

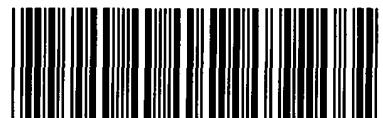
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# TLA WORLDWIDE PLC

Annual report and financial statements year ended 31 December 2016

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## Contents

Strategic report	2 – 13
Chief Executive's review	2 - 4
Chief Financial officer's review	5 - 13
Board of Directors	14 - 15
Directors' report	16 - 18
Directors' remuneration report	19 - 23
Corporate governance report	24 – 26
Directors' responsibilities statement	27 – 28
Independent auditor's report	29 – 30
Consolidated financial statements	31 – 35
Principal accounting policies	36 - 46
Notes to the Consolidated financial statements	47 – 71
Company financial statements	72 – 73
Notes to the Company financial statements	74 – 78
Shareholder information	79

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## **STRATEGIC REPORT CHIEF EXECUTIVE'S REVIEW**

### **Background**

As part of the audit for the year ended 31 December 2016, certain accounting practices and errors relating to the Group's US business were brought to the attention of the Board. This resulted in the Group's auditor undertaking additional verification work and the further appointment of an international independent accounting firm to carry out a detailed forensic review of the Group's US accounting records, internal systems and accounting practices. As a result, there was a lengthy delay to the publication of the 2016 results, whilst a full review of the Group's US accounts for the periods FY 2015, FY 2016 and the period to 30 June 2017 was completed. TLA's shares were suspended from trading on AIM on 29 June 2017, as a result of the delay in publishing the Group accounts. The review has been both extensive and exhaustive as the Group has sought to uncover and resolve all accounting issues, and implement significantly enhanced controls and procedures.

This review identified issues only within the Group's US Sports Marketing and Baseball divisions ("US business"). The main issues identified included:

- Inappropriate application of accounting policies and accounting errors;
- Revenue recognition errors;
- Cost recognition errors;
- Inappropriate treatment of certain items under aged trade and other receivables; and
- Misappropriation of funds by the former CFO Donald Malter.

The issues above resulted in significant accounting adjustments to the 2016 results as well as the correction of prior period errors (as set out in note 1). Significant provisions were recorded against trade and other receivables and corrections were made to certain revenue and cost items.

The US business accounted for 37% of Headline EBITDA, excluding central costs, provisions and foreign exchange charges, as set out in the Summary of EBITDA table on page 5. No accounting issues were identified in the Group's UK, Australian and Events businesses.

The Group's former CFO, Donald Malter, whose responsibility included overseeing the application of the Group's accounting policies in the US, resigned and Bill Armstrong was appointed as Interim Group CFO, on 19 June 2017. Bill Armstrong's focus has been assisting with the review, preparing updated accounts with detailed reconciliations, preparing a remedial plan to strengthen the Group's internal systems and accounting controls as well as strengthening the US finance team. Good progress has been made in this regard over the summer and autumn and now the US business has significantly enhanced controls and improved financial reporting systems and procedures.

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**STRATEGIC REPORT (continued)**  
**CHIEF EXECUTIVE'S REVIEW (continued)**

**Forensic review**

Following the forensic review by the independent accounting firm and subsequent investigation, evidence emerged of cash misappropriation and other unauthorised transfer of funds totalling approximately \$0.8 million over a three year period by the former Group CFO, as well as instances of intentional posting of erroneous accounting entries within the US business' books and records by former members of the US finance team, which was overseen by the former Group CFO. The inappropriate accounting treatments, accounting errors and recognition errors referred above have primarily arisen as a result of these actions. The scope of the forensic review, together with investigations led by Bill Armstrong, included various procedures intended to discover instances of erroneous accounting entries.

The Company's insurer is aware of the misappropriation and the Board is pursuing recovery of these funds under its insurance policy. A further update will be provided when appropriate.

**Remedial actions undertaken**

- The appointment of a new Group CFO to be based in London with responsibility to oversee all the Group's businesses is progressing and we expect to make an announcement shortly with the new Group CFO in place by early January 2018;
- Strengthened and substantially changed the US finance team including a revised team structure and the appointment of Matthew Craig, a sports and entertainment industry finance executive, as North American CFO who will report into the new Group CFO. Bill Armstrong will remain with the Group for a sufficient period of time to ensure an orderly hand over process;
- Brought the US division in line with the Group's invoicing and revenue recognition policies, with robust controls in place to ensure these are enforced;
- Improved outstanding receivables and aged receivable processes to ensure they are more closely monitored, collected and correctly accounted for;
- Implementing the recommendations made by the international accounting firm regarding the application of proper control, policies and procedures in the US business including revenue and cost recognition, appropriate segregation of duties regarding accounting system entries, contract invoicing and expense authorisation; and
- Putting in place a detailed plan, to be implemented throughout the remainder of 2017 and early 2018 which includes the roll-out of a new accounting system and a CRM system in the US business.

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**STRATEGIC REPORT (continued)**  
**CHIEF EXECUTIVE'S REVIEW (continued)**

**Key appointments**

TLA have strengthened its senior team with the appointment Matthew Craig as North American CFO who started on 31 October 2017 and the recruitment of Group CFO is advanced and an announcement is expected shortly.

Prior to joining TLA, Mr. Craig worked for two years as the Director of Accounting and Analysis at Disney Theatrical Group, the live events division for Disney which includes theme parks, Broadway productions and cruise ships. Previously Matthew Craig was Director of Finance for ten years at the leading sports and entertainment agency, WME, (formerly International Management Group ("IMG")). In his role at IMG Matthew Craig supervised the reporting of all North American Media properties including entertainment, archive, digital, licensing, consulting, international distribution, post production facilities and various acquisitions.

**Banking update**

The Group's banking facilities were renewed on 3 November 2017 with SunTrust Bank, the Group's existing bankers. The facilities comprise an amortising term loan of \$23.75 million and a revolving facility of \$5.0 million. The facilities mature in March 2020. The interest margin varies between 3% and 5.5% over US LIBOR, depending on the Group's leverage ratio and is secured against the assets of the Group. With the revised facilities, the Group is currently in full covenant compliance and any prior covenant breaches have been remedied or waived.



**Michael Principe**  
**Group Chief Executive**  
**15 November 2017**

**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW**

**FINANCE REVIEW**

Review of the Group's financial performance for the year ended 31 December 2016.

**SUMMARY OF RESULTS**

	Baseball \$000	Sports Marketing \$000	Central \$000	Total \$000	2015 (restated) \$000
Headline EBITDA prior to provisions and foreign exchange	3,940	5,848	(3,810)	5,978	12,163
Provision adjustments*	(3,470)	(2,453)	-	(5,923)	(679)
Foreign exchange**	-	-	(453)	(453)	-
<b>Headline EBITDA post provisions and foreign exchange</b>	<b>470</b>	<b>3,395</b>	<b>(4,263)</b>	<b>(398)</b>	<b>11,484</b>
Amortisation of intangibles	(3,127)	(1,736)	-	(4,863)	(5,692)
Depreciation	-	(78)	(101)	(179)	(145)
Exceptional and acquisition related costs	4,795	(1,439)	(1,759)	1,597	225
Share based payments	-	-	(3,135)	(3,135)	(3,409)
<b>Statutory operating profit/ (loss)</b>	<b>2,138</b>	<b>142</b>	<b>(9,258)</b>	<b>(6,978)</b>	<b>2,463</b>

\* Provisions relate to irrecoverable trade and other receivables in the US business.

\*\* The foreign exchange charge relates predominately to a loss on a forward currency contract relating to the International Champions Cup ("ICC") which had to be settled before the ICC proceeds were received.

**2016 AND RESTATED 2015 HEADLINE EBITDA**

	2016 \$000	2015 (restated) \$000
Baseball	3,940	6,859
Sports Marketing	5,848	8,544
Central	(3,810)	(3,240)
Headline EBITDA pre-provisions and foreign exchange	<b>5,978</b>	<b>12,163</b>
Provisions	(5,923)	(679)
Foreign exchange	(453)	-
Headline EBITDA	<b>(398)</b>	<b>11,484</b>

**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

**2016 AND RESTATED 2015 HEADLINE EBITDA (continued)**

The 2015 restatement relates to issues uncovered as part of the recent accounting review, principally incorrect revenue recognition in the US Sports Marketing business of \$1.45 million and \$0.5 million of understated commission in the US Baseball business, and is set out as follows:

**2015 RESTATEMENT**

	Baseball			Sports Marketing			Central costs	2015 Restated
	2015	Adjusted	2015 Restated	2015	Adjusted	2015 Restated	2015	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Revenue	15,103	-	15,103	29,337	(1,448)	27,889	-	42,992
Cost of sales	(1,348)	(500)	(1,848)	(8,091)	-	(8,091)	-	(9,939)
<b>Operating income</b>	<b>13,755</b>	<b>(500)</b>	<b>13,255</b>	<b>21,246</b>	<b>(1,448)</b>	<b>19,798</b>	-	<b>33,053</b>
Costs	(6,925)	-	(6,925)	(11,404)	-	(11,404)	(3,240)	(21,569)
<b>Headline EBITDA</b>	<b>6,830</b>	<b>(500)</b>	<b>6,330</b>	<b>9,842</b>	<b>(1,448)</b>	<b>8,394</b>	<b>(3,240)</b>	<b>11,484</b>

**STATUTORY LOSS BEFORE TAX**

For the period ended 31 December 2016, the Group reported a statutory loss before tax of \$9.3 million (2015: profit of \$0.9 million, restated). This loss includes the impact of:

- \$1.5 million of exceptional costs incurred relating to the aborted offer for the Group by Atlantic Alliance Partnership Inc.;
- non-cash IFRS charges for amortisation totalling \$4.9 million (2015: \$5.7 million);
- non-cash costs for share based charges of \$3.1 million (2015: \$3.4 million);
- the poor trading performance of our US Sports Marketing business;
- \$5.9 million of provisions for the Group's US business, primarily for aged trade and other receivables (2015: \$0.7 million); and
- the correction of misstatements related to the incorrect application of accounting policies and restating of the FY 2015 comparatives in the US business.

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**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

**EBITDA**

The underlying EBITDA of the business, that is Headline EBITDA excluding foreign exchange and receivable provisions relating to the US business, was \$6.0 million (2015: \$12.2 million). The board believes this number is a helpful indicator of the underlying performance of the business in the period. See accounting policies for more information on this measure.

The Group's Headline EBITDA margin, on an underlying basis, reduced from 34.7% in 2015 to 18.2% in 2016. This is the result of:

- a reduction in Baseball's headline EBITDA margin by 45pp due to increased costs in the business as it invested in personnel costs that added 14 MLB clients during the year. These clients are not generating any material fees for TLA currently but are expected to do so as TLA negotiates their next playing contract;
- Sports Marketing headline EBITDA margin reduced by 25pp, which reflects the previously announced ICC soccer performance and the performance of US Sports Marketing, as the business was reorganised after changes to agents during 2016; and
- offset by the continued good performance of the Australian Sports Marketing business.

The performance at the operating level, before interest, tax, depreciation, amortisation and exceptional charges showed a Group Headline EBITDA loss of \$(0.4) million (2015: EBITDA profit of \$11.5 million, restated). Group Headline EBITDA margin reduced by 36pp to (1.2)%.

Diluted earnings per share using Headline profit attributable to owners of the company was 1.00 cents (2015: earnings 5.50 cents, restated).

