

COMPANY REGISTRATION NUMBER 1857845

**FOREMOST GOLF LIMITED
FINANCIAL STATEMENTS
FOR
31 DECEMBER 2007**

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FOREMOST GOLF LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

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FOREMOST GOLF LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2007

The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2007

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was the sale and marketing of golf equipment and accessories. The principal activity of the subsidiary was the facilitation of the sale of golf equipment and accessories.

Foremost Golf has had a very successful year during 2007, and the board of directors would like to thank its members and staff for helping to secure this success in a difficult trading year. The success has been achieved as a result of the diversification of the products and services Foremost has offered its members, as the business continues its strategy of repositioning from a buying group to a marketing and buying group.

The marketing initiatives that were started in 2006 have developed steadily during 2007, culminating in the launch of Foremost's integrated marketing initiatives in November 2007. These new initiatives, that now incorporate electronic newsletters, websites, point of sale materials, and Greenside magazine, have been welcomed by both suppliers in the golf industry and golf professionals, and have been described as the most "imaginative and comprehensive marketing tools available in the golf industry worldwide".

Foremost, and its subsidiary, Alliance Golf Group, have grown steadily throughout the year, with Alliance growth in members being the strongest, resulting in membership reaching nearly 750 by the end of the year. Foremost has consolidated its position, with membership staying constant at around 245 throughout the year. With nearly 1,000 members in the group, Foremost and Alliance remain the largest group of golf professionals working together to achieve sales growth and cost savings worldwide, and it is this platform that will allow the group to push strongly but cautiously ahead in 2008.

With a slight decrease in Foremost's turnover, from £22.5m in 2006 to £22m in 2007, this has not affected pre-tax profits which have grown from £194k to £214k. The board of directors has recommended a dividend of £0.08p per share. With a trading share price rising by a further £0.15p to £1.59 per share this represents a 16% return on investment.

The actions taken in 2006, to move our head office from Farnham Common to bespoke offices in Slough, have seen huge improvements in the working environment for the staff members. The extra space now available will allow Foremost to consolidate its offices into one central place, the result of which will mean the closure of the office in Wetherby in February 2008. The effects of this decision should not be underestimated. It will result in a number of staff changes as it will not prove possible for all staff to move to Slough, and inevitable costs of consolidation. The board considered the risks inherent with such a move, but believe the benefits of having all staff working from one office will, in the longer term, far outweigh the costs of moving.

Foremost continues its drive for excellence in all aspects of its business, as it strives to strengthen its position as the leading marketing group for PGA professionals. The result of this has seen Foremost further develop its partnerships with Retail Tribe, the South African company who are at the heart of electronic marketing initiatives, and also to forge a new relationship with the publisher Haymarket Publishing Ltd. Whilst Retail Tribe will help develop Foremost web and e-communication strategies, Haymarket, will, as market leader in the written publishing world, help develop a new exciting Greenside magazine for 2008 and beyond.

The last few years have seen Foremost consolidate its activities and save costs wherever possible. The strategic withdrawal from the golf retail environment and the closure of the Wetherby office has now given the company a base from which to grow.

Growth remains high on Foremost's agenda whilst being committed to driving profits centrally, delivering shareholder value, and ensuring members continue to receive products and services that are not only best in class, but also can be delivered in a very cost effective manner. With this as the drive for 2008, Foremost will look to new markets into which it will grow the marketing services already available to golf professionals in the United Kingdom.

The board of directors remain confident that the initiatives the management team have taken in 2007 will deliver stronger results into 2008 and further into the future.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £151,231. Particulars of dividends paid are detailed in note 10 to the financial statements.

The directors propose a dividend of £53,463 for the year (£0.08p per share).

FOREMOST GOLF LIMITED
THE DIRECTORS' REPORT *(continued)*
YEAR ENDED 31 DECEMBER 2007

THE DIRECTORS AND THEIR INTERESTS AND INVOLVEMENTS IN THE SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows

	Ordinary Shares of £1 each	
	At 31 December 2007	At 1 January 2007
J Davis	15,450	11,750
C Steele	15,500	15,500
D Regan	6,000	6,000
P Hedges	33,566	30,033
A Dow	15,000	15,000
A Walton	<u>20,000</u>	<u>15,000</u>

The company operates two share option plans. The General Scheme and Enterprise Management Incentives. Details are provided in note 20 to the financial statements. Grants have now ceased under the General Scheme.

