# goals® soccer centres

## INTERIM REPORT 2012

"the beautiful game"

if there wasn't such a thing as football, we'd all be frustrated footballers

# Goals Soccer Centres plc

## Interim Results for the six months ended 30 June 2012

Goals Soccer Centres plc ("Goals" or the "Company") is the leading player in the fast growing 5-a-side soccer market. The Company currently operates 43 centres in the UK, one in Los Angeles and has established a pipeline in excess of 40 sites.

### Financial highlights

- **Sales up 11% to £16.3m** (2011: £14.7m)
- **Like-for-like sales up 2%** (2011: 3%)
- Adjusted EBITDA* up 9% to £6.9m (2011: £6.4m)
- **Adjusted Profit Before Income Tax* up 10%** to £4.4m (2011: £4m)
- Net exceptional cost of £2.8m relating to professional fees on aborted takeover and the successful VAT case (£1.3m), write off of development costs associated with traditional build (£2m) and income of £0.5m in relation to the VAT case
- **Profit Before Income Tax** £1.6m (2011: £4m)
- Adjusted diluted **Earnings Per Share* up 16**% to 6.6p (2011: 5.8p)
- **Ordinary dividend maintained at 0.675p** per share
- Net bank debt of £53.9m (2011: £54.4m)
- The Company is exploring options to provide additional balance sheet flexibility and has received strong initial indications of support from a number of existing shareholders

* Adjusted profit before tax is profit before tax adjusted for the impact of the net exceptional cost of £2.8m (2011: Nil). Adjusted Diluted Earnings Per Share is Diluted Earnings per Share adjusted for the net of tax impact of the exceptional items.

### Operational highlights

- New innovative modular build concept successfully developed at Chester on time and on budget:
  - reduces capital expenditure to £1.5m per centre (from £2.3m)
  - reduces build time to 14 weeks (from 22 weeks)
  - significantly improves return on capital
- Successful national marketing campaign launched on talkSPORT radio and in The Sun
- Successful appeal against HMRC ruling on VAT in regards to league block bookings

**Current Trading**

Goals has continued to experience like-for-like growth, with core football continuing to perform well, since the end of the half year despite the period including the London 2012 Olympics.

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

***"2012 has proven to be an eventful period for Goals with a number of positive outcomes that deliver on-going benefits for our business including the opening of our first modular build site in Chester, which is performing as Management had expected, and a successful appeal against HMRC's decision concerning league bookings and VAT. As Goals has grown significantly in size we are now also able to take advantage of our national presence and benefit from promotions and sponsorships deals that our size now affords.***

***"Our focus on customer service ensures the Goals concept continues to be popular with players, as evidenced by a recent survey where 91% of respondents voted Goals equal to, or better than other places they had played.***

***"The Board is committed to improving returns from our enlarged estate and reducing the current level of net debt to under £40m before year end 2014. New centre roll-out will be at a rate consistent with achieving this and we are confident that this strategy will lead to increasing returns for shareholders".***

28 September 2012

# Chairman's statement

Trading in the first six months of 2012 has been in-line with Management expectations further strengthening our premier market position and again demonstrating the overall resilience of the Goals 5-a-side offering.

Our national marketing campaign in partnership with The Sun and talkSPORT radio has proved successful and like-for-like sales since 30 June 2012 have been encouraging.

On 20 July 2012, Goliath Bidco Limited, a company controlled by Ontario Teachers' Pension Plan Board, announced a recommended cash offer for the entire shareholding of Goals Soccer Centres for 144p per share. At a court meeting on 22 August 2012, those shareholders who voted on the offer did not approve the transaction by the requisite majority and the offer therefore lapsed. Following the bid, the Board will continue to focus on driving returns from existing centres and reducing the Group's overall debt.

The Board of Goals believes that football remains the most popular sport in the UK and that the appetite for 5-a-side football continues to grow amongst all age groups and both genders. The Company has undergone a significant expansion over the last two years, adding eight new centres in the UK and 1 in the US to its estate, a 26% increase in capacity.

