PLAYGOLF (HOLDINGS) PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

Registered Number 2836921

PLAYGOLF (HOLDINGS) PLC

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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PLAYGOLF (HOLDINGS) PLC

COMPANY INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2007

DIRECTORS	M C Mealey – Chairman D A C Piggins – Chief Executive N S McGuinness – Finance Director A L Montgomery – Non Executive Director W F Frewen – Non Executive Director J Wallace – Commercial Director D A T Postins – Property Director
SECRETARY	E J Wainman
COMPANY NUMBER	02836921
REGISTERED OFFICE	4 - 12 Morton Street Leamington Spa Warwickshire CV32 5SY
AUDITORS	haysmacintyre Fairfax House 15 Fulwood Place London WC1V 6AY
NOMINATED ADVISER & STOCKBROKER	Daniel Stewart & Company Plc Becket House 36 Old Jewry London EC2R 8DD
SOLICITORS	Fladgate LLP 25 North Row London W1K 6DJ
BANKERS	Anglo Irish Bank Corporation Plc No 1 Marsden Street Manchester M2 1HW Natwest Bank Plc PO Box 314 Woollen Hall Southampton Hampshire SO14 2DE
REGISTRARS	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0LA

PLAYGOLF (HOLDINGS) PLC

EXECUTIVE CHAIRMAN'S REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2007

Playgolf (Holdings Plc) – Developing Britain's Sporting Future

I announce the results for the period to 31 December 2007 Turnover for the year was £2,384,000 (2006 £2,939,000) and gross profits £1,378,000 (2006 £1,543,000) The loss for the year was £2,468,000 (2006 £2,127,000) Net assets per share declined from 18p per share to 9p per share

2007 was a significant year in the evolution of the business Since my appointment as Executive Chairman in May 2007 to date, as previously announced, the composition of the Board has totally changed to bring the experience and skills required to develop the Group into the primary developer and operator of public access sports facilities in the UK David Piggins, Chief Executive since the flotation, has now transferred his full time attention to the development of PowerPlay Golf which is 25% owned by Playgolf He remains on our Board and we thank him for his vision and contribution to the formation and development of the business to date

The Board has refined its strategy for the future development of the business which we believe will eliminate the recurring trading losses and focus upon new developments similar in size to our East Kilbride project Kilmartin Property Group, as well as being our joint venture partner in the East Kilbride project, bought an additional 10,173,261 new Ordinary Shares of 0 2p each through a placing at 9 75 pence per share in December 2007 to take their shareholding to 20 17%

Throughout the year, considerable operational progress was made with our 3 existing sites to reduce operating losses

Northwick Park

We have completed works to extend Northwick Park from a 6-hole course to a 9-hole course and have replaced the original tenants of the restaurant, gymnasium and retail unit The loss-making joint venture we had for the restaurant was terminated and a new local tenant signed on a 15 year lease They completed a wholesale refit of the premises and opened for business in May 2008 We are confident that the new operator will provide an improved offering to customers and provide a positive contribution to the Group The retail unit has been re-let on a 15 year lease to American Golf from November 2007 and they are already trading at far higher levels than the previous tenant The operator of the gymnasium exercised a break clause in their lease and we are currently running the gym although we are in negotiations with potential operators to take this over

These changes have improved the customer experience at Northwick Park which is resulting in increased turnover and profit for the business

Metro Driving Range

The Board determined that this facility was not a core asset to the Group and consequently with effect from 1 January 2008 a 10 year lease was signed to hand over control of the site to the existing management team

Trafford Park, Manchester

Following an upgrade to the facilities trading improved during the period under review American Golf continued to improve trading and their increased turnover triggered an up-lift in their rent in accordance with the terms of their lease

Whilst Metro, Trafford Centre and Northwick Park all contribute operating profit they are not sufficiently large to generate meaningful revenues to the Group and the Board will look to dispose of these facilities in the short to medium term

Future Focus

East Kilbride

Our joint venture with Kilmartin Property Group to develop the East Kilbride site commenced in July 2007 with a budget of £20 million. This 90 acre site will comprise 220,000 sq ft of buildings, a 9-hole golf course, a driving range plus various other indoor and outdoor sports and is substantially bigger than our other facilities. The facility will be officially opened in Spring 2009 and we will operate the driving range and golf course. Heads of Terms are agreed with tenants for the majority of the space which we believe, when complete, will be considered the best sporting facility in Scotland if not the UK. This development provides the template for the future growth of the business and the size is typical for projects that we wish to roll out across the UK.

