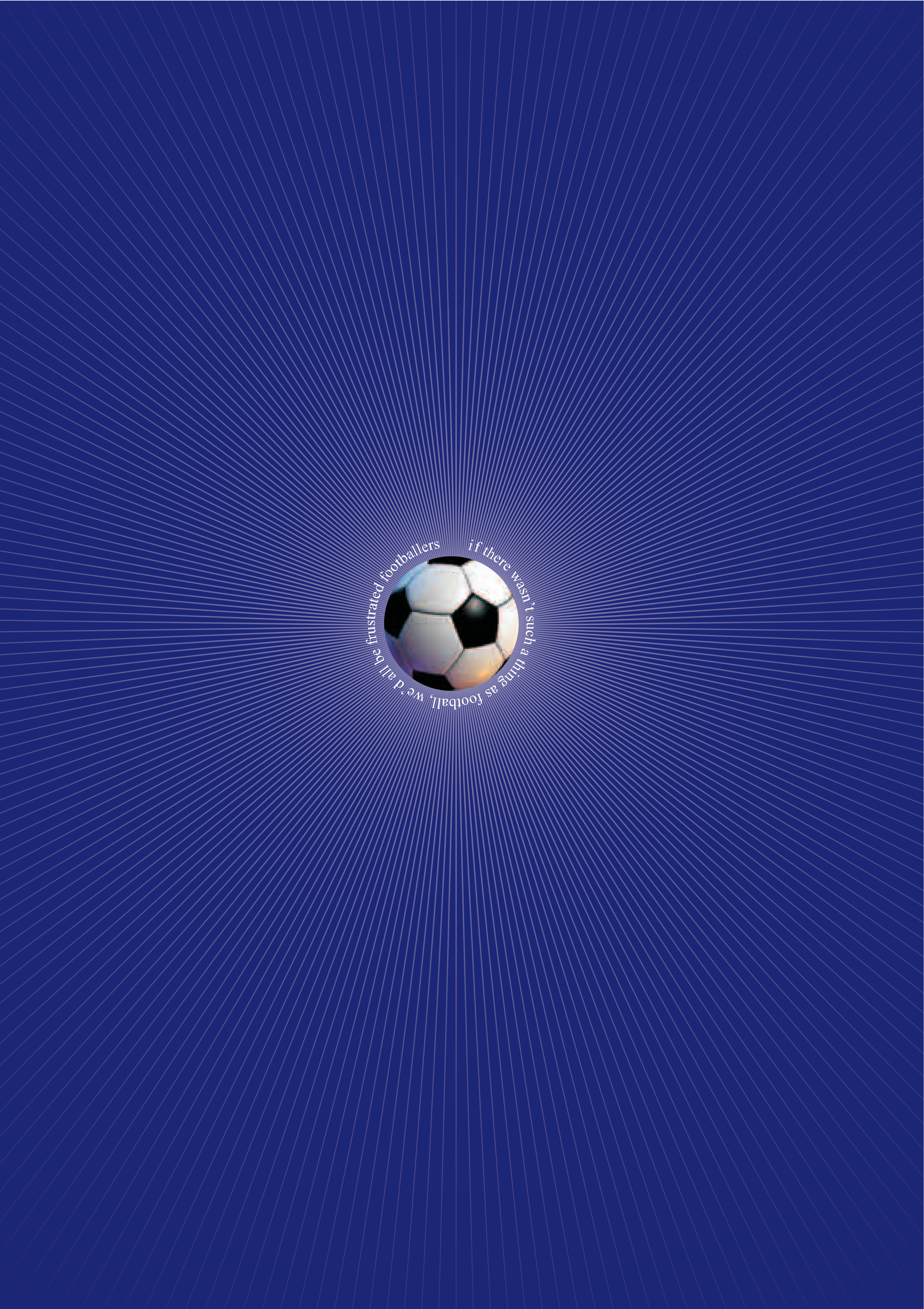
soccer centres

# Goals Soccer Centres plc

# Annual Report and Accounts 2008

total football!


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

**Goals Soccer Centres plc**

Directors' report and financial statements
Registered number SC202545
31 December 2008

# Contents



## Shareholder Information

By accessing the website www.capitaregistrars.com and following the steps below, shareholders are able to check their contact details and view the number of shares held in their name on the Goals Soccer Centres plc register.

Step 1: Log into www.capitaregistrars.com
Step 2: Select "Are you a shareholder" link which is situated on the quick links menu displayed on the left hand side of the home page
Step 3: Click on the "Login to online Shareholders Services" link from the menu
Step 4: Enter Goals Soccer Centres plc into the Company Name Box and click Submit
Step 5: Click on Account Enquiry –
Step 6: Read the Terms and Conditions and accept them if you agree with them
Step 7: Enter your details
eg Family Name – Smith
Investor Code – 190; this can be found on your share certificate
Postcode – A12 3BC
a screen is then displayed which gives your full name and address and your holding details held on the register at that time.

# Goals Soccer Centres plc

## Highlights

### Goals nets 18% increase in profits

Goals Soccer Centres plc ("Goals" or the "Company") is the premier operator of 'next generation' 5-a-side soccer centres across the UK. Goals currently operates 31 centres and has established a well progressed pipeline of sites to continue its proven rollout concept in the UK.

**Key points**

Financial

Prime locations, quality facilities and outstanding customer service have resulted in growth in sales and profits for an eighth successive year, underpinning our market leading position.

- Sales up 20% to £24.0m (2007: £20.0m)
- Like-for-like sales growth of 3%
- Operating Profit up 19% to £10.0m (2007: £8.4m)
- Profit before tax up 18% to £8.2m (2007: £7.0m)
- Diluted earnings per share up 14% to 12.8p (2007: 11.2p)
- Final ordinary dividend proposed in respect of the current year of 1.175p per share making 1.8p for the full year, an increase of 20% on the previous year dividend
- Net cash generated from operations increased by 22% to £9.9m (2007: £8.1m)
- Net debt at 31 December 2008 was £41.5m. Committed bank facility of £47.5m available until February 2013

**Rollout**

Small-sided football continues to grow in both stature and popularity. The Board believes that Goals' "next generation" concept continues to be well placed to capitalise on this trend. Mindful of the current financial climate the Board has decided to restrict the number of new centre openings in 2009 to four to be mainly financed by the strong internal cash flow generated from the Company's operations. This cautious approach will be maintained until we have a clearer view of the financial and economic landscape.

- Six centres added since January 2008 at Bristol South, Bristol North, Stoke, Dudley, Tolworth and Northampton
- On schedule to add four centres during 2009
- On schedule to open a minimum of four centres during 2010
- Strong and growing pipeline of sites for further expansion

**Current Trading**

Goals has made a good start to 2009 with total sales for the first eight weeks showing encouraging year on year growth. Demand for football is strong and continues to grow year on year. We have seen no change in ancillary spend from the trend established in the second half of 2008. Despite the unpredictable economic environment, we are confident of making further progress in 2009 and beyond.

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

**"*Our single-minded focus on providing our customers with quality facilities and service at an affordable price has resulted in growth in sales and profits for an eighth consecutive year. Our own market research and experience to date leads us to believe our customers' appetite for Goals football product remains undiminished. We are confident of our business model and following an encouraging start we anticipate 2009 will be a year of further progress*."**

## Directors and Advisers

| | | |
|---|---|---|
| **Directors** | Sir Rodney M Walker | Non-executive Chairman |
| | Keith T Rogers | Managing Director |
| | William BG Gow | Finance Director |
| | Morris I Payton | Operations Director |
| | R Graham Wilson | Non-executive Director |

**Secretary** William BG Gow

**Registered office**
Orbital House
Peel Park
East Kilbride
G74 5PR

**Nominated advisor and Broker**
KBC Peel Hunt Ltd
4th Floor
111 Old Broad Street
London
EC2N 1PH

**Bankers**
Bank of Scotland
New Uberior House
11 Earl Grey Street
Edinburgh
EH3 9BN

**Independent Auditors**
KPMG Audit Plc
191 West George Street
Glasgow
G2 2LJ

**Solicitors**

| | |
|---|---|
| McClure Naismith | DLA |
| 49 Queen Street | 101 Barbirolli Square |
| Edinburgh | Manchester |
| EH2 3NH | M2 3DL |

**Registrars and Receiving Agents**
Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TN

## Chairman's statement

I am very pleased to report our eighth consecutive year of growth in sales and profits, further strengthening our leading position within the 5-a-side soccer market. Significant growth in sales, underpinned by like-for-like increases and new branch openings, has resulted in material growth in profits.

**Financial Review**

The Company continued to significantly increase sales and profits driven by like-for-like sales growth and new centre openings. Sales increased by 20% to £24.0m (2007: £20.0m). This included a contribution of £1.8m from the centres added during the year. This strong performance is further evidence of the Company's proven "next generation" concept and the focus on increasing revenues not only from developing its pipeline of new sites but also from its existing centres.

I am pleased to report that total like-for-like sales increased by 3% during the year. Demand for our core football product has continued to grow on a like-for-like basis. Income from this activity represented approximately 77% of total sales. Ancillary spend slowed on a like-for-like basis during the second half of 2008. This was a creditable performance given the deterioration in the economic climate and the demanding like-for-like comparatives we were up against from last year. The slowdown in ancillary spend also had a marginal impact on our new centres, slightly increasing the time they took to reach maturity in terms of revenue generation and profitability.

Operating profit increased by 19% to £10.0m (2007: £8.4m). Operating profit margin remained constant at 42%, as the Company absorbed increases in utility costs and a provision of £0.2m (2007: Nil) against assets in the course of construction.

Profit on ordinary activities before tax has risen by 18% to £8.2m (2007: £7.0m). The tax charge for the year is at an effective rate of 32.2% (2007: 30.2%) and includes 1% which relates to non recurring adjustments to prior year capital allowances. This resulted in a 14% increase in basic earnings per share to 13.3p (2007: 11.7p) and a 14% increase in diluted earnings per share to 12.8p (2007: 11.2p).

Net cash generated from operations increased by 22% to £9.9m (2007: £8.1m) demonstrating the highly cash generative nature of the Company. These dependable cash flows underpin our ongoing investment in new centres.

At 31 December 2008, Goals had net bank debt totalling £41.5m funded by a £47.5m committed facility with HBOS. This facility is due for renewal in February 2013. The Company continues to enjoy significant headroom in terms of the covenants relating to this facility.

During the year we invested £21.2m in capital expenditure (2007: £10.6m); £7.5m was incurred on the acquisition of Pro5 Soccer, £9.5m was incurred on new centres (2007: £8.8m), £2.1m was incurred on centres opened during 2007, £0.6m (2007: £0.4m) was incurred on information technology systems, and the balance was incurred on upgrading our mature centres including resurfacing all pitches at three centres.

The Board intends that the Company will continue to retain the majority of distributable profits and cash flow to contribute towards the funding of its planned rollout of new centres. In line with our established dividend policy, the Directors are proposing a final ordinary dividend in respect of the current year of 1.175p per share making 1.8p for the full year (2007: 1.5p). This represents a 20% increase. As a minimum, the Board intends to declare dividends each year growing at least at the same rate as earnings.

Subject to approval at the Annual General Meeting to be held on 30 April 2009, the final dividend of 1.175p per share will be paid on 7 May 2009 to shareholders on the register on 14 April 2009 at a cost of £492,000.

# Chairman's statement *(continued)*

**2009 Current Trading**

Goals has made a good start to 2009 with total sales for the first eight weeks showing encouraging year on year growth. Demand for football is strong and continues to grow year on year. We have seen no change in ancillary spend from the trend established in the second half of 2008. Despite the unpredictable economic environment, we are confident of making further progress in 2009 and beyond.

