strategy and to identify areas for improvement and change. Both of these reviews have been completed.

The Organisational Review confirmed that Goals has strong foundations for its future growth with high levels of engagement across the business. A number of areas for improvement were recommended and these have been, or are being, implemented.

The Operational Review was carried out by certified Lean 6 Sigma consultants. Their findings have outlined an improved operational process structure to ensure consistent application of best practice across the business. Key personnel within the company are being upskilled to ensure that the methodology adopted remains embedded in the business.

### **Marketing**

Brand awareness is a key component to our on-going strategy and we achieve this through targeted marketing and sales. Our brand partnership with the UK's leading sports radio station, talkSPORT is proving successful, delivering an increase in enquiries during our targeted campaign periods. Furthermore, we have teamed up

with talkSPORT to deliver a national tournament for the benefit of Prostate Cancer UK. The tournament is being promoted by presenters within talkSPORT programmes ensuring high levels of awareness among our key market.

We continue to work with major brands to attract new players to our centres through national events such as The Carlsberg Cup and The Powerade Fives. Our association with Samsung has seen a major investment, providing free coaching to over 25,000 children across the UK, an initiative that has been fully subscribed. November will see us deliver the second national Movember tournament as official partner of the charity. These events deliver substantial brand profile enhancement for Goals amongst many of our key target groups.

## **Digital**

Work continues on the development of our eCRM programme, targeted digital marketing and the development of new and exciting mobile platforms. A mobile-responsive Goals website together with mobile apps are being developed and when implemented, will provide a vastly increased user experience whilst providing essential tools for both team organisers and players alike. As well as enhancing awareness and retention, these innovations will also enable us to collect important customer data that can be used to better understand our customers and deliver a relevant experience.

A new E-Commerce Marketing Manager has been appointed and is responsible for all digital development and management including the development of the new website and enhancing customer engagement across multiple channels through an integrated digital brand marketing plan. He is also responsible for building the Goals brand within the social media arena to drive further awareness and stimulate additional growth.

## **Our Team**

It's our winning teams that make every day experiences special for our customers and ensure that they come back time and again, driving sustainable and profitable growth. The Organisational Review reported the existence of an incredibly strong Goals culture and ethos across the whole organisation.

Effective training remains a key focus and we are developing our 'Future Leaders' programme to ensure that we continue to attract top quality candidates to our business. During the period we launched five 'Centres of Excellence', set up to improve staff training across all levels. We also implemented an online key skills certification programme to ensure that everyone maintains the highest standard of technical ability and professionalism.

With almost 800 staff, developing our people is, without a doubt, the most important investment that we make in the future of our business and to this end we have recently recruited a Training and Development Manager.

## **Customer Service**

We are passionate about putting the customer at the heart of everything we do. We believe that great service, constant innovation and a continued investment in our facilities is the winning formula for building a stronger business and continuing to consistently outperform the competition.

Our 'Listen and Learn' strategy which utilises a fully automated Enterprise Feedback Management (EFM) system has led to improvements in customer experience by providing outstanding value, introducing innovative new ideas and delivering great customer service.

## **New Centres**

Our innovative pilot modular centre at Chester has delivered a facility and player experience equivalent to our previous, traditional build centres. We are delighted with the end result and now have a system in place that will deliver future centres at a significantly reduced cost of £1.5m (traditional build: £2.2m) with build time down from 22 weeks to 14. It is our intention that the modular format will be used for all future builds.

## **Dividend**

The Board's policy is that the Company wishes to reduce its level of debt and we have decided therefore to hold the interim ordinary dividend at the same level as last year at 0.675p per share. The dividend will be paid on 29 November 2013 to shareholders on the register on 25 October 2013.

## **Current Trading**

We continue to make good progress towards achieving our long term goals and in delivering a high quality experience for our customers. Whilst economic uncertainties remain, we believe that the key enablers of our strategy will support the continued growth of Goals. We have increased the resources within our Head Office to support the enlarged scale of the business. We are confident that this, together with a strong commitment to operational excellence, product innovation and digital enhancements will deliver further progress in 2013 and beyond.