**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

STATUTORY RESULTS	Year ended	Year ended	%
	31 December	31 December	
	2016	2015 (restated)	
	\$000	\$000	Change
Revenue	43,425	42,992	+1.0
Operating (loss)/profit	(6,978)	2,463	-383.3
Statutory (loss)/profit before tax	(9,259)	869	-1,165
Statutory diluted (loss) per share (cents)	(4.32)	(1.01)	-328

HEADLINE RESULTS	Year ended	Year ended	%
	31 December	31 December	
	2016	2015 (restated)	
	\$000	\$000	Change
Revenue	43,425	42,992	+1.0
Operating income (Gross profit)	32,778	33,053	-0.8
Headline EBITDA	(398)	11,484	-103.5
Headline EBITDA margin <sup>1</sup>	-1.2%	34.7%	-35.9pp
Headline (loss)/profit before tax <sup>2</sup>	(1,876)	10,612	-117.7
Headline diluted (loss)/ earnings per share (cents)	1.00	5.50	-81.8

<sup>1</sup>Headline EBITDA over gross profit, which the group defines as its operating income

<sup>2</sup>Headline EBITDA after bank interest and depreciation

**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

TLA segments its operations into Sports Marketing and Baseball Representation as follows:

Year ended 31 December 2016

	Baseball Representation	Sports Marketing	Central	Total
	\$000	\$000	\$000	\$000
Revenue	13,078	30,347	-	43,425
Cost of sales	(57)	(10,590)	-	(10,647)
<b>Gross profit</b>	<b>13,021</b>	<b>19,757</b>	<b>-</b>	<b>32,778</b>
Operating expenses excluding depreciation, amortisation, share based payments and exceptional items	(12,551)	(16,362)	(4,263)	(33,176)
<b>Headline EBITDA</b>	<b>470</b>	<b>3,395</b>	<b>(4,263)</b>	<b>(398)</b>
Amortisation and impairment of intangibles	(3,127)	(1,736)	-	(4,863)
Depreciation	-	(78)	(101)	(179)
Exceptional items and acquisition related costs	4,795	(1,439)	(1,759)	1,597
Share based payments	-	-	(3,135)	(3,135)
<b>Operating profit/ (loss)</b>	<b>2,138</b>	<b>142</b>	<b>(9,258)</b>	<b>(6,978)</b>
Finance costs				(2,281)
<b>Loss before tax</b>				<b>(9,259)</b>
Tax				3,101
<b>Loss for the year</b>				<b>(6,158)</b>

Year ended 31 December 2015 (restated)

	Baseball Representation	Sports Marketing	Unallocated	Total
	\$000	\$000	\$000	\$000
Revenues	15,103	27,889	-	42,992
Cost of sales	(1,848)	(8,091)	-	(9,939)
<b>Gross profit</b>	<b>13,255</b>	<b>19,798</b>	<b>-</b>	<b>33,053</b>
Operating expenses excluding depreciation, amortisation, share based payments and exceptional items	(6,925)	(11,404)	(3,240)	(21,569)
<b>Headline EBITDA</b>	<b>6,330</b>	<b>8,394</b>	<b>(3,240)</b>	<b>11,484</b>
Amortisation of intangibles	(3,532)	(2,160)	-	(5,692)
Depreciation	(10)	(84)	(51)	(145)
Exceptional items and acquisition related costs	1,685	(656)	(804)	225
Share based payment	-	-	(3,409)	(3,409)
<b>Operating profit/ (loss)</b>	<b>4,473</b>	<b>5,494</b>	<b>(7,504)</b>	<b>2,463</b>
Finance costs				(1,594)
<b>Profit before tax</b>				<b>869</b>
Tax				(1,834)
<b>Loss for the year</b>				<b>(965)</b>

**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

**DIVISIONAL PERFORMANCE**

**Sports Marketing**

	2016	2015 Restated	%
	\$000	\$000	Change
Revenues	30,347	27,889	+8.8
Operating income (Gross profit)	19,757	19,948	-1.0
Headline EBITDA	3,395	8,394	-59.6
<i>Headline EBITDA Margin</i>	17.2%	42.1%	-24.9pp
Operating profit	142	5,494	-97.4

Performance for Sports Marketing for the year ended 31 December 2016 showed revenue of \$30.3 million, Headline EBITDA of \$3.4 million and operating loss of \$0.1 million. The division's reported revenues grew by 9%. This was partly due to reporting a full year of TLA Australia, increase in revenues from events where we acted as principal, and revenue increases in the merchandise business within TLA Australia, which is offset by cost of sales. As a more effective measure of performance the Group focuses on operating income which was flat at \$20.0 million. This was a direct result of the poor performance of our US Sports Marketing business and the under performance of the ICC event, offset by our successful rugby event in Chicago. The additional provisions recorded (primarily in relation to trade receivables) also contributed to the decline in the Headline EBITDA margin, which fell by 24.9 percentage points to 17.2%.

**Baseball Representation**

	2016	2015 Restated	%
	\$000	\$000	Change
Revenue	13,078	15,103	-13.4
Operating income (Gross profit)	13,021	13,105	-0.6
Headline EBITDA	470	6,330	-92.6
<i>Headline EBITDA Margin</i>	3.6%	48.3%	- 44.7pp
Operating profit	2,138	4,473	-52.2

Performance for the year ended 31 December 2016 saw \$13.1 million of revenue, Headline EBITDA of \$0.5 million and operating profit of \$2.1m. The decrease in revenue compared to 2015, was due to a large contract signed in 2015 which included a significant signing bonus of \$1.4 million. The Headline EBITDA performance reflects the investment into this division including costs associated with the previously announced appointments of an additional two high profile agents who increased our MLB client portfolio by 14, in addition to the provisions made to other receivables. Operating income was flat and the statutory operating profit was \$2.1 million. The statutory operating profit is higher than the Headline EBITDA because of an exceptional credit relating to the adjustment to expected contingent consideration that expected to be payable in the future as explained in note 5.

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**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

**CASH FLOW AND BANKING ARRANGEMENTS**

Cash balances as at 31 December 2016 were \$8.6 million (31 December 2015: \$6.3 million) and net debt of \$22.1 million (31 December 2015: \$16.4m). The increase in the Group's net debt was impacted by the investment into Baseball; the under performance of the US Sports Marketing business; lower profit from the Group's 2016 ICC soccer event (as previously stated); the acquisition of the remaining 45% of the ESP merchandise business that we did not own; and the Group's working capital requirements.

The Group's banking facilities were renewed on 3 November 2017 with Sun Trust Bank, its existing bankers. The facilities comprise an amortising term loan of \$23.75 million and a revolving facility of \$5 million. The facilities mature in March 2020. The interest margin varies between 3% and 5.5% over US LIBOR, depending on the Group's leverage ratio; it is secured against the assets of the Group. The term loan has quarterly repayments over the life of the loan together with a final bullet repayment. Any covenant breach caused by the accounting issues within the US business have been waived. The facilities are therefore no longer, as is required to be stated in the 31 December 2016 Group balance sheet, repayable with 12 months.

There are no cash earn-out payments due for 2016 performance. A total of \$7.1 million of performance related contingent consideration remains payable subject to the achievement of certain EBIT growth targets, over the period 2017-2020.

**FUTURE DEVELOPMENTS**

The Group intends to continue its strategy of growth both organically and by acquisition. This strategy is focused on geographic expansion, where we offer on current services in new geographic; or expanding into complementary services that we can provide to our clients.

**DIVIDENDS**

The Board has adopted a progressive dividend policy, intending to maintain or grow the dividend each year, subject to profitability and cash flow. In setting the dividend distribution policy and the overall financial strategy, the Board's aim is to continue to strike a balance between the interests of the business, our financial creditors and our shareholders by providing for business investment, meeting debt service obligations and funding the progressive dividend policy.

The board does not propose a final dividend for the year. The Group paid an interim dividend of 0.23 pence in 2016.

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**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the Group and the execution of the Group's strategies are subject to several risks. The key business risks affecting the Group are shown below.

*Risk management*

The significant risks that the Group faces have been considered and policies have been implemented to best deal with each risk. The four most significant risks are liquidity, finance cost risk, customer relationship risk and management risk.

*Liquidity risk*

The year-end net debt was \$22.1 million (2015: \$16.4 million) which included cash of \$8.6 million (2015: \$6.3 million) and bank borrowings of \$30.6m (2015: \$22.8m). The Group's cash and net debt position is continually monitored together with facility headroom. As noted above, the Group's banking facilities were re-negotiated on 3 November 2017.

*Finance risk cost*

The Group pays finance costs on its bank facilities. These facilities finance costs are a variable cost linked to LIBOR plus a margin. Interest rates are managed through an interest rate swap. The average interest rate on the facilities for the Group in 2016 was 2.8% (2015: 2.8%) and have been updated as part of the aforementioned re-negotiation of the loan facilities

*Customer relationships risk*

The Group has commercial relationships with 884 clients. Attrition rates are low and relationships are strong. In the case of baseball contracts, any revenues negotiated by the Group survive the termination of relationship with a client. No client accounts for more than 5% of revenue (2016: 5%).

*Management risk*

It is likely that changes to members of the senior management team would impact on the Group's ability to perform to the expectations within its strategy. In addition, the Group has also reviewed and updated its management control procedures so that these controls procedures have several authorisation levels. The Board also ensures that the management team is appropriately rewarded for its efforts and that succession planning is considered. In the case of vendor management, they are incentivised through the ability to achieve future earn-out payments.

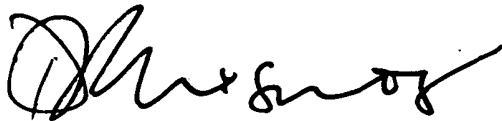
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**STRATEGIC REPORT (continued)**  
**CHIEF FINANCIAL OFFICER'S REVIEW (continued)**

**KEY PERFORMANCE INDICATORS ("KPI's")**

The Group manages its operational performance using a number of KPIs. Performance against these KPIs was as follows:

<b>KPI</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>
Headline EBITDA	\$(0.4) million	\$11.5 million
Headline EBITDA Margin	(1.2)%	35%
Loss/profit before tax	\$(9.3) million	\$0.9 million
Off-season contracts negotiated	\$274 million	\$146 million
Debtor collection days	60 days	63 days



**15 November 2017**

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## **Board of Directors**

### **Bart Campbell – Executive Chairman (46)**

From 2009 until May 2013, Bart was the Group COO of Chime Communications plc (“Chime”) sports division, called CSM Sport & Entertainment which has 670+ staff, in 15 offices across 13 countries and is the fourth largest sports marketing agency globally. He was a member of the executive board of Chime. Prior to that he was Chief Executive of the sports marketing and management business Essentially Group plc (“Essentially”) which is part of Chime today, starting this role in 2006. Bart is also Chairman of the Melbourne Storm Rugby Club.

During his tenure as CEO of Essentially, Bart grew the business from 20 to 120 professionals with offices in London, Australia, South Africa, New Zealand, India and Japan. He is a former practicing sports and commercial lawyer, with a BA and LLB from Otago University in his native New Zealand. Bart was admitted to the bar in 1994 before going on to complete a Masters in Commercial Law (Hons) from Auckland University in 1999. He successfully completed the Advanced Management Program at Harvard Business School in 2010.

### **Michael Principe – Chief Executive (47)**

As the Chief Executive of TLA, Mike brings nearly 15 years of experience in sports and entertainment industry to his position. Most recently, Mike served as the Managing Director of Blue Entertainment Sports Television (“BEST”), an industry leader in sports marketing, management and production, which was recently acquired by Lagardère Unlimited, where he also served as the Chief Operating Officer for its parent company, Blue Equity LLC.

Prior to joining BEST, he held various executive positions with SFX Sports Group Inc. (“SFX”), including serving as a member of its Executive Committee and that of Executive Vice President and as General Counsel. As one of the most accomplished executives and dealmakers in sports, Mike has participated in over 35 transactions with an aggregate value in excess of \$600 million. He is a member of the New York Bar and the Sports Lawyers Association. He has been named in the Sports Business Journal’s prestigious “Forty Under 40” list.

### **Greg Genske – Executive Director (45)**

Greg became CEO of Legacy in 2004. He has served as lead negotiator for the contracts signed by Legacy clients dating back to 2004. Greg has advised amateur athletes in the MLB and NFL drafts, including the first pick overall in the 2004 and 2008 MLB drafts. He has been named in the Sports Business Journal’s prestigious “Forty Under 40” list. Prior to entering the sports industry, he practised with two leading national law firms as a trial attorney. Greg holds a bachelor’s degree from Pepperdine University and J.D. from Boalt Hall School of Law at University of California at Berkeley.

### **Keith Sadler – Senior Independent Non-Executive Director (59)**

Keith was, until December 2014, chief financial officer of Dods (Group) PLC, a political communications business. He was formerly COO and Group finance director of WEARE 2020 plc. Prior to this he was chief executive and Group finance director of SPG Media Group plc, a marketing services business, Group finance director of The Wireless Group and two quoted regional newspaper publishers, News Communication and Media plc and Bristol United Press plc. Before this he was treasurer of Mirror Group Newspapers plc. Keith is a chartered accountant and holds an honours degree in economics from the University of Kent.

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## **Board of Directors (continued)**

### **Ian Robinson – Non-Executive Director (70)**

Ian is currently non-executive director of Jaywing Plc, an AIM listed agency and consulting business specialising in data science, a non-executive director of Gusbourne Plc and an AIM listed English sparkling-wine business. He is non-executive Chairman of LT Pub Management Plc, a privately owned pub and leisure asset management business. He is also a director of a number of other privately owned businesses.

Previously he was chief financial officer of Carlisle Group's UK staffing and facilities services operations. He has held other senior financial appointments both in the UK and overseas. He is a Fellow of the Institute of Chartered Accountants in England & Wales, having trained with Peat, Marwick, Mitchell & Co (now KPMG) in London and an honours degree in economics for The University of Nottingham.

### **Ken Wotton – Non-Executive Director (43)**

Ken Wotton is currently a Director and Head of Quoted Investments at Livingbridge and a member of Livingbridge VC LLP.

Ken graduated from Oxford before qualifying as a Chartered Accountant with KPMG. He then moved into equity research with Commerzbank and then Evolution Securities building a sector expertise in telecoms and technology and knowledge of large and small listed companies and corporate transactions. Ken has spent the last ten years investing in the small and micro-cap sector focusing on entrepreneurial growth companies.

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## Directors' report

The Directors present their report together with the financial statements for the year ended 31 December 2016.

### Political and charitable donations

The Group made no charitable donations during the year (2015: \$nil).

### Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Bart Campbell  
Gregory Genske  
Donald Malter (resigned 19 June 2017)  
Michael Principe  
Ian Robinson  
Keith Sadler  
Ken Wotton (appointed 1 December 2016)  
Andrew Pearson (resigned 30 November 2016)

### Directors' interests

The present membership of the Board, together with biographies on each, is set out on page 12 and 13. All of these Directors served throughout the year. Directors' interests in shares in the Company are set in the Directors' remuneration report.

### Directors' third party indemnity provisions

The Group maintains appropriate insurance to cover Directors' and officers' liability. The Group provides an indemnity in respect of all the Group's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

### Employees

The Group is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, sexual orientation, race, colour, religion or belief.

It is the policy of the Group that individuals with disabilities, whether registered or not should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment whenever possible and will be given help with any rehabilitation and retraining.

### Going concern

The Directors have reviewed forecasts for the years ending 31 December 2017 and 31 December 2018 and at the time of approving the financial statements, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group's renewed banking facilities, executed on 3 November 2017, has removed the short-term nature of the facilities which is set out in the 31 December 2016 balance sheet, as any covenant issues have been waived as part of the renewal. The Board therefore continues to adopt the going concern basis of accounting in preparing the financial statements.

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## **Directors' report (continued)**

### **Health and safety**

The Group is committed to maintaining a safe and healthy working environment for all staff. To that end it provides appropriate training and supervision.

### **Supplier payment policy**

It is the Group's policy and practice to settle its suppliers accounts on due dates according to agreed terms of credit. The creditor days across the Group for the year were 51 days (2015: 38 days). The Group has \$7.7 million of trade payables as at 31 December 2016 (2015: \$2.4 million).

### **Share capital structure**

Details of the Company's share capital are set out in note 20 of the financial statements.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than the customary restrictions contained in the Company's Articles of Association and certain restrictions, which may be required from time to time by law, for example, insider trading laws. In accordance with the Model code which forms part of the Listing Rules of the Financial Services Authority certain Directors and employees are required to seek approval of the Company to deal in its shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution at a general annual meeting of shareholders. The powers of the Directors are described in the Main Board Terms of Reference, copies of which are available on request.

### **Financial instruments**

Details of the financial risk management objectives and policies of the Group, including hedging policies, are given in note 26 to the consolidated financial statements.

### **Substantial shareholdings**

At the date of this report the Company has been notified, in accordance with the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company which had disclosable interests of 3% or more of the nominal value of TLA Worldwide plc's ordinary shares of 2p each.

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## Directors' report (continued)

### Substantial shareholdings (continued)

Shareholder	Shares	Equity %
Living Bridge	17,880,952	12.47
Strand Associates	16,871,739	11.76
Nigel Wray	12,160,000	8.48
Octopus Investments	8,870,030	6.18
Michael Principe	7,117,567	4.96
International Sports Pte Limited	6,469,120	4.51
BMO Global Assets Management UK	5,555,469	3.87
LGT Bank, Vadul (PB)	5,092,500	3.55
Scott Parker	4,493,208	3.13

During the period between 1 January 2017 and 15 November 2017 the Company did not receive any notifications under chapter 5 of the Disclosure and Transparency Rules.

### Corporate and social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take account of the interest of the Group's stakeholders when operating the business.

### Annual General Meeting

Your attention is drawn to the Notice of Meeting enclosed with this Annual Report, which set out the resolutions to be proposed at the forthcoming Annual General Meeting.

### Auditor

Each of the Directors at the date of the approval of this Annual Report confirms that:

- So far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This conformation is given and should be interpreted on accordance with the provision of s418 of the Companies Act 2006.

The auditor, Deloitte LLP has indicated its willingness to remain in office. A resolution that they be re-appointed will be proposed at the Annual General Meeting.

By order of the Board,



**Dwight Mighty**  
Company Secretary  
15 November 2017

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## Directors' remuneration report

As an AIM listed Company, the Company is not required to comply with Schedule 8 of the Companies Act. However, in accordance with AIM notice 36 the Company has provided, in the Directors remuneration report, the necessary disclosure of the Directors' remuneration earned in respect of the financial year by each Director of the Company acting in such a capacity during the financial year. The Directors also feel it is appropriate to provide the following information to shareholders.

### The Remuneration Committee

The Remuneration Committee is comprised of

- Ian Robinson (Chairman)
- Keith Sadler
- Bart Campbell

The Remuneration Committee is not comprised of entirely independent non-executive Directors. Ian Robinson, whom is affiliated to a major shareholder, and Bart Campbell, due to his position as Executive Chairman, his shareholding in the Company and his influence in its formation, are not independent under the UK corporate governance Code. The Board does consider them to act independently about remuneration issues.

The committee met once during the year.

The Company Secretary is the secretary to the committee.

The committee seeks input from the Chief Executive Officer and the Company Secretary. The committee refers to external evidence of pay and employment conditions in other companies and is free to seek advice from external advisers.

### Remuneration policy

The Group's policy on remuneration for the current year and, so far as is practicable for subsequent years, is set out below. However, the Remuneration Committee believes that it should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. Any changes in the policy in subsequent years will be detailed in future reports on remuneration. The Group must ensure that its remuneration arrangements attract and retain people of the right calibre to ensure corporate success and to enhance shareholder value. Its overall approach is to attract, develop, motivate and retain talented people at all levels, by paying competitive salaries and benefits to all staff and encouraging its staff to hold shares in the group. Pay levels are set to take account of contribution and individual performance, wage levels elsewhere in the Group and regarding relevant market information. The Group seeks to reward its employees fairly and give them the opportunity to increase their earnings by linking pay to achieving business and individual targets.

The board believes that share ownership is an effective way of strengthening employees' involvement in the development of the business and bringing together their interest and those of shareholders and as such anticipates granting a share option scheme to key employees in the future.

Executive Directors are rewarded based on individual responsibility, competence and contribution and salary increases also consider pay awards elsewhere in the Group as well as external market benchmarking.

During the year to 31 December 2016 there were four Executive Directors:

- Bart Campbell (Executive Chairman)
- Michael Principe (CEO)
- Greg Genske (Executive Director)
- Donald Malter (CFO)

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## Directors' remuneration report (continued)

### Remuneration policy (Continued)

Messrs Principe and Genske participate in the Company's healthcare scheme.

Performance-related elements form a substantial part of the total remuneration packages and are designed to align Directors' interest with those of shareholders. In line with best practice and to bring the Directors' and shareholders' interest further into line, Executive Directors and the management team are encouraged to maintain a holding of ordinary shares in the Group.

### Non-Executive Directors fees

The Board determines fees for Non-Executive Directors annually, taking advice as appropriate and reflecting the time commitment and responsibilities on the role. Non-Executive Directors' fees currently comprise a basic fee of £30,000 per annum. In addition, Non-Executive Directors are paid £5,000 per annum for each committee that they sit on.

Non-Executive Directors do not participate in any pension schemes or LTIP. The Group reimburses the reasonable expenses they incur in carrying out their Directors' duties.

### Remuneration components – Executive Directors

A significant proportion of each Executive Directors' remuneration is performance related. The main components of the remuneration package for Executive Directors are:

- Basic salary
- Annual bonuses
- LTIP

### Basic salary

Basic salary is set by the Remuneration Committee by taking into account the responsibility, individual performance and experience of the Executive Director, as well as market practice for executives in a similar position. Basic salary is reviewed (but not necessarily increased) annually by the Remuneration Committee.

### Bonuses

The Executive Directors are eligible to participate in annual bonuses. The range of award is based on salary. For each of the Executive Directors' the percentage is as follows:

- Bart Campbell: up to 50%
- Michael Principe: up to 50%
- Greg Genkse: No bonus
- Donald Malter: up to 16.67%

The performance requirements for the ability to earn a bonus are set by the committee annually and are quantitative related.

### Share incentive

The committee believes that the award of shares aligns the interest of participants and the shareholders. An LTIP for Messrs. Campbell, Principe and Mighty (Group Chief Operating Officer) was put into place on 19 December 2013, reflecting the terms set out in the Company's admission document. The balance of this award lapsed in December 2016. A further award under the LTIP was made in September 2015.

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## Directors' remuneration report (continued)

As part of this scheme, the following have been awarded:

Beneficiary	No of shares awarded	Award date	Average Price per share	Performance criteria
Bart Campbell	4,800,000	22 September 2015	£0.02	Share price of £0.60, £0.70 and £0.80 for three month average
Michael Principe	4,800,000	22 September 2015	£0.02	
Dwight Mighty	2,400,000	22 September 2015	£0.02	First measurement after the announcement of the 2015 results

Details of the scheme are given in note 27.

## Directors' remuneration report (continued)

### Audited directors' remuneration

The total amount of the Directors' remuneration of the Group for the year ended 31 December 2016 is shown below.

	2016	2015
	\$000	\$000
Aggregate emoluments	1,690	1,742

The emoluments of the Directors are shown below:

	2016	2016	2016	2015
	Fees and salary	Benefit in kind	Total	Total
	\$000	\$000	\$000	\$000
<b>Executive Directors</b>				
Bart Campbell	500	11	511	552
Michael Principe	500	22	522	521
Greg Genske	300	29	329	321
Donald Malter	180	-	180	180
	<b>1,480</b>	<b>62</b>	<b>1,542</b>	<b>1,574</b>
<b>Non-Executive Directors:</b>				
Keith Sadler	54	-	54	61
Andrew Pearson (resigned 30 November 2016)	37	-	37	46
Ian Robinson*	54	-	54	61
Ken Wotton (appointed 1 December 2016) **	3	-	3	-
<b>Aggregate emoluments</b>	<b>1,628</b>	<b>62</b>	<b>1,690</b>	<b>1,742</b>

\*\* Paid to Livingbridge

\* Paid to Anne Street Partners

### Directors' service agreement and letters of appointment

Contract for services are negotiated on an individual basis as part of the overall remuneration package. Details are set out below.

	Date of contract	Period	Company with whom contracted
Bart Campbell	1 January 2014	12 months	TLA Worldwide plc
Michael Principe	8 December 2011	5 years	The Legacy Agency Inc.
Greg Genske	8 December 2011	5 years	The Legacy Agency Inc.
Donald Malter	13 September 2013	3 months	The Legacy Agency Inc.

In the event of termination of a contract, each director is entitled to compensation equal to his or her basic salary and bonus for their notice period.

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## Directors' remuneration report (continued)

### Directors' service agreement and letters of appointment (Continued)

Non-executive Directors have letters of appointment, details of which are as follows:

	Date of contract	Notice Period	Company with whom contracted
Keith Sadler	16 August 2011	6 months	TLA Worldwide plc
Ian Robinson	22 May 2014	6 months	TLA Worldwide plc
Andrew Pearson	1 June 2012	6 months	TLA Worldwide plc
Ken Wotton	1 December 2016	6 months	TLA Worldwide plc

### Directors' interests in shares

The interests of the Directors in the share capital of the Company at 31 December 2016 were as follows:

	Number of shares	Equity %
Bart Campbell *	6,469,120	4.51
Greg Genske *	4,054,272	2.83
Michael Principe	7,117,567	4.96

\* Mr Campbell's shares are held through International Sports PTE limited. Mr Genske's shares are held by the Genske Life Trust

### Pensions

The Group's US businesses operate a 401K pension (defined contribution) scheme.

### Non-Executive Directorships

The Company allows its Executive Directors to take a limited number of outside Directorships. Individuals retain the payments received from such services since these appointments are not expected to impinge on their principal employment. Bart Campbell is Chairman of the Melbourne Storm Rugby Club.

### Other related party instructions

No Director of the Company has, or had, a disclosable interest in any contracts of significant subsisting during or at the end of the period. Disclosable transactions by the Group under IAS24, Related Party Disclosures, are set out in note 29. There have been no other disclosable transactions by the Company and its subsidiaries with Directors of Group companies and with substantial shareholders.

By order of the Board

**Ian Robinson**  
**Chairman, Remuneration Committee**  
**15 November 2017**

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## Corporate governance report

Although not required to comply with the UK corporate governance code ("the Code") issued by the Financial Services Authority in September 2014 the Group is committed to high standards of corporate governance. Whilst the Group has not voluntarily adopted the Code, it applies a level of corporate governance which the Directors believe is appropriate for a Company of its size. This statement describes how the principles of corporate governance are applied.

As noted in the Chief Executive's statement, certain accounting issues and control weaknesses were brought to the attention of the Audit Committee during the year. Measures have now been put in place to address these matters in conjunction with advice from an international accounting firm.

### The Board

The Board of TLA Worldwide plc is comprised of the Chairman, the Chief Executive Officer, the Chief Financial Officer, an Executive Director and three Non-Executive Directors. Short biographical details of each Director are set out in the Board of Directors section. The Board is responsible to the shareholders for the proper management of the Group and meets at least five times a year to set the overall direction and strategy of the Group. All strategic operational and investment decisions are subject to Board approval.