**Operating Review**

Football is the most popular sport in the UK and 5-a-side football continues to grow rapidly amongst all age groups and both genders. The Board believes the unique Goals concept positions the Company well to capitalise on this popularity and exploit the continuing major commercial opportunity to satisfy significant potential and latent demand in the market.

At Goals we are passionate about football. Our mission statement "Taking 5-a-side into the premier league" encapsulates our commitment to providing high quality and exciting 5-a-side venues. Our delivery of a total football experience is successful in attracting not only current 11-a-side players, but attracting new and returning players of all ages to the game.

Goals high standards have been recognised by the Football Association and during the year Goals became the first operator in the industry to be awarded the Small Sided Football Award for all eligible (open at least six months) venues in England: a unique market position.

Our strategy is:

- To continue to innovate and lead the industry,
- To continue our rollout of "next generation" soccer centres in prime locations,
- To maximise revenue from existing centres through outstanding customer service,
- To continue to build a positive national 5-a-side brand,
- To continue to generate high returns on capital.

We continue to make excellent progress in all these areas.

The small sided game continues to grow in both stature and popularity. 2008 saw the second year of the prestigious 'F.A. Umbro Five' national 5-a-side tournament run in conjunction with The Football Association. This exciting event, heralded as The FA Cup of five-a-side football, proved a great success, with almost 1,800 teams entering from across England. The finals were played at Wembley Stadium in front of several thousand spectators. The 2009 competition is due to commence in May with the finals again to be played at Wembley Stadium.

Goals "next generation" offering comprises premier locations, the latest artificial pitch technology, high quality facilities and superior customer service. During 2008, we continued to evolve and improve the Goals concept.

We invested £0.6m in our advanced management and communication systems to improve customer experience and increase income. Our management systems have now been fully migrated and integrated into our central web based *SmartCentre* system. This powerful management tool is the culmination of several years work and provides a company wide management system hosted from a central location but accessible using web technology.

We have recently installed a tailored bar EPOS system in all our centres. This will provide more visibility on bar spend patterns, improve control over margins and staffing levels and will assist in maximising sales through targeted promotions. The system will be integrated with our bespoke *SmartCentre* system allowing targeted online promotions to be offered to registered customers and online bookers.

Phase one of our Digital Strategy has seen our new customer website launched introducing many customer benefits including a new and simplified online booking process. This is proving to be extremely popular and we will seek to encourage more of our customers to take advantage of the website for both online booking and interaction with other teams. Further phases will see the establishment of an online football community through *MyGoals* and the creation of online Challenge Boards, allowing casual and league teams alike to challenge other teams to one off competitive games.

## Chairman’s statement *(continued)*

**New Centres**

Goals continues to expand its strong site pipeline to provide for future centre openings. We have developed a well defined and proven site selection strategy which is fundamental to the ongoing success of the business. We continue to be successful in identifying and developing high profile sites in densely populated areas. Our reputation has enabled us to pursue sites through partnership arrangements with the private sector, schools, local authorities and colleges.

Since January 2008 we have added centres in Bristol South, Bristol North, Stoke, Dudley, Tolworth and Northampton.

Mindful of the current financial climate the Board has decided to restrict the number of new centre openings in 2009 to four which will be financed mainly from the strong internal cash flow generated by the Company’s operations. This cautious approach will be maintained until we have a clearer view of the financial and economic landscape. The Company will continue to work on increasing its pipeline of over 40 sites and will accelerate the centre opening programme when the Board believes it is right to do so.

We are well advanced towards our target of four site openings during 2009. Goals Coventry and Goals Reading are already under construction and it is anticipated that construction of a further centre will commence in each of the second and third quarters of 2009.

**Goals in the community**

Our commitment to youth sports development in the communities in which we operate is evidenced by our Community Access Policy providing free access to key user groups during off-peak hours. By working in partnership with schools, local authorities and government bodies we have improved access for children to quality sports facilities.

Every week, thousands of children benefit from free use of Goals’ state of the art facilities. We therefore take our corporate and social responsibilities seriously and will only enter into partnership and sponsorship arrangements which meet our strict ethical codes.

It is the policy of Goals to strive for environmental excellence in all aspects of management and operation. In recent years the Company has continuously improved environmental performance through an ongoing reduction in business costs and waste. The Board plan to continue to increase awareness of environmental issues across the Company.

The Board recognises the significance of effective health and safety management and is committed to providing a safe, secure and healthy environment for both customers and employees. The Company has a detailed health and safety management plan in place and this is reviewed regularly by the Board.

**Our staff**

The Directors continue to strengthen the management team to match the Company’s continued growth. The delivery of a quality service and experience to our customers is down to the professionalism, knowledge and passion of our staff. Our future staff requirements are provided through ongoing training and promotion from within. I should like to thank all Goals staff for their major part in delivering another year of operational and financial success.

Sir Rodney Walker
***Chairman***

27 February 2009

## Board of Directors

Details of the directors, their roles and their backgrounds are as follows:

**Sir Rodney Walker, 65**
*Chairman*

Sir Rodney has held a number of influential and important posts across a wide range of sports. His most recent appointment is as Chairman of World Snooker. He was Chairman of the UK Sports Council from 1998 to 2004. He served as Chairman of the English Sports Council and was also Chairman of Rugby League for 10 years, Chairman of Leicester City for five years, Chairman of Brands Hatch Leisure for three years and for a time was Chairman of the 2002 Manchester Commonwealth Games and Wembley National Stadium. Sir Rodney joined Goals in February 2002. Sir Rodney is Chairman of the Remuneration and Nomination Committees.

**Keith Rogers, 48**
*Managing Director*

Keith co-founded Anchor International (trading as "Pitz") which opened its first 5-a-side centre in 1987. As Managing Director, he oversaw the growth of that Company to 11 branches before it was sold to 3i. Together with Bill Gow, he effected the MBI of Goals in November 2000 and became the Company's Managing Director.

**Bill Gow, 41**
*Finance Director*

Bill is a Chartered Accountant, and also completed an MBA in 1992. He subsequently held management positions at British Aerospace and Clydesdale Bank before joining KPMG in 1997, where he specialised in Corporate Finance. Together with Keith Rogers, he effected the MBI of Goals in November 2000, becoming the Company's Finance Director.

**Morris Payton, 46**
*Operations Director*

Morris held a number of leisure management positions for various local authorities before joining Anchor International in 1989. He held the position of National Operations Manager before Anchor was sold to 3i and was subsequently promoted to Operations Director. Morris joined Goals in March 2002 as Operations Director.

**Graham Wilson, 55**
*Non-executive Director*

A Chartered Accountant, Graham has over 25 years experience in the leisure industry. He has twice built up, floated and sold a company under the Parkdean banner. He established the second Parkdean in 1999, floated it on AIM in 2002 and ultimately sold it to Alchemy Partners for £140m in April 2007. In addition to his non executive directorship of Goals Soccer Centres, Graham is a non-executive Chairman of Amber Travel Group, the holding company for Great Rail Journeys Limited. Graham brings significant financial expertise to the Company, both as a member of the Board and as the Chairman of the Audit Committee. Graham is the senior independent director.

# Directors' report

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

**Principal activities**

The principal activity of the Company is the operation of outdoor soccer centres.

**Review of business and future developments**

The results of Goals Soccer Centres plc for the year are set out in the income statement on page 18.

A review of the business, results and dividends, and likely future developments of the Company are contained in the Chairman's statement on pages 3 to 5.

**Principal Risks and Uncertainties**

The principal risks identified in the business are as follows:

*Delivering growth* – the company continues to pursue a strategy for growth, adding additional centres annually and looking for other opportunities to develop the business. The Board reviews all new developments to ensure that they meet the company's investment criteria and are within the company's overall acceptable risk profile.

*Ongoing availability of sites* – securing an ongoing pipeline of sites is crucial to the Company's growth strategy. We have developed a well defined and proven site selection strategy which is fundamental to the ongoing success of the business.

*Availability of funding for growth* – funding requirements are reviewed on an ongoing basis and bank facilities put in place to enable the company to deliver on its development plans. In the current economic climate the directors are particularly aware of the need to monitor and manage the cash flow position and in particular ongoing compliance with banking covenants.

*Managing health and safety* – health and safety risks are continually assessed by the company's Health and Safety team and regular reports are provided directly to the Board.

*Recruitment and development of staff* – the ongoing success of the company is dependent on the retention of its key staff including the executive directors. Remuneration packages, training and development opportunities are reviewed regularly.

*Business continuity* – business continuity planning is the responsibility of the Board and is reviewed regularly. Business interruption insurance is also in place.

*Legislation and other regulations* – the company continues to monitor compliance and developments in this area.

Key areas of strategic development are discussed in the Chairman's Statement.

Key performance indicators are set out below:

| | **2008** | 2007 |
|---|---|---|
| Revenue (£million) | **24** | 20 |
| Gross margin | **89%** | 88% |
| Operating profit (£million) | **10.0** | 8.4 |
| Operating profit margin | **42%** | 42% |
| Profit before tax (£million) | **8.2** | 7.0 |
| Like for like sales growth | **3%** | 7% |
| Number of centres added in the year (number) | **6** | 4 |

**Charitable and political donations**

There were no political or charitable donations made during the year *(2007: £nil)*.

**Dividends**

The directors have proposed and paid an interim dividend in respect of the current year of 0.625p per share (£262,000 (*2007: 0.5p per share; £210,000*)). The directors propose a final dividend of 1.175p per share £492,000 (*2007: 1.0p per share £419,000)*. This has not been included in creditors as it was not approved before the year end.

# Directors' report *(continued)*

### Financial risk management

The company's policies for managing financial risk including its hedging policy are given in note 20.

### Employees

The Directors recognise that a key element in the success of Goals Soccer Centres plc is the quality and commitment of our employees. The Company places very considerable importance on the contributions of our employees and our policy is to communicate to all employees relevant information about our clients and our business.

Regular meetings are held between local management and employees to allow for the free flow of information and ideas.

The Company gives full consideration to applications for employment from disabled persons where the requirements of the role can be adequately fulfilled by a handicapped or disabled person. Where an existing employee becomes disabled, the Company's policy is to provide continuing employment under normal terms and conditions wherever possible.

### Directors and directors' interests

The directors of the Company during the year were as noted on page 2.

The Company's Articles of Association require one-third of the Directors who are subject to retirement by rotation to retire from office and be subject to re-election at the Annual General Meeting ("AGM"). Keith Rogers will stand for re-election at the forthcoming AGM.

Details of Directors' interests in shares and share options are disclosed in the Remuneration Report on pages 10 to 13.

### Substantial shareholdings

At 27 February 2009, the Board had been formally notified of the following interests representing 3% or more of the Company's issued share capital:

| | % holdings | No of shares |
|---|---|---|
| Blackrock Investment Management | 13.6 | 5,686,919 |
| Keith T Rogers | 9.7 | 4,047,986 |
| Scottish Widows | 9.1 | 3,924,551 |
| Standard Life Investments | 6.6 | 2,757,972 |
| Aviva | 5.2 | 2,195,974 |
| William BG Gow | 3.4 | 1,410,100 |
| CIS Unit Trust Managers | 3.3 | 1,387,387 |
| Hermes Pensions Management | 3.1 | 1,295,138 |

### Creditor payment policy

It is the Company's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Company and its suppliers, provided all trading terms and conditions are met. Normally this results in payment in the month after the receipt of an invoice.

At the year end, the Company had an average of 26 days purchases outstanding in trade creditors *(2007: 21 days)*.

