

Company Registration No. 2728808 (England and Wales)

VERTICAL SPORT PLC
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

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VERTICAL SPORT PLC

COMPANY INFORMATION

Directors	M Chapman Michael Lindsay
Secretary	James Butterfield
Company number	2728808
Registered office	25 Manchester Square London W1U 3PY
Auditors	Brett Adams 25 Manchester Square London W1U 3PY

VERTICAL SPORT PLC

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VERTICAL SPORT PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the year ended 31 December 2006

Principal activities and review of the business

The principal activity of the company continued to be that of an investment holding company

During the period, the company continued to look for suitable business opportunities

The directors consider that the Company is exposed to the following risks and uncertainties

- the Company's strategy is to look for a suitable acquisition, although none have been identified at this stage. If the Company fails to identify suitable businesses then the Company may continue to sustain losses

- should the Company find a suitable business investment, it may require further capital to invest and there can be no guarantee that investors will support such a fundraising. If the Company is unable to raise money, the planned investments may need to be curtailed

- should the company not find a suitable business opportunity your board will consider its options for the future of the company

The financial statements have been drawn up on the basis that its investments in, and loans to, Mottik International Limited, its wholly owned subsidiary, which was placed in administration on 24 October 1994, have no value and therefore it has not been consolidated. The Administrators have indicated that there is no prospect of any dividend being paid to the shareholders and that they expect the company to be liquidated in the future. The directors believe that there is no recourse to Vertical Sport Plc in respect of the debt of the subsidiary

Results and dividends

The results for the year are set out on page 5

The directors do not recommend payment of an ordinary dividend

The directors do not recommend payment of a deferred or incentive share dividend

Directors

The following directors have held office since 1 January 2006

M Chapman
Michael Lindsay

Directors' interests

The directors' interests in the shares of the company were as stated below

	Ordinary shares of 1p each	
	31 December 2006	1 January 2006
M Chapman	-	-
Michael Lindsay	-	-

	Incentive shares of 1p each	
	31 December 2006	1 January 2006
M Chapman	-	-
Michael Lindsay	-	-

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DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

	Deferred shares of 1p each	
	31 December 2006	1 January 2006
M Chapman	7,500,000	7,500,000
Michael Lindsay	-	-

Creditor payment policy

The company does not have any trade creditors. All liabilities are met by the director, M Chapman.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Brett Adams be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



M Chapman

Director

26 November 2007

VERTICAL SPORT PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF VERTICAL SPORT PLC

We have audited the financial statements of Vertical Sport Plc for the year ended 31 December 2006 set out on pages 5 to 10. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the 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 are 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.

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 directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations 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 United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended,
- the information given in the directors' report is consistent with the financial statements
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

VERTICAL SPORT PLC

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF VERTICAL SPORT PLC

Emphasis of matter

Going Concern

In forming our opinion, we have considered the adequacy of the disclosure made in the financial statements concerning the adequacy of the company's working capital. The financial statements have been prepared on a going concern basis, the validity of which depends on future funding being available. The financial statements do not include any adjustments that would result from a failure to obtain funding. In view of the significance of this uncertainty we consider that it should be drawn to your attention. Our opinion is not qualified in this respect.



Brett Adams
Chartered Accountants
Registered Auditor

26 NOVEMBER 2007

25 Manchester Square
London
W1U 3PY

VERTICAL SPORT PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Administrative expenses		(5,446)	31,000
(Loss)/profit on ordinary activities before taxation	2	(5,446)	31,000
Tax on (loss)/profit on ordinary activities	3	-	-
(Loss)/profit for the year	6	(5,446)	31,000

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

VERTICAL SPORT PLC

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006 £	2005 £
Creditors' amounts falling due within one year	4	(47,138)	(41,692)
Total assets less current liabilities		<u>(47,138)</u>	<u>(41,692)</u>
Capital and reserves			
Called up share capital	5	242,500	242,500
Share premium account	6	475,500	475,500
Profit and loss account	6	(765,138)	(759,692)
Shareholders' funds	7	<u>(47,138)</u>	<u>(41,692)</u>
Equity interests		(234,638)	(229,192)
Non-equity interests		187,500	187,500
		<u>(47,138)</u>	<u>(41,692)</u>