The role of the Chief Executive and Chairman are separate and there is a clear division of their responsibilities. All directors are subject to re-election every three years. The Company has additionally supplemented this with the good practice of one third of the total number of Directors standing for re-election at each Annual General Meeting ("AGM"). Therefore, Keith Sadler and Bart Campbell will retire at the upcoming AGM and, being eligible for re-election, offer themselves for re-election. Ken Wotton offers himself for election.

## Board Committees

### Remuneration Committee

The composition of the Remuneration Committee is disclosed on page 17. The Remuneration Committee, on behalf of the Board, as and when necessary, review and approve the contract terms, remuneration and other benefits of the Executive Directors, senior management and major remuneration plans for the Group.

The Remuneration Committee approves setting of objectives of the Executive Directors and authorises their annual bonus payments for achievement of objectives.

The Remuneration Committee approves remuneration packages sufficient to attract and motivate Executive Directors required to run the Group successfully, but does not pay more than is necessary for this service.

All the decisions of the Remuneration Committee on remuneration matters in the year ending 31 December 2016 were reported to and endorsed by the Board. Further details of the Group's policies on remuneration and service contracts are given in the Directors' remuneration report.

### Audit Committee

The Audit Committee comprises of Non-Executive Directors and Bart Campbell who is Executive Chairman. By invitation, the meeting of the Audit Committee may be attended by other Directors and the external auditor. The Committee meets not less than twice annually. The Audit Committee oversees the monitoring of the adequacy and effectiveness of the Group's internal controls, accounting policies and financial reporting and provides a forum for reporting by the Group's external auditor. Its duties include keeping under review the scope and results of the audit and its effectiveness, consideration of management's responses to any major audit recommendations and the independence and objectivity of the external auditors. This will include taking into consideration relevant UK professional and regulatory requirements and to develop and implement policy on the engagement of the external auditor to supply non-audit services, considering relevant ethical guidance.

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## Corporate governance report (continued)

### Nominations Committee

The Nominations Committee comprises the Chairman and the Non-Executive Directors. It is responsible for monitoring the composition and balance of the Board and making recommendations to the Board on potential new Board appointments.

### Company Secretary

The Company Secretary is responsible for advising the Board through the Chairman on all governance issues. All Directors have access to the advice and services of the Company Secretary.

### Attendance at Board and Committee meetings

Meeting	Board	Audit	Remuneration
<i>Total meetings held</i>	17	3	1
Bart Campbell A R	17	3	1
Michael Principe	17	-	-
Don Malter	16	-	-
Greg Genske	8	-	-
Keith Sadler A R	17	3	1
Ian Robinson A R	16	3	-
Andrew Pearson (resigned 30 November 2016)*	14*	-	-
Ken Wotton (appointed 1 December 2016)	2**		

A - Audit Committee member

R - Remuneration Committee member

\*from a possible 15

\*\* from a possible 2

### Relationship with shareholders

The Board recognises the importance of effective communication with the Company's shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Company communicates to investors through Interim Statements, audited Annual Reports, press releases and the Company's website ([www.tlaworldwide.com](http://www.tlaworldwide.com)). Shareholders are welcome to the Company's AGM (notice of which is provided with this report) where they will have the opportunity to meet the Board. The Company obtains feedback through its brokers on the views of institutional investors on a non-attributed and attributed basis and any concerns of major shareholders would be communicated to the Board.

### Internal control

As set out in the Chief Executive's review, certain accounting and internal control issues arose in the year which adversely impacted the Group's financial reporting. Measures have now been put in place to mitigate the control weaknesses that contributed to these issues arising. The Board acknowledges its responsibility for establishing and maintaining the Group's internal control and will continue to ensure that management keeps these processes under regular review and improves them where appropriate.

### Management structure

There is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience.

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## Corporate governance report (continued)

### Financial reporting

Monthly management accounts are intended to provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, forecast and performance targets allow management to monitor the key business and financial activities and the progress towards achieving objectives. The Board approves the annual budget.

### Monitoring of controls

The Audit Committee receives reports from the auditor and reviews the effectiveness of the internal control environment of the Group. As set out in the Chief Executive's report, there are now updated formal policies and procedures in place to allow the Committee to monitor the controls in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects, acquisitions and disposals require Board approval.

### Going concern

The Directors consider the forecasts to be prudent and have assessed the impact on the Group's cash flow, facilities and headroom within its banking covenants using its renewed banking facilities, executed on 3 November 2017, which has removed the short-term nature of the facilities which is set out in the 31 December 2016 balance sheet and any covenant issues have been waived as part of the renewal. Further, the Directors have assessed the future funding requirements of the Group, including the payment of future earn-outs, and compared the level of borrowing facilities. The Directors have reviewed forecasts for the year ending 31 December 2017 and 31 December 2018. Based on this assessment, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the signing of these accounts. For this reason they continue to adopt the giving concern basis in preparing the financial statements.

### Corporate social responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to consider the interests of the Group's stakeholders including investors, employees, suppliers and business partners when operating the business.

### Employment

At a subsidiary level each individual Company has established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunity. The Board recognizes its legal responsibility to ensure the wellbeing, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors. Health and Safety is on the agenda for regular scheduled plc Board and Operational Board meetings.

By order of the Board

  
**Dwight Mighty**  
**Company Secretary**  
**15 November 2017**

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## Directors' responsibilities statement

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 are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts unless they are satisfied that they 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 the parent company financial statements, the Directors are required to:

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

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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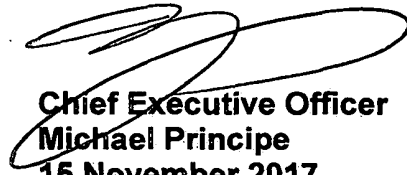
## **Directors' responsibilities statement (continued)**

### **Responsibility statement**

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

By order of the Board



**Chief Executive Officer**  
**Michael Principe**  
**15 November 2017**

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TLA WORLDWIDE PLC**

We have audited the financial statements of TLA Worldwide PLC for the year ended 31 December 2016 which comprise of the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Cash Flow Statement, the Group Statement of Changes in Equity, the related notes to the Group financial statements 1 to 31, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the related notes to the Parent Company financial statements 1 to 9. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework"

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor**

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TLA WORLDWIDE PLC (CONTINUED)**

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

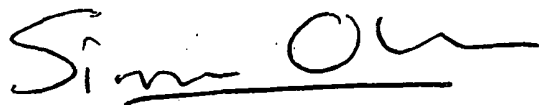
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Simon Olsen FCA (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
Reading  
15 November 2017

# TLA Worldwide plc

## Group Income Statement

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000 as restated (note 1)
Revenue	2	43,425	42,992
Cost of sales		(10,647)	(9,939)
<b>Gross profit</b>		<b>32,778</b>	<b>33,053</b>
Administrative expenses		(39,756)	(30,590)
<b>Operating (loss)/profit from operations</b>		<b>(6,978)</b>	<b>2,463</b>
<b>Headline EBITDA</b>			
		(398)	11,484
Amortisation and impairment of intangibles	5	(4,863)	(5,692)
Depreciation	5	(179)	(145)
Exceptional and acquisition related costs	5	1,597	225
Share based payments	5	(3,135)	(3,409)
<b>Operating (loss)/profit from operations</b>		<b>(6,978)</b>	<b>2,463</b>
Finance costs	3	(2,281)	(1,594)
<b>(Loss)/Profit before taxation</b>	5	<b>(9,259)</b>	<b>869</b>
Taxation	9	3,101	(1,834)
<b>Loss for the year</b>		<b>(6,158)</b>	<b>(965)</b>
Loss for the period from continuing operations attributable to:			
Owners of the company		(6,189)	(1,374)
Non-controlling interest		31	409
		<b>(6,158)</b>	<b>965</b>
<b>Loss per share from continuing operations:</b>			
Basic (cents)	4	(4.32)	(1.01)
Diluted (cents)	4	(4.32)	(1.01)

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## TLA Worldwide plc

Group Statement of Comprehensive Income  
For the year ended 31 December 2016

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000 (restated)
Loss for the year	(6,158)	(965)
Exchange differences on translation of overseas operations	(5,085)	(1,863)
<b>Total comprehensive expense</b>	<b>(11,243)</b>	<b>(2,828)</b>
Total comprehensive expense attributable to:		
Owners of the company	(11,274)	(3,250)
Non-controlling interests (see note 28)	31	422
	<b>(11,243)</b>	<b>(2,828)</b>

# TLA Worldwide plc

Group Balance Sheet

31 December 2016

		31 December 2016 \$000	31 December 2015 \$000 (restated)
	<b>Note</b>		
<b>Non-current assets</b>			
Intangible assets – goodwill	11	42,156	42,156
Other intangible assets	12	4,581	9,022
Property, plant and equipment	13	480	375
Deferred tax asset	10	5,324	4,450
		<b>52,541</b>	<b>56,003</b>
<b>Current assets</b>			
Inventory		-	117
Trade and other receivables	14	16,491	19,554
Cash and cash equivalents		8,566	6,312
		<b>25,057</b>	<b>25,983</b>
<b>Total assets</b>		<b>77,598</b>	<b>81,986</b>
<b>Current liabilities</b>			
Trade and other payables	15	(15,612)	(12,621)
Borrowings	16	(30,625)	(2,500)
Contingent consideration	18	-	(1,600)
		<b>(46,237)</b>	<b>(16,721)</b>
<b>Net current (liabilities)/assets</b>		<b>(21,180)</b>	<b>9,262</b>
<b>Non-current liabilities</b>			
Borrowings	16	-	(20,251)
Contingent consideration	18	(6,602)	(9,105)
Derivative financial instruments	17	(76)	(14)
		<b>(6,678)</b>	<b>(29,370)</b>
<b>Total liabilities</b>		<b>(52,915)</b>	<b>(46,091)</b>
<b>Net assets</b>		<b>24,683</b>	<b>35,895</b>
<b>Equity</b>			
Share capital	20	4,473	4,461
Share premium	21	46,079	46,079
Merger reserve		309	-
Foreign currency reserve		(6,887)	(1,802)
Share based payments reserves		3,859	724
Employee share reserve	21	(9,633)	(9,633)
Retained loss		(13,517)	(4,068)
<b>Total equity attributable to owners of the Company</b>		<b>24,683</b>	<b>35,761</b>
Non-controlling interest	28	-	134
<b>Total Equity</b>		<b>24,683</b>	<b>35,895</b>

The financial statements of TLA Worldwide PLC, registered Company number 7741649 were approved by the Board of Directors and authorised for issue on 15 November 2017. They are signed on its behalf by:

  
**Michael Principe**  
15 November 2017

## TLA Worldwide plc

Group Statement of Changes in Equity  
For the year ended 31 December 2016 and 2015

	Share Capital	Share Premium	Merger Reserve	Shares to be Issued	Foreign Currency Reserve	Non- controlling interest	Share based payment reserves	Employee share reserve	Retained Loss	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 January 2015</b>	<b>3,839</b>	<b>33,303</b>	-	<b>1,311</b>	<b>74</b>	-	<b>1,422</b>	-	<b>(5,126)</b>	<b>34,823</b>
Total comprehensive income for the year (restated)	-	-	-	-	(1,876)	422	-	-	(1,374)	(2,828)
Dividend	-	-	-	-	-	-	-	-	(1,675)	(1,675)
Equity issued during the year	622	12,776	-	(1,311)	-	-	-	(9,633)	-	2,454
Credit to equity for share based payments	-	-	-	-	-	-	3,409	-	-	3,409
Reserve adjusted on exercise of LTIP	-	-	-	-	-	-	(4,107)	-	4,107	-
Non-controlling interest arising on acquisition	-	-	-	-	-	(288)	-	-	-	(288)
<b>Balance at 1 January 2016 (restated)</b>	<b>4,461</b>	<b>46,079</b>	-	-	<b>(1,802)</b>	<b>134</b>	<b>724</b>	<b>(9,633)</b>	<b>(4,068)</b>	<b>35,895</b>
Total comprehensive income for the year	-	-	-	-	(5,085)	31	-	-	(6,189)	(11,243)
Dividend	-	-	-	-	-	-	-	-	(1,949)	(1,949)
Equity issued during the year	12	-	309	-	-	-	-	-	-	321
Credit to equity for share based payments	-	-	-	-	-	-	3,135	-	-	3,135
Acquisition of non-controlling interest (note 28)	-	-	-	-	-	(165)	-	-	(1,311)	(1,476)
<b>Balance at 31 December 2016</b>	<b>4,473</b>	<b>46,079</b>	<b>309</b>	-	<b>(6,887)</b>	-	<b>3,859</b>	<b>(9,633)</b>	<b>(13,517)</b>	<b>24,683</b>

## TLA Worldwide plc

### Group Statement of Cash Flows

For the year ended 31 December 2016

		Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
<b>Net cash from operating activities</b>	23	<b>1,897</b>	<b>2,042</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	13	(389)	(76)
Contingent consideration paid	18	(1,600)	(2,591)
Acquisition of subsidiaries		-	(6,418)
Purchase of other intangible assets	12	(21)	(100)
<b>Net cash used in investing activities</b>		<b>(2,010)</b>	<b>(9,185)</b>
<b>Financing activities</b>			
Interest paid	3	(1,299)	(727)
Repayment of borrowings		(2,500)	(1,875)
Fees paid on issue of new bank loans		-	(363)
Increase in borrowings		10,071	12,379
Dividend paid		(2,375)	(1,675)
Acquisition of non-controlling interest	28	(1,143)	-
<b>Net cash from financing activities</b>		<b>2,754</b>	<b>7,739</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,641</b>	<b>596</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>6,312</b>	<b>5,857</b>
Foreign currency translation effect		(387)	(141)
<b>Cash and cash equivalents at end of the year</b>		<b>8,566</b>	<b>6,312</b>

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## **PRINCIPAL ACCOUNTING POLICIES**

### **General information**

TLA Worldwide PLC (the "Company") is incorporated and domiciled in the United Kingdom under the Companies Act. The Company and its subsidiaries (together the "Group") principal activities are set out as part of the Strategic Report. These financial statements are presented in US Dollars because that is the currency of the primary economic environment in which the Group operates.