## Directors' report *(continued)*

**Statement of directors' responsibilities in respect of the annual report and the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable laws.

The financial statements are required by law to present fairly the financial position and the performance of the company; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to:

• select suitable accounting policies and then apply them consistently;

• make judgments and estimates that are reasonable and prudent;

• state whether they have been prepared in accordance with IFRSs as adopted by the EU; and

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

**Statement as to disclosure of information to auditors**

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Auditors**

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**William BG Gow**
*Company Secretary*

Orbital House
Peel Park
East Kilbride
G74 5PR

27 February 2009

## Remuneration report : Voluntary Disclosure

As an AIM listed Company, Goals Soccer Centres plc is not required to comply with Schedule 7A of the Companies Act, however the directors feel it is appropriate to provide the following information to shareholders.

**Remuneration committee**

The Company's remuneration committee comprises Sir Rodney Walker (Chairman) and Graham Wilson.

The purpose of the remuneration committee is to:

- make recommendations to the Board on an overall remuneration policy for executive directors and other senior executives in order to retain, attract and motivate high quality executives capable of achieving the Company's objectives; and
- demonstrate to shareholders that the remuneration of the Executive Directors of the Company is set by a committee whose members have no personal interest in the outcome of their decision, and who will have due regard to the interests of the shareholders.

**Procedures for developing policy and fixing remuneration**

The Board has shown a commitment to formalising procedures for developing a remuneration policy, fixing executive remuneration and ensuring that no Director is involved in deciding his or her own remuneration. The Committee is authorised to obtain outside professional advice and expertise, and consults with the Managing Director of the Company as necessary.

The Remuneration Committee is authorised by the Board to investigate any matter within its terms of reference. It is authorised to seek any information that it requires from any employee.

The Remuneration Committee determines any bonuses and any other element of remuneration of an executive that is performance related.

**Details of the remuneration policy**

The basic salaries to be paid to the executive directors are decided by the Remuneration Committee. The Committee also considers pension arrangements and other benefits applicable to the executives.

The details of individual components of the remuneration package are discussed below:

***Basic salary and benefits***

Salary and benefits are reviewed annually in January and become effective from 1 January and may be increased but not decreased. Benefits principally comprise private healthcare.

***Performance related bonuses***

The Company may also, but should not be bound to, pay such additional remuneration by way of bonus related to the profits of the Company as the Board or its remuneration committee may decide.

***Executive share options***

The Company operates an executive share plan scheme pursuant to which directors and senior executives may be granted options to acquire ordinary shares in the Company at a fixed option price.

## Remuneration report *(continued)*

***Pension contributions***

The Company makes contributions of 15% of basic salary into personal pension schemes for the Executive Directors.

**Remuneration of non-executive directors**

The remuneration of non-executive directors is reviewed annually in January, becomes effective on 1 January and may be increased but not decreased. Their level of remuneration is based on outside advice and a review of current practices in other companies.

**Directors' service agreements**

All service agreements for the executive directors are terminable on 12 months' notice by either party. The service agreements for the non-executive directors are terminable on 3 months notice by either party.

**Directors' emoluments**

The following emoluments were paid to Directors during the year ended 31 December 2008 and 31 December 2007:

| | **Basic salary and fees** | **Benefits in kind (note 2)** | **Pension contributions (note 3)** | **2008 Total** | 2007 Total |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | £000 |
| ***Executive directors*** | | | | | |
| KT Rogers* | **171** | **2** | **23** | **196** | 186 |
| WBG Gow | **144** | **1** | **19** | **164** | 155 |
| MI Payton | **132** | **2** | **18** | **152** | 144 |
| ***Non-executive directors*** | | | | | |
| Sir RM Walker (note 1) | **43** | **-** | **-** | **43** | 41 |
| RG Wilson | **35** | **-** | **-** | **35** | 33 |
| | **525** | **5** | **60** | **590** | 559 |

(1) Payment to Myerscough Developments Limited, a Company in which Sir RM Walker is controlling shareholder
(2) Benefits in kind relate to private health insurance
(3) During the year contributions were made to personal pension plans on behalf of 3 directors *(2007: 3)*
* Highest paid director

**Directors' interests in shares**

The directors who held office at the end of the financial year had the following interests in the issued share capital of the Company.

| | **Ordinary shares of 0.25p At 31 December 2008** | Ordinary shares of 0.25p At 31 December 2007 |
|---|---|---|
| KT Rogers | **4,047,986** | 4,047,886 |
| WBG Gow | **1,410,100** | 1,450,000 |
| MI Payton | **263,945** | 263,845 |
| Sir RM Walker (1) | **253,515** | 253,515 |
| RG Wilson | **285,773** | 285,773 |

(1) Sir RM Walker owns 48,387 shares in the company and the balance of his interest is owned through Myerscough Developments Limited, a Company of which he is a Director and controlling shareholder.

## Remuneration report *(continued)*

### Directors' share options

At 31 December 2008 the following options granted under the Goals Soccer Centres EMI Option Scheme 2004, The Goals Soccer Centres Unapproved Option Scheme 2004 (together "the 2004 Option Schemes") and the Goals Soccer Centres Unapproved Option Scheme 2006 ("the 2006 Option Scheme") to subscribe for 0.25p ordinary shares in the Company were outstanding:

| | Exercise price | At 1 January 2008 | Granted during the year | Exercised during the year | At 31 December 2008 |
|---|---|---|---|---|---|
| **The 2004 Option Scheme** | | | | | |
| KT Rogers | 62p | 732,115 | - | - | 732,115 |
| WBG Gow | 62p | 732,115 | - | - | 732,115 |
| MI Payton | 62p | 732,115 | - | - | 732,115 |
| **The 2006 Option Scheme** | | | | | |
| MI Payton | 229p | 300,000 | - | - | 300,000 |

### The 2004 Option Scheme

The performance conditions for these options have been satisfied. The options expire on 31 December 2013.

### The 2006 Option Scheme

The director may only exercise the options on satisfaction of performance criteria which are based on annual growth in Earnings Per Share (EPS") averaging 25 per cent in the period from 1 January 2006 until 31 December 2013.

The options are exercisable in six tranches. The tranches and the precise performance criteria are detailed below:

| Tranche | No. of shares | Exercise periods | Earnings Per Share Growth Target |
|---|---|---|---|
| Tranche 1 | 50,000 | 1 January 2009 to 31 December 2015 | 50% Compound Annual Growth Rate ("CAGR") in EPS for the years ended 31 December 2006, 31 December 2007 and 31 December 2008 referenced to EPS in the year ended 31 December 2005 |
| Tranche 2 | 50,000 | 1 January 2010 to 31 December 2016 | 30% CAGR in EPS for the years ended 31 December 2007, 31 December 2008 and 31 December 2009 referenced to EPS in the year ended 31 December 2006 |
| Tranche 3 | 50,000 | 1 January 2011 to 31 December 2017 | 22.5% CAGR in EPS for the years ended 31 December 2008, 31 December 2009 and 31 December 2010 referenced to EPS in the year ended 31 December 2007 |
| Tranche 4 | 50,000 | 1 January 2012 to 31 December 2018 | 20% CAGR in EPS for the years ended 31 December 2009, 31 December 2010 and 31 December 2011 referenced to EPS in the year ended 31 December 2008 |
| Tranche 5 | 50,000 | 1 January 2013 to 31 December 2019 | 15% CAGR in EPS for the years ended 31 December 2010, 31 December 2011 and 31 December 2012 referenced to EPS in the year ended 31 December 2009 |
| Tranche 6 | 50,000 | 1 January 2014 to 31 December 2020 | 12.5% CAGR in EPS for the years ended 31 December 2011, 31 December 2012 and 31 December 2013 referenced to EPS in the year ended 31 December 2010 |

# Remuneration report *(continued)*

### Directors' share options *(continued)*

No options were exercised or lapsed during the year

The market price of the company's shares at the end of the financial year was 152.5p and the range of the market price during the year was between 330p and 139p.

The interests of the directors to subscribe for or acquire ordinary shares have not changed since the year end.

By order of the board

**Sir Rodney Walker**
*Chairman of the Remuneration Committee*

27 February 2009

# Corporate governance: Voluntary Disclosure

### The Combined Code

Goals Soccer Centres plc is listed on AIM and is not subject to the requirements of the Combined Code on corporate governance, nor is it required to disclose its specific policies in relation to corporate governance. However, the directors are committed to delivering high standards of corporate governance to the Company's shareholders and other stakeholders including employees and suppliers.

The Board of Directors operates within the framework delivered below.

### The workings of the Board and its committees

#### *The Board of Directors*

The Board meets quarterly to consider all aspects of the Company's activities. A formal schedule of matters reserved for the Board includes overall strategy, and approval of major capital expenditure.

The Board consists of the Chairman, Managing Director, Operations Director, Finance Director, and a non-executive director. The Chairman, Sir Rodney Walker, is a non-executive director. All Directors have access to the advice and services of the Company Secretary.

#### *Remuneration committees*

The Remuneration Committee comprises Sir Rodney Walker and Graham Wilson, and is chaired by Sir Rodney Walker. It is responsible for determining and agreeing with the Board the framework for the remuneration of the Managing Director, all other Executive Directors and such other members of the Executive management as it is designated to consider. It is furthermore responsible for determining the total individual remuneration packages of each Executive Director including, where appropriate, bonuses, incentive payments and share options. The Remuneration Committee will also liaise with the Nomination Committee to ensure that the remuneration of newly appointed Executives is within the Company's overall policy. The Board (excluding non-executive directors) determines the remuneration of the non-executive directors.

#### *Audit committee*

The Audit Committee comprises the two Non-Executive Directors, Sir Rodney Walker and Graham Wilson, and is chaired by Graham Wilson. It is responsible for ensuring that the financial performance of the Company is properly reported on and monitored, and for reviewing the auditor's reports relating to their audit of the financial statements. The committee also reviews the performance of the auditors including their independence.

#### *Nominations committee*

The Nomination Committee is chaired by Sir Rodney Walker and also comprises Graham Wilson and Keith Rogers. It is responsible for reviewing the structure, size and composition of the Board, preparing a description of the role and capabilities required for a particular appointment and identifying and nominating candidates to fill Board positions as and when they arise.

#### *Relations with shareholders*

Communications with shareholders are given a high priority by the Board of Directors who take responsibility for ensuring that a satisfactory dialogue takes place. Executive Directors meet with the Company's institutional shareholders following the announcement of interim and final results and at other appropriate times. The directors are also in regular contact with stockbrokers analysts. The Company has developed a website containing investor information to improve communications with individual investors and other interested parties.

### Internal control

The directors acknowledge their responsibility for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage the risk of failure to achieve the Company's strategic objectives. It cannot totally eliminate the risk of failure but will provide reasonable, although not absolute, assurance against material misstatement or loss.

## Corporate governance *(continued)*

**Internal controls** *(continued)*

The Company's key risk management processes and system of internal control procedures include the following:

*Information and financial reporting systems*

The Company continues to invest in IT software and infrastructure in anticipation of future growth. Pitch bookings, income and expenditure are controlled and monitored by a proprietary leisure management system. The same system is used by other major leisure operators. In addition, leagues are managed by the Company's own bespoke league management software. Pitches at most locations are monitored by CCTV and can be viewed live or historically at Head Office. All systems are connected to Head Office via a wide area network.

These systems provide tight cash and cost controls, aid maximisation of utilisation of the pitches and provide the necessary information for branch management and Head Office to effectively and efficiently run the business. The Company receives the vast majority of its income in cash from its activities and the directors have implemented rigorous cash control measures at each centre which include: daily reconciliations of cash; daily reconciliations of games played; use of drop safes; and regular spot checks by Head Office.