The East Kilbride development is, as we have stated, the model for the future growth of the company. The scale of the development, coupled with long-term commercial leases to the various operators and tenants, will provide the recurring revenues necessary to create value for shareholders.

PowerPlay Golf

PowerPlay Golf is an innovative development of the traditional game which has been hailed as golf's answer to Cricket's Twenty/20. The Company is a substantial shareholder in PowerPlay with 25%. PowerPlay Golf is currently seeking equity funding to support its development plan to globalise. Whilst we are confident of its future potential, as it is at an early stage in its development, we have taken the prudent approach of continuing to hold this stake at nil value on the balance sheet.

On going Negotiations

Our business strategy has been designed to use the East Kilbride site as a template for future development and as such we expect to undertake additional joint ventures projects with the Kilmartin Property Group. We believe there are substantial development opportunities across the UK and we are already in negotiations with a number of local authorities to bring our unique multi-sport concept to local communities.

Rebranding

We intend changing the name of the company from Playgolf (Holdings) Plc to PlaySport Holdings Plc to reflect the strategy of the business to become the premier developer and operator of public access multi-sports facilities on the scale of East Kilbride. A resolution to change the name will be proposed to shareholders at the AGM.

The British Government recognises the important benefit of sport on the nations' health. As part of the 2012 Olympic effect the Government has launched a number of financial initiatives to improve access to sports facilities for all. It is this renewed focus on sport for the community and the requirement of local authorities to provide sports facilities that will assist us in securing both the sites and the planning permission necessary to enable us to roll out our model across the United Kingdom.

M.C. Mealey
Executive Chairman

David Piggins
27 June 2008

PLAYGOLF (HOLDINGS) PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

The dırectors present theır report and the financıal statements of the Group for the year ended 31 December 2007

ACCOUNTS PRODUCTION

The financıal statements for the year ended 31 December 2007 have been prepared ın accordance wıth Internatıonal Fınancıal Reportıng Standards for the first tıme Detaıls of the polıcıes, the effect on the results and on the comparatıves are explaıned ın Note 1

PRINCIPAL ACTIVITIES

The prıncıpal actıvıty of the Group ıs golf course and drıvıng range management

The subsıdıary undertakıngs prıncıpally affectıng the profits and net assets of the Group ın the year are lısted ın note 10 to the financıal statements

BUSINESS REVIEW

Detaıls of the Group's performance durıng the year and expected future developments are contaıned ın the Executıve Chaırman's Revıew

FINANCIAL INSTRUMENTS

The major financıal rısk faced by the Group relates to fundıng The polıcıes agreed for managıng these financıal rısks have remaıned the same sınce the begınnıng of the year under revıew The company finances ıts operatıons usıng bank balances, overdrafts and bank loans, plus debtors and credıtors The cash flow ıs regularly monıtored by the dırectors The company does not undertake any tradıng ın financıal ınstruments

RESULTS AND DIVIDENDS

The audıted financıal statements for the year ended 31 December 2007 are set out on pages 8 to 25 The Group's loss for the year, after taxatıon, was £2,468,000 (2006 £2,127,000)

The dırectors recommend that no final dıvıdend be paıd (2006 £Nıl)

DIRECTORS

The dırectors of the company who served durıng the year and theır beneficıal ınterest ın the shares of the Group are shown below -

		Ordınary shares of £0 002 each 31 December 2007		Ordınary shares of £0 002 each 31 December 2006	
		Number	**%**	**Number**	**%**
D A C Pıggıns		12,308,845	15 8	12,041,068	20 8
H L W Fox	(resıgned 24 Aprıl 2007)	-	-	10,796,586	18 6
W Frewen		7,763,615	9 9	7,763,615	13 4
P A McEvoy	(resıgned 1 Aprıl 2007)	-	-	-	-
N S McGuınness	(appoınted 15 May 2007)	-	-	-	-
M C Mealey		815,554	1 0	-	-
J Wallace	(appoınted 25 May 2007)	55,555	0 1	-	-
A L Montgomery	(appoınted 1 July 2007)	-	-	-	-
D A T Postıns	(appoınted 20 June 2007)	-	-	-	-

SUBSTANTIAL SHAREHOLDINGS

In addition to the directors' shareholdings, the directors are aware of the following substantial shareholdings in the company