The directors' involvement in the General Scheme during the year was as follows

	1 January 2007	Granted	Exercised	31 December 2007
J Davis	6,050	-	3,700	2,350
P Hedges	7,067	-	3,533	3,534
A Walton	4,200	-	2,100	2,100

The directors' involvement in Enterprise Management Incentives was as follows

	1 January 2007	Granted	Exercised	31 December 2007
J Davis	-	9,000	-	9,000
P Hedges	-	12,000	-	12,000
A Walton	-	9,000	-	9,000

AUDITOR

A resolution to re-appoint Devine & Co as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

Signed by order of the directors



P. HEDGES
Company Secretary

Approved by the directors on 20 February 2008

FOREMOST GOLF LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
YEAR ENDED 31 DECEMBER 2007

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these 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 group 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 group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware

- there is no relevant audit information of which the group's auditor is 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 auditor is aware of that information.

FOREMOST GOLF LIMITED
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
FOREMOST GOLF LIMITED
YEAR ENDED 31 DECEMBER 2007

We have audited the group and parent company financial statements ("the financial statements") of Foremost Golf Limited for the year ended 31 December 2007 on pages 5 to 24, which have been prepared on the basis of the accounting policies set out on pages 10 to 11

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

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 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.

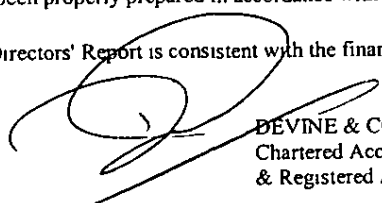
OPINION

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 group's and the parent company's affairs as at 31 December 2007 and of the group's 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.

242/242a Farnham Road
 Slough
 Berks
 SL1 4XE

20 February 2008


DEVINE & CO
 Chartered Accountants
 & Registered Auditors

FOREMOST GOLF LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
GROUP TURNOVER	2	22,059,938	22,511,619
Cost of sales		<u>19,390,083</u>	<u>19,704,433</u>
GROSS PROFIT		2,669,855	2,807,186
Administrative expenses		2,502,448	2,644,184
Other operating income	3	<u>(91,160)</u>	<u>(72,219)</u>
OPERATING PROFIT	4	258,567	235,221
Interest receivable		24	751
Interest payable and similar charges	7	<u>(44,652)</u>	<u>(42,233)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		213,939	193,739
Tax on profit on ordinary activities	8	62,708	41,067
PROFIT FOR THE FINANCIAL YEAR	9	<u>151,231</u>	<u>152,672</u>

All of the activities of the group are classed as continuing

The company has taken advantage of section 230 of the Companies Act 1985
not to publish its own Profit and Loss Account

The notes on pages 10 to 24 form part of these financial statements

FOREMOST GOLF LIMITED
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2007

	2007 £	2006 £
Profit for the financial year attributable to the shareholders of the parent company	151,231	152,672
Total recognised gains and losses relating to the year	<u>151,231</u>	<u>152,672</u>
Prior year adjustment (see note 11)	(5,000)	—
Total gains and losses recognised since the last annual report	<u>146,231</u>	<u>152,672</u>

The notes on pages 10 to 24 form part of these financial statements

FOREMOST GOLF LIMITED
GROUP BALANCE SHEET
31 DECEMBER 2007

	Note	2007 £	£	2006 £
FIXED ASSETS				
Intangible assets	12		12,161	36,635
Tangible assets	13		<u>101,334</u>	<u>92,378</u>
			<u>113,495</u>	<u>129,013</u>
CURRENT ASSETS				
Stocks	15	723,803		676,452
Debtors	16	3,460,374		2,965,115
Cash at bank and in hand		<u>31,779</u>		<u>17,150</u>
		4,215,956		3,658,717
CREDITORS: Amounts falling due within one year	17	<u>3,206,863</u>		<u>2,822,313</u>
NET CURRENT ASSETS			<u>1,009,093</u>	<u>836,404</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,122,588</u>	<u>965,417</u>
CREDITORS: Amounts falling due after more than one year	18		<u>1,800</u>	<u>4,100</u>
			<u>1,120,788</u>	<u>961,317</u>
PROVISIONS FOR LIABILITIES				
Deferred taxation	19		<u>3,100</u>	<u>5,000</u>
			<u>1,117,688</u>	<u>956,317</u>
CAPITAL AND RESERVES				
Called-up equity share capital	24		668,286	629,872
Share premium account	25		54,468	43,407
Share options reserve	25		11,055	—
Profit and loss account	25		<u>383,879</u>	<u>283,038</u>
SHAREHOLDERS' FUNDS	26		<u>1,117,688</u>	<u>956,317</u>