*Performance measurement*

The Company's financial reporting procedures include detailed operational budgets for the year ahead and a three year plan, reviewed and approved by the Board. Performance is monitored throughout the year through daily, weekly and monthly reporting of key performance indicators. Relevant action is then taken including the preparation of updated forecasts for the year.

*Investment appraisal*

A budgetary process and authorisation levels regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Board.

As an AIM listed Company the board is not required to make a statement on the effectiveness of its internal controls; however the directors believe it is useful to highlight the following processes which take place on an ongoing basis:

- weekly and monthly reporting of financial information including income statements, balance sheets, cash flow statements and other key performance indicators;
- regular reporting to the Board on certain specific matters including treasury management, insurance, legal and health and safety issues;
- the Chairman of the audit committee reports the outcome of audit committee meetings to the full Board of Directors.

The Company is not of sufficient scale to justify a full time internal audit resource, however, regular branch audits are performed by senior members of the management team and these are reviewed by the Directors. In addition an independent stock taker is retained by the Company and he completes full stock counts at each branch on a 6 weekly cycle.

**Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the chairman's statement on page 3 to 5. The financial position of the company, its cash flows, liquidity position and borrowing facilities are also described in the chairman's statement. In addition note 20 to the financial statements includes the company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The company meets its overall funding requirements through its bank loan arrangements. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility for the foreseeable future.

After making enquiries, the directors have a reasonable expectation the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts.

KPMG Audit Plc

191 West George Street
Glasgow
G2 2LJ
United Kingdom

## Independent auditors' report to the members of Goals Soccer Centres plc

We have audited the financial statements of Goals Soccer Centres plc for the year ended 31 December 2008 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 9.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

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

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Independent auditors' report to the members of Goals Soccer Centres plc *(continued)*

### Basis of audit opinion

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

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

### Opinion

In our opinion:

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

**KPMG Audit Plc**
*Chartered Accountants*
*Registered Auditor*

27 February 2009

# Income statement
***for the year ended 31 December 2008***

| | Note | 2008 £000 | 2007 £000 |
|---|---|---|---|
| **Revenue** | 2 | 23,953 | 20,048 |
| **Cost of sales** | | (2,743) | (2,426) |
| **Gross profit** | | 21,210 | 17,622 |
| **Other operating income** | 3 | 183 | - |
| **Administrative expenses** | | (11,361) | (9,195) |
| **Operating profit** | 3 | 10,032 | 8,427 |
| **Financial expense** | 6 | (1,802) | (1,424) |
| **Profit before income tax** | | 8,230 | 7,003 |
| **Income tax** | 7 | (2,652) | (2,115) |
| **Profit for the year attributable to equity holders of the company** | 22 | 5,578 | 4,888 |
| **Earnings Per Share** | | | |
| **Basic** | 9 | 13.3p | 11.7p |
| **Diluted** | 9 | 12.8p | 11.2p |

# Statement of recognised income and expense
***for the year ended 31 December 2008***

| | 2008<br>£000 | 2007<br>£000 |
|---|---|---|
| **Effective portion of changes in fair value of cash flow hedges** | **(2,743)** | **(97)** |
| **Tax effect of change in fair value of cash flow hedges** | **768** | **29** |
| **Net (expense) recognised directly in equity** | **(1,975)** | **(68)** |
| **Profit for the year** | **5,578** | **4,888** |
| **Total recognised income and expense for the year attributable to equity holders of the company** | **3,603** | **4,820** |

# Balance sheet
***at 31 December 2008***

| | Note | 2008 | 2007 |
|---|---|---|---|
| ***Assets*** | | **£000** | **£000** |
| **Non-current assets** | | | |
| **Property, plant and equipment** | **10** | **69,725** | **53,453** |
| **Intangible assets** | **11** | **5,719** | **1,848** |
| **Other financial assets** | **13** | **-** | **112** |
| **Total non current assets** | | **75,444** | **55,413** |
| **Current assets** | | | |
| **Inventories** | **14** | **426** | **303** |
| **Trade and other receivables** | **15** | **1,075** | **912** |
| **Cash and cash equivalents** | **16** | **392** | **393** |
| **Total current assets** | | **1,893** | **1,608** |
| **Total assets** | | **77,337** | **57,021** |
| **Current liabilities** | | | |
| **Bank overdraft** | **16** | **(129)** | **(547)** |
| **Other interest-bearing loans and borrowings** | **17** | **-** | **(325)** |
| **Trade and other payables** | **18** | **(1,914)** | **(2,089)** |
| **Current tax payable** | **19** | **(632)** | **(632)** |
| **Total current liabilities** | | **(2,675)** | **(3,593)** |
| **Non-current liabilities** | | | |
| **Other interest-bearing loans and borrowings** | **17** | **(41,751)** | **(27,749)** |
| **Tax payable** | **19** | **(185)** | **(264)** |
| **Deferred tax liabilities** | **12** | **(3,993)** | **(984)** |
| **Other financial liabilities** | **13** | **(2,631)** | **-** |
| **Total non current liabilities** | | **(48,560)** | **(28,997)** |
| **Total liabilities** | | **(51,235)** | **(32,590)** |
| **Net assets** | | **26,102** | **24,431** |
| **Equity** | | | |
| **Share capital** | **21** | **104** | **104** |
| **Share premium** | **22** | **12,684** | **12,679** |
| **Other reserve** | **22** | **(1,897)** | **78** |
| **Retained earnings** | **22** | **15,211** | **11,570** |
| **Total equity attributable to equity holders of the company** | | **26,102** | **24,431** |

These financial statements were approved by the board of directors on 27 February 2009 and were signed on its behalf by:

**Keith Rogers**
*Managing Director*

**William BG Gow**
*Finance Director*

# Cash flow statement
***for the year ended 31 December 2008***

| | Note | **2008** | 2007 |
|---|---|---|---|
| | | **£000** | £000 |
| **Cash flows from operating activities** | | | |
| Profit for the year | | **5,578** | 4,888 |
| *Adjustments for:* | | | |
| Depreciation | | **1,731** | 1,435 |
| Gain on sale of fixed assets | | **(183)** | - |
| Financial expense | | **1,802** | 1,424 |
| Equity settled share-based payment (credit) / expense | | **(3)** | 220 |
| Income tax expense | | **2,652** | 2,115 |
| | | **11,577** | 10,082 |
| Decrease/(increase) in trade and other receivables | | **51** | (262) |
| Increase in inventory | | **(108)** | (63) |
| (Decrease) / increase in trade and other payables | | **(216)** | (105) |
| | | **11,304** | 9,652 |
| Income tax paid | | **(1,448)** | (1,513) |
| **Net cash from operating activities** | | **9,856** | 8,139 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | **(13,730)** | (10,591) |
| Proceeds from sale of property, plant and equipment | | **1,067** | - |
| Acquisition of a business | | **(7,518)** | - |
| **Net cash used in investing activities** | | **(20,181)** | (10,591) |
| **Cash flows from financing activities** | | | |
| Loans received | | **13,970** | 5,228 |
| Repayment of borrowings | | **(666)** | (820) |
| Interest paid | | **(1,881)** | (1,420) |
| Dividends paid | | **(681)** | (482) |
| **Net cash from financing activities** | | **10,742** | 2,506 |
| Net increase in cash and cash equivalents | 25 | **417** | 54 |
| Cash and cash equivalents at start of year | | **(154)** | (208) |
| **Cash and cash equivalents at year end** | 16 | **263** | (154) |

# Notes
***(forming part of the financial statements)***

## 1 Accounting policies

Goals Soccer Centres PLC (the "Company") is a company domiciled in the United Kingdom.

**Statement of compliance**

The financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("adopted IFRSs") that are effective (or available for early adoption) at 31 December 2008. Based on these adopted IFRSs, the directors have applied the accounting policies, as set out below.

The financial statements present the position of the company and not the group. The company has not prepared group accounts on the basis that subsidiary undertakings are not material either individually or in aggregate.

The financial statements for the year ended 31 December 2008 were approved by the board of directors on 27 February 2009.

**Basis of preparation**

The financial statements are prepared on the historical cost basis except for derivative financial instruments which are stated at their fair value. The preparation of the financial statements 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. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been presented in pounds sterling which is the company's functional currency. All financial information has been rounded to the nearest thousand.

**Areas of estimation uncertainty and critical judgements**

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is contained in the following notes:

Note 11 : Measurement of recoverable amounts of cash generating units
Note 24 : Measurement of share-based payments
Note 13 : Valuation of financial instruments
Note 10 : Estimated useful lives of property, plant and equipment
Note 20 : Recoverability of trade receivables and accrued income

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Revenue**

Revenue represents the value of goods and services supplied to customers (net of Value Added Tax). The Company's revenue comprises revenues from customers' utilising the Company'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 Company; 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 company recognises revenue in respect of goods and services received under sponsorship and partnership arrangements by reference to the fair value of good and services received under the contract.

**Business segments**

The company operates in the UK and its only trading activity is the operation of soccer centres.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

**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 Company'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. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced or increased 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.

**Goodwill**

Goodwill on acquisitions represents the excess of the cost of acquisition over the Company'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.

On the date of acquisition of subsidiaries the trade, assets and liabilities are immediately transferred to the parent company at fair value.

**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 |
| - 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.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

**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 vendor loans.

**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 Company’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 Company’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.

# Notes *(continued)*

**1 Accounting policies** *(continued)*

**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.

**New standards and interpretations not yet adopted**

No significant impact is expected from other standards that are not yet endorsed by the EU but may apply in subsequent periods if endorsed.

A IFRIC 13 Customer Loyalty Programs addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programs for their customers. It relates to customer loyalty programs under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the 2009 financial statements, is not expected to have any impact on the financial statements.

**IFRSs not yet effective**

The following IFRS have been adopted and so will require to be applied in future periods and are expected to affect the entity.

*Amendment to IAS 1 presentation of financial statements: A revised presentation*. The standard will require the company to present a statement of comprehensive income and may require additional disclosures.

*Amendment to IAS 27 Consolidated and Separate financial statements and IFRS 3 (revised) Business combinations*. These amendments require changes to the accounting for business combinations and will only affect the entity if it makes acquisitions in the future.

*IFRS 8 Operating segments*. This is not expected to have a significant impact as the company currently only has one segment.

*IFRS 2 Amendment – Share-based Payment* – Vesting Conditions and Cancellations: The definition of vesting conditions in IFRS 2 has been amended to clarify that vesting conditions are limited to service conditions and performance conditions. Conditions other than service or performance conditions are considered non-vesting conditions. Under the amendment, non-vesting conditions are taken into account in measuring the grant date fair value of the share-based payment and there is no true-up of equity-settled arrangements for differences between expected and actual outcomes. The amendment applies retrospectively to annual periods beginning on or after 1 January 2009 this is not expected to impact the company.

# Notes *(continued)*

## 2 Segmental reporting

All turnover and operating profit is derived from the operation of outdoor soccer centres within the United Kingdom.