### **Adoption of new and revised Standards**

In the current year, the following new and revised standard and interpretations have been adopted:

Amendments to IFRS 10, IFRS 12 and IAS 28: Investment Entities – Consolidation Exception  
Amendments to IAS 27: Equity Method in Separate Financial Statements  
Amendments to IAS 1: Disclosure Initiative  
Annual Improvements to IFRSs 2012–2014 Cycle  
Amendments to IAS 16 and IAS 38: Methods of Depreciation and Amortisation  
Amendments to IFRS 11: Accounting for Acquisitions of Interests in Joint Operations  
Amendments to IAS 16 and IAS 41: Bearer Plants

None of the new or revised standards that have been adopted affected the amounts reported in the financial statements. At the date of authorisation of these financial statements the Group had not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 Financial Instruments  
IFRS 15 Revenue from Contracts with Customers, including amendments to IFRS 15  
IFRS 16 Leases  
Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses  
Amendments to IAS 7: Disclosure Initiative  
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions  
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts  
Annual Improvements to IFRS Standards 2014-2016 Cycle  
IFRIC 22 Foreign Currency Transactions and Advance Consideration  
Amendments to IAS 40: Transfers of Investment Property

The Directors have not assessed whether the effect of the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. Judgements made by the Directors in the application of these accounting policies that have a significant effect on the consolidated financial statements together with estimates with significant risk of material adjustment in the next year are discussed in note 25.

### **Going concern**

The Directors consider the forecasts to be prudent and have assessed the impact on the Group's cash flow, facilities and headroom within its banking covenants using its renewed banking facilities, executed on 3 November 2017, which has removed the short-term nature of the facilities which is set out in the 31 December 2016 balance sheet and any covenant issues have been waived as part of the renewal. Further, the Directors have assessed the future funding requirements of the Group, including the payment of future earn-outs, and compared the level of borrowing facilities. The Directors have reviewed forecasts for the year ending 31 December 2017 and 31 December 2018. Based on this assessment, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months from the signing of these accounts. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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## **PRINCIPAL ACCOUNTING POLICIES (continued)**

### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS regulation.

The financial statements have been prepared on the historical cost basis except for the revaluation of financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies are set out below.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are re-measured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Amounts arising from interests in the acquired business prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to Income Statement, where such treatment would be appropriate if that interest were disposed of.

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## PRINCIPAL ACCOUNTING POLICIES (continued)

### Business combinations (continued)

The acquired business's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3(2008) are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquired business's share-based payment awards are measured in accordance with IFRS 2 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

### Revenue

Revenue is measured as the fair value of the consideration received or receivable and comprises amounts billed to clients in respect of fees earned and commission-based income fees earned from the provision of support services to other agents or events promoters (and is stated exclusive of any relevant sales taxes); and the revenue or the share of revenues on events where the Group is a promoter. Revenue is recognised in line with the provision of relevant services under the terms of the contract or in the case of events, once the event has occurred provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue can be split into five revenue streams:

#### 1) Representation revenue

Representation revenue is generated from a commission paid as a percentage of a player's base salary. Base salaries are fees payable by clubs to their players. These fees are contractual obligations made by the club to pay the player for a specific number of seasons.

Contractual arrangements are reviewed to ascertain whether the Group acts as principal or agent with regards to third party costs. If the relationship is that of agent then the recharge of third party costs is not recognised through revenue or cost of sales.

Revenue is recognised at the point the player becomes contractually obliged to pay commission to the Group.

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## PRINCIPAL ACCOUNTING POLICIES (continued)

### Revenue (continued)

#### 2) *Signing bonuses*

Signing bonuses are amounts payable by the clubs to the player for signing a contract. The Group earns a commission based on a percentage of the signing bonus. Commission revenue is recognised when the player becomes contractually obliged to pay commission to the Group.

#### 3) *Endorsement revenue*

Endorsement revenue is generated from commission calculated as a percentage of fees earned by clients for guest appearances, wearing of certain attire or other sponsorship deals. Revenue is recognised in the period that the associated fees are earned by the player.

#### 4) *Sponsorship revenue*

Sponsorship revenue is generated from commission calculated as a percentage of fees earned by placing sponsors for certain events. Revenue is recognised based on the terms of the individual contracts; at the point the commission becomes contractually due.

#### 5) *Event revenue*

Event revenues are generated where the Group acts a promoter for an individual event or group of events. Revenue is recognised upon completion of the event, as this is the point when the Group becomes entitled to the revenue generated from that event.

#### 6) *Merchandise*

Merchandise revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably, including commission-based staff costs, including salaries, bonuses and social security costs, and expenses reimbursed to commission-based agents

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

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## PRINCIPAL ACCOUNTING POLICIES (continued)

### **Property, plant and equipment**

The fixtures and fittings are stated at cost. Depreciation is computed on the straight-line method using an estimated useful life ranging from three to five years. Repairs and maintenance are charged as an expense in the year incurred, and major improvements and new assets are capitalized.

It is assumed that all assets will be used until the end of their useful life.

### **Intangible assets and goodwill**

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquired business and the fair value of the acquirer's previously held equity interest (if any) in the entity over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquired business's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquired business and the fair value of the acquirer's previously held equity interest in the acquired business (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Intangible assets arising from a business combination whose fair values can be reliably measure are separated from goodwill and amortised based on the future cash flows attributable to the individual assets

Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangibles assets are amortised on a straight line basis from the date they are available for use. The estimated useful lives are as follows:

- Client contracts – over the life of the contract
- Customer relationships – 6 - 8 years

### **Impairment**

For goodwill that has an indefinite useful life the recoverable amount is estimated annually. For other assets the recoverable amount is only estimated when there is an indication that impairment may have occurred. The recoverable amount is the higher of fair value less costs to sell and value in use.

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## **PRINCIPAL ACCOUNTING POLICIES (continued)**

### ***Taxation***

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### **Foreign currencies**

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US Dollars which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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## **PRINCIPAL ACCOUNTING POLICIES (continued)**

### **Foreign currencies (continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the Income Statement in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to Income Statement on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as investments in equity securities classified as available for sale, are included in the fair value reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### **Bank borrowings**

Interest bearing bank loans and overdrafts are recorded at an amount and the amount of the proceeds received net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arose.

### **Finance costs**

Finance costs of financial liabilities are recognised in the income statement over the term of such instruments at a constant rate of the carrying amount.

### **Operating leases**

Leases where substantially all of the risks and rewards of ownership are not transferred to the Group are treated as operating leases. Rentals under operating leases are charged to the income statement on a straight line basis over the period of the lease.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

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## PRINCIPAL ACCOUNTING POLICIES (continued)

### **Financial Assets**

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### **Loans and receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement.

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## PRINCIPAL ACCOUNTING POLICIES (continued)

### ***Financial liabilities and equity***

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

### ***Financial liabilities***

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

### ***Financial liabilities at FVTPL***

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in Income Statement. The net gain or loss recognised in Income Statement incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the income statement. Fair value is determined in the manner described in note 26.

### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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## **PRINCIPAL ACCOUNTING POLICIES (continued)**

### **Other financial liabilities (continued)**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### ***De-recognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### **Trade receivables**

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### **Trade payables**

Trade payables are not interest-bearing and are stated at their nominal value.

### ***Derivative financial instruments***

The Group entered into an interest rate swap to manage its exposure to interest rate risk. Further details of derivative financial instruments the Group holds are disclosed in note 17.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the Income Statement immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

### **Investments**

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under contract whose terms require the delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs. Investments are classified either as available for sale, and are measured at subsequent reporting dates at fair value, or at amortised cost, where no fair value is readily determinable.

Gains and losses on available for sale financial assets arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

### **Share based payments**

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 27.

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, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions.

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## PRINCIPAL ACCOUNTING POLICIES (continued)

### Share based payments (continued)

The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

### Non-GAAP measures

In reporting financial information, the Group presents alternative performance measures, "APMs", which are not defined or specified under the requirements of IFRS.

The Group believes that their APM of Headline EBITDA provides shareholders with useful information about the Group's trading performance. This measure is consistent with how the business is monitored and reported internally to management and the Board, and the measure applied in banking covenant calculations. Certain of these measures are used for the purposes of setting remuneration targets.

The Group makes adjustments to the statutory profit measure in order to arrive at Headline EBITDA. The Group's policy is to exclude items that are considered to be significant in both nature and quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the trading performance of the Group. On this basis, the following items were included as adjusting items to arrive at Headline EBITDA for the year ended 31 December 2016:

- depreciation – this is a non-cash item in the period;
- amortisation of acquired intangible assets - this helps the comparability between acquired operations and organically grown operations, as the latter are not permitted to recognise internally generated intangible assets;
- acquisition related charges which do not represent underlying operating costs;
- share based payment charges - this item is adjusted when calculating compliance with banking covenants;
- fair value movement on financial derivatives – this can be a volatile non-cash movement;
- unwinding of discount on contingent consideration – this represents a non-trading item;
- exceptional items – these are adjusted when calculating compliance with banking covenants. See note 5 for further detail on these items.

The reconciliation between operating profit from continuing operations and Headline EBITDA is shown on the face of the Group Income Statement and in note 2

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. Correction of prior period error

As referred to in the Chairman's Statement, a forensic audit was commissioned to investigate the sub-standard application of Group accounting policies pertaining to revenue recognition and reporting in the US which were identified during the audit process. Investigations have identified revenue and cost of sales recognition errors in the 2015 accounting period. As a result it has been necessary to make adjustments to 2015 arising from incorrect and inappropriate application of accounting policies and accounting errors.

As a consequence of the prior period accounting errors in 2015, revenue for the US Sports Marketing division and the Baseball division were overstated by \$1.3 million and \$150,000 respectively in respect of incorrect recognition application, and cost of sales for the Baseball division was understated by \$500,000 in respect of commission accrued in the wrong period. The errors have been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

	31 December 2015
<b>Impact on equity (decrease in equity)</b>	<b>\$000</b>
Trade receivables	(1,448)
<b>Total assets</b>	<b>(1,448)</b>
Accruals and amounts payable	(500)
Income tax payable	662
<b>Total liabilities</b>	<b>162</b>
<b>Net impact on equity</b>	<b>(1,286)</b>
<b>Impact on statement of profit or loss (decrease in profit)</b>	<b>31 December 2015</b>
	<b>\$000</b>
Revenue	(1,448)
Cost of Sales	(500)
Income tax expense	662
<b>Net impact on profit for the year</b>	<b>(1,286)</b>
Attributable to:	
Equity holders	(1,286)
Non-controlling interests	-
<b>Impact on basic and diluted earnings per share (EPS) (decrease in EPS)</b>	<b>31 December 2015</b>
	<b>Cents per share</b>
<b>Earnings per share for continuing operations</b>	
Basic loss per share	(1.01)
Diluted loss per share	(1.01)

The change did not have an impact on OCI for the period or the Group's operating, investing and financing cash flows. Further detail is provided in the Chief Executive's Review.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segmental analysis

The Group reports its business activities in two areas: Baseball Representation and Sports Marketing. Unallocated represents the Group's costs as a public company, along with certain exceptional items and acquisition related costs (see note 5). The Group derives its revenues in the United States of America, Australia and United Kingdom.

**Baseball Representation** – primarily assists the on-field activities of baseball players, including all aspects of a player's contract negotiation.

**Sports Marketing** – primarily assists with the on-field and off-field activities of athletes; it represents broadcasters and coaches in respect of their contract negotiations; manages, produces events, primarily in sports, PR and activation, media consultancy and the selling of merchandise, primarily in sport.

All the Group's revenue arises through the rendering of services. In the year ended 31 December 2016, there were no clients who generated more than 10 percent of total revenue (2015: none).