These financial statements were approved by the directors and authorised for issue on 20 February 2008, and are signed on their behalf by



A WALTON
Director



P HEDGES
Director

The notes on pages 10 to 24 form part of these financial statements

FOREMOST GOLF LIMITED

BALANCE SHEET

31 DECEMBER 2007

	Note	2007 £	2006 £
FIXED ASSETS			
Intangible assets	12	—	14,194
Tangible assets	13	90,497	92,378
Investments	14	10,001	1
		<u>100,498</u>	<u>106,573</u>
CURRENT ASSETS			
Stocks	15	723,803	676,452
Debtors	16	3,309,408	2,845,548
Cash at bank and in hand		15,808	17,150
		<u>4,049,019</u>	<u>3,539,150</u>
CREDITORS: Amounts falling due within one year	17	<u>3,794,419</u>	<u>3,226,967</u>
NET CURRENT ASSETS		<u>254,600</u>	<u>312,183</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>355,098</u>	<u>418,756</u>
CREDITORS: Amounts falling due after more than one year	18	<u>1,800</u>	<u>4,100</u>
		<u>353,298</u>	<u>414,656</u>
PROVISIONS FOR LIABILITIES			
Deferred taxation	19	<u>3,100</u>	<u>5,000</u>
		<u>350,198</u>	<u>409,656</u>
CAPITAL AND RESERVES			
Called-up equity share capital	24	668,286	629,872
Share premium account	25	54,468	43,407
Share options reserve	25	11,055	—
Profit and loss account	25	(383,611)	(263,623)
SHAREHOLDERS' FUNDS		<u>350,198</u>	<u>409,656</u>

These financial statements were approved by the directors and authorised for issue on 20 February 2008, and are signed on their behalf by



A WALTON
Director



P HEDGES
Director

The notes on pages 10 to 24 form part of these financial statements

FOREMOST GOLF LIMITED
GROUP CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	27	137,965	(38,588)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	27	(44,674)	(41,587)
TAXATION	27	(28,500)	(29,537)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	27	(42,806)	(95,839)
EQUITY DIVIDENDS PAID		(50,390)	(37,324)
CASH OUTFLOW BEFORE FINANCING		(28,405)	(242,875)
FINANCING	27	47,175	119,348
INCREASE/(DECREASE) IN CASH	27	<u>18,770</u>	<u>(123,527)</u>

The notes on pages 10 to 24 form part of these financial statements

FOREMOST GOLF LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Intangible assets

The intangible assets are recorded at cost and have been amortised over four years.

Amortisation

Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Intangible assets	25% on cost
Goodwill on consolidation	5% on cost

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Fixtures & Fittings	16 2/3% on straight line basis
Motor Vehicles	33 1/3% on straight line basis
Equipment	33 1/3% on reducing balance basis
Website	25% on straight line basis

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

FOREMOST GOLF LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES *(continued)*

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Share-based payment

In the year ending 31 December 2007 the company has chosen to adopt the Financial Reporting Standard 20 'Share Based Payment' Standard and accordingly recognised the fair value of 'equity-settled' payments. The company makes equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

Fair value is measured using the Black Scholes Merton option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

2 TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the group

An analysis of turnover is given below

	2007	2006
	£	£
United Kingdom	<u>22,059,938</u>	<u>22,511,619</u>

3 OTHER OPERATING INCOME

	2007	2006
	£	£
Interest received on debtors	60,660	52,177
Subscriptions received	<u>30,500</u>	<u>20,042</u>
	<u>91,160</u>	<u>72,219</u>

4 OPERATING PROFIT

Operating profit is stated after charging

	2007	2006
	£	£
Amortisation	15,043	43,015
Depreciation of owned fixed assets	43,281	17,122
Loss on disposal of fixed assets	—	14,739
Auditor's remuneration		
- as auditor	19,500	18,400
- for other services	<u>3,900</u>	<u>700</u>

Auditor's fees

The fees charged by the auditor can be further analysed under the following headings for services rendered

	2007	2006
	£	£
Audit	19,500	18,500
Taxation	3,400	—
Statutory services	500	700
	<u>23,400</u>	<u>19,200</u>