Revenue recognised in the income statement is analysed as follows:

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Rendering of services | **19,759** | 16,399 |
| Sale of goods | **4,194** | 3,649 |
| | **23,953** | 20,048 |

## 3 Operating profit

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| ***Operating profit is stated after charging/(crediting):*** | | |
| Auditors' remuneration: | | |
| - audit of these financial statements | **30** | 38 |
| Amounts receivable by auditors and their associates in respect of | | |
| - other services relating to taxation | **10** | 8 |
| Depreciation | **1,731** | 1,435 |
| Other operating income – gain on sale of fixed assets | **(183)** | - |
| Provision against assets in course of construction | **175** | - |
| Rental under operating leases | | |
| - plant and machinery | **51** | 38 |
| - others | **1,039** | 811 |

Earnings before interest, tax, depreciation and amortisation ("EBITDA") is calculated as follows:

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Operating profit | **10,032** | 8,427 |
| Depreciation | **1,731** | 1,435 |
| | **11,763** | 9,862 |

# Notes *(continued)*

## 4 Remuneration of directors

Directors' emoluments are summarised below:

| | Basic salary and fees | Benefits in kind (note 2) | Pension contributions (note 3) | 2008 Total | 2007 Total |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | £000 |
| ***Executive directors*** | | | | | |
| KT Rogers* | **171** | **2** | **23** | **196** | 186 |
| WBG Gow | **144** | **1** | **19** | **164** | 155 |
| MI Payton | **132** | **2** | **18** | **152** | 144 |
| ***Non-executive directors*** | | | | | |
| Sir RM Walker (note 1) | **43** | **-** | **-** | **43** | 41 |
| RG Wilson | **35** | **-** | **-** | **35** | 33 |
| | **525** | **5** | **60** | **590** | 559 |

* Highest paid director
(1) Payment to Myerscough Developments Limited, a Company in which Sir RM Walker is controlling shareholder
(2) Benefits in kind are private health insurance
(3) During the year contributions were paid to personal pension plans on behalf of 3 directors *(2007: 3)*

## 5 Employees

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | **2008** | 2007 |
| Administration | **12** | 12 |
| Centre staff | **556** | 452 |
| | **568** | 464 |

The aggregate payroll costs of these persons were as follows:

| | 2008 | 2007 |
|---|---|---|
| | **£000** | £000 |
| Wages and salaries | **4,479** | 3,670 |
| Social security costs | **384** | 303 |
| Other pension costs | **60** | 58 |
| Equity settled share based payments | **(3)** | 220 |
| | **4,920** | 4,251 |

## 6 Financial expense

| | 2008 | 2007 |
|---|---|---|
| | **£000** | £000 |
| *Recognised in income statement* | | |
| Interest on bank loans and overdrafts | **1,802** | 1,375 |
| Interest on all other loans | **-** | 49 |
| | **1,802** | 1,424 |
| *Recognised directly in equity (hedging reserve)* | | |
| Effective portion of changes in cash flow hedges | **(2,743)** | (97) |

Borrowing costs of £289,000 *(2007: £247,000)* have been capitalised in the period applying a rate of interest based on the Company's borrowing cost.

# Notes *(continued)*

## 7 Income tax

| | | 2008 £000 | 2007 £000 |
|---|---|---|---|
| *Recognised in the income statement* | | | |
| *Current tax expense* | | | |
| UK corporation tax at 28.5% *(2007: 30%)* | – current year | **1,526** | 1,441 |
| | – prior year | **(78)** | (373) |
| | | **1,448** | 1,068 |
| *Deferred tax (note 12)* | | | |
| Temporary differences: | | | |
| - current year | | **1,053** | 915 |
| - prior year | | **151** | 322 |
| Reduction in year end balance due to change in rate to 28% | | **-** | (190) |
| Total deferred tax | | **1,204** | 1,047 |
| Total tax in income statement | | **2,652** | 2,115 |

*Reconciliation of effective tax rate*

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Profit for the year | **5,578** | 4,888 |
| Total income tax expense | **2,652** | 2,115 |
| Profit excluding taxation | **8,230** | 7,003 |

| | 2008 % | 2008 £000 | 2007 % | 2007 £000 |
|---|---|---|---|---|
| Income tax using company's standard tax rate | **28.5** | **2,345** | 30.0 | 2,100 |
| *Effects of:* | | | | |
| Non-deductible expenses | **2.8** | **234** | 3.6 | 255 |
| Change in rate – deferred taxation | **-** | **-** | (2.7) | (190) |
| Other differences – adjustments to prior year balances | **0.9** | **73** | (0.7) | (50) |
| **Total tax expense** | **32.2** | **2,652** | 30.2 | 2,115 |

*Income tax recognised directly in equity*

| | 2008 £000 | 2007 £000 |
|---|---|---|
| Taxation on share based payments | **(1,253)** | 630 |
| Taxation on financial assets/liabilities | **768** | 29 |
| | **(485)** | 659 |

# Notes *(continued)*

## 8 Dividends

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Dividends paid – 2006 final (0.65p per ordinary share) | **-** | 272 |
| – 2007 interim (0.50p per ordinary share) | **-** | 210 |
| – 2007 final (1.0p per ordinary share) | **419** | - |
| – 2008 interim (0.625p per ordinary share) | **262** | - |
| | **681** | 482 |

The directors have proposed a final ordinary dividend of £492,000 (1.175p per ordinary share) *(2007: £419,000 (1.0p per ordinary share)).* This has not been included as a liability as it was not approved before the year end.

## 9 Earnings per share

Basic earnings per ordinary share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year which was 41,891,852, *(2007: 41,883,788)*.

| | **2008 Profit for the year £000** | **2008 Earnings per share p** | 2007 Profit for the year £000 | 2007 Earnings per share p |
|---|---|---|---|---|
| Basic earnings per share | **5,578** | **13.3** | 4,888 | 11.7 |
| Diluted earnings per share | **5,578** | **12.8** | 4,888 | 11.2 |

Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year plus the dilutive element of all outstanding relevant share options outstanding during the year. For the year ended 31 December 2008 this was 43,411,419 *(2007: 43,853,571).*

The diluted weighted average number of shares is calculated as follows:

| | **2008** | 2007 |
|---|---|---|
| Weighted average number of shares in issue during the year | **41,891,852** | 41,883,788 |
| Effect of dilutive share options | **1,519,567** | 1,969,783 |
| Diluted weighted average number of shares | **43,411,419** | 43,853,571 |

# Notes *(continued)*

## 10 Property, plant and equipment

| | Freehold and leasehold property | Fixtures and fittings | Assets in course of construction | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| ***Cost*** | | | | |
| At 1 January 2007 | 39,309 | 6,577 | 2,586 | 48,472 |
| Additions | 5,933 | 1,531 | 2,726 | 10,190 |
| Disposals | - | (603) | - | (603) |
| Transfers | 2,514 | (461) | (2,053) | - |
| At 31 December 2007 | 47,756 | 7,044 | 3,259 | 58,059 |
| At 1 January 2008 | 47,756 | 7,044 | 3,259 | 58,059 |
| Additions | 5,330 | 1,422 | 6,720 | 13,472 |
| Acquisitions | 5,415 | - | - | 5,415 |
| Disposals | (1,029) | (519) | - | (1,548) |
| Transfers | 1,996 | 85 | (2,081) | - |
| At 31 December 2008 | 59,468 | 8,032 | 7,898 | 75,398 |
| ***Depreciation*** | | | | |
| At 1 January 2007 | 2,050 | 1,724 | - | 3,774 |
| Charge for year | 820 | 615 | - | 1,435 |
| Disposals | - | (603) | - | (603) |
| At 31 December 2007 | 2,870 | 1,736 | - | 4,606 |
| At 1 January 2008 | 2,870 | 1,736 | - | 4,606 |
| Charge for year | 977 | 754 | - | 1,731 |
| Disposals | (144) | (520) | - | (664) |
| At 31 December 2008 | 3,703 | 1,970 | - | 5,673 |
| **Carrying amounts** | | | | |
| **At 31 December 2008** | **55,765** | **6,062** | **7,898** | **69,725** |
| At 31 December 2007 | **44,886** | **5,308** | **3,259** | **53,453** |

The carrying amount freehold and leasehold property comprises:

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Freehold | **-** | 956 |
| Long leasehold | **55,765** | 43,930 |
| | **55,765** | 44,886 |

# Notes *(continued)*

## 11 Intangible fixed assets

| | Goodwill £000 |
|---|---|
| ***Cost*** | |
| Balance at 1 January 2007 | 1,848 |
| Acquisitions | - |
| Balance at 31 December 2007 | 1,848 |
| Balance at 1 January 2008 | 1,848 |
| Acquisitions through business combinations | 3,871 |
| Balance at 31 December 2008 | 5,719 |
| ***Amortisation and impairment*** | |
| Balance at 1 January 2007 | - |
| Impairment for the year | - |
| Balance at 31 December 2007 | - |
| Balance at 1 January 2008 | - |
| Impairment for the year | - |
| Balance at 31 December 2008 | - |
| ***Net book value*** | |
| **At 31 December 2008** | **5,719** |
| At 31 December 2007 and 1 January 2008 | 1,848 |

### Impairment testing

Goodwill is allocated to the five operating units which the company acquired in 2001 (£1.8 million) and the three operating units acquired in the current year through the acquisition of Pro 5 Soccer (£3.9 million) which represents the lowest level within the company at which goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating units was based on their value in use. The value in use was determined to be higher than its carrying amount so no impairment loss was recognised.

Value in use was determined by discounting the future cash flows generated from the continuing use of the units and was based on the following key assumptions:

- Cash flows were projected based on actual operating results for the year projected forward for a 30 year period using a constant growth rate of 2.5 percent, which does not exceed the long-term average growth rate for the industry. Management believes that this forecast period was justified due to the long-term nature of the business.
- A pre tax discount rate of 11% was applied in determining the recoverable amount of each CGU. The discount rate was based on an industry average weighted average cost of capital. The Directors consider it appropriate to use the same cost of capital for each CGU as the risks are the same.
- The values assigned to the key assumptions represent management's estimate of future trends and are based on both external and internal sources.
- The review demonstrated significant headroom such that the estimated carrying value is not sensitive to changes in assumptions.

# Notes *(continued)*

## 11 Intangible fixed assets *(continued)*

### Acquisition of businesses

On 21 February 2008, the company acquired the entire share capital of Pro 5 Soccer Limited and Deltavon Limited for a cash consideration of £7.36 million. On 21 February 2008 the trade, assets and liabilities were transferred to Goals Soccer Centres plc. The businesses acquired related to the operation of three soccer centres. In the ten months to 31 December 2008 the businesses contributed net profit of £0.7 million to the company's profit before income tax for the year. If the acquisition had occurred on 1 January 2008 the company's revenue would have been an estimated £24.3 million and profit before income tax would have been an estimated £8.2 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2008.

*Effect of acquisition*

The acquisitions had the following effect on the company's assets and liabilities:

| | **Pre acquisition carrying amounts** | **Fair value adjustments** | **Recognised values on acquisition** |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Acquiree's net assets at the acquisition date:** | | | |
| Property, plant and equipment | 1,946 | 3,469 (1) | 5,415 |
| Inventories | 15 | - | 15 |
| Trade and other receivables | 214 | - | 214 |
| Cash and cash equivalents | 12 | - | 12 |
| Interest-bearing loans and borrowings | (341) | - | (341) |
| Trade and other payables | (336) | - | (336) |
| Deferred tax liabilities | - | (1,320) (2) | (1,320) |
| Net identifiable assets and liabilities | 1,510 | 2,149 | 3,659 |
| Goodwill on acquisition | | | 3,871 |
| Consideration paid (including fees of £167,000) | | | 7,530 |
| Consideration paid | | | 7,530 |
| Cash and cash equivalents acquired | | | (12) |
| Net cash outflow per cash flow statement | | | 7,518 |

(1) Based on an external valuation.

(2) Deferred tax arising on the difference between the fair value of fixed assets acquired and the relevant tax base

Goodwill has been recognised relating to the synergies expected to be achieved from integrating the acquired businesses. The value of other intangible assets including customer relationships were considered as part of the fair value exercise; no material other intangible assets were identified.