### Financial Review

Total sales increased by 11% to £16.3m (June 2011: £14.7m).

Our continued focus on customer retention, maximizing pitch utilization combined with a new increased level of national marketing has resulted in like-for-like sales in the UK being up 1% and Group like-for-like sales, which is based on centres opened prior to 1 January 2011, being up 2%.

Like-for-like sales in our key product areas were:

- Core Football, (approximately 74% of total sales) increased by 2%
- Bar and Vending, (approximately 17% of total sales) decreased by 1%
- Birthday Parties, (approximately 4% of total sales) decreased by 6%
- Corporate Events & Sponsorship, (approximately 3% of total sales) decreased by 8%

Like-for-like football sales, which represent 74% of sales and over 80% of gross profit, continued to grow and this reinforces our belief that our low admission price means that the business is resilient to the continuing difficult economic climate. Like-for-like bar and vending sales, corporate events sales and birthday party sales all declined as they are impacted by the ongoing reduction in discretionary spend.

Our overall gross profit margin increased from 88.4% to 89% as the sales mix continued to move towards football and tight control over the cost of sales was

exercised; however, our bar gross margin decreased from 66% to 61% as we chose not to increase prices in the current climate.

Average overheads per centre increased by 6% to £147,000 (2011: £138,000) due to an increase of £5,000 per centre (total £0.2m) in business rates payable and an increase of £5,000 per centre (total £0.2m) in our marketing spend. The increased marketing spend proved to be successful in driving like-for-like sales.

Adjusted Group earnings before interest, tax, depreciation and amortisation ("EBITDA")* increased by 9% to £6.9m (June 2010: £6.4m). Our UK business generated EBITDA of £6.8m (2011: £6.4m) and our US business generated EBITDA of £0.1m (2011: –£0.1m).

Our centre in Los Angeles continues to perform well and we anticipate significant further growth within this business.

Adjusted Profit before income tax* increased by 10% to £4.4m (2011: £4.0m). The tax charge before exceptional items for the period is at an effective rate of 25% (2011: 29%). The decrease in the effective rate relates primarily to a reduction in the tax rate applied in calculating the deferred tax liability. Adjusted diluted earnings per share* is up 16% to 6.6p (2011: 5.8p).

The Company invested £2.8m in capital expenditure during the period: £1.7m related to investment in new centres; £0.5m related to final accounts on centres opened in previous years; £0.1m related to our ongoing investment in IT systems; and the balance of £0.5m related to investment in existing centres. In addition £0.5m was paid during the period to our former Joint Venture partner in the US under the agreement to acquire his interest in Goals Inc.

At 30 June 2012, the Group's net bank loans were £52.6m (2011: £54m) funded by a £53.5m committed bank facility with Bank of Scotland. EBITDA interest cover for the period was 7.7 times (30 June 2011: 6.6 times).

During the period the capped floating interest hedge was cancelled and a new stepped interest rate swap was entered into. Under the terms of IAS 39 "Financial Instruments: Recognition and Measurement" the interest rate swap is treated as an effective hedge and hedges interest rates at the following rates (excluding bank margin) – 2012/3: 1.7%, 2013/4: 2.7%, 2014/15: 3.9% and 2015/16: 4.4%.

**Successful appeal against HMRC**

On 13 September 2012, Goals announced that it had won an appeal, lodged in July 2011, against a Business Brief issued by HMRC in February 2011 that indicated that all income relating to commercially operated sports leagues should be standard rated for Value Added Tax ("VAT").

The Company has been accounting for VAT on league bookings since 9 February 2011 and there is likely to be a repayment relating to 2011 which has been included within exceptional income. The VAT on league bookings in the first 6 months of 2012 is approximately £0.5m and this has been included in the current period's results but excluded from like-for-like sales.