	Ordinary shares of £0.002 each 31 December 2007		Ordinary shares of £0 002 each 31 December 2006	
	Number	%	Number	%
Capita Trust Company Limited	3,600,000	4 6	3,600,000	6 2
HSBC Global Custody Nominees	17,986,963	23 1	7,526,683	13 0
J M Finn Nominees Limited	7,586,779	9 7	5,155,525	8 9
Kilmartin Property Group	15,728,816	20 2	-	-
MGL Nominees Limited	-	-	2,700,000	4 7
Worldwide Nominees Limited	3,431,551	4 4	-	-

SUPPLIER PAYMENT POLICY

The company's policy, which is also applied to the Group, is in the absence of dispute to settle with suppliers as expeditiously as possible within their terms of payment Trade creditors of the Group at 31 December 2007 represent approximately 55 days purchases (2006 90 days)

DIRECTORS' INTERESTS IN CONTRACTS

No director was, or is, materially interested in any contract subsisting during, or at the end of the financial year which was significant in relation to the business of the Group except as documented in Note 19

COMPLIANCE

As an AIM listed company, the Combined Code is not mandatory and the company has therefore not produced a separate Corporate Governance or Directors' Remuneration Report

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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,
- 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

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

PLAYGOLF (HOLDINGS) PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2007

CREST

The company's ordinary shares are eligible for settlement through CREST, the system for securities to be held and transferred in electronic form rather than in paper Shareholders are not obliged to use CREST and can continue to hold and transfer shares in paper without loss of rights

AUDITORS

A resolution reappointing haysmacintyre will be proposed at the AGM in accordance with S385(2) of the Companies Act 1985

BY ORDER OF THE BOARD

E.J. Waihman
Secretary

27 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

OF PLAYGOLF (HOLDINGS) PLC

We have audited the group and parent company financial statements of Playgolf (Holdings) plc for the year ended 31 December 2007 which comprise the Group Income Statement Consolidated Statement of Income and Expense, the Group and Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Shareholders' Equity 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 for use in the European Union 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 whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements if 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Directors' Report and the Executive Chairman's Review 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

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 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 group's and 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

Going Concern
Without qualifying our opinion, we have considered the adequacy of and draw your attention to the disclosures made in note 1 to the financial statements concerning the group's ability to continue as a going concern The directors consider the reliance on future financing, improvements in trading and the plans for disposal of the unprofitable subsidiaries will be sufficient to meet the working capital requirements of the group for the next twelve months

Opinion
In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the group's affairs as at 31 December 2007 and of its loss for the year then ended,
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulations,
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007, and
- the information given in the Directors' Report is consistent with the financial statements

haysmacintyre
haysmacintyre
Chartered Accountants
Registered Auditors

Fairfax House
15 Fulwood Place
London
WC1V 6AY

27 June 2008

PLAYGOLF (HOLDINGS) PLC

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
REVENUE	1		
Group and share of joint venture			
- continuing operations		2,384	2,867
- discontinued operations		-	72
		2,384	2,939
Less Share of joint venture's revenue		-	-
Group revenue		2,384	2,939
Cost of sales		(1,006)	(1,396)
GROSS PROFIT		1,378	1,543
Administrative expenses		(2,998)	(2,909)
GROUP OPERATING LOSS		(1,620)	(1,366)
Share of operating loss in joint venture		(12)	-
Continuing operations		(1,632)	(1,354)
Discontinued operations		-	(12)
Operating loss of the group and joint venture	2	(1,632)	(1,366)
Loss on disposal of investments		-	(43)
Net Finance expenditure	3	(836)	(768)
Other income		-	50
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(2,468)	(2,127)
Tax on ordinary activities	6	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(2,468)	(2,127)
LOSS FOR THE FINANCIAL YEAR		(2,468)	(2,127)
Loss per share – basic	8	(3 8)p	(3 7)p

PLAYGOLF (HOLDINGS) PLC

CONSOLIDATED STATEMENT OF INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2007

	31 December 2007 £'000	31 December 2006 £'000
LOSS FOR THE FINANCIAL YEAR	(2,468)	(2,127)
Unrealised surplus on revaluation of leasehold properties	-	152
Impairment of leasehold property	(1,000)	-
Reclassification of JV's property as inventories	(2,000)	-
Total recognised expense for the year	(5,468)	(1,975)