# Notes *(continued)*

## 12 Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | **£000** | £000 | **£000** | £000 | **£000** | £000 |
| Share based payments | **564** | 1,817 | **-** | - | **564** | 1,817 |
| Property, plant and equipment | **-** | - | **(5,291)** | (2,767) | **(5,291)** | (2,767) |
| Cash flow hedge | **734** | - | **-** | (34) | **734** | (34) |
| Net tax assets/(liabilities) | **1,298** | 1,817 | **(5,291)** | (2,801) | **(3,993)** | (984) |

*Movement in deferred tax during the year*

| | At 1 January 2008 | On acquisition | Recognised in income | Recognised in equity | At 31 December 2008 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Share based payments | 1,817 | - | - | (1,253) | 564 |
| Property, plant and equipment | (2,767) | (1,320) | (1,204) | - | (5,291) |
| Cash flow hedge | (34) | - | - | 768 | 734 |
| | (984) | (1,320) | (1,204) | (485) | (3,993) |

*Movement in deferred tax during the prior year*

| | At 1 January 2007 | Recognised in income | Recognised in equity | At 31 December 2007 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Share based payments | 1,060 | 126 | 631 | 1,817 |
| Property, plant and equipment | (1,594) | (1,173) | - | (2,767) |
| Cash flow hedge | (63) | - | 29 | (34) |
| | (597) | (1,047) | 660 | (984) |

## 13 Other financial liabilities and assets

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Interest rate derivative used for hedging | **(2,631)** | 112 |

The interest rate derivative is carried at fair value and is a liability of £2,631,000 compared with an asset of £112,000 at 31 December 2007

Details of the Company's exposure to interest rate risk is given in note 17 and 20.

# Notes *(continued)*

## 14 Inventories

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Finished goods | **426** | 303 |

Included within inventories are £Nil (2007: £nil) of inventories expected to be recovered in more than 12 months.

Inventories to the value of £1,914,000 (2007:£1,571,000) were recognised as an expense in the income statement in the year

## 15 Trade and other receivables

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Trade receivables | **326** | 349 |
| Other receivables | **175** | 155 |
| Prepayments and accrued income | **574** | 408 |
| | **1,075** | 912 |

At 31 December 2008, trade receivables are shown net of allowance for doubtful debts of £29,000 *(2007: £61,000)* arising from a review of the expected recoverability of the receivables. The credit recognised in the year was £32,000 *(2007: credit of £65,000)*.

The Company's exposure to credit risks and impairment losses on receivables is given in note 20.

## 16 Cash and cash equivalents

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Cash | **392** | 393 |
| Cash and cash equivalents | **392** | 393 |
| Bank overdrafts | **(129)** | (547) |
| Cash and cash equivalents in statement of cash flows | **263** | (154) |

# Notes *(continued)*

## 17 Other interest bearing loans and borrowings

This note provides information about the contractual terms of the Company's interest – bearing loans and borrowings, which are measured initially at fair value and subsequently at amortised cost. For more information about the Company's exposure to interest rate, foreign currency and liquidity risk, see note 20.

| | **2008 £000** | 2007 £000 |
|---|---|---|
| **Current liabilities** | | |
| Vendor loan notes – Class B | **-** | 325 |
| **Non current liabilities** | | |
| Secured bank loans | **41,751** | 27,749 |

Secured bank loans are stated net of unamortised finance costs of £133,000 *(2007: £96,000)*.

### Terms and debt repayment schedule

| | **Nominal interest rate** | **Year of maturity** | **Face value 2008 £000** | **Carrying amount 2008 £000** | **Face value 2007 £000** | **Carrying Amount 2007 £000** |
|---|---|---|---|---|---|---|
| **Secured bank loans** | **LIBOR +1.125%** | **2013** | **41,751** | **41,751** | **27,749** | **27,845** |
| **Loan notes** | **LIBOR** | **2011** | **-** | **-** | **325** | **325** |
| | | | **41,751** | **41,751** | **28,074** | **28,170** |

All debt is denominated in GBP.

The bank loans are secured by a fixed charge over the companies properties, a floating charge and a composite guarantee.

## 18 Trade and other payables

| | **2008 £000** | 2007 £000 |
|---|---|---|
| Trade payables | **1,510** | 1,202 |
| Taxation and social security | **88** | 228 |
| Other payables | **-** | 27 |
| Accruals | **316** | 632 |
| | **1,914** | 2,089 |

# Notes *(continued)*

## 19 Taxation payable

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| **Current** | | |
| Corporation tax payable | **632** | 632 |
| **Non current** | | |
| Indirect tax liability | **185** | 264 |

## 20 Financial instruments

### Overview

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

***Credit risk***

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the company's receivables from customers.

*Trade receivables*

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Customers are generally expected to pay in full prior to using the company's facilities. Trade receivables only occur in relation to instances where a pitch is booked and not utilised or in relation to a limited number of corporate accounts. Customers are contractually obliged to settle such balances and it is the company's policy not to allow further use of facilities until the debt is settled.

*Other receivables*

Other receivables consist of amounts due from suppliers and brand partners.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The general allowance is determined based on historical data including payment statistics for similar financial assets.

***Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

# Notes *(continued)*

## 20 Financial instruments *(continued)*

Although the company has net current liabilities at the year end this is consistent with other companies in the retail/leisure sectors where income is largely received in cash. As explained in the Chairman's Statement on page 5 the company plans to finance payment of its current liabilities and planned expansion programme largely from net cash flow from operations. As explained in the corporate governance statement on page 15 the directors have reviewed the company's forecasts and projections which show that the company should be able to operate within its current facility for the foreseeable future. The directors, if required, can manage this position further by reviewing planned capital expenditure to provide further headroom should the current economic climate have an adverse impact on forecast trading.

At the year end, the Company maintained the following lines of credit:

- £47.5 million revolving credit facility
- £250,000 overdraft facility

***Market risk***

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Generally the Company seeks to minimise this risk through hedge arrangements designed to manage a proportion of the Company's overall exposure.

**Credit risk**

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

| | *Note* | **Carrying amount** | |
|---|---|---|---|
| | | **2008** | 2007 |
| | | **£000** | £000 |
| Receivables | *15* | **530** | 565 |
| Cash and cash equivalents | *16* | **392** | 393 |
| Interest rate swaps used for hedging: Assets | *13* | **-** | 112 |
| | | **922** | 1,070 |

Credit risk for trade receivables at the reporting date was all in relation to the United Kingdom.

The company's exposure is spread across a large number of customers. The company's exposure to credit risk is likely to have increased in the current economic climate but management do not consider this to have had a significant impact as the risk is spread across a large number of customers.

# Notes *(continued)*

## 20 Financial instruments *(continued)*

*Impairment losses*

The ageing of trade and other receivables at the reporting date was:

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Gross £000** | **Impairment £000** | Gross £000 | Impairment £000 |
| Not past due | **206** | **-** | 188 | - |
| Past due 0-30 days | **100** | **2** | 81 | 2 |
| Past due 31-120 days | **174** | **2** | 248 | 39 |
| More than 120 days | **50** | **25** | 48 | 20 |
| | **530** | **29** | 565 | 61 |

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

| | **2008 £000** | 2007 £000 |
|---|---|---|
| Balance at 1 January | **61** | 126 |
| Impairment loss reversed | **(32)** | (65) |
| Balance at 31 December | **29** | 61 |

The impairment loss at 31 December 2008 of £29,000 is a provision for receivables due from customers.

The allowance account in respect of trade receivables is used to record impairment losses unless the company is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the financial asset directly.

**Liquidity risk**

The following are the contractual maturities of financial liabilities at the balance sheet date, including estimated interest payments based on the position at the balance sheet date and excluding the impact of netting agreements.

**31 December 2008**

| | Carrying amount £000 | Contractual cash flows £000 | 6 mths or less £000 | 6-12 mths £000 | 1-2 yrs £000 | 2-5 yrs £000 | More than 5 yrs £000 |
|---|---|---|---|---|---|---|---|
| **Non derivative financial liabilities** | | | | | | | |
| Secured bank loans | 41,884 | 53,208 | 1,132 | 1,132 | 2,265 | 48,678 | - |
| Trade and other payables | 1,919 | 1,919 | 1,919 | - | - | - | - |
| Bank overdraft | 129 | 129 | 129 | - | - | - | - |
| | 43,932 | 55,256 | 3,180 | 1,132 | 2,265 | 48,678 | - |

# Notes *(continued)*

## 20 Financial instruments *(continued)*

### 31 December 2007

| | Carrying amount | Contractual cash flows | 6 mths or less | 6-12 mths | 1-2 yrs | 2-5 yrs | More than 5 yrs |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Non derivative financial liabilities** | | | | | | | |
| Secured bank loans | 27,845 | 36,435 | 859 | 859 | 1,718 | 32,999 | - |
| Loan notes | 325 | 326 | 326 | - | - | - | - |
| Trade and other payables | 2,089 | 2,089 | 2,089 | - | - | - | - |
| Bank overdraft | 547 | 547 | 547 | - | - | - | - |
| | 30,806 | 39,397 | 3,821 | 859 | 1,718 | 32,999 | - |

The estimated cash flows associated with derivatives that are cash flow hedges have been included within these contractual cash flows.

The following table shows outstanding borrowings, the facilities available to the Company and the undrawn amounts at the year end.

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Balance outstanding** | **Facility** | **Undrawn amounts** | Balance outstanding | Facility | Undrawn amounts |
| | **£000** | **£000** | **£000** | £000 | £000 | £000 |
| Bank loans and overdrafts | **41,884** | **47,500** | **5,616** | 28,392 | 29,925 | 1,533 |
| Vendor loan notes | **-** | **-** | **-** | 325 | 325 | - |
| | **41,884** | **47,500** | **5,616** | 28,717 | 30,250 | 1,533 |

During the year end the Company increased its bank loan facilities to £47,500,000 and renewed its overdraft facility of £250,000. The bank loan facility has a term of 5 years with one bullet repayment in February 2013.

# Notes *(continued)*

## 20 Financial instruments *(continued)*

### Interest rate risk

*Profile*

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

| | Carrying amount | |
|---|---|---|
| | **2008** | 2007 |
| | **£000** | £000 |
| **Fixed rate instruments** | | |
| Financial liabilities | **-** | 325 |
| **Variable rate instruments** | | |
| Financial liabilities | **41,884** | 28,392 |

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

| | Profit or loss | | Equity | |
|---|---|---|---|---|
| | 100 bp increase £000 | 100 bp decrease £000 | 100 bp increase £000 | 100 bp decrease £000 |
| **31 December 2008** | | | | |
| Variable rate instruments | 894 | 94 | - | - |
| Interest rate swaps | - | - | 1,462 | (1,462) |
| **31 December 2007** | | | | |
| Variable rate instruments | (234) | 234 | - | - |
| Interest rate swaps | - | - | 183 | (183) |

# Notes *(continued)*

## 20 Financial instruments *(continued)*

### Fair values

*Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | **31 December 2008** | | 31 December 2007 | |
|---|---|---|---|---|
| | **Carrying amount £000** | **Fair value £000** | Carrying amount £000 | Fair value £000 |
| Loans and receivables | **501** | **501** | 504 | 504 |
| Cash and cash equivalents | **392** | **392** | 393 | 393 |
| Interest rate swaps used for hedging: (liability)/asset | **(2,631)** | **(2,631)** | 112 | 112 |
| Secured bank loans | **(41,751)** | **(41,751)** | (27,845) | (27,845) |
| Loan notes | **-** | **-** | (325) | (325) |
| Trade and other payables | **(1,919)** | **(1,919)** | (2,089) | (2,089) |
| Bank overdraft | **(129)** | **(129)** | (547) | (547) |
| | **(45,537)** | **(45,537)** | (29,797) | (29,797) |

*Estimation of fair values*

The following methods and assumptions were used to estimate the fair values shown above:

***Trade and other receivables/payables*** – the fair value of receivables and payable with a remaining life of less than one year is deemed to be the same as the book value.