## **Keith Edelman**

*Chairman*

3 September 2013



## Consolidated condensed income statement

for the six months ended 30 June 2013

		<i>Unaudited Before exceptional items</i>	<i>Unaudited Exceptional items (note 5)</i>	<i>Unaudited</i>	<i>Audited</i>
	<b>Unaudited Total</b>	<b>6 months ended 30 June 2013</b>	<b>6 months ended 30 June 2012</b>	<b>6 months ended 30 June 2012</b>	<b>6 months ended 31 December 2012</b>
	Note	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Revenue</b>		<b>16,575</b>	16,303	500	16,803
Cost of sales		<b>(1,684)</b>	(1,793)	–	(1,793)
<b>Gross profit</b>		<b>14,891</b>	14,510	500	15,010
Administrative expenses		<b>(9,700)</b>	(9,168)	(3,300)	(12,468)
<b>Operating profit/(loss)</b>		<b>5,191</b>	5,342	(2,800)	2,542
Financial expense		<b>(1,139)</b>	(968)	–	(968)
<b>Profit/(loss) before income tax</b>		<b>4,052</b>	4,374	(2,800)	1,574
Income tax	3	<b>(931)</b>	(1,102)	(25)	(1,127)
<b>Profit/(loss) for the period attributable to equity holders</b>		<b>3,121</b>	3,272	(2,825)	447
<b>Earnings Per Share</b>	6				
Basic		<b>6.0p</b>	6.7p	(5.8)p	0.9p
Diluted		<b>5.9p</b>	6.6p	(5.7)p	0.9p

## Consolidated condensed balance sheet

at 30 June 2013

		<b>Unaudited</b>	<i>Unaudited</i>	<i>Audited</i>
		<b>30 June</b>	<i>30 June</i>	<i>31 December</i>
		<b>2013</b>	<i>2012</i>	<i>2012</i>
	<i>Note</i>	<b>£000</b>	<i>£000</i>	<i>£000</i>
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	<b>108,861</b>	109,192	108,431
Intangible assets	8	<b>6,852</b>	7,739	6,671
Total non-current assets		<b>115,713</b>	116,931	115,102
<b>Current assets</b>				
Inventories		<b>715</b>	721	706
Trade and other receivables		<b>3,715</b>	4,368	3,180
Cash and cash equivalents	12	<b>1,846</b>	668	932
Total current assets		<b>6,276</b>	5,757	4,818
<b>Total assets</b>		<b>121,989</b>	122,688	119,920
<b>Current liabilities</b>				
Bank overdraft	12	<b>(1,966)</b>	(1,987)	(2,310)
Trade and other payables	11	<b>(2,235)</b>	(4,474)	(2,690)
Current tax payable		<b>(1,085)</b>	(1,555)	(965)
Total current liabilities		<b>(5,286)</b>	(8,016)	(5,965)
<b>Non-current liabilities</b>				
Other interest-bearing loans and borrowings		<b>(48,002)</b>	(52,614)	(48,808)
Deferred tax liabilities	9	<b>(7,823)</b>	(7,386)	(7,519)
Other financial liabilities	10	<b>(3,240)</b>	(3,530)	(3,751)
Total non-current liabilities		<b>(59,065)</b>	(63,530)	(60,078)
<b>Total liabilities</b>		<b>(64,351)</b>	(71,546)	(66,043)
<b>Net assets</b>		<b>57,638</b>	51,142	53,877
<b>Equity</b>				
Share capital		<b>131</b>	122	128
Share premium		<b>26,775</b>	23,275	25,853
Other reserve		<b>(2,494)</b>	(2,718)	(2,888)
Retained earnings		<b>33,277</b>	30,508	30,973
Translation reserve		<b>(51)</b>	(45)	(189)
<b>Total equity</b>		<b>57,638</b>	51,142	53,877