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

5 PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to

	2007	2006
	No	No
Number of administrative staff	15	15
Number of management staff	6	6
Number of IT staff	2	3
Number of sales staff	9	14
	<u>32</u>	<u>38</u>

The aggregate payroll costs of the above were

	2007	2006
	£	£
Wages and salaries	1,219,853	1,302,240
Pension costs	35,939	33,942
Equity-settled share-based payments	11,055	—
	<u>1,266,847</u>	<u>1,336,182</u>

6 DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were

	2007	2006
	£	£
Aggregate emoluments	298,235	277,020
Value of company pension contributions to money purchase schemes	26,823	22,714
	<u>325,058</u>	<u>299,734</u>

Emoluments of highest paid director

	2007	2006
	£	£
Total emoluments (excluding pension contributions)	109,955	99,043
Value of company pension contributions to money purchase schemes	13,105	14,574
	<u>123,060</u>	<u>113,617</u>

During the year the highest paid director exercised share options

The number of directors who accrued benefits under company pension schemes was as follows

	2007	2006
	No	No
Money purchase schemes	<u>3</u>	<u>3</u>

The number of directors who exercised share options during the year were as follows

	2007	2006
	No	No
Directors who exercised share options	<u>3</u>	<u>3</u>

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

7 INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Interest payable under an invoice discounting finance agreement	<u>44,652</u>	<u>42,233</u>

8 TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year	62,850	37,500
(Over)/under provision in prior year	<u>1,758</u>	<u>(1,433)</u>
Total current tax	64,608	36,067
Deferred tax		
Origination and reversal of timing differences (note 19)		
Capital allowances	<u>(1,900)</u>	5,000
Tax on profit on ordinary activities	<u>62,708</u>	<u>41,067</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher (2006 – lower) than the standard rate of corporation tax in the UK of 30% (2006 - 30%)

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>213,939</u>	<u>193,739</u>
Profit on ordinary activities by rate of tax	64,436	58,518
Expenses not deductible for tax purposes	9,644	7,393
Capital allowances for period in excess of depreciation	2,816	(10,105)
Tax chargeable at lower rates	(16,468)	(22,239)
Sundry tax adjusting items	4,180	2,500
Total current tax (note 8(a))	<u>64,608</u>	<u>36,067</u>

9 LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £ (69,598) (2006 - £ (62,547))

10 DIVIDENDS

Equity dividends	2007 £	2006 £
Paid		
Equity dividends on ordinary shares	<u>50,390</u>	<u>37,324</u>

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

11 PRIOR YEAR ADJUSTMENT

Deferred tax adjustment following re-classification of capital expenditure for taxation purposes

12 INTANGIBLE FIXED ASSETS

Group	Goodwill £	Cost B/fwd £	Total £
COST			
At 1 January 2007	26,401	166,779	193,180
Additions	(9,431)	—	(9,431)
At 31 December 2007	<u>16,970</u>	<u>166,779</u>	<u>183,749</u>
AMORTISATION			
At 1 January 2007	3,960	152,585	156,545
Charge for the year	849	14,194	15,043
At 31 December 2007	<u>4,809</u>	<u>166,779</u>	<u>171,588</u>
NET BOOK VALUE			
At 31 December 2007	<u>12,161</u>	<u>—</u>	<u>12,161</u>
At 31 December 2006	<u>22,441</u>	<u>14,194</u>	<u>36,635</u>
Company			Cost B/fwd £
COST			
At 1 January 2007 and 31 December 2007			<u>56,779</u>
AMORTISATION			
At 1 January 2007			42,585
Charge for the year			<u>14,194</u>
At 31 December 2007			<u>56,779</u>
NET BOOK VALUE			
At 31 December 2007			<u>—</u>
At 31 December 2006			<u>14,194</u>

The expenditure of £166,779 represents £56,779 for the development of the electronic point of sale system and £110,000 for the development of the Alliance Golf Group set up