PLAYGOLF (HOLDINGS) PLC

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	15,888	21,843
Provision for joint venture investment			
Share of gross assets		1,347	-
Share of gross liabilities		(1,387)	
Share of net liabilities		(40)	-
Loan to joint venture		444	-
		404	-
		16,292	21,843
Current assets			
Inventories	11	-	15
Trade and other receivables	12	422	394
Cash and cash equivalents	13	1,246	83
		1,668	492
TOTAL ASSETS		17,960	22,335
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	14	156	116
Share premium account		4,919	3,132
Merger reserve		467	467
Revaluation reserve		4,284	9,421
Other reserves		400	400
Retained earnings		(3,510)	(3,179)
TOTAL EQUITY		6,716	10,357
LIABILITIES			
Non current liabilities			
Borrowings	15	10,532	10,950
Current liabilities			
Borrowings	13,15	41	43
Trade and other payables	16	671	985
		712	1,028
TOTAL LIABILITIES		11,244	11,978
TOTAL EQUITY AND LIABILITIES		17,960	22,335

The financial statements were approved by the Board of Directors on 27 June 2008 and signed on its behalf by

D.A.C. Piggins
Director

D.A.T.Postins
Director

PLAYGOLF (HOLDINGS) PLC

COMPANY BALANCE SHEET

AT 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	9	-	3
Investments	10	20	20
		20	23
Current assets			
Trade and other receivables	12	5,201	3,059
Cash and cash equivalents	13	1,164	20
		6,365	3,079
TOTAL ASSETS		6,385	3,102
EQUITY			
Capital and reserves attributable to the Company's equity shareholders			
Called up share capital	14	156	116
Share premium account		4,919	3,132
Retained earnings		112	(1,070)
TOTAL EQUITY		5,187	2,178
LIABILITIES			
Non current liabilities			
Borrowings	15	645	592
Current liabilities			
Borrowings	13,15	10	-
Trade and other payables	16	543	332
		553	332
TOTAL LIABILITIES		1,198	924
TOTAL EQUITY AND LIABILITIES		6,385	3,102

The financial statements were approved by the Board of Directors on 27 June 2008 and signed on its behalf by

D.A.C. Piggins
Director

D.A.T Postins
Director

PLAYGOLF (HOLDINGS) PLC

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2007

	Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Other Reserves £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2006	106	2,475	9,753	400	467	(1,536)	11,665
Loss for the year	-	-	-	-	-	(2,127)	(2,127)
Share issues (net of costs)	10	657	-	-	-	-	667
Unrealised surplus on the revaluation of leasehold premises	-	-	152	-	-	-	152
Transfer	-	-	(137)	-	-	137	-
Sale of subsidiary	-	-	(347)	-	-	347	-
At 31 December 2006	116	3,132	9,421	400	467	(3,179)	10,357
Loss for the year	-	-	-	-	-	(2,468)	(2,468)
Share issues (net of costs)	40	1,787	-	-	-	-	1,827
Transfer	-	-	(137)	-	-	137	-
Impairment of leasehold property	-	-	(1,000)	-	-	-	(1,000)
Realisation of revaluation on disposal of subsidiary	-	-	(2,000)	-	-	2,000	-
Reclassification of JV's property held for resale	-	-	(2,000)	-	-	-	(2,000)
At 31 December 2007	156	4,919	4,284	400	467	(3,510)	6,716

PARENT COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £'000	Share Premium Account £'000	Revaluation Reserve £'000	Other Reserves £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 1 January 2006	106	2,475	-	-	-	(529)	2,052
Loss for the year	-	-	-	-	-	(541)	(541)
Share issues (net of costs)	10	657	-	-	-	-	667
At 31 December 2006	116	3,132	-	-	-	(1,070)	2,178
Profit for the year	-	-	-	-	-	1,182	1,182
Share issues (net of costs)	40	1,787	-	-	-	-	1,827
At 31 December 2007	156	4,919	-	-	-	112	5,187

PLAYGOLF (HOLDINGS) PLC

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Loss for the year		(2,468)	(2,127)
Adjustments for			
Net finance expenditure		808	768
Loss on disposal of investments		-	43
Other income		-	(50)
Depreciation and amortisation		544	505
Other income		-	50
Decrease in inventories		15	20
(Increase)/decrease in debtors		(42)	88
Increase/(decrease) in creditors		366	(35)
Share of joint venture loss		40	-
Net cash used in operating activities		(737)	(738)
Cash flows from investing activities			
Net finance expenditure		(808)	(768)
Purchase of tangible fixed assets		(253)	(880)
Sale of subsidiary undertaking		2,000	426
Net cash transferred with subsidiary undertaking		(2)	(14)
Loan to joint venture		(444)	-
Net cash generated from/(used in) investing activities		493	(1,236)
Cash flows from financing activities			
Issue of ordinary share capital (net of issue costs)		1,827	667
Long term loans received		-	911
Long term loan repayments		(418)	-
Net cash generated from financing activities		1,409	1,578
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	13	1,165	(396)
Cash, cash equivalents and bank overdrafts at beginning of the year		40	436
Cash, cash equivalents and bank overdrafts at end of the year	13	1,205	40