## Consolidated condensed statement of cashflows

for the six months ended 30 June 2013

	Note	<b>Unaudited 6 months ended 30 June 2013 £000</b>	<i>Unaudited 6 months ended 30 June 2012 £000</i>	<i>Audited Year ended 31 December 2012 £000</i>
<b>Cashflows from operating activities</b>				
Profit for the period		3,121	447	1,344
<i>Adjustments for:</i>				
Depreciation		1,404	1,589	2,904
Amortisation		71	–	36
Financial expenses		1,139	968	1,814
Cashflow hedge recycling		–	–	(238)
Non-cash exceptional items		–	1,950	5,678
Income tax expense		931	1,127	1,261
		<u>6,666</u>	<u>6,081</u>	<u>12,799</u>
Increase in trade and other receivables		(536)	(2,073)	(885)
(Increase)/decrease in inventory		(9)	43	58
(Decrease)/increase in trade and other payables		(511)	952	(281)
		<u>5,610</u>	<u>5,003</u>	<u>11,691</u>
Income tax paid		(811)	(1,223)	(1,851)
<b>Net cash from operating activities</b>		<u>4,799</u>	<u>3,780</u>	<u>9,840</u>
<b>Cashflows from investing activities</b>				
Acquisition of property, plant and equipment		(1,944)	(3,087)	(6,355)
<b>Net cash used in investing activities</b>		<u>(1,944)</u>	<u>(3,087)</u>	<u>(6,355)</u>
<b>Cashflows from financing activities</b>				
Issue of share capital		925	–	2,584
Loans (paid)/received		(850)	850	(3,855)
Interest paid		(1,055)	(1,385)	(1,770)
Dividends paid		(617)	(571)	(916)
<b>Net cash used in financing activities</b>		<u>(1,597)</u>	<u>(1,106)</u>	<u>(3,957)</u>
Net increase/(decrease) in cash and cash equivalents		1,258	(413)	(472)
Cash and cash equivalents at start of period		(1,378)	(906)	(906)
<b>Cash and cash equivalents at period end</b>	12	<u>(120)</u>	<u>(1,319)</u>	<u>(1,378)</u>

**Consolidated condensed statement of Comprehensive Income and Expense**  
*for the six months ended 30 June 2013*

	<b>Unaudited</b> <b>6 months</b> <b>ended</b> <b>30 June</b> <b>2013</b> <b>£000</b>	<i>Unaudited</i> <i>6 months</i> <i>ended</i> <i>30 June</i> <i>2012</i> <i>£000</i>	<i>Audited</i> <i>Year ended</i> <i>31 December</i> <i>2012</i> <i>£000</i>
<b>Profit for the period</b>	<b>3,121</b>	447	1,344
<b>Net movement in other financial liability</b>	<b>394</b>	(917)	(1,087)
<b>Exchange differences on translation of foreign operation</b>	<b>138</b>	10	(133)
<b>Net income and expense recognised directly in equity</b>	<b>532</b>	(907)	(1,220)
<b>Total comprehensive income and expense for the period attributable to equity holders</b>	<b>3,653</b>	(460)	124

## Consolidated condensed statement of changes in equity

for the six months ended 30 June 2013

	<b>Unaudited</b>	<i>Unaudited</i>	<i>Audited</i>
	<b>6 months</b>	<i>6 months</i>	<i>Year ended</i>
	<b>ended</b>	<i>ended</i>	<i>31 December</i>
	<b>30 June</b>	<i>30 June</i>	<i>2012</i>
	<b>2013</b>	<i>2012</i>	<i>2012</i>
	<b>£000</b>	<i>£000</i>	<i>£000</i>
Opening total equity	<b>53,877</b>	51,970	51,970
Total comprehensive income and expense for the period	<b>3,653</b>	(460)	124
Deferred tax on share based payments	<b>(200)</b>	203	115
Issue of share capital	<b>925</b>	–	2,584
Dividends	<b>(617)</b>	(571)	(916)
<b>Closing total equity</b>	<b><u>57,638</u></b>	<u>51,142</u>	<u>53,877</u>

# Notes to the Unaudited Interim Report

Goals Soccer Centres plc (the “Company”) is a company domiciled in the United Kingdom.

## 1. Significant accounting policies

### Basis of preparation

The condensed interim financial statement is prepared applying the recognition and measurement requirements of IFRSs as adopted by the EU. The company has elected not to prepare the interim statement in accordance with IAS 34 as adopted by the EU.

The interim statement does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the company as at and for the year ended 31 December 2012 which were prepared in accordance with IFRS as adopted by the EU.

The preparation of the interim statement requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The accounting policies applied by the company in this condensed interim financial statement are the same as those applied in its financial statements as at and for the year ended 31 December 2012. The comparative figures for the financial year ended 31 December 2012 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the company’s auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The accounting policies set out below have been applied consistently to all periods presented in this interim statement, except for the impact of the adoption of the standards described below.

There are various amendments to standards and interpretations which are mandatory for the first time for financial periods commencing on 1 January 2013 and have been adopted by the Group. These have no material impact on the net assets or results of the Group.

The Interim Statement was approved by the Board on 3 September 2013.

### Basis of consolidation

The financial statements consolidate the financial statements of the Company and its subsidiaries. Subsidiaries are entities controlled by the Group or the Company. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity in order to obtain benefits from its activities. In assessing control, potential voting rights that are currently

exercisable or convertible are taken into account. The financial statements of subsidiaries acquired are consolidated in the financial statements of the Group from the date that control commences until the date that control ceases. All business combinations are accounted for by applying the purchase method of accounting.