#### Year ended 31 December 2016

	Baseball Representation	Sports Marketing	Unallocated	Total
	\$000	\$000	\$000	\$000
Revenue	13,078	30,347	-	43,425
Cost of sales	(57)	(10,590)	-	(10,647)
<b>Gross profit</b>	<b>13,021</b>	<b>19,757</b>	<b>-</b>	<b>32,778</b>
Operating expenses excluding depreciation, amortisation, share based payments, acquisition related costs and exceptional items	(12,551)	(16,362)	(4,263)	(33,176)
<b>Headline EBITDA</b>	<b>470</b>	<b>3,395</b>	<b>(4,263)</b>	<b>(398)</b>
Amortisation and impairment of intangibles	(3,127)	(1,736)	-	(4,863)
Depreciation	-	(78)	(101)	(179)
Exceptional items and acquisition related costs	4,795	(1,439)	(1,759)	1,597
Share based payments	-	-	(3,135)	(3,135)
<b>Operating profit/ (loss)</b>	<b>2,138</b>	<b>142</b>	<b>(9,258)</b>	<b>(6,978)</b>
Finance costs				(2,281)
<b>Loss before tax</b>				<b>(9,259)</b>
Tax				3,101
<b>Loss for the year</b>				<b>(6,158)</b>
Assets	39,215	32,290	6,093	77,598
Liabilities	(2,086)	(5,987)	(44,842)	(52,915)
<b>Capital Employed</b>	<b>37,129</b>	<b>26,303</b>	<b>(38,749)</b>	<b>24,683</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segmental Analysis (Continued)

Year ended 31 December 2015 (restated)

	Baseball Representation	Sports Marketing	Unallocated	Total
	\$000	\$000	\$000	\$000
Revenue	15,103	27,889	-	42,992
Cost of sales	(1,848)	(8,091)	-	(9,939)
<b>Gross profit</b>	<b>13,255</b>	<b>19,798</b>	<b>-</b>	<b>33,053</b>
Operating expenses excluding depreciation, amortisation, share based payments, acquisition related costs and exceptional items	(6,925)	(11,404)	(3,240)	(21,569)
<b>Headline EBITDA</b>	<b>6,330</b>	<b>8,394</b>	<b>(3,240)</b>	<b>11,484</b>
Amortisation of intangibles	(3,532)	(2,160)	-	(5,692)
Depreciation	(10)	(84)	(51)	(145)
Exceptional items and acquisition related costs	1,685	(656)	(804)	225
Share based payments	-	-	(3,409)	(3,409)
<b>Operating profit/ (loss)</b>	<b>4,473</b>	<b>5,494</b>	<b>(7,504)</b>	<b>2,463</b>
Finance costs				(1,594)
<b>Profit before tax</b>				<b>869</b>
Tax				(1,834)
<b>Loss for the year</b>				<b>(965)</b>
Assets	36,887	28,397	16,702	81,986
Liabilities	(2,891)	(2,122)	(41,078)	(46,091)
<b>Capital Employed</b>	<b>33,996</b>	<b>26,275</b>	<b>(24,376)</b>	<b>35,895</b>

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the principal accounting policies. Segment profit represents the profit earned by each segment, central administration costs including Directors' salaries, exceptional, acquisition and finance costs, and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 2. Segmental Analysis (Continued)

#### Geographical information

The Group's revenue from external customers and information about its segment assets (non-current assets excluding financial instruments, deferred tax assets and other financial assets) by geographical location are detailed below:

	Revenue		Non-Current Assets	
	2016 \$000	2015 \$000 (restated)	2016 \$000	2015 \$000 (restated)
United Kingdom	2,248	2,931	3	82
North America	20,979	20,930	37,996	41,958
Australia	20,198	19,131	14,542	13,963
	<u>43,425</u>	<u>42,992</u>	<u>52,541</u>	<u>56,003</u>

### 3. Finance costs

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
Interest on bank overdrafts and other loans	(1,299)	(727)
<b>Total interest expense</b>	<b>(1,299)</b>	<b>(727)</b>
Fair value loss on interest rate swaps	(62)	(23)
Amortisation of borrowing costs over the term of the loan	(303)	(164)
Amortisation of discount on contingent consideration	(617)	(680)
<b>Total finance costs</b>	<b>(2,281)</b>	<b>(1,594)</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Loss per share

	Year ended 31 December 2016 cents per share	Year ended 31 December 2015 cents per share (restated)
Basic loss per share	(4.32)	(1.01)
Diluted loss per share	(4.32)	(1.01)

In 2016 and 2015, the loss attributable to ordinary shareholders and weighted average number of ordinary shares for calculating diluted earnings per ordinary share are identical to those used for basic loss per ordinary share. This is because the exercise of share options that are out of the money would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of the IAS 33.

The calculation of loss per share is based on the following data:

	2016 \$000	2015 \$000 (restated)
(Loss) for the purposes of basic earnings per share being net (loss) / gain attributable to owners of the Company	(6,189)	(1,374)
<b>Number of Shares</b>		
Weighted average number of shares in issue:	143,193,261	133,909,187
Weighted average contingent consideration shares to be issued	-	2,457,085
Weighted average number of shares for the purposes of basic earnings per share	143,193,261	136,366,272
Weighted average share options	-	1,791,388
Weighted average number of shares for the purposes of diluted earnings per share	143,193,261	138,157,660

Headline earnings per share (see below)

	Year ended 31 December 2016 cents per share	Year ended 31 December 2015 cents per share (restated)
Basic headline earnings per share	1.00	5.57
Diluted headline earnings per share	1.00	5.50

Headline earnings is defined as profit or loss for the year adjusted to add back amortisation of acquired intangible assets and any other acquisition related charges, share based payment charges, fair value movement on financial derivatives, unwinding of discount on contingent consideration and exceptional items.

The Headline profit attributable to owners of the Company used in calculating the basic and diluted adjusted earnings per share is reconciled below:

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 4. Loss per share (continued)

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000 (restated)
Loss attributable to shareholders	(6,189)	(1,374)
Adjusted for		
Exceptional and acquisition related costs (see note 5)	(1,597)	(225)
Share based payments	3,135	3,409
Amortisation and impairment of intangible assets	4,863	5,692
Fair value loss on interest rate swap (see note 17)	62	23
Unwinding of contingent consideration charges	617	680
Tax effect of adjusting items	543	(606)
<b>Headline profit attributable to owners of the Company</b>	<b>1,434</b>	<b>7,599</b>

### 5. Loss before taxation

The following are included in loss before tax:

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
Depreciation of property, plant and equipment	179	145
Amortisation of other intangible assets	4,723	5,692
Impairment of intangible assets	140	-
Exceptional and acquisition related costs (see below)	(1,597)	(225)
Staff costs (see note 8)	18,866	19,194
Auditor's remuneration (see note 6)	391	211
Operating leases	1,138	1,316
Impairment loss recognised on trade receivables	2,858	679
Impairment loss on other receivables	3,065	-
Foreign exchange losses	453	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 5. Profit before taxation (continued)

The exceptional and acquisition related costs/ (gains) relate to:

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
<b>Exceptional items:</b>		
Acquisition costs related to ESP acquisition	-	794
Integration costs relating to ESP acquisition	252	416
Arbitration costs	-	321
Costs relating to offer by AAPC	1,473	-
Impairment of loans to TLA rights business *	1,230	-
Bungalow Entertainment LLC and other related items **	286	-
	<b>3,241</b>	<b>1,531</b>
<b>Acquisition related costs/(gains):</b>		
Loyalty bonus arising on acquisition	250	250
Fair value movement on valuation of contingent consideration (note 18)	(5,088)	(2,006)
	<b>(4,838)</b>	<b>(1,756)</b>
<b>Total exceptional and acquisition related (gains) / costs</b>	<b>(1,597)</b>	<b>(225)</b>

\* The Loan impairment relates to the rights business in which the Group invested to establish "TLA sales". The loan was written off when the business was closed in December 2016.

\*\* Bungalow Entertainment LLC is the corporate vehicle which part of the misappropriated funds were put through (note 29).

### 6. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	379	188
<b>Total audit and related assurance fees</b>	<b>379</b>	<b>188</b>
Interim review	12	23
<b>Total non-audit fees</b>	<b>12</b>	<b>23</b>
<b>Total fees</b>	<b>391</b>	<b>211</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 7. Transaction with key management personnel

Key management of the Group is considered to be the Board of Directors and the operational Board.

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
Short term benefits:		
Salaries including bonuses	3,642	1,898
Social security costs	148	42
Healthcare and other costs	166	94
Pension costs	-	-
<b>Total Remuneration</b>	<b>3,956</b>	<b>2,034</b>

Further information in respect of Directors is given in the Directors' remuneration report on pages 17 to 21, and in the related parties' note 29.

### 8. Staff Costs

The average monthly number of employees (including executive Directors) was:

	2016 Number	2015 Number
Administration/Support	54	52
Agents	110	99
Executive Directors	3	7
	<b>167</b>	<b>158</b>

Their aggregate remuneration comprised:

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000
Wages and salaries	14,732	12,648
Social security costs	634	351
Other staff costs	365	2,786
Share based payments	3,135	3,409
	<b>18,866</b>	<b>19,194</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 9. Tax

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000 (restated)
<b>UK Taxes</b>		
Current year	(286)	(465)
Adjustments in respect of prior year	(47)	-
<b>US Taxes</b>		
Current year	3,122	(1,416)
Adjustments in respect of prior year	(89)	(113)
<b>Australian Taxes</b>		
Current year	(461)	(388)
Adjustments in respect of prior year	(12)	-
<b>Total current tax</b>	<b>2,227</b>	<b>(2,382)</b>
Deferred tax – current year	(66)	683
Deferred tax - adjustments in respect of prior year	940	(135)
	<b>874</b>	<b>548</b>
<b>Total tax credit/(charge)</b>	<b>3,101</b>	<b>(1,834)</b>

Taxation is calculated at the rates prevailing in the respective jurisdiction.

The charge for the year can be reconciled to the income statement as follows:

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000 (restated)
<b>Loss before tax on continuing operations</b>	<b>(9,259)</b>	<b>869</b>
Tax charge at the US corporation tax rate of 34% (31 December 2015: 34%)	3,148	(295)
Effects of:		
Tax losses utilised in the year	-	451
Expenses not deductible for tax purposes	(815)	(1,535)
Adjustments to tax charge for prior periods	792	(248)
Tax impact of state tax in the USA	217	(181)
Effect of different tax rates of entities operating in other jurisdictions	(241)	(26)
<b>Tax credit/(charge) for the year</b>	<b>3,101</b>	<b>(1,834)</b>

The above tax reconciliation is prepared at 34%, being the prevailing rate of federal taxation in the US where the group undertakes the majority of its activities. No amounts in respect of taxation have been recognised in other comprehensive income or directly in equity. Due to the carry back of current year losses to earlier periods the group expect to receive a tax refund in the US of \$1.9m. The group holds a provision for uncertain tax positions of \$1.5m. Expenses not deductible predominantly relate to disallowable share based payment costs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 10. Deferred Tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current reporting period.

	Intangible assets \$000	Goodwill \$000	Other timing differences \$000	Total \$000
<b>At 31 December 2014</b>	<b>(5,404)</b>	<b>8,212</b>	<b>1,076</b>	<b>3,884</b>
Arising on acquisition	(542)	-	560	18
Credit /(charge) to income for prior year	(8)	153	(280)	(135)
Credit /(charge) to income	1,883	(1,975)	775	683
<b>At 31 December 2015</b>	<b>(4,071)</b>	<b>6,390</b>	<b>2,131</b>	<b>4,450</b>
Credit /(charge) to income for prior year	286	1,285	(631)	940
Credit /(charge) to income	1,965	(3,998)	1,967	(66)
<b>At 31 December 2016</b>	<b>(1,820)</b>	<b>3,677</b>	<b>3,467</b>	<b>5,324</b>
			<b>2016</b>	<b>2015</b>
			<b>\$000</b>	<b>\$000</b>
Deferred tax asset			7,254	8,521
Deferred tax liability			(1,930)	(4,071)
			<b>5,324</b>	<b>4,450</b>

The deferred tax asset is recognised on the basis of the Group's expected future profitability.

### 11. Goodwill

Cost and net book value	\$000
At 1 January 2016	42,156
At 31 December 2016	42,156

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2016 \$000	2015 \$000
Baseball representation	22,902	22,902
Sports Marketing USA	6,120	6,120
Sports Marketing Australia	13,134	13,134
<b>Total TLA Worldwide</b>	<b>42,156</b>	<b>42,156</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 11. Goodwill (continued)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of all three CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and direct costs during the period.

The level of the fair value hierarchy with which the measurement of the recoverable amounts of the CGU's represents a Level 3 valuation, as defined in IFRS 13: Fair Value Measurement, whereby inputs are not based on observable market data.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

The unit cash flows were discounted using a pre-tax discount rate of 17.5% (2015: 17%) which the Directors believe adequately reflects current market assessment in respect of both the time value of money and the risk which is consistent between the CGUs. This discount factor was considered to be appropriate for all the units, given their geography and market sector.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years, which have regard to historical performance and knowledge of the current market, and extrapolates cash flows based on an estimated growth rate of 2% (2015: 0%). This rate does not exceed the average long-term growth rate for the relevant markets. The short-term cash flow growth rates are between 22% and 49% for Baseball, 10% and 163% for Sports Marketing USA, and 8% and 14% for Sports Marketing Australia.