### Exceptional Cost

The Company incurred £3.3m of exceptional costs during the period. These costs include:

- professional fees related to the approach from Goliath Bidco Limited, the appeal against VAT on leagues and bank arrangement fees with respect to our previous bank facility: £1.3m
- write off of development costs on traditional build centres following the strategic decision to move to modular build: £2.0m

Following the successful evaluation of the new modular build project at Chester, the Board re-evaluated its strategy in respect of new sites and has decided, for the foreseeable future, to use the modular approach for all centres. There are a number of sites in the pipeline where the design was based on traditional build and the Board has taken the decision to write off these costs.

The Company generated £0.5m of exceptional income during the period. This represents an estimate of the VAT on league block booking income in 2011.

### Dividend

The Board intends that the Company will continue to retain the majority of distributable profits and cash flows to reduce debt. An interim ordinary dividend of 0.675p per share will be paid on 22 November 2012 to shareholders on the register on 26 October 2012.

### The leading national 5-a-side brand

Over the last eight years Goals has grown from eight to 43 sites in the UK and established itself as the premier and largest 5-a-side football operator. Having achieved national coverage and critical mass, we are now benefiting and taking advantage of a number of new opportunities including an increased level of national marketing, including campaigns with The Sun and talkSPORT, and are in advanced negotiations with a number of large UK companies to enter into brand partnerships which have the potential to bring significant benefit. Our brand partnership with Umbro expired on 30 June 2012.

Independent research has indicated that the UK market can easily accommodate in excess of 200 5-a-side football centres. Football remains the most popular sport in the UK and the appetite for 5-a-side football continues to grow amongst all age groups and both genders. The Board believes the unique Goals concept positions the Company to capitalise on this popularity and exploit the continuing major commercial opportunity to satisfy significant potential and latent demand in the market while creating a well differentiated, high-energy and exciting brand.

### New Modular Build Concept and continued roll-out

In September 2011 Goals announced that it had selected a partner to develop a new modular build system that would maintain the quality experience of the Goals brand

but would dramatically reduce both the time and cost of future rollout and therefore maximise shareholder returns.

The new system's benefits include:

- Cost: the new system will significantly reduce new centre costs bringing a standard Goals development down to £1.5m (traditional build: £2.3m)
- Speed: site development time down from 22 weeks to 14
- Potential increased rollout: With 40 sites in the pipeline, the reduced cost and speed will allow the Company to increase rollout in the future when appropriate

In March 2012, Goals opened its first modular build centre in Chester. The site was delivered on time, within budget and exceeded Management's high expectations for build quality and customer experience. In a recent national customer survey undertaken by Goals the new facility received one of the highest customer ratings for quality of facilities.

We are pleased with Chester's performance and plan to open one modular build centre in each of 2013 and 2014.

**Goals Brand potential in the US**

In 2010 Goals recognised an opportunity to expand the Goals brand outside the UK and after extensive research opened its first international site in Los Angeles. This site has been operating for 24 months and is hugely popular and already profitable.

**Outlook**

The first 12 weeks of the second half of the year has seen Goals continue to perform in line with Management expectations. Following a successful national marketing campaign in The Sun and on talkSPORT radio we have seen an increase in enquiries and new teams playing at Goals.

Our "Get Back In The Game" campaign introduced in 2011, and repeated in 2012, to encourage summer lapsed players has again proven successful.

The new Chester centre continues to perform well and lays a firm foundation for the further roll out of this format.

**The Board is committed to improving returns from our enlarged estate and reducing the current level of net debt to under £40m before year end 2014. New centre roll-out will be at a rate consistent with achieving this and we are confident that this strategy will lead to increasing returns for shareholders.**