## **Revenue**

Revenue represents the value of goods and services supplied to customers (net of Value Added Tax). The Group's revenue comprises revenues from customers utilising the Group's next generation football facilities and secondary revenue associated with this utilisation. Revenue from utilisation of the football facilities includes: revenue from leagues operated by the Group; revenue from customers who use the facilities to play on a non league basis; Corporate Events; Children's Birthday Parties; and Children's Coaching.

Revenue is recognised for use of the football facilities when each game is complete. Secondary revenue includes: soft drink vending; confectionery vending; bar revenue and revenue from sales of football equipment. Revenue is recognised for secondary sales at the time the goods change hands. The Group recognises revenue in respect of goods and services received under sponsorship and partnership arrangements by reference to the fair value of goods and services received under the contract.

## **Taxation**

The tax expense represents the sum of the current taxes payable and deferred tax. The current tax payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised or increased. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset to the extent that there is a legal right of offset.

Income tax in the interim period is calculated using the tax rate that would be applicable to expected total annual pre tax results.

### **Goodwill**

Goodwill on acquisitions represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities and contingent liabilities at the date of acquisition. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Impairment is first allocated to goodwill and then to other assets in the cash generating units on a pro rata basis.

The value of Goodwill is reviewed at each balance sheet date to determine whether there is an indication of impairment. An impairment is recognised whenever the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of a cash generating unit is the greater of the value in use and fair value less costs to sell. In assessing value in use, the estimated future cashflows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the cash-generating unit.

Any impairment is recognised immediately in the income statement and is not subsequently reversed.

### **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the asset. Borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised during the period of construction. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold and leasehold buildings – 50 years or lease period if shorter

Fixtures and fittings:

- pitches – 7 years
- 11-a-side pitches – 10 years
- office furnishings – 10 years
- fixtures and fittings – 10 years
- computer equipment – 4 years
- computer software – 7 years
- plant and machinery – 4 years



Assets under construction are transferred to the relevant asset category when they become operational and are depreciated from that date.

### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in-first-out basis. Net realisable value is the amount that can be realised from the sale of inventory in the normal course of business after allowing for the costs of realisation.

### **Net debt**

Net debt includes cash and cash equivalents, bank borrowings and loan notes.

### **Trade and other receivables**

Trade and other receivables are initially recognised at their fair value and then stated at amortised cost.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cashflows.

### **Trade and other payables**

Trade and other payables are initially recognised at fair value and then stated at amortised cost.

### **Finance costs**

Interest is recognised in income or expense using the effective interest method except that borrowing costs directly attributable to the acquisition or construction of qualifying assets are capitalised during the period of construction. The construction of new centres are treated as qualifying assets as they necessarily take a substantial period of time to prepare for intended use. The amount of finance costs capitalised is determined by applying the interest rate applicable to appropriate borrowings to the accumulated expenditure on those assets for that period.

### **Pensions**

Contributions to stakeholders or other personal pension plans are expensed as incurred.

### **Leasing**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

## **Derivative financial instruments**

Derivative financial instruments are measured at fair value and comprise interest rate swaps. These derivative financial instruments are designated as cashflow hedges in line with the Group's treasury policy.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge, as defined by IAS 39 "Financial Instruments: Recognition and Measurement", is recognised in equity, with any ineffective portion recognised in the income statement. When hedged cashflows result in the recognition of a non financial asset or liability, the associated gains or losses previously recognised in equity are included in the initial measurement of the asset or liability. For all other cashflow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged cashflows affect the income statement.

Any gains or losses arising from changes in fair value of derivative financial instruments not designated as hedges are recognised in the income statement.

## **Exceptional items**

An item is treated as exceptional if in management's opinion it is considered unusual by its nature and scale and is of such significance that separate disclosure is required for the financial statements to be properly understood.

## **Intangible assets**

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses. Impairment testing is performed where an indication of impairment arises.

## **Foreign currencies**

The consolidated financial statements are presented in pounds sterling, which is the functional currency of the company and the Group's presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured accordingly.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising on the restatement of such items is taken to the income statement.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds sterling at the balance sheet closing rate. The results of these operations are translated at the average rate in the relevant period. Exchange differences on retranslation of the opening net assets and the results are transferred to the translation reserve and are reported in the statement of comprehensive income.