The Directors do not consider any need for impairment to Goodwill as at 31 December 2016.

While management believes that the assumptions used are realistic, it is possible that an impairment could be identified for the Sports Marketing USA CGU if the above key assumptions were changed. The Group has conducted a sensitivity analysis on the impairment test of this CGU's carrying value. A decline of 39% to cash flows, or an increase in the discount rate to 25% would result in the carrying value of goodwill related to the Sports Marketing USA business being reduced to its recoverable amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 12. Other Intangible Assets

	Client contracts \$000	Customer relationships \$000	Other \$000	Total \$000
<b>Cost</b>				
At 1 January 2015	9,165	18,040	-	27,205
Additions	-	100	-	100
Acquired on acquisition of subsidiary	1,094	822	-	1,916
Foreign exchange movement	(49)	(57)	-	(106)
At 31 December 2015	10,210	18,905	-	29,115
Additions	-	168	270	438
Reclassification	252	(252)	-	-
Foreign exchange movement	(15)	(10)	-	(25)
At 31 December 2016	10,447	18,811	270	29,528
<b>Accumulated amortisation and impairment</b>				
At 1 January 2015	(6,562)	(7,839)	-	(14,401)
Amortisation charge for the year	(2,213)	(3,479)	-	(5,692)
At 31 December 2015	(8,775)	(11,318)	-	(20,093)
Amortisation charge for the year	(919)	(3,718)	(86)	(4,723)
Impairment	-	(140)	-	(140)
Foreign exchange movement	7	2	-	9
At 31 December 2016	(9,687)	(15,174)	(86)	(24,947)
<b>Carrying amount</b>				
At 31 December 2015	1,435	7,587	-	9,022
At 31 December 2016	760	3,637	184	4,581

Amortisation and impairment of intangible assets is included within administrative expenses.

### 13. Property Plant and Equipment

	Fixtures & Fittings \$000
<b>Cost</b>	
At 1 January 2015	261
Additions	76
Acquisition of subsidiary	285
At 31 December 2015	622
Additions	389
Disposals	(155)
At 31 December 2016	856
<b>Accumulated depreciation</b>	
At 1 January 2015	(102)
Charge for year	(145)
At 31 December 2015	(247)
Charge for year	(179)
Disposals	50
At 31 December 2016	(376)
<b>Carrying amount</b>	
At 31 December 2015	375
At 31 December 2016	480

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 14. Trade and other receivables

	2016 \$000	2015 \$000 (restated)
Trade receivables	9,901	14,242
Other receivables	2,718	3,081
Prepayments	1,181	2,231
Other taxes receivable	2,691	-
	<b>16,491</b>	<b>19,554</b>

#### Trade receivables

Amounts receivable from trade customers are non-interest bearing and have difference payment terms depending on the contractual or other arrangements with customers, although generally terms are 30-60 days.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date. The average age of these receivables after provisions is 60 days (2015: 63 days).

The table below sets out the aging of the Group's trade receivables. The Directors consider amounts over 60 days, net of provisions, to be past due but not impaired.

	2016 \$000	2015 \$000 (restated)
0- 30 days	5,294	8,781
30-60 days	1,238	2,836
60-90 days	531	387
> 90 days	6,612	3,154
Provision for irrecoverable trade receivables (balances > 90 days)	(3,774)	(916)
<b>Total</b>	<b>9,901</b>	<b>14,242</b>

The Group's trade receivables are stated after allowance for bad and doubtful debts. This allowance has been determined by considering specific doubtful balances and are analysed as follows:

	\$000
At 1 January 2015	237
Charges to operating expenses	679
<b>At 31 December 2015</b>	<b>916</b>
Charges to operating expenses	2,858
<b>At 31 December 2016</b>	<b>3,774</b>

The provision for irrecoverable trade receivables relates to debts that are past due and impaired.

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

During the year an impairment loss of \$3,065,000 was recognised in respect of other receivable balances (2015: \$nil).

The Directors have considered the material receivables that are past due dates with senior management directly responsible for those relationships. On the basis of these discussions and the credit control procedures in place the Directors consider that these receivables are recoverable. The Directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 15. Trade and other payables

	2016 \$000	2015 \$000
Trade payables	7,699	2,435
Accruals and other amounts payable	7,213	9,186
Current taxes payable	700	1,000
	<b>15,612</b>	<b>12,621</b>
<b>Total Trade and other payables</b>		
Amount due for settlement within 12 months	15,612	12,621
Amount due for settlement after 12 months	-	-
	<b>15,612</b>	<b>12,621</b>

Amounts payable to providers of services and accruals principally comprise amounts outstanding for trade purchases, ongoing costs. The average credit period taken for trade purchases is 51 days (2015: 38 days). For most suppliers no interest is charged on the trade payables for the first 30 days from the date of the invoice. Thereafter, interest is charged on the outstanding balances at various interest rates. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

### 16. Borrowings

	2016 \$000	2015 \$000
<b>Secured borrowing at amortised cost</b>		
Bank loans	15,625	18,401
Revolving credit facilities	15,000	4,653
Debt costs amortised over the life of the facilities	-	(303)
	<b>30,625</b>	<b>22,751</b>
<b>Total borrowings</b>		
Amount due for settlement within 12 months	30,625	2,500
Amount due for settlement after 12 months	-	20,251
	<b>30,625</b>	<b>22,751</b>

All borrowings are denominated in US dollars. The other principal features of the Company's borrowings as at 31 December 2016 are as follows:

- interest is charged at 2.25% above US LIBOR;
- the facilities are secured against trade receivables and contracted revenue;
- the loan repayments are made quarterly over the life of the loan plus a final bullet repayment; and
- the facilities are renewable in March 2020.

As a result of a breach of the Group's fixed charges loan covenant in respect of the external borrowings after the year end date, the borrowings have been disclosed as entirely due for settlement within 12 months.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 16. Borrowings (continued)

The Group's banking facilities were renewed on 3 November 2017 with Sun Trust Bank, its existing bankers. The facilities comprise an amortising term loan of \$23.75 million and a revolving facility of \$5 million. The facilities mature in March 2020. The interest margin varies between 3% and 5.5% over US LIBOR, depending on the Group's leverage ratio; it is secured against the assets of the Group. The term loan has quarterly repayments over the life of the loan together with a final bullet repayment. Any covenant breach caused by the accounting issues within the US business have been waived. The facilities are therefore no longer, as is required to be stated in the 31 December 2016 Group balance sheet, repayable with 12 months.

### 17. Derivative financial instruments

	2016	2015
	\$000	\$000
Interest Rate Swap	76	14
	76	14

On 30 June 2015 the Group entered into an interest rate swap of 1.9% for the period 30 June 2015 to 4 March 2020 for 50% of the outstanding balance of its \$20 million term loan facility.

The swap is a hedge of the interest rate expenses relating to the Group loans. The contract was marked to market on 31 December 2016 and had a fair value liability of \$76,000 (31 December 2015: \$14,000).

The fair value of the interest swap financial derivative is determined by external valuations undertaken by the lender. As at 31 December 2016 the fair value of the interest rate swap contract was determined using an income approach. The income approach takes into account the contract terms (including maturity) as well as multiple inputs, including, where applicable, interest rates, prepayment speeds, and currency rates.

In relation to the nature of the financial instruments that are measured in the Statement of Financial Position at fair value, IFRS 7 requires them to be put into a fair value measurement hierarchy, based on the lowest level of input significant to the overall fair value, as follows:

Level 1 – quoted prices for similar instruments

Level 2 – directly observable market inputs other than Level 1 inputs

Level 3 – inputs not based on observable market data

The inputs used in determining the fair value of the interest rate swap fall within Level 2 of the fair value hierarchy.

The interest rate swap's contractual maturity is summarised below:

	2016	2015
	\$000	\$000
Within 6 months	71	58
In 6 to 12 months	65	46
1 to 5 years	192	125

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 18. Contingent Consideration

Under the terms of the acquisition agreements in relation to Agency, Legacy, PEG and ESP (including ESPM) the Group has obligations to the vendors of those businesses as set out below:

	2016 \$000	2015 \$000
Payable in less than one year	-	1,600
Payable in one to two years	5,774	2,282
Payable in two to five years	1,821	8,484
Impact of discounting on provisions payable in cash	(993)	(1,661)
<b>Total contingent consideration payable</b>	<b>6,602</b>	<b>10,705</b>

The cash contingent consideration requires the achievement of certain EBIT targets over the period of each agreement. In addition the achieved EBIT must be converted into cash. To the extent this has not been achieved for each year, the earn-out is reduced by a proportion of the cash shortfall in that year.

The Group has estimated the fair value of this liability based on the anticipated future EBIT of each underlying business. This value has then been discounted back to present value using the Group's weighted average cost of capital of 10.69%.

The Group has the option to settle 30% of an estimated amount up to \$1,600,000 payable to PEG in shares in TLA (NY) Inc. In accordance with the terms of the exchange Agreement, these shares can be exchanged for Ordinary Shares in the capital of TLA Worldwide plc at any time at the option of the vendors.

	Contingent consideration \$000
<b>At 1 January 2015</b>	<b>11,554</b>
Settlement of contingent consideration	(2,591)
Additional contingent consideration	3,291
Movement in fair value	(2,006)
Unwinding of discount	680
Foreign exchange movement	(223)
<b>At 31 December 2015</b>	<b>10,705</b>
Settlement of contingent consideration	(1,600)
Additional contingent consideration	1,410
Movement in fair value	(5,088)
Unwinding of discount	617
Foreign exchange movement	558
<b>At 31 December 2016</b>	<b>6,602</b>

The movement in fair value of \$5.1 million relates primarily to the PEG and Legacy businesses where the defined EBIT targets are no longer expected to be met.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 19. Operating Leases

The Group's future minimum operating lease payments are as follows:

	2016 \$000	2015 \$000
Within one year	1,138	1,021
In the second to fifth years inclusive	3,378	1,329
	4,516	2,350

The above represents several office premises. During the year \$1.14 million (2015: \$1.31 million) was recognised as an expense in the income statement.

### 20. Share capital

The issued share capital of the Company and the changes during the year can be summarised as follows:

	Nominal Value £	Nominal Value \$	Number
<b>Balance at 31 December 2014</b>	<b>2,449,952</b>	<b>3,839,423</b>	<b>122,497,565</b>
Issued on 19 March 2015 43.36p per share	78,796	116,066	3,939,800
Issued on 30 April 2015 at 42.75p per share	192,946	296,752	9,647,307
Issued on 5 October 2015 at 25.26p per share	64,521	98,071	3,226,029
Issued on 5 October 2015 at 59.50p per share	72,972	110,918	3,648,624
<b>Balance at 31 December 2015</b>	<b>2,859,187</b>	<b>4,461,230</b>	<b>142,959,325</b>
Issued on 1 July 2016 at 55.61p per share	9,357	12,428	467,874
<b>Balance at 31 December 2016</b>	<b>2,868,544</b>	<b>4,473,658</b>	<b>143,427,199</b>

On 1 July 2016 the Company issued 467,874 shares at a price of 55.61p per share, as part consideration for the acquisition of the assets and business of Elite Sports Properties Merchandise Pty LTD (ESPM).

The Company has one class of ordinary shares, which carry no right to fixed income.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 21. Equity

The Share Premium arises from capital raised through the issue of ordinary shares to the extent that the nominal value is exceeded by the proceeds of the issue.

The Employee share reserve arises on the issue of shares under the Group's LTIP scheme.