**Sir Rodney Walker**

*Chairman*

28 September 2012

## Consolidated condensed income statement

*For the six months ended 30 June 2012*

| | Note | Unaudited Before exceptional items 6 months ended 30 June 2012 £000 | Unaudited Exceptional items (note 5) 6 months ended 30 June 2012 £000 | Unaudited Total 6 months ended 30 June 2012 £000 | Unaudited 6 months ended 30 June 2011 £000 | Audited Year ended 31 December 2011 £000 |
|---|---|---|---|---|---|---|
| **Revenue** | | **16,303** | **500** | **16,803** | 14,740 | 30,443 |
| Cost of sales | | **(1,793)** | **–** | **(1,793)** | (1,708) | (3,306) |
| **Gross profit** | | **14,510** | **500** | **15,010** | 13,032 | 27,137 |
| Administrative expenses | | **(9,168)** | **(3,300)** | **(12,468)** | (8,112) | (16,206) |
| **Operating profit/(loss)** | | **5,342** | **(2,800)** | **2,542** | 4,920 | 10,931 |
| Financial income | | **–** | **–** | **–** | – | 472 |
| Financial expense | | **(968)** | **–** | **(968)** | (941) | (2,215) |
| **Profit/(loss) before income tax** | | **4,374** | **(2,800)** | **1,574** | 3,979 | 9,188 |
| Income tax | 3 | **(1,102)** | **(25)** | **(1,127)** | (1,143) | (2,319) |
| **Profit/(loss) for the period attributable to equity holders** | | **3,272** | **(2,825)** | **447** | 2,836 | 6,869 |
| Attributable to: | | | | | | |
| Equity holders of the parent | | **3,272** | **(2,825)** | **447** | 2,838 | 6,869 |
| Non controlling interest | | **–** | **–** | **–** | (2) | – |
| | | **3,272** | **(2,825)** | **447** | 2,836 | 6,869 |
| **Earnings Per Share** | 6 | | | | | |
| Basic | | **6.7p** | **(5.8)p** | **0.9p** | 5.8p | 14.1p |
| Diluted | | **6.6p** | **(5.7)p** | **0.9p** | 5.7p | 13.9p |

## Consolidated condensed balance sheet

*at 30 June 2012*

| *Assets* | *Note* | ***Unaudited 30 June 2012 £000*** | *Unaudited 30 June 2011 £000* | *Audited 31 December 2011 £000* |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Property, plant and equipment | *7* | **109,192** | 109,757 | 110,059 |
| Intangible assets | *8* | **7,739** | 5,719 | 7,607 |
| Total non-current assets | | **116,931** | 115,476 | 117,666 |
| **Current assets** | | | | |
| Inventories | | **721** | 673 | 764 |
| Trade and other receivables | | **4,368** | 2,271 | 2,295 |
| Cash and cash equivalents | | **668** | 603 | 424 |
| Total current assets | | **5,757** | 3,547 | 3,483 |
| **Total assets** | | **122,688** | 119,023 | 121,149 |
| **Current liabilities** | | | | |
| Bank overdraft | | **(1,987)** | (1,006) | (1,330) |
| Trade and other payables | *11* | **(4,474)** | (2,732) | (3,380) |
| Current tax payable | | **(1,555)** | (1,658) | (1,638) |
| Total current liabilities | | **(8,016)** | (5,396) | (6,348) |
| **Non-current liabilities** | | | | |
| Other interest-bearing loans and borrowings | | **(52,614)** | (55,404) | (52,281) |
| Trade and other payables | | **–** | – | (97) |
| Tax payable | | **–** | (100) | – |
| Deferred tax liabilities | *9* | **(7,386)** | (6,553) | (7,734) |
| Other financial liabilities | *10* | **(3,530)** | (3,207) | (2,719) |
| Total non-current liabilities | | **(63,530)** | (65,264) | (62,831) |
| **Total liabilities** | | **(71,546)** | (70,660) | (69,179) |
| **Net assets** | | **51,142** | 48,363 | 51,970 |
| **Equity** | | | | |
| Share capital | | **122** | 121 | 122 |
| Share premium | | **23,275** | 23,275 | 23,275 |
| Other reserve | | **(2,718)** | (1,801) | (1,801) |
| Retained earnings | | **30,508** | 26,925 | 30,430 |
| Translation reserve | | **(45)** | (172) | (56) |
| **Total equity attributable to equity holders** | | **51,142** | 48,348 | 51,970 |
| **Non controlling interest** | | **–** | 15 | – |
| **Total equity** | | **51,142** | 48,363 | 51,970 |