## **Share-based payments**

The share option schemes allow employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

## **Dividends on shares presented within shareholders' funds**

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

## **Earnings per share**

The company presents basic and diluted earnings per share (EPS) data for ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of shares outstanding for the effects of all dilutive potential ordinary shares which comprise share options granted to employees.

## **2. Segmental reporting**

All turnover and operating profit is derived from the operation of outdoor soccer centres. The company operates soccer centres in both the UK and US; turnover and operating profit generated in the US is not significant to the company's results.

## **3. Tax**

Corporation tax for the interim period is charged at 23.0% (June 2012 corporation tax before exceptional items: 25.2%), representing the estimated effective tax rate for the full financial year.

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly and reduce the deferred tax liability (which has been calculated based on the rate of 23% substantively enacted at the balance sheet date).

It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction although this will further reduce the company's future tax charge and reduce the company's deferred tax liability accordingly.

#### 4. Dividends

	<b>6 months ended 30 June 2013 £000</b>	<i>6 months ended 30 June 2012 £000</i>	<i>Year ended 31 December 2012 £000</i>
Dividends paid			
– 2011 final (1.175p per ordinary share)	–	571	571
– 2012 interim (0.675p per ordinary share)	–	–	345
– 2012 final (0.675p per ordinary share)	<b>617</b>	–	–
	<b><u>617</u></b>	<u>571</u>	<u>916</u>

The proposed interim dividend of 0.675p (2012: 0.675p) per share will be paid on 29 November 2013 to shareholders on the register at close of business on 25 October 2013. The 2013 interim dividend was approved by the Board on 3 September 2013 and has not been included as a liability as at 30 June 2013.

#### 5. Exceptional items

	<b>6 months ended 30 June 2013 £000</b>	<i>6 months ended 30 June 2012 £000</i>	<i>Year ended 31 December 2012 £000</i>
Exceptional items comprise:			
– Income in relation to the VAT case	–	500	500
– Impairment of assets under construction	–	(1,950)	(2,087)
– Legal fees associated with aborted takeover and VAT case	–	(1,350)	(1,545)
– Impairment of Goals Soccer Centres Inc site	–	–	(1,927)
– Legal fees associated with aborted takeover and VAT case	–	–	(1,814)
	<b><u>–</u></b>	<u>(2,800)</u>	<u>(6,873)</u>

There were no exceptional items in the period ended 30 June 2013.

## 6. Earnings per share

### Basic and diluted earnings per share

	<b>6 months ended 30 June 2013</b>	<i>6 months ended 30 June 2012</i>	<i>Year ended 31 December 2012</i>
Profit for the financial period (£'000)	<b>3,121</b>	447	1,344
Weighted average number of shares	<b>51,796,063</b>	48,618,520	49,204,607
Dilutive share options	<b>730,287</b>	896,194	997,381
	<b><u>52,526,350</u></b>	<u>49,514,714</u>	<u>50,201,988</u>
Basic earnings per share	<b>6.0p</b>	0.9p	2.7p
Diluted earnings per share	<b>5.9p</b>	0.9p	2.7p

Diluted earnings per share is calculated using the profit for the financial period divided by the weighted average number of shares in issue for the period ended 30 June 2013 plus all outstanding relevant share options at that date.

### Adjusted earnings per share

Adjusted earnings per share has been calculated excluding the net of tax impact of the movement in fair value of the capped floating interest rate hedge and the exceptional items (as set out in note 5):

	<b>6 months ended 30 June 2013</b>	<i>6 months ended 30 June 2012</i>	<i>Year ended 31 December 2012</i>
Profit for the financial period (£'000)	<b>3,121</b>	447	1,344
Exceptional items		2,825	6,518
	<b><u>3,121</u></b>	<u>3,272</u>	<u>7,862</u>
Adjusted basic earnings per share	<b>6.0p</b>	6.7p	16.0p
Adjusted diluted earnings per share	<b>5.9p</b>	6.6p	15.7p