***Interest rate swaps*** – the fair value is based on the cost to cancel the relevant agreement.

***Cash and cash equivalents*** – the fair value is deemed to be the same as the carrying amount due to the short maturity of these instruments.

***Secured bank loans and other loans*** – the fair value is based on the book value as the interest rate charged reflects the fair value of the borrowings.

## 21 Share capital

| | **2008 Number** | **£000** | 2007 Number | £000 |
|---|---|---|---|---|
| *Authorised* | | | | |
| Ordinary shares of 0.25p *(2007: 0.25p)* each | **64,000,000** | **160** | 64,000,000 | 160 |
| *Allotted, called up and fully paid* | | | | |
| Ordinary shares of 0.25p *(2007: 0.25p)* each | **41,891,853** | **104** | 41,883,788 | 104 |

The holders of the ordinary shares are entitled to dividends from time to time and entitled to one vote per share at meetings of the company. The company has also issued share options.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. There were no changes in the Company's approach to capital management during the year. The Company is subject to externally imposed capital requirements.

During the year, 8,065 ordinary shares were issued for 62.5p to satisfy the exercise of share options resulting in a share premium of £5,014.

# Notes *(continued)*

## 22 Reconciliation of movement in capital and reserves

| | Share capital | Share premium | Profit and loss account | Other reserve | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| *Reconciliation of movement in capital and reserves* | | | | | |
| At 1 January 2007 | 104 | 12,679 | 6,314 | 146 | 19,243 |
| Profit for the year | - | - | 4,888 | - | 4,888 |
| Dividends | - | - | (482) | - | (482) |
| Share based payments | - | - | 220 | - | 220 |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | (97) | (97) |
| Deferred tax on cash flow hedge | - | - | - | 29 | 29 |
| Deferred tax on share options | - | - | 630 | - | 630 |
| **At 31 December 2007** | 104 | 12,679 | 11,570 | 78 | 24,431 |
| At 1 January 2008 | 104 | 12,679 | 11,570 | 78 | 24,431 |
| Profit for the year | - | - | 5,578 | - | 5,578 |
| Shares issued | - | 5 | - | - | 5 |
| Dividends | - | - | (681) | - | (681) |
| Share based payments | - | - | (3) | - | (3) |
| Effective portion of changes in fair value of cash flow hedges | - | - | - | (2,743) | (2,743) |
| Deferred tax on cash flow hedge | - | - | - | 768 | 768 |
| Deferred tax on share options | - | - | (1,253) | - | (1,253) |
| **At 31 December 2008** | **104** | **12,684** | **15,211** | **(1,897)** | **26,102** |

### Share premium

The share premium arose primarily on 31 December 2004 when the Company was floated on AIM.

### Other reserve

The hedging reserve comprised the effective position of the cumulative net change in the fair value of cash flow hedging instruments relating to hedging transactions that have not yet occurred.

# Notes *(continued)*

## 23 Commitments

Capital commitments at the end of the financial year, for which no provision has been made, are as follows:

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Contracted | **1,643** | 718 |

The company has commitments under non-cancellable operating leases at the end of the financial year as follows:

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and buildings | Other |
| | **£000** | **£000** | £000 | £000 |
| *Operating lease rentals which expire:* | | | | |
| In over five years | **70,259** | **-** | 53,934 | - |

The company leases its sites on leases of approximately 50 years. During the year £1,039,000 (2007: £811,000) was recognised in the income statement in respect of leases

## 24 Share based payments

The company operates the following share option schemes: the Goals Soccer Centres EMI Option Scheme 2005, The Goals Soccer Centres Unapproved Option Scheme 2005 (together "the 2005 Option Schemes"), the Goals Soccer Centres Directors' Unapproved Option Scheme 2007 ("the Directors' 2007 Option Scheme") and the Goals Soccer Centres Senior Managers' Unapproved Option Scheme 2007 ("the Senior Managers' 2007 Option Scheme"). The general terms and conditions of each option scheme are detailed below:

| **Option Scheme** | **Grant Date** | **Vesting Date** | **No of Options** | **Conditions** |
|---|---|---|---|---|
| The 2005 Option Schemes | 2005 | 2008 – 2013 | 2,196,345 | 5% annual growth in earnings per share in the period 2006 – 2008 |
| The Senior Managers' 2006 Option Scheme | 2007 | 2006 – 2015 | 45,000 | 10% annual growth in earnings per share in the period 2007 – 2008 |
| The Directors' 2006 Option Scheme | 2007 | 2006 – 2020 | 300,000 | An average of 25% annual growth in earnings per share in the period 2007 -2013 |
| The General Manager 2007 Option Scheme | 2008 | | 60,000 | 10% Annual growth in earnings per share 2008-2009 |
| Total share options | | | 2,601,345 | |

# Notes *(continued)*

## 24 Share based payments *(continued)*

The number and weighted average exercise prices of share options is as follows:

| | **2008 Weighted average exercise price** | **2008 Number of options** | **2007 Weighted average exercise price** | **2007 Number of options** |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **0.95** | **2,646,910** | 0.85 | 2,549,410 |
| Granted during the year | **-** | **-** | 3.64 | 97,500 |
| Forfeited during the year | **-** | **-** | - | - |
| Exercised during the year | **0.62** | **(8,065)** | - | - |
| Lapsed during the year | **3.5** | **(37,500)** | - | - |
| Outstanding at the end of the year | **0.91** | **2,601,345** | 0.95 | 2,646,910 |
| Exercisable at the end of the year | **0.62** | **2,196,345** | 0.62 | 2,204,410 |

The options outstanding at 31 December 2008 have an exercise price in the range £0.62 - £3.71 and a weighted average contractual life of 6 years.

The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial lattice model, with the following inputs:

| | EMI 2004 | Unapproved 2004 | Regional Manager 2005 | Directors 2005 | Regional Manager 2007 | General Manager 2007 |
|---|---|---|---|---|---|---|
| *Fair value of share options and assumptions* | | | | | | |
| Fair value at grant date | 0.23 | 0.23 | 0.84 | 0.84 | 0.95 | 1.00 |
| Share price at grant date | 0.62 | 0.62 | 2.30 | 2.29 | 3.48 | 3.71 |
| Exercise price | 0.62 | 0.62 | 2.30 | 2.29 | 3.48 | 3.71 |
| Expected volatility (weighted average volatility) | 30% | 30% | 30% | 30% | 30% | 30% |
| Option life (expected weighted average life) | 10 yrs | 10 yrs | 10 yrs | 10 yrs | 3 years 10 mths | 3 yrs 10 mths |
| Expected dividends (dividend yield) | 1.0% | 1% | 1% | 1% | 1% | 1% |
| Risk free interest rate (based on government bonds) | 4.5% | 4.5% | 4.5% | 4.3% | 4.7% | 4.9% |

# Notes *(continued)*

## 24 Share based payments *(continued)*

The expected volatility is based on the historic volatility of the company's share price and that of its direct competitors adjusted for any expected changes to future volatility due to publicly available information.

The total expenses recognised for the period arising from share based payments are as follows:

### Employee expenses

| | **2008** **£000** | 2007 £000 |
|---|---|---|
| Share options granted prior to 2006 | **-** | 162 |
| Share options granted in 2006 | **(3)** | 46 |
| Share options granted in 2007 | **-** | 12 |
| Total expense recognised as employee costs | **(3)** | 220 |

## 25 (a) Net debt

| | At beginning of year £000 | On acquisition £000 | Trading cashflow £000 | Non cash movement £000 | **At end of year £000** |
|---|---|---|---|---|---|
| Cash at bank and in hand | 393 | - | (1) | - | **392** |
| Overdraft | (547) | - | 418 | - | **(129)** |
| | (154) | - | 417 | - | **263** |
| Revolving credit facility | (27,749) | - | (13,970) | (32) | **(41,751)** |
| Vendor loan | (325) | - | 325 | - | **-** |
| Other loans | - | (341) | 341 | - | **-** |
| | (28,074) | (341) | (13,304) | (32) | **(41,751)** |
| | (28,228) | (341) | (12,887) | (32) | **(41,488)** |

# Notes *(continued)*

### 25 (b) Net debt reconciliation of net cash flow to movement in net debt

| | **2008** | 2007 |
|---|---|---|
| | **£000** | £000 |
| Increase in cash in the year | **417** | 54 |
| Cash inflow from bank finance net of finance costs paid | **(13,970)** | (5,204) |
| Loan notes and other loans redeemed/paid | **666** | 820 |
| Change in net debt resulting from cash flows | **(12,887)** | (4,330) |
| Non cash movement – amortisation of finance costs | **(32)** | (24) |
| – loans acquired | **(341)** | - |
| **Movement in net debt in the year** | **(13,260)** | (4,354) |
| **Net debt at the start of the year** | **(28,228)** | (23,874) |
| **Net debt at the end of the year** | **(41,488)** | (28,228) |

### 26 Subsidiary undertakings

The Company holds shares in the following companies, all of which are incorporated in the United Kingdom:

| **Name** | **Trading status** | **Holding of ordinary share capital** |
|---|---|---|
| Glasgow Open Air Leisure Services (GOALS) Limited | Dormant | 100% |
| Glasgow Open Air Leisure Services (Wembley) Limited | Dormant | 100% |
| Fortis Leisure Limited | Dormant | 100% |
| Pro 5 Soccer Limited | Dormant | 100% |
| Deltavon Limited | Dormant | 100% |

Under Section 229(2) of the Companies Act 1985, the Company has not prepared Group accounts on the basis that subsidiary undertakings are not material, either individually or in aggregate.

### 27 Related parties

During the year, the company acquired the net assets of certain subsidiary undertakings. Further details are given in note 11.

Key management personnel are defined as the directors of the Company and their remuneration is disclosed in note 4 to the financial statements.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Goals Soccer Centres plc ("the Company") will be held at KBC Peel Hunt, 111 Old Broad Street, London, EC2N 1PH on 30 April 2009 at 12 noon to consider the following Ordinary and Special business.

**ORDINARY BUSINESS**

1 To receive and consider the accounts and reports of the directors and auditors of the Company for the year ended 31 December 2008.

2 To consider and adopt the report of the Remuneration Committee of the Company for the year ended 31 December 2008.

3 To declare and approve a final dividend of 1.175 pence per ordinary share payable on 7 May 2009 to the shareholders in the register of members at close of business on 14 April 2009.

4 To re-elect Keith Rogers who retires from the Board in accordance with Article 90 of the Articles of Association of the Company.