## Consolidated condensed statement of cash flows

*For the six months ended 30 June 2012*

| | Note | ***Unaudited 6 months ended 30 June 2012 £000*** | *Unaudited 6 months ended 30 June 2011 £000* | *Audited Year ended 31 December 2011 £000* |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Profit for the period | | **447** | 2,836 | 6,869 |
| *Adjustments for:* | | | | |
| Depreciation | | **1,589** | 1,453 | 2,918 |
| Gain on settlement of dispute | | **–** | – | (404) |
| Financial income | | **–** | – | (472) |
| Financial expenses | | **968** | 941 | 2,215 |
| Equity settled share-based payment charge/(credit) | | **–** | 3 | – |
| Non-cash exceptional items | | **1,950** | – | – |
| Income tax expense | | **1,127** | 1,143 | 2,319 |
| | | **6,081** | 6,376 | 13,445 |
| Increase in trade and other receivables | | **(2,073)** | (73) | (197) |
| Decrease/(increase) in stock | | **43** | (123) | (214) |
| Increase in trade and other payables | | **952** | 727 | 447 |
| | | **5,003** | 6,907 | 13,481 |
| Income tax paid | | **(1,223)** | (289) | (516) |
| **Net cash from operating activities** | | **3,780** | 6,618 | 12,965 |
| **Cash flows from investing activities** | | | | |
| Acquisition of property, plant and equipment | | **(3,087)** | (9,522) | (13,085) |
| **Net cash used in investing activities** | | **(3,087)** | (9,522) | (13,085) |
| **Cash flows from financing activities** | | | | |
| Issue of share capital | | **–** | 37 | 38 |
| Loans received | | **850** | 4,687 | 3,000 |
| Interest paid | | **(1,385)** | (907) | (2,180) |
| Dividends paid | | **(571)** | (571) | (899) |
| **Net cash from financing activities** | | **(1,106)** | 3,246 | (41) |
| Net increase/(decrease) in cash and cash equivalents | | **(413)** | 342 | (161) |
| Cash and cash equivalents at start of period | | **(906)** | (745) | (745) |
| **Cash and cash equivalents at period end** | *12* | **(1,319)** | (403) | (906) |

## Consolidated condensed statement of Comprehensive Income and Expense

*for the six months ended 30 June 2012*

| | ***Unaudited 6 months ended 30 June 2012 £000*** | *Unaudited 6 months ended 30 June 2011 £000* | *Audited Year ended 31 December 2011 £000* |
|---|---|---|---|
| **Profit for the period** | **447** | 2,836 | 6,869 |
| **Net movement in other financial liability** | **(917)** | – | – |
| **Exchange differences on translation of foreign operation** | **10** | (134) | (18) |
| **Net expense recognised directly in equity** | **(907)** | (134) | (18) |
| **Total comprehensive income and expense for the period attributable to equity holders** | **(460)** | 2,702 | 6,851 |
| **Total comprehensive income and expense for the period is attributable to:** | | | |
| ***Equity holders of the parent*** | **(460)** | 2,704 | 6,851 |
| ***Non controlling interests*** | **–** | (2) | – |
| | **(460)** | 2,702 | 6,851 |

## Consolidated condensed statement of changes in equity

*for the six months ended 30 June 2012*

| | ***Unaudited 6 months ended 30 June 2012 £000*** | *Unaudited 6 months ended 30 June 2011 £000* | *Audited Year ended 31 December 2011 £000* |
|---|---|---|---|
| Opening total equity | **51,970** | 46,118 | 46,118 |
| Total comprehensive income and expense for the period | **(460)** | 2,702 | 6,851 |
| IFRS 2 charge/(credit) in relation to equity settled transactions | **–** | 3 | – |
| Deferred tax on share based payments | **203** | 74 | (138) |
| Issue of share capital | **–** | 37 | 38 |
| Dividends | **(571)** | (571) | (899) |
| **Closing total equity** | **51,142** | 48,363 | 51,970 |

# 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 2011 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 2011. The comparative figures for the financial year ended 31 December 2011 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.

The following new standards, amendments to standards and interpretations are mandatory for the first time for financial periods commencing on 1 January 2012.