PLAYGOLF (HOLDINGS) PLC

PARENT COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	2007 £'000	2006 £'000
Cash flows from operating activities			
Profit/(loss) for the year		1,182	(541)
Adjustments for			
Net finance expenditure		(36)	(4)
Depreciation and amortisation		3	3
Increase in debtors		(1,698)	(1,245)
Increase in creditors		211	220
Net cash used in operating activities		(338)	(1,567)
Cash flows from investing activities			
Net finance expenditure		36	4
Loan to joint venture		(444)	-
Net cash generated (used in)/from investing activities		(408)	4
Cash flows from financing activities			
Issue of ordinary share capital (net of issue costs)		1,827	667
Long term loans received		53	592
Net cash generated from financing activities		1,880	1,259
Net increase/(decrease) in cash, cash equivalents and bank overdraft		1,134	(304)
Cash, cash equivalents and bank overdraft at beginning of the year	13	20	324
Cash, cash equivalents and bank overdraft at end of the year	13	1,154	20

1. ACCOUNTING POLICIES

Basis of preparation
The financial statements are prepared on the historical cost basis, modified by the revaluation of leasehold property, in accordance with the applicable accounting standards It comprises the consolidated financial information of Playgolf (Holdings) Plc and its subsidiaries

These financial statements have been prepared in accordance with IFRS 1, First-time Adoption of IFRS These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (June 2008) The policies set out below have been consistently applied to all the periods presented

Playgolf (Holdings) Plc financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) until 31 December 2006 UK GAAP differs in some areas from IFRS In preparing the financial statements, the directors have amended certain accounting methods applied in the UK GAAP financial statements to comply with IFRS

There are no reconciling differences in the numbers previously reported for the comparative period, ended 31 December 2006, after the adoption of IFRS

The Company's transition date is 1 January 2006 and it prepared its opening IFRS balance sheet at that date The Company's IFRS adoption date is 1 January 2007

Going concern
The directors have obtained confirmation that repayment of a proportion or all of the Groups' bank loans will not be required in the next twelve months if results are in line with the business plan

This, together with improvements in trading and the plans for disposal of the unprofitable subsidiaries will be sufficient to meet the Group's working capital requirements for the next twelve months

The directors are therefore of the opinion that the financial statements should be prepared on a going concern basis

Basis of consolidation
The Group financial statements consolidate the financial statements of Playgolf (Holdings) Plc and its subsidiary undertakings drawn up to 31 December each year

The results of subsidiaries acquired are accounted for from the effective date of acquisition, using the acquisition method

At 31 December 2007, Playgolf (Holdings) Plc owned 50% of the issued share capital of Playgolf Kilmartin Limited, a company incorporated in England and Wales The joint venture is accounted for using the equity method

Property, plant and equipment
Leasehold land and buildings are stated at valuation, net of depreciation and any provision for impairment. The Group has a policy of revaluing all leasehold property, by an external valuer, upon acquisition and on completion of construction Thereafter, the valuation will be performed annually by the directors and externally at least every eight years

Other tangible fixed assets are stated at cost, net of depreciation and any provision for impairment Depreciation is provided on all tangible fixed assets, once completed, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows

Leasehold land and buildings	over the shorter of the lease term and 50 years
Other assets	20 -33% straight line

1. ACCOUNTING POLICIES (continued)

Investments
Except as stated below, fixed asset investments are shown at cost less provision for impairment

In the Company balance sheet, the investment in Golf Learning Centres Limited and Work For Fun Limited is measured by reference to the nominal value of the shares issued as consideration These shares qualified for merger relief and therefore the premium is ignored

Inventories
Inventories represent goods for resale and are stated at the lower of cost and net realisable value

Cash and Cash Equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts Bank overdrafts are shown within borrowings in current liabilities on the balance sheets

Deferred Taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date Timing differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Revenue Recognition
Turnover represents amounts receivable for goods and services net of VAT