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

13 TANGIBLE FIXED ASSETS

Group	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Website £	Total £
COST					
At 1 January 2007	68,166	–	27,673	27,321	123,160
Additions	–	18,266	33,971	–	52,237
At 31 December 2007	<u>68,166</u>	<u>18,266</u>	<u>61,644</u>	<u>27,321</u>	<u>175,397</u>
DEPRECIATION					
At 1 January 2007	5,680	–	4,612	20,490	30,782
Charge for the year	11,361	6,088	19,001	6,831	43,281
At 31 December 2007	<u>17,041</u>	<u>6,088</u>	<u>23,613</u>	<u>27,321</u>	<u>74,063</u>
NET BOOK VALUE					
At 31 December 2007	<u>51,125</u>	<u>12,178</u>	<u>38,031</u>	<u>–</u>	<u>101,334</u>
At 31 December 2006	<u>62,486</u>	<u>–</u>	<u>23,061</u>	<u>6,831</u>	<u>92,378</u>
Company					
	Fixtures & Fittings £	Motor Vehicles £	Equipment £	Website £	Total £
COST					
At 1 January 2007	68,166	–	27,673	27,321	123,160
Additions	–	18,266	17,715	–	35,981
At 31 December 2007	<u>68,166</u>	<u>18,266</u>	<u>45,388</u>	<u>27,321</u>	<u>159,141</u>
DEPRECIATION					
At 1 January 2007	5,680	–	4,612	20,490	30,782
Charge for the year	11,361	6,088	13,582	6,831	37,862
At 31 December 2007	<u>17,041</u>	<u>6,088</u>	<u>18,194</u>	<u>27,321</u>	<u>68,644</u>
NET BOOK VALUE					
At 31 December 2007	<u>51,125</u>	<u>12,178</u>	<u>27,194</u>	<u>–</u>	<u>90,497</u>
At 31 December 2006	<u>62,486</u>	<u>–</u>	<u>23,061</u>	<u>6,831</u>	<u>92,378</u>

FOREMOST GOLF LIMITED
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14 INVESTMENTS

Company	Group companies £
COST	
At 1 January 2007	1
Additions	10,000
At 31 December 2007	<u>10,001</u>
NET BOOK VALUE	
At 31 December 2007	<u>10,001</u>
At 31 December 2006	<u>1</u>

The investments relate to the following wholly owned subsidiary undertakings, which have share capital consisting solely of ordinary shares and are registered in England

Name of Company	Nature of Business	Date of Acquisition
Alliance Golf Group Limited	Marketing of Golf Equipment	16 March 2004
Imagina Limited	Travel Agent Services	1 January 2007

15 STOCKS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
General stock	<u>723,803</u>	<u>676,452</u>	<u>723,803</u>	<u>676,452</u>

16 DEBTORS

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	3,402,190	2,862,652	3,248,224	2,740,309
Amounts owed by group undertakings	—	—	3,000	—
Corporation tax repayable	—	—	—	2,776
Prepayments and accrued income	58,184	102,463	58,184	102,463
	<u>3,460,374</u>	<u>2,965,115</u>	<u>3,309,408</u>	<u>2,845,548</u>

The debtors above include the following amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	<u>332,386</u>	<u>323,363</u>	<u>332,386</u>	<u>323,363</u>

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17 CREDITORS Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank overdraft	–	4,141	–	–
Trade creditors	2,789,142	2,469,249	2,789,142	2,469,139
Amounts owed to group undertakings	–	–	651,095	444,061
Taxation and social security	218,121	181,584	160,082	150,828
Accruals and deferred income	199,600	167,339	194,100	162,939
	<u>3,206,863</u>	<u>2,822,313</u>	<u>3,794,419</u>	<u>3,226,967</u>

Trade creditors include monies received under an invoice discounting finance agreement of £961,662 (2006 - £730,248) which are secured by a fixed and floating charge over all other company assets present and future

18 CREDITORS Amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Other creditors	<u>1,800</u>	<u>4,100</u>	<u>1,800</u>	<u>4,100</u>

The loan notes are repayable in annual payments commencing one year from the termination date. No interest is payable.

19 DEFERRED TAXATION

The movement in the deferred taxation provision during the year was

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Provision brought forward	5,000	–	5,000	–
(Decrease)/Increase in provision	(1,900)	5,000	(1,900)	5,000
Provision carried forward	<u>3,100</u>	<u>5,000</u>	<u>3,100</u>	<u>5,000</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of

Group	2007		2006	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>3,100</u>	<u>–</u>	<u>5,000</u>	<u>–</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of

Company	2007		2006	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>3,100</u>	<u>–</u>	<u>5,000</u>	<u>–</u>

FOREMOST GOLF LIMITED
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20 SHARE-BASED PAYMENTS

Equity-settled share-based payments

The company has a share option scheme for all employees (including directors). Options are exercisable at a price equal to the average market price of the company's shares on the date of grant. The option life is 10 years for each scheme. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

During the year ending 31 December 2007, the company issued 13,276 shares at an exercise price of £1.00, pursuant to options granted on 21 April 2004.