Amendments to IFRS 7 "*Financial Instruments: Disclosure*" include additional disclosures in relation to transfers of financial assets. These amendments have no impact on the interim financial statement.

Amendments to IAS 12 "*Income Taxes*" introduce an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model. These amendments have no impact on the interim financial statement.

The Interim Statement was approved by the Board on 28 September 2012.

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 cash flows 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 cash flows.

***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 cash flow 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 cash flows 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 cash flow hedges, the gains or losses that are recognised in equity are transferred to the income statement in the same period in which the hedged cash flows 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 before exceptional items for the interim period is charged at 25.2% (June 2011: 28.7%), representing the estimated effective tax rate for the full financial year.

The 2012 Budget on 21 March 2012 announced that the UK Corporation Tax rate will reduce to 22% by 2014. A reduction in the rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and a further reduction to 24% (effective from 1 April 2012) was substantively enacted on 26 March 2012. This will reduce the Company's future current tax charge accordingly. The deferred tax asset at 30 June 2012 has been calculated based on the rate of 24% substantively enacted at the balance sheet date. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Company's future current tax charge and reduce the Company's deferred tax liability accordingly.

## 4. Dividends

| | ***6 months ended 30 June 2012 £000*** | *6 months ended 30 June 2011 £000* | *Year ended 31 December 2011 £000* |
|---|---|---|---|
| Dividends paid | | | |
| – 2010 final (1.175p per ordinary share) | **–** | 571 | 571 |
| – 2011 interim (0.675p per ordinary share) | **–** | – | 328 |
| – 2011 final (1.175p per ordinary share) | **571** | – | – |
| | **571** | 571 | 899 |

The proposed interim dividend of 0.675p (2011: 0.675p) per share will be paid on 22 November 2012 to shareholders on the register at close of business on 26 October 2012. The 2012 interim dividend was approved by the Board on 28 September 2012 and has not been included as a liability as at 30 June 2012.

## 5. Exceptional items

| | ***6 months ended 30 June 2012 £000*** | *6 months ended 30 June 2011 £000* | *Year ended 31 December 2011 £000* |
|---|---|---|---|
| Exceptional items comprise: | | | |
| – Income in relation to the VAT case | **500** | – | – |
| – Impairment of assets under construction | **(1,950)** | – | – |
| – Legal fees associated with aborted takeover and VAT case | **(1,350)** | – | – |
| | **(2,800)** | – | – |

Following a strategic review of the group's operations, the directors have re-evaluated the investment criteria for all of the undeveloped sites and have identified a number where completion is unlikely. The costs incurred on these sites, totalling £1.95 million, have therefore been expensed. During the period the group has incurred legal and professional fees in respect of the aborted takeover

by Goliath Bidco Limited (£1.05 million) and the VAT case with HMRC (£0.3 million). In addition, £0.5 million has been recognised in relation to income representing VAT on league block booking income in 2011.

## 6. Earnings per share

### *Basic and diluted earnings per share*

| | ***6 months ended 30 June 2012*** | *6 months ended 30 June 2011* | *Year ended 31 December 2011* |
|---|---|---|---|
| Profit for the financial period (£'000) | **447** | 2,838 | 6,869 |
| Weighted average number of shares | **48,618,520** | 48,618,520 | 48,590,904 |
| Dilutive share options | **896,194** | 1,084,403 | 960,585 |
| | **49,514,714** | 49,702,923 | 49,551,489 |
| Basic earnings per share | **0.9p** | 5.8p | 14.1p |
| Diluted earnings per share | **0.9p** | 5.7p | 13.9p |

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 2012 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):

| | ***6 months ended 30 June 2012*** | *6 months ended 30 June 2011* | *Year ended 31 December 2011* |
|---|---|---|---|
| Profit for the financial period (£'000) | **447** | 2,838 | 6,869 |
| Exceptional items | **2,825** | – | – |
| | **3,272** | 2,838 | 6,869 |
| Adjusted basic earnings per share | **6.7p** | 5.9p | 14.1p |
| Adjusted diluted earnings per share | **6.6p** | 5.8p | 13.9p |