Leases
Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred

Segmental Information
The group has one geographical segment, which is the United Kingdom and the Republic of Ireland The group has one business segment which is golf course and driving range management

Warrants
IFRS2 requires the Group to recognise a cost of raising funds in respect of granting warrants to third parties This expense, which is calculated by reference to the fair value of the warrants granted, is recognised on a straight line basis over the vesting period based on the Group's estimate that the warrants will eventually vest The Directors have adopted the Black Scholes model to estimate the value of warrants granted

2. OPERATING LOSS

Operating loss is stated after charging:	2007 £'000	2006 £'000
Depreciation	544	505
Loss on sale of fixed asset investments	-	43
Operating lease rentals - land and buildings	434	388
- other	2	8
Auditors' remuneration - audit services	24	21
- other services pursuant to legislation	9	8
- other services relating to taxation	6	6

3 FINANCE EXPENDITURE/(INCOME)

	2007 £'000	2006 £'000
Interest payable on bank loans and overdrafts	877	776
Interest receivable	(41)	(8)
	836	768

4 EMPLOYEE BENEFIT EXPENSE (including directors)

	2007 No.	2006 No.
The average monthly number of employees (including Executive Directors) was	68	80
Their aggregate remuneration comprised		
Wages and salaries	1,243	1,329
Social security costs	111	136
Pension costs	7	-
	1,361	1,465

5. DIRECTORS' REMUNERATION

	2007 £'000	2006 £'000
The total amounts for Directors' emoluments were as follows		
Salaries	367	229
Directors' fees	65	35
Compensation for loss of office	138	-
Pension costs	7	-
	577	264
Highest paid director		
Emoluments	173	96

Directors' emoluments include £53,958 (2006 - £nil) which is included in the joint venture's financial statements

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2007 £'000	2006 £'000
(a). Analysis of charge in the year		
Current tax charge		
UK corporation tax (Note 6(b))	-	-

6 TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(b). Factors affecting the tax charge for the year

The differences between the total current tax shown above, and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows

	2007 £'000	2006 £'000
Loss on ordinary activities before tax	(2,468)	(2,127)
Loss on ordinary activities before tax multiplied by the standard UK rate of corporation tax of 30% (2006 30%)	(740)	(638)
Effects of		
Expenses not deductible for tax purposes	18	6
Loss on disposal of investments	-	13
Capital allowances less than depreciation	158	58
Other timing differences	(22)	-
Unutilised losses carried forward	586	561
Current tax charge for year (Note 6(a))	-	-

The Group is carrying forward losses of £2,547,899 (2006 £2,790,572), including £64,097 relating to the joint venture and non-trade loan relationships deficit of £654,091 (2006 £451,959)

7 PROFIT FOR THE FINANCIAL YEAR

The Parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements The Group loss for the year includes a profit after taxation of £1,182,000 (2006 Loss £541,000) which is dealt with in the financial statements of the company

8 EARNINGS PER SHARE

The calculations for earnings per share are based on the following losses and numbers of shares

	2007 £'000	2006 £'000
Loss for the financial year	(2,468)	(2,127)
Weighted average number of shares	**Number**	**Number**
For basic earnings per share	64,786,952	57,305,256

9 PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold Land and Buildings £'000	Other Assets £'000	Total £'000
Cost or valuation			
At 1 January 2006	21,719	877	22,596
Additions	794	86	880
Revaluations	152	-	152
Disposed with subsidiary	(400)	(101)	(501)
At 1 January 2007	22,265	862	23,127
Additions	64	189	253
Removed on disposal of subsidiary	(5,664)	-	(5,664)
At 31 December 2007	16,665	1,051	17,716
Depreciation			
At 1 January 2006	463	472	935
Charge for the year	369	136	505
Disposed with subsidiary	(60)	(96)	(156)
At 1 January 2007	772	512	1,284
Impairment	(1,000)	-	(1,000)
Reversal of impairment as asset disposed with subsidiary	1,000	-	1,000
Charge for the year	362	182	544
At 31 December 2007	1,134	694	1,828
Net book value			
At 31 December 2007	15,531	357	15,888
At 31 December 2006	21,493	350	21,843

COMPANY	Other Assets £'000	Total £'000
Cost		
At 1 January 2006, 1 January 2007 and 31 December 2007	11	11
Depreciation		
At 1 January 2006	5	5
Charge for the year	3	3
At 1 January 2007	8	8
Charge for the year	3	3
At 31 December 2007	11	11
Net book value		
At 31 December 2007	-	-
At 31 December 2006	3	3