Movements in share options for the year were as follows -

	The General Scheme	Enterprise Management Incentives
Date of grant	21 April 2004	1 July 2007
Total number of options granted	50,419	93,000
Options outstanding at 1 January 2007	40,447	0
Options granted in year	0	93,000
Options lapsed in year	5,984	17,280
Options expired	0	0
Number of options exercised in year	13,276	0
Options outstanding at 31 December 2007	21,187	75,720
Market value at grant	£1.00	£1.44
Exercise price	£1.00	£1.44
Share price on date of exercise	£1.44	-
Exercise period/option life	21 April 2004 to 20 April 2014	1 July 2007 to 30 June 2017
Performance conditions	none	none

FRS 20 "Share Based Payment" Standard states that options that were granted after the Relevant Date of 7 November 2002 but had ceased to exist or had vested and not been exercised by the Effective Date of 1 January 2006 for whatever reason including being surrendered are outside the scope of the Standard. In accordance with the Standard and Effective Date only the EMI options awarded on 1 July 2007 fall within the scope of the Standard.

FOREMOST GOLF LIMITED
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20 SHARE-BASED PAYMENTS *(continued)*

The General Scheme

Under the General Scheme participants are awarded "tax unapproved" options with a exercise price equal to the assumed market value of the shares at the time of the award. Options are exercisable immediately and there are no tax advantages to this scheme and no grants were made in the year.

Enterprise Management Incentives (EMI)

EMI are HM Revenue & Customs tax efficient share options. The company granted EMI options over 93,000 shares in the year. All options are granted at an exercise price equal to the market value at the date of grant and exercisable immediately.

In the year ended 31 December 2007, options were granted on 1 July 2007. The estimated fair value of the options granted on that date was £11,055.

The fair values were calculated using a Black Scholes Merton option pricing model. The inputs into the model were as follows:

Weighted average share price - £	1.44
Weighted average exercise price - £	1.44
Expected volatility - %	15.00
Expected life - years	2.50
Risk free rate - %	5.77
Expected dividend yield - %	<u>5.70</u>

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on the management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of £11,055 (2006 - £-) related to equity-settled share-based payment transactions during the year.

FOREMOST GOLF LIMITED
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21 COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as set out below

Group	2007		2006	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire				
Within 1 year	65,160	9,152	33,000	22,698
Within 2 to 5 years	-	2,477	22,260	9,152
After more than 5 years	90,000	-	90,000	-
	<u>155,160</u>	<u>11,629</u>	<u>145,260</u>	<u>31,850</u>

At 31 December 2007 the company had annual commitments under non-cancellable operating leases as set out below

Company	2007		2006	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire				
Within 1 year	65,160	9,152	33,000	22,698
Within 2 to 5 years	-	2,477	22,260	9,152
After more than 5 years	90,000	-	90,000	-
	<u>155,160</u>	<u>11,629</u>	<u>145,260</u>	<u>31,850</u>

22 TRANSACTIONS WITH THE DIRECTORS

During the year the company traded with the following directors on normal trade terms and conditions, the details of which are -

	Sales £	Outstanding at 31st December 2007 £
C Steele	204,663	13,791
D Regan	196,050	4,784
A Dow	69,969	142

The outstanding balances are current with no overdue amounts

On 1 January 2007 the company acquired for £10,000 Imagina Limited, a company in which A Walton is a director and was a major shareholder

23 RELATED PARTY TRANSACTIONS

The head office of the company is owned by a SIPP fund (Self Invested Personal Pension) of which the directors of Foremost Golf Limited are members. The company has entered into a 15 year lease on the premises at a rental of £90,000 per annum

FOREMOST GOLF LIMITED
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24 SHARE CAPITAL**Authorised share capital**

	2007 £	2006 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid

	2007 No	£	2006 No	£
Ordinary shares of £1 each	<u>668,286</u>	<u>668,286</u>	<u>629,872</u>	<u>629,872</u>

On 8 May 2007 13,276 ordinary shares were issued under The General Scheme (see note 20) The consideration price paid was £1 per share

On 8 May 2007, the company also issued 25,138 ordinary shares of £1 each for cash to increase the capital base of the company The consideration paid was £1.44 per share