## 7. Property, plant and equipment

	<i>Land and buildings</i> £000	<i>Fixtures and fittings</i> £000	<i>Assets in course of construction</i> £000	<i>Total</i> £000
<b>Cost</b>				
At beginning of period	113,232	11,627	3,903	128,762
Additions	1,418	7	203	1,628
Effect of movements in foreign exchange	348	22	18	388
At end of period	<u>114,998</u>	<u>11,656</u>	<u>4,124</u>	<u>130,778</u>
<b>Depreciation</b>				
At beginning of period	11,648	6,742	1,941	20,331
Charge for period	834	570	–	1,404
Effect of movements in foreign exchange	142	22	18	182
At end of period	<u>12,624</u>	<u>7,334</u>	<u>1,959</u>	<u>21,917</u>
<b>Net book value</b>				
<b>At 30 June 2013</b>	<b><u>102,374</u></b>	<b><u>4,322</u></b>	<b><u>2,165</u></b>	<b><u>108,861</u></b>
At 31 December 2012	<u>101,584</u>	<u>4,855</u>	<u>1,962</u>	<u>108,431</u>

## 8. Intangible assets

	<i>Goodwill</i> £000	<i>Software development</i> £000	<i>Total</i> £000
<b>Cost</b>			
At beginning of period	5,719	1,888	7,607
Additions	–	252	252
At end of period	<u>5,719</u>	<u>2,140</u>	<u>7,859</u>
<b>Amortisation</b>			
At beginning of period	–	936	936
Charge for period	–	71	71
At end of period	<u>–</u>	<u>1,007</u>	<u>1007</u>
<b>Net book value</b>			
<b>At 30 June 2013</b>	<b><u>5,719</u></b>	<b><u>1,133</u></b>	<b><u>6,852</u></b>
At 31 December 2012	<u>5,719</u>	<u>952</u>	<u>6,671</u>

## 9. Deferred tax liability

Deferred tax assets and liabilities are attributable to the following:

	<b>30 June 2013 £000</b>	<i>30 June 2012 £000</i>	<i>31 December 2012 £000</i>
Property, plant and equipment	<b>(8,681)</b>	(8,629)	(8,694)
Share based payments	<b>112</b>	400	312
Cashflow hedge	<b>746</b>	812	863
Other timing differences	–	31	–
Net deferred tax liabilities	<b><u>(7,823)</u></b>	<u>(7,386)</u>	<u>(7,519)</u>

## 10. Other financial liabilities

	<b>30 June 2013 Fair Value £000</b>	<i>30 June 2012 Fair Value £000</i>	<i>31 December 2012 Fair Value £000</i>
Interest rate derivatives – liability	<b><u>3,240</u></b>	<u>3,530</u>	<u>3,751</u>

## 11. Trade and other payables

	<b>30 June 2013 £000</b>	<i>30 June 2012 £000</i>	<i>31 December 2012 £000</i>
Trade payables	<b>1,262</b>	1,874	1,096
Taxation and social security	<b>143</b>	–	75
Other payables	<b>117</b>	–	–
Accruals and deferred income	<b>713</b>	2,148	1,272
Other non-trade creditors	–	452	247
	<b><u>2,235</u></b>	<u>4,474</u>	<u>2,690</u>

## 12. Movement in net debt

Net debt is defined as cash and cash equivalents less interest bearing loans and borrowings.

	<i>At beginning of period £000</i>	<i>Cashflow £000</i>	<i>Non cash movement £000</i>	<b><i>At end of period £000</i></b>
Cash at bank and in hand	932	914	–	<b>1,846</b>
Overdraft	(2,310)	344	–	<b>(1,966)</b>
Cash and cash equivalents	(1,378)	1,258	–	<b>(120)</b>
Revolving credit facility	(48,808)	891	(85)	<b>(48,002)</b>
	<u>(50,186)</u>	<u>2,149</u>	<u>(85)</u>	<b><u>(48,122)</u></b>



## **KPMG Audit Plc**

191 West George Street  
Glasgow  
G2 2LJ  
United Kingdom

### **Independent review report to Goals Soccer Centres plc**

#### **Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2013 which comprises the Consolidated Condensed Income Statement, Consolidated Condensed Balance Sheet, Consolidated Condensed Statement of Cashflows, Consolidated Condensed Statement of Comprehensive Income and Expense, Consolidate Condensed Statement of Changes in Equity -and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

#### **Directors' responsibilities**

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, they are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.–

#### **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.



### **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 June 2013 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

### **Bruce Marks**

for and on behalf of KPMG Audit Plc  
*Chartered Accountants*  
3 September 2013





# Goals Soccer Centres plc

Orbital House  
Peel Park  
East Kilbride  
G74 5PA

tel 01355 234 800

consumer web [www.goalsfootball.co.uk](http://www.goalsfootball.co.uk)

corporate web [www.goalsplc.com](http://www.goalsplc.com)

email [info@goalsfootball.co.uk](mailto:info@goalsfootball.co.uk)