9. PROPERTY, PLANT AND EQUIPMENT (continued)

The leasehold premises of the trading subsidiaries were revalued, in accordance with the Group's accounting policy, on the following dates

Subsidiary	Date	Valuer	Valuation £'000
Golf Learning Centres Limited	January 2005	Humberts Leisure	2,650
Playgolf (Trafford Centre) Limited	July 2000	Strutt & Parker	1,600
Playgolf (Northwick Park) Limited	June 2006	Humberts Leisure	10,500

In the directors' opinion, the carrying value of the Group's leasehold land and buildings equates to the open market value as at 31 December 2007

The historical cost of leasehold land and buildings shown at the valuations above together with subsequent expenditure is £9,909,000 The Net Book Value based on the original cost would be £9,176,000 and the excess depreciation relating to the revaluation is transferred annually from the revaluation reserve

10. FIXED ASSETS INVESTMENTS

COMPANY

Subsidiary undertakings

	£'000
Cost	
At 1 January 2007 and 31 December 2007	20
Net book value	20

Principal group investments

The Company had investments in the following subsidiary undertakings at the year-end, all of which are incorporated and registered in England and Wales

Subsidiary undertakings	Principal activity	Holding
Golf Learning Centres Limited	Driving range management	100%
Playgolf (Barnet Copthall) Limited	Holding company	100%
Playgolf (Northwick Park) Limited	Golf / Leisure management	100%
Playgolf (Trafford Centre) Limited	Driving range management	100%
Playgolf Limited	Holding company	100%
Work For Fun Limited	Holding company	100%
Mix Bars Leisure Limited	Restaurant management	100%

GROUP

The group has a joint venture investment, with a 50% holding, in the following company which is incorporated and registered in England and Wales (Note 17)

Playgolf Kilmartin Limited	Golf / Leisure management

11. INVENTORIES

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Goods for resale	-	15	-	-

12. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade receivables	97	124	3	-
Receivables from group undertakings	-	-	4,646	2,985
Receivables from joint venture	-	-	444	-
Other receivables	111	124	80	71
Prepayments and accrued income	214	146	28	3
	422	394	5,201	3,059

Included in other debtors in the previous year, for both the Company and the Group, was £25,000 due after more than one year (Note 19) In addition, for the Company, amounts owed by group undertakings are due after one year

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Cash at bank and in hand	1,246	83	1,164	20

Cash, cash equivalents and bank overdrafts include the following for the purpose of the cash flow statement

Cash and cash equivalents	1,246	83	1,164	20
Overdrafts (Note 15)	(41)	(43)	(10)	-
	1,205	40	1,154	20

14 CALLED UP SHARE CAPITAL

	2007	2006
	£'000	£'000
Authorised		
500,000,000 ordinary shares of £0 002 each	1,000	1,000
	1,000	1,000
Allotted, called-up and fully paid		
77,995,002 ordinary shares of £0 002 each (2006 57,990,188 ordinary shares of £0 002 each)	156	116
	156	116

14. CALLED UP SHARE CAPITAL (continued)

On 4 May 2007, 8,111,108 ordinary shares of £0 002 each were issued for cash consideration of £730,000 In addition, on 10 May 2007, a further 1,720,445 ordinary shares of £0 002 each were issued for cash consideration of £154,840, and on 21 December 2007 10,173,261 ordinary shares of £0 002 each were issued for cash consideration of £991,893

During the year ended 31 December 2004, the company issued a total of 1,199,685 warrants All of the warrants are fully vested The period of exercise expires on 14 June 2009

15. BORROWINGS

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Amounts falling due after one year				
Bank loans	10,532	10,950	645	592
	10,532	10,950	645	592
Bank loans are repayable as follows				
Between one and two years	10,532	10,950	645	592
Between two and five years	-	-	-	-
After five years	-	-	-	-
	10,532	10,950	645	592

The terms of the bank loans are currently being renegotiated The bank loans are secured against the properties of the operating companies and other assets of the Group

	Group		Company	
	2007	2006	2007	2006
Amounts falling due within one year	£'000	£'000	£'000	£'000
Bank overdrafts	41	43	10	-

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	2007	2006
Amounts falling due within one year	£'000	£'000	£'000	£'000
Trade payables	228	564	18	37
Amounts due to group undertakings	-	-	272	270
Amounts due to joint venture partner	225	-	225	-
Other taxes and social security	42	48	17	12
Other payables	64	125	-	-
Accrued expenses and deferred income	112	248	11	13
	671	985	543	332