25 RESERVES

Group	Share premium account £	Share options reserve £	Profit and loss account (restated) £
Balance brought forward	43,407	-	288,038
Prior year adjustment (note 11)	-	-	(5,000)
Restated balance as at 1 January 2007	43,407	-	283,038
Profit for the year	-	-	151,231
Equity dividends	-	-	(50,390)
Other movements			
New equity share capital subscribed	11,061	-	-
Recognition of equity-settled share-based payments in the year	-	11,055	-
Balance carried forward	<u>54,468</u>	<u>11,055</u>	<u>383,879</u>
Company	Share premium account £	Share options reserve £	Profit and loss account (restated) £
Balance brought forward	43,407	-	(258,623)
Prior year adjustment (note 11)	-	-	(5,000)
Restated balance as at 1 January 2007	43,407	-	(263,623)
Loss for the year	-	-	(69,598)
Equity dividends	-	-	(50,390)
Other movements			
New equity share capital subscribed	11,061	-	-
Recognition of equity-settled share-based payments in the year	-	11,055	-
Balance carried forward	<u>54,468</u>	<u>11,055</u>	<u>(383,611)</u>

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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26 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	151,231	152,672
New equity share capital subscribed	38,414	96,672
Premium on new share capital subscribed	11,061	24,276
Equity dividends	(50,390)	(37,324)
Recognition of equity-settled share-based payments in the year	11,055	–
Net addition to shareholders' funds	161,371	236,296
Opening shareholders' funds	961,317	720,021
Prior year adjustment (see note 11)	(5,000)	–
Closing shareholders' funds	<u>1,117,688</u>	<u>956,317</u>

27 NOTES TO THE STATEMENT OF CASH FLOWS

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW)
FROM OPERATING ACTIVITIES**

	2007	2006
	£	£
Operating profit	258,567	235,221
Interest payable	46	105
Amortisation	15,043	43,015
Depreciation	43,281	17,122
Loss on disposal of fixed assets	–	14,739
(Increase)/decrease in stocks	(47,351)	190,610
Increase in debtors	(495,259)	(315,713)
Increase/(decrease) in creditors	352,583	(223,687)
Equity-settled share-based payments	11,055	–
Net cash inflow/(outflow) from operating activities	<u>137,965</u>	<u>(38,588)</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2007	2006
	£	£
Interest received	24	751
Interest paid	(44,698)	(42,338)
Net cash outflow from returns on investments and servicing of finance	<u>(44,674)</u>	<u>(41,587)</u>

TAXATION

	2007	2006
	£	£
Taxation	<u>(28,500)</u>	<u>(29,537)</u>

FOREMOST GOLF LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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27 NOTES TO THE STATEMENT OF CASH FLOWS (continued)**CAPITAL EXPENDITURE**

	2007 £	2006 £
Payments to acquire intangible fixed assets	9,431	–
Payments to acquire tangible fixed assets	<u>(52,237)</u>	<u>(95,839)</u>
Net cash outflow from capital expenditure	<u>(42,806)</u>	<u>(95,839)</u>

FINANCING

	2007 £	2006 £
Issue of equity share capital	38,414	96,672
Share premium on issue of equity share capital	11,061	24,276
Net outflow from other long-term creditors	<u>(2,300)</u>	<u>(1,600)</u>
Net cash inflow from financing	<u>47,175</u>	<u>119,348</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2007 £	2006 £
Increase/(decrease) in cash in the period	18,770	(123,527)
Net cash outflow from other long-term creditors	<u>2,300</u>	1,600
	21,070	(121,927)
Change in net funds	21,070	(121,927)
Net funds at 1 January 2007	8,909	130,836
Net funds at 31 December 2007	<u>29,979</u>	<u>8,909</u>

ANALYSIS OF CHANGES IN NET FUNDS

	At 1 Jan 2007 £	Cash flows £	At 31 Dec 2007 £
Net cash			
Cash in hand and at bank	17,150	14,629	31,779
Overdrafts	<u>(4,141)</u>	<u>4,141</u>	–
	13,009	18,770	31,779
Debt			
Debt due after 1 year	<u>(4,100)</u>	<u>2,300</u>	<u>(1,800)</u>
Net funds	<u>8,909</u>	<u>21,070</u>	<u>29,979</u>

28 CONTROLLING PARTY

There is no overall controlling party