## 7. Property, plant and equipment

| | *Land and buildings £000* | *Fixtures and fittings £000* | *Assets in course of construction £000* | *Total £000* |
|---|---|---|---|---|
| ***Cost*** | | | | |
| At beginning of period | 108,118 | 11,140 | 3,455 | 122,713 |
| Additions | 1,481 | 243 | 1,073 | 2,797 |
| Transfers | 560 | – | (560) | – |
| Impairment | – | – | (2,075) | (2,075) |
| At end of period | 110,159 | 11,383 | 1,893 | 123,435 |
| ***Depreciation*** | | | | |
| At beginning of period | 8,271 | 4,383 | – | 12,654 |
| Charge for period | 929 | 660 | – | 1,589 |
| At end of period | 9,200 | 5,043 | – | 14,243 |
| ***Net book value*** | | | | |
| **At 30 June 2012** | **100,959** | **6,340** | **1,893** | **109,192** |
| At 31 December 2011 | 99,847 | 6,757 | 3,455 | 110,059 |

## 8. Intangible assets

| | *Goodwill £000* | *Software development £000* | *Total £000* |
|---|---|---|---|
| ***Cost*** | | | |
| At beginning of period | 5,719 | 1,888 | 7,607 |
| Additions | – | 132 | 132 |
| At end of period | 5,719 | 2,020 | 7,739 |
| ***Amortisation*** | | | |
| At beginning of period | – | – | – |
| Charge for period | – | – | – |
| At end of period | – | – | – |
| ***Net book value*** | | | |
| **At 30 June 2012** | **5,719** | **2,020** | **7,739** |
| At 31 December 2011 | 5,719 | 1,888 | 7,607 |

## 9. Deferred tax liability

Deferred tax assets and liabilities are attributable to the following:

| | ***30 June 2012 £000*** | *30 June 2011 £000* | *31 December 2011 £000* |
|---|---|---|---|
| Property, plant and equipment | **(8,629)** | (7,889) | (8,642) |
| Share based payments | **400** | 409 | 197 |
| Cash flow hedge | **812** | 866 | 680 |
| Other timing differences | **31** | 61 | 31 |
| Net deferred tax liabilities | **(7,386)** | (6,553) | (7,734) |

## 10. Other financial liabilities

| | ***30 June 2012 Fair Value £000*** | *30 June 2011 Fair Value £000* | *31 December 2011 Fair Value £000* |
|---|---|---|---|
| Interest rate derivatives – liability | **3,530** | 3,207 | 2,719 |

## 11. Trade and other payables

| | ***30 June 2012 £000*** | *30 June 2011 £000* | *31 December 2011 £000* |
|---|---|---|---|
| Trade payables | **1,874** | 1,576 | 1,433 |
| Taxation and social security | **–** | 345 | 207 |
| Other payables | **–** | 52 | – |
| Accruals and deferred income | **2,148** | 759 | 934 |
| Other non-trade creditors | **452** | – | 806 |
| | **4,474** | 2,732 | 3,380 |

## 12. Movement in net debt

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

| | *At beginning of period £000* | *Cashflow £000* | *Non cash movement £000* | ***At end of period £000*** |
|---|---|---|---|---|
| Cash at bank and in hand | 424 | 244 | – | **668** |
| Overdraft | (1,330) | (657) | – | **(1,987)** |
| Cash and cash equivalents | (906) | (413) | – | **(1,319)** |
| Revolving credit facility | (52,281) | (294) | (39) | **(52,614)** |
| | (53,187) | (707) | (39) | **(53,933)** |

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## 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 2012 which comprises the Consolidated Condensed Income Statement, Consolidated Condensed Balance Sheet, Consolidated Condensed Statement of cash flows, Consolidated Condensed Statement of Comprehensive Income and Expense, Consolidated 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, the annual financial statements of the company 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 2012 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.

**B Marks**
for and on behalf of KPMG Audit Plc
*Chartered Accountants*
28 September 2012

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