The financial statements were approved by the Board on 26 November 2007



M Chapman
Director

VERTICAL SPORT PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

The company does not have a bank account and it is dependent upon its major creditor and director, Mr M Chapman, to meet its working capital requirements

The directors consider that in preparing the financial statements they have taken into account all information that could reasonably be expected to be available. These financial statements have been prepared on the going concern basis, notwithstanding that the net current liabilities at 31 December 2006 was £47,138. The preparation of the financial statements on any other basis would not give rise to any material adjustment to that shown on the balance sheet

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Group accounts

As previously reported, the company's subsidiary, Motlik International Limited, was placed in administration on 26 October 1994. The Administrator has assumed complete control over the operation of the subsidiary's business. Consequently, the directors of the company no longer exercise any influence over its operation. Therefore, severe long term restrictions exist and these financial statements present the accounts of the company as an individual undertaking only

1.4 Cash flow statement

As the company does not have a bank account and therefore does not have any cash flow, the financial statements do not contain a statement of cash flows as required by Financial Reporting Standard No. 1

2 Operating (loss)/profit	2006	2005
	£	£
Operating (loss)/profit is stated after charging		
Auditors' remuneration - fees payable for the company's audit	3,478	2,500

VERTICAL SPORT PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

3	Taxation	2006	2005
		£	£
	Current tax charge	-	-
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	(5,446)	31,000
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005: 19.00%)	(1,035)	5,890
	Effects of		
	Tax losses not utilised/(utilised)	1,035	(5,890)
		1,035	(5,890)
	Current tax charge	-	-
4	Creditors: amounts falling due within one year	2006	2005
		£	£
	Directors' current accounts	25,222	13,235
	Other creditors	13,000	13,000
	Accruals and deferred income	8,916	15,457
		47,138	41,692

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

5	Share capital	2006 £	2005 £
	Authorised		
	50,000,000 Ordinary shares of 1p each	500,000	500,000
	3,000,000 Incentive shares of 1p each	30,000	30,000
	15,750,000 Deferred shares of 1p each	157,500	157,500
		<u>687,500</u>	<u>687,500</u>
	Allotted, called up and fully paid		
	5,500,000 Ordinary shares of 1p each	55,000	55,000
	3,000,000 Incentive shares of 1p each	30,000	30,000
	15,750,000 Deferred shares of 1p each	157,500	157,500
		<u>242,500</u>	<u>242,500</u>

The incentive shares were issued to former executive directors. They are non-voting and were convertible to ordinary shares in the event that certain profit targets were attained. As these targets were not met, the incentive shares are no longer convertible. Any incentive shares in issue may be redeemed by the company at a price of 0.0001p per share. In the event of a winding up, the incentive shares rank above the ordinary shares, up to the amount credited as fully paid.

The deferred shares carry no rights to vote or receive a dividend. In the event of a winding up the deferred shares will receive a maximum distribution of 0.001p per share.

The company has not granted any options under the directors' share option scheme.

6 Statement of movements on reserves

	Share premium account £	Profit and loss account £
Balance at 1 January 2006	475,500	(759,692)
Loss for the year	-	(5,446)
Balance at 31 December 2006	<u>475,500</u>	<u>(765,138)</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

7	Reconciliation of movements in shareholders' funds	2006 £	2005 £
	(Loss)/Profit for the financial year	(5,446)	31,000
	Opening shareholders' funds	(41,692)	(72,692)
	Closing shareholders' funds	<u>(47,138)</u>	<u>(41,692)</u>

8 Transactions with directors

Included in other creditors due within one year is an amount of £25,222 (2005 - £13,235) due to Mr M Chapman. There are no terms as to interest or repayment in respect of this balance.

9 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2006 Number	2005 Number
Directors	<u>2</u>	<u>2</u>

The directors did not receive any remuneration during the year.