5 To re-appoint KPMG Audit Plc as auditors of the Company and to authorise the directors to agree their remuneration.

**SPECIAL BUSINESS**

The following resolutions will be proposed as special resolutions:

6 To revoke the authority given to the directors on 20 April 2007 to allot shares pursuant to section 95 of the Companies Act 1985 and to hereby give the directors power pursuant to Section 95 of Companies Act 1985, provided that such power shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire at the conclusion of the next Annual General Meeting of the Company or the expiry of the period of 15 months from the date of the passing of this resolution, whichever is earlier, to allot equity securities (as defined in the foregoing Act) for cash pursuant to the Section 80 authority dated 26 November 2004 as if Section 89(1) of the Act did not apply to any such allotment, such power being limited to:

6.1 the allotment and issue of equity securities in connection with an issue or offering by way of rights or other pre-emptive offering to holders of shares in the capital of the Company and any other person entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be practicable) to the respective numbers of equity shares of the same class in the capital of the Company held by them, or deemed to be held by them, on the record date of such allotment but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under laws of, or the requirements of any regulatory body or any recognised stock exchange in, any territory;

6.2 the allotment and issue of equity securities in connection with the exercise of options granted by the Company to directors of the Company or employees in accordance with the terms of any option scheme or arrangement adopted by the directors of the Company from time to time up to a maximum amount of £5,236.48;

6.3 the allotment (other than pursuant to 6.1 above) of equity securities for cash up to a maximum aggregate nominal amount of £5,236.48;

except that the Company may before the expiry of this power, make an offer or agreement which would or might require equity securities to be allotted after the expiry of this power and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired.

7 To generally and unconditionally authorise the Company to make market purchases (as defined in the Companies Act 1985) of its own Ordinary Shares on the following terms:

7.1 the maximum amount of Ordinary Shares authorised to be purchased pursuant to this authority is £5,236.48;

7.2 the minimum price which the Company may pay for each Ordinary Share (exclusive of expenses) is £0.0025 - and the maximum price (exclusive of expenses) which the Company may pay for each Ordinary Share will not be more than 5 per cent above the average middle market price (as derived from the London Stock Exchange plc Daily Official List) for such Ordinary Shares for the 5 dealing days preceding the date of purchase; and

7.3 no such purchase shall be made at a time when, under the provisions of the AIM Rules a director of the Company is prevented from dealing in the Company's shares;

provided that such authority shall (unless and to the extent previously revoked, varied or renewed by the Company in general meeting) expire on the earlier of the date being 15 months from the passing of this resolution and the conclusion of the annual general meeting of the Company next following the passing of this resolution and provided that such authority shall allow the Company to enter into any contract for the purchase of its own shares before the expiry of such authority which would or might be executed wholly or partially after the expiry of such authority, and may purchase such shares pursuant to such contract after the expiry of such authority as if the authority conferred by this resolution had not expired.

8 That the existing Articles of Association of the Company be deleted and the regulations produced to the meeting and for identification purposes signed by the Company Secretary be adopted as the new Articles of Association of the Company with immediate effect.

By Order of the Board

**William BG Gow**

27 February 2009
*Company Secretary*

Registered Office:

Orbital House, Peel Park, East Kilbride, G74 5PA

**NOTES:**

1 The Company specifies that for a member to be entitled to attend and vote at the meeting (and for the determination by the Company of the number of votes they may cast) they must be entered on the Company's register of members by 48 hours before meeting ("the Specified Time"). Changes to entries on the register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2 Copies of all directors service contracts of more than one years duration will be available for inspection at the Registered Office during normal business hours on weekdays from the date of this notice to the date of the meeting convened by this notice and at the meeting itself for at least 15 minutes prior to and during the meeting.

3 The register of directors' interests will be produced at the commencement of the meeting and will remain open and accessible during the continuance of the meeting to any person attending the meeting.

**Appointment of proxies**

4 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

5 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

6 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

7 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

**Appointment of proxy using hard copy proxy form**

8 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote. To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to the Company's Registrars: Capita Registrars, 34 Beckenham Road, Beckenham, Kent, BR3 4BR – Tel: 0871-664-0300; and
- received by the Company no later than 12 noon on 28 April 2009.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

**Appointment of proxy by joint members**

9 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

**Changing proxy instructions**

10 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact the Company's Registrars: Capita Registrars, 34 Beckenham Road, Beckenham, Kent, BR3 4BR – Tel: 0871-664-0300.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

**Termination of proxy appointments**

11 In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's Registrars: Capita Registrars, 34 Beckenham Road, Beckenham, Kent, BR3 4BR – Tel: 0871-664-0300. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by the Company prior to the date of the Meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

12 **CREST**

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s) should refer to their CREST sponsors or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent, Capita Registrars Limited (CREST Participant ID: RA10), no later than 48 hours before the time appointed for the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) form which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.

Completing and returning this form or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting instead of your proxy, if you so wish. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

**Corporate Representatives**

13 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representatives in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Company Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details on this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.

**Voting Rights**

14 As at 27 February 2009 (being the last business day prior to the publication of this notice) the issued share capital of the Company consists of 41,891,853 Ordinary Shares of 0.25p each, carrying one vote each. Therefore, the total voting rights of the Company as at 27 February 2009 were 41,891,853.

15 **Location of Annual General Meeting**

The Annual General Meeting will be held at KBC Peel Hunt, 111 Old Broad Street, London, EC2N 1PH.

16 **Communication**

Except as provided above, members who have general queries about the Meeting should contact the Company Secretary, William Gow, Goals Soccer Centres plc, Orbital House, Peel Park, East Kilbride G74 5PR (Tel. 01355 234 800, Fax: 01355 234 100).

# Explanatory Notes of Principal Changes to the Company's Articles of Association

**General**

Shareholders will be aware that a comprehensive re-write of company legislation has been enacted through the Companies Act 2006 and is being brought into effect in stages. The new Articles incorporate a number of changes to ensure that the Articles reflect the updated law and introduce new specific powers that the directors will need to continue the smooth running of the Company. A number of references to specific sections in the Companies Act 1985 have been updated to refer to the relevant section of the Companies Act 2006. Consequential amendments are made throughout the Articles as a result of the 2006 Act.

The full set of the new Articles runs to in excess of 60 pages. Because of the length of the document we are not sending copies to each shareholder, however the proposed new Articles may be ordered in paper copy by writing to the Company secretary at Goals Soccer Centres plc, Orbital House, Peel Park, East Kilbride, South Lanarkshire, G74 5PA or calling 01355 234 800 or emailing ho@goalsfootball.co.uk. The proposed Articles will also be available for inspection at the Company's Registered Office weekdays during normal business hours from the date of this Notice until the end of the meeting convened by this Notice and at the meeting itself.

A summary of the changes is set out below.

**Definitions**

The definition of "Act" has been amended to cater for the fact that the 2006 Act is being brought into force, and the 1985 Act being repealed, in stages between January 2007 and October 2009.

Consequential amendments are made across the Articles to reflect the new definition.

A definition of "address" has been inserted to include electronic addresses.

The new terms "electronic form" and "electronic means" have been inserted, as these are the terms used in the relevant sections of the 2006 Act.

The definition of "Written" has been updated to include reference to information sent in electronic form or information available on the Company's website.

**Abolition of Extraordinary Resolutions**

References to "extraordinary resolutions" in all Articles have been deleted and, where appropriate, replaced by references to "special resolutions" as the 2006 Act does not envisage the continued use of extraordinary resolutions.

**Abolition of Extraordinary General Meetings**

References to "extraordinary general meetings" have been deleted and replaced by references to "general meetings" as, under the 2006 Act, all meetings other than annual general meetings are known as "general meetings".

**Annual General Meetings (Article 40)**

Under the Company's Act annual general meetings must be held within six months of a company's accounting year end and Article 40 has been updated to reflect this.

**Notice of General Meetings (Article 42)**

Under the Companies Act 2006, the only meetings required to be called on 21 days' notice are AGMs. Only 14 days' notice is required for all other meetings unless the Articles prescribe a longer period.

**Contents of notice (Article 42)**

Section 325 of the 2006 Act requires all notices calling meetings to inform members of their rights to appoint proxies under section 324.

**Quorum (Article 44)**

We have amended this article in line with section 318 of the 2006 Act to make clear that two persons entitled to vote only constitutes a quorum if those two persons are not proxies for, or corporate representatives of, the same member.

**Proxies (Article 55)**

Article 55.3 has been removed as in terms of the 2006 Act proxies are entitled to speak on behalf of the shareholder that has appointed them.

**Corporate representatives (Article 58)**

Article 58 has been amended in line with section 323 of the 2006 Act, pursuant to which multiple corporate representatives may be appointed, although if they purport to exercise their power in different ways, their power is treated as not exercised. This is subject to section 152 of the 2006 Act, which provides that where a person holds shares on behalf of more than one person, he does not need to exercise all rights attaching to the shares in the same way.

**Resolutions in Writing (Article 60)**

We have deleted this article as sections 288 to 300 of the 2006 Act contain new provisions relating to written resolutions which apply only to private companies. Public companies may not take advantage of the written resolution procedure in the 2006 Act although the common law principle that the members of a company may, by unanimous agreement, empower their company to do anything within its capacity.

**Age limit (Article 94)**

Old article 94 provided that no person was required to retire as a director upon reaching age 70. That article was necessary because section 293 of the 1985 Act provided that the directors of a public company had to retire at age 70. As section 293 was repealed with effect from 6 April 2007, article 101 is no longer necessary and has been deleted.

**Directors conflicts of interest (new Article 101.9)**

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The provisions give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

**Electronic communications – General (Articles 2,56,57,70,131-136)**

Certain provisions of the 2006 Act have now come into force which allows both the Company and shareholders to benefit from the broader use of electronic communication. If the revised articles of association are adopted, the Company will be able to communicate electronically with shareholders who consent or who are deemed to have consented to receive shareholder documents electronically by placing shareholder documents (such as annual reports and notices of meetings) on the Company's website. This should enable the Company to reduce printing and mailing costs and minimise the adverse environmental impact of printing and mailing the documents.

If the revised articles are adopted, the Company will in future have the option of consulting with its shareholders as to whether or not they wish to continue receiving notices or other documents or information from the Company in hard copy or to receive them by electronic means and does not have to invoke these provisions. If a shareholder does not respond to such consultation within 28 days, they would be deemed to have elected to receive future notices or other documents or information from the

Company by electronic means. However, shareholders who make an election or deemed election to receive notices etc from the Company by electronic means would still be able to notify the Company at any time that they wish to receive them from the Company in hard copy, so that the future rights of shareholders to receive hard copies of documents would be safeguarded.

Article 134 has been amended to enable the Company to send or give any notice, document or information to any member in electronic form or by making it available on the Company's website (depending on the individual member's preference).

We would recommend carrying out this consultation with shareholders as soon as possible after the resolution to adopt the new articles is passed.

**Notice by Advertisement (Article 135)**

This provision allows for the traditional alternative route of sending the notice of meeting by advertisement in 2 national newspapers. We have added the words "subject to the Companies Acts" at the start of Article 135 because there is doubt as to whether this alternative route will still be available, as the 2006 Act specifically requires the notice to be given in hard copy form, electronic form or by means of a website.

**Indemnity (Article 144)**

We have suggested amending Article 144 in line with the 2006 Act to extend the scope of potential indemnities which may be granted to directors of pension trustee companies. Under section 235 of the 2006 Act, a director of a pension trustee company may be indemnified against liability incurred in connection with the Company's activities as a trustee of the scheme, by the pension trustee company itself, or an associated company. The amendments are consistent with the position taken by the Company in relation to insurance in article 145.


Aberdeen
Glasgow West
Glasgow South
Teesside
Bradford
Leeds
Sheffield
Stoke-on-Trent
Leicester
Black Country
Perry Barr
Birmingham
Dudley
Coventry
(under construction)
Bristol North
Bristol South
Northampton
Wembley
Hayes
Ruislip
Chingford
Plymouth
Reading
(under construction)
Heathrow
Dagenham
Dartford
Southampton
Wimbledon
Tolworth
Sutton
Beckenham North
Bexleyheath
Beckenham

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