17. SALE OF SUBSIDIARY UNDERTAKING

On 12 January 2007 the group dısposed 50% of ıts holdıng ın Playgolf Kılmartın Lımıted to a joınt venture partner for net consıderatıon of £2,000,100

Prıor to thıs dısposal, the leasehold property held by Playgolf Kılmartın Lımıted was ımpaıred by £1m In addıtıon, the leasehold property was then reclassıfied as ınventorıes, resultıng ın a release from the Group revaluatıon reserve of £2m

Net assets dısposed of	**£'000**
Fıxed assets	2,332
Debtors	6
Cash	1
Credıtors	(339)
	2,000
Satısfied by	
Cash	2,000

On a return of capıtal on lıquıdatıon or capıtal reductıon or otherwıse, the joınt venture partner Kılmartın Holdıngs Lımıted, ıs entıtled to the first £2,000,000 of any surplus assets of Playgolf Kılmartın Lımıted

18. OPERATING LEASE COMMITMENTS

The operatıng lease expendıture charged to the ıncome statement durıng the year ıs dısclosed ın note 2 The future aggregate mınımum lease payments under non-cancellable operatıng leases are as follows

	2007		**2006**	
	Land and Buıldıngs £'000	**Other £'000**	**Land and Buıldıngs £'000**	**Other £'000**
Group				
Expıry date				
Wıthın one year	-	2	-	3
Between two and five years	-	-	-	-
After five years	18,535	-	18,923	-
At 31 December 2007	18,535	2	18,923	3

19 RELATED PARTY TRANSACTIONS

Included ın other debtors at 31 December 2007 ıs an amount due from D A C Pıggıns, Dırector of £25,000 Thıs has been repaıd sınce the year end

Also ıncluded ın other debtors at 31 December 2007 ıs a loan of £35,000 to PowerPlay Golf Lımıted D A C Pıggıns, N S McGuınness and M C Mealey are dırectors of the company's holdıng company Subsequent to the year end PowerPlay Golf Lımıted also became an assocıate company of Playgolf Holdıngs Plc

20. FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The Group's activities give rise to a number of financial risks market risk, credit risk and liquidity risk Market risk includes cash flow and fair value interest rate risk The Group has in place risk management policies that seek to limit the adverse effects on the financial performance

(i) Market risk

The Group activities expose it primarily to the financial risks of changes in interest rates There has been no significant change to the Group's exposure to market risks or the manner in which it manages and measures the risk

Interest rate
As the Group has no significant interest-bearing assets, the Group's revenues and operating cash flows are substantially independent of changes in market interest rates

The Group's interest rate risk arises from its long term borrowings As the borrowings are bound to the LIBOR, the Group is exposed to changes in the LIBOR throughout the financial year

At 31 December 2007, if the LIBOR had been 0 5% higher, with all other variables held constant, the post-tax loss for the year would have been £50,000 higher

(ii) Credit risk

As the Group's business mainly consists of cash sales, trade receivables are limited However, ongoing credit evaluation is performed on the financial condition of all accounts receivable

The credit risk on liquid funds is limited because counterparties are banks with credit-ratings assigned by international credit-rating agencies

(iii) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements The Group manages liquidity risk by maintaining adequate reserves, banking facilities and borrowing facilities by continuously monitoring forecast and actual cash flows

(b) Capital risk management

The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to shareholders of the Group, comprising issued capital, reserves and retained earnings

The Group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

The Group manages capital and for the purpose of proper capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt The policies and processes have not been changed during the period ending 31 December 2007 nor for the period ending 31 December 2006

(c) Financial instruments

The Group does not use derivative financial instruments

(d) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements

The Group applied the following methods and assumptions during the estimation of fair value of financial instruments

Receivables and deposits at banks

All such assets mature within 3 months and therefore the carrying value is similar to fair value due to shortness of these instruments

Loan liabilities

Fair value of short term liabilities is similar to its carrying value due to shortness of these instruments For long term liabilities, contracted interest rates do not significantly defer from current market interest rates, and due to that their fair value is similar to its carrying value

Other financial instruments

Financial instruments of the Group which are not valuated at fair value are trade accounts receivable, other receivables, trade accounts payable and other payables Historic carrying value of assets and liabilities, including the provisions, which are in accordance with the usual business conditions, is similar to its fair value