### 22. Group companies

The companies (all of which are wholly owned either directly or indirectly by TLA Worldwide PLC unless otherwise stated) in the Group are:

- TLA Acquisitions Limited, registered in England and Wales, acts as an intermediate holding company;
- TLA Acquisitions number two Limited, registered in England and Wales, acts as an intermediate holding company;
- TLA-ESP Ltd, registered in England and Wales, undertakes the business of Athlete Representation and Sports Marketing;
- TLA Worldwide Pty Ltd, incorporated under the laws of Victoria, Australia, undertakes the business of Athlete Representation and Sports Marketing;
- Elite Sports Properties Merchandise Pty Ltd, Incorporated under the laws of Victoria, Australia, undertakes the business of merchandising.
- The Legacy Agency Australia Pty Ltd, incorporated under the laws of Victoria, Australia, undertakes the business of Sports Marketing;
- The Legacy Agency Inc., incorporated under the laws of Delaware, United States of America, undertakes the business of Athlete Representation and Sports Marketing;
- TLA Americas Inc., incorporated under the laws of Delaware, United States of America, acts as an intermediate holding company; and
- The Legacy Agency (NY) Inc. Incorporated under the laws of Delaware, United States of America, undertakes the business of Athlete Representation and Sports Marketing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 23. Notes of Cash flow Statement

	Year ended 31 December 2016 \$000	Year ended 31 December 2015 \$000 (restated)
Operating (loss)/profit for the year	(6,978)	2,463
Adjustments for:		
Amortisation and impairment of intangible assets	4,863	5,692
Depreciation of tangible assets	179	145
Loss on disposal of property, plant and equipment	110	-
Share based payment charges	3,135	3,409
Fair value movement on valuation of contingent consideration	(5,088)	(2,006)
Provision for irrecoverable receivables	5,923	679
<b>Operating cash flows before movements in working capital</b>	<b>2,144</b>	<b>10,382</b>
Decrease / (Increase) in inventory	117	(86)
Increase in receivables	(1,145)	(2,697)
Increase / (Decrease) in payables	1,341	(1,971)
<b>Cash generated by operations</b>	<b>2,457</b>	<b>5,628</b>
Income taxes paid	(969)	(2,335)
Other non-cash movements (foreign exchange)	409	(1,251)
<b>Net cash from operating activities</b>	<b>1,897</b>	<b>2,042</b>
<b>Cash and cash equivalents</b>		
Cash and bank balances	8,566	6,312

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

The Group's net debt has moved as follows during the year:

	1 January 2016 \$000	Cash flow \$000	Non-cash Movements \$000	31 December 2016 \$000
Cash and bank balances	6,312	2,611	(357)	8,566
Borrowings	(22,751)	(7,571)	(303)	(30,625)
<b>Net debt</b>	<b>(16,439)</b>	<b>(4,960)</b>	<b>(660)</b>	<b>(22,059)</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 24. Capital commitments

The Group had no commitments to purchase property, plant and equipment (2015: none).

### 25. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with IFRS requires the Group to make certain judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The Directors consider that the most significant area of accounting estimate relates to trade receivables, where clients have not settled in accordance with standard terms and conditions, and, the Directors have evaluated each balance receivable and made provisions for doubtful debts where appropriate, in accordance with experience of the normal basis on which such balances are settled.

#### ***Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### **Contingent consideration**

The Directors have provided an estimate of the amount payable in respect of contingent consideration. The valuation of this liability is based on future earnings of each acquired business. Management apply judgement in estimating the anticipated future cash flows and subsequent amounts payable. See note 18 and note 31.

#### ***Other sources of estimation***

#### **Impairment of goodwill**

The carrying amount of goodwill is \$42.2 million. The Directors are confident that the carrying amount of goodwill is fairly stated, and have carried out an impairment review (note 11). The impairment review included a detailed review of the US Sports Marketing business and its future performance, including its client base and its contracted revenue.

#### **Trade receivables**

The Group's customers include athletes, talent and large corporations. Notwithstanding the issues identified during the year with regard to provisions required against trade and other receivables described in the Strategic Report, the board believe that it has now put structures in place in order to mitigate the risk of non-payment. In addition the regulatory framework around Major League Baseball in particular underpins this confidence. The enlarged group has over 840 clients which spread the risk going forward. It is a focus of the Board to closely monitor receivables as part of its KPIs.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Financial risk management objectives

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2015.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 16 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the statement of changes in equity.

The Group is not subject to any externally imposed capital requirements.

Debt is defined as long and short-term borrowings (excluding derivatives) as detailed in note 16.

Equity includes all capital and reserves of the Group that are managed as capital.

#### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed within the principal accounting policies section of this report.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Financial risk management objectives (continued)

#### Categories of financial instruments

Financial liabilities and assets included in the balance sheet are as follows:

	2016 \$000	2015 \$000 (restated)
<b>Financial assets</b>		
Cash and bank balances	8,566	6,312
Trade receivables	9,901	14,242
Other receivables	3,898	5,312
	<u>22,365</u>	<u>25,866</u>
<b>Financial liabilities</b>		
Borrowings	30,625	22,751
Contingent consideration	6,602	10,705
Derivative financial instruments	76	14
Trade payables	7,699	2,435
Accruals and other amounts payable	7,213	9,186
	<u>52,215</u>	<u>45,091</u>

All of the Group's financial assets and liabilities, excluding derivative financial instruments, are held at amortised cost. The Directors are of the opinion that there is no material difference between the book value and the fair value of any of these assets or liabilities.

The Group's international operations expose it to a number of risks that include the effect of changes in foreign currency exchange rates, credit, and interest rates. As the majority of income and expenditure is in USD the main exchange risk is translational in effect to the earnings and dividends granted, when related to the share price in GBP. The Group holds external credit, which is discussed below. There has been no change during the year to the exposures to risk and how they arise, or the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk.

#### **Interest rate risk**

The Group finances its activities through a mixture of retained cash, operating cash flow, bank debt and equity finance. The Group monitors its exposure to interest rate risk in association with the bank debt and when investing its cash resources and has taken the decision to fix the 50% of its outstanding term loan facility at 1.9% for period to 4 March 2020. Given this interest rate swap, interest rate fluctuations are not currently seen as sensitivity.

#### **Credit risk**

The Group's customers include athletes, talent and large corporations. Whilst dependant on its most high profile clients the Board believe that it has structures in place to mitigate the risk of non-payment. In addition, the regulatory framework around Major League Baseball in particular underpins this confidence. Historically there have been few instances of non-payment with late payers settling outstanding balances in an acceptable time frame. The enlarged group has over 840 clients which spread the risk going forward. It is a focus of the Board to closely monitor receivables as part of its KPIs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 26. Financial risk management objectives (continued)

#### Liquidity risk

The Group has continued to maintain positive cash resources well above working capital requirements, providing a strong balance sheet visible to the Group's customer base, but also ensuring sufficient available funds for operations, potential expansion or the potential financing of small acquisitions.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	0-3 months	3 months to 1 year	1-5 years	Impact of discounting	Total
<b>31 December 2016</b>					
Borrowings	30,625	-	-	-	30,625
Contingent consideration	-	-	7,595	(993)	6,602
Trade payables	7,699	-	-	-	7,699
Accruals and other payables	7,213	-	-	-	7,213
Current tax payable	-	700	-	-	700
Financial derivatives	-	-	76	-	76
	<b>45,537</b>	<b>700</b>	<b>7,671</b>	<b>(993)</b>	<b>52,915</b>
<b>31 December 2015 (restated)</b>					
Borrowings	625	1,875	20,614	(363)	22,751
Contingent consideration	1,600	-	10,766	(1,661)	10,705
Trade payables	2,435	-	-	-	2,435
Accruals	7,686	1,500	-	-	9,186
Current tax	-	1,000	-	-	1,000
Financial derivatives	-	-	14	-	14
	<b>12,346</b>	<b>4,375</b>	<b>31,394</b>	<b>(2,024)</b>	<b>46,091</b>

#### Currency risk

The Group is exposed to currency risk on foreign currency trading and the Group's exposure to currency risk at the year-end can be illustrated by the following:

	31 December 2016 EBITDA \$000's
10% weaken of AUD (against US \$)	(125)
10% weaken of GBP (against US \$)	(439)

A strengthen would have the opposite effect.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 27. Share based payments

#### Equity-settled share option scheme

In December 2013, the Company entered into a Long Term Incentive Scheme ("LTIP") for certain employees of the Group. The first award under the LTIP was split into three tranches, exercisable when the share price reaches an average of £0.40, £0.50 and £0.60 for a three-month period respectively. The period for vesting of this award was five years from the Company's IPO date of 8 December 2011. Unexercised awards expired on the five year anniversary in December 2016.

If the first award hurdle of £0.40 under the LTIP did not vest during the five-year period on the expiry of the LTIP an option over 5,998,683 shares of the Company had been granted to the founders at an exercise price of 1p if satisfied by existing shares or 2p if satisfied by new shares. As the £0.40 tranche under the first award vested during 2015, the option automatically expired at that time.

In September 2015, a second award under the LTIP was made. This was also split into three tranches, exercisable when the share price reaches an average of £0.60, £0.70 and £0.80 for a three-month period respectively. The period for vesting of this award is two years from 30 September 2015. If the award remains unexercised after this period they expire. The award is forfeited if the employee leaves the Group before the award vests.

Details of the LTIP awards outstanding during the year are as follows.

	No. of share awards
At 1 January 2016	14,597,821
Expired during the year	(2,597,821)
Outstanding at 31 December 2016	<u>12,000,000</u>
Exercisable at the end of the year	<u>-</u>

The awards outstanding at 31 December 2016 had an exercise price of between £0.01 and £0.03 and a weighted average remaining contractual life of 9 months. Fair values of the award is \$4.55 million. The weighted average exercise price of share options expired during the year is £0.01. The inputs into the Monte Carlo model, as at the date of the LTIP being entered into, are as follows:

Second Award	2016	2015
Weighted average exercise price	£0.01-£0.03	£0.01-£0.03
Expected volatility	15.9-30%	15.9-30%
Expected life	2 -3 years	2 -3 years
Risk-free rate	2.5-4.3%	2.5-4.3%

The group recognised total expenses of \$3.14 million (2015: \$3.41 million) relating to equity-settled share-based payment transactions during the year.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

### 28. Non-controlling interest

On July 1, 2016 TLA purchased the non-controlling interest for ESP Merchandise Pty Ltd. The remaining interest was purchased for consideration of \$1,143,000 and stocks issued of \$321,000. Following the purchase of the remaining interest in ESP Merchandise Pty Limited the Group's total non-controlling interest at 31 December 2016 was \$nil (2015: \$134,000). Additionally, contingent consideration is payable based on 45% of 3 year average performance of the business at a multiple of 6.8 and which is estimated at \$765,000.

### 29. Related parties

Scott Parker is deemed to be a related party as a beneficiary of the agreement relating to the acquisition of LS Legacy Sports LLC. As at 31 December 2016 he owed \$nil to the Company (2015: \$82,797).

Brian Peters is deemed to be a related party as a beneficiary of the agreement relating to the acquisition of LS Legacy Sports LLC. As at 31 December 2016 he owed \$nil (2015: \$50,000) to the Company. This was repaid in 2016 from earn-out consideration.

Greg Genske is deemed to be a related party as a director and beneficiary of the agreement relating to the acquisition of LS Legacy Sports LLC. During 2016 Greg Genske received an advance against his earn out extension. As at 31 December 2016 he owed \$163,756 to the Company (2015: \$nil).

Donald Malter is deemed to be a related party as a director of the Company during the year. As at 31 December 2016 Bungalow Entertainment LLC, a company in which Donald Malter is the sole shareholder, owed the company \$355,000 (2015: \$nil). In addition, Donald Malter owed the company \$333,737 (2015: \$nil). These items have arisen as a result of the misappropriations set out in the Strategic Review

### 30. Dividends

During the year the Company paid and approved an interim dividend of 0.23 pence per share (2015: dividends of 1 pence per share). No final dividend is proposed for the year.

### 31. Events after the balance sheet date

On 7 March 2017, the Company agreed to extend the earn-outs relating to the acquisition of LS Legacy LLC and Peter E Greenberg & Associates. The earn outs have been extended to 2022 and are capped at an overall maximum payment of \$5.95m. Payment is based on 3, 4 and 5-year average EBIT achievement over an EBIT hurdle. Based on the current forecasts the full payments will be accounted for as contingent consideration.

On 3 November 2017, the Company renewed its facilities with Sun Trust Banks, the details of which are set out in the Strategic Review.

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## TLA Worldwide PLC

Company Balance Sheet  
31 December 2016

	Note	31 December 2016 \$000	31 December 2015 \$000
<b>Fixed assets</b>			
Investments	2	20,823	26,327
Loan to subsidiary undertakings		15,276	25,676
		<b>36,099</b>	<b>52,003</b>
<b>Current assets</b>			
Debtors: Amounts falling due within one year	3	1,513	-
Cash at bank and in hand		3,664	1,337
		<b>5,177</b>	<b>1,337</b>
<b>Creditors: Amounts falling due within one year</b>	4	<b>(729)</b>	<b>(226)</b>
<b>Net current assets</b>		<b>4,448</b>	<b>1,111</b>
<b>Total assets less current liabilities</b>		<b>40,547</b>	<b>53,114</b>
<b>Net assets</b>		<b>40,547</b>	<b>53,114</b>
<b>Capital and reserves</b>			
Called-up Share Capital	5	4,473	4,461
Share Premium account		46,079	46,079
Merger reserve		309	-
Profit and loss account		139	685
Foreign currency reserve		(10,453)	1,889
<b>Shareholders' funds</b>		<b>40,547</b>	<b>53,114</b>

The profit of the Company for the year ended 31 December 2016 was \$0.4m (2015: \$2.0m).

These financial statements of TLA Worldwide plc, registration number 7741649, were approved by the Board of Directors' and authorised for issue on 15 November 2017. They are signed on its behalf by:



**Michael Principe**  
15 November 2017

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## TLA Worldwide PLC

Company Statement of Changes in Equity  
For the year ended 31 December 2016 and 2015

	Share Capital	Share Premium	Merger Reserve	Shares to be issued	Foreign Currency Reserve	Retained Earnings	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2015	3,839	33,303	-	1,311	184	398	39,035
Total comprehensive income for the year	-	-	-	-	1,705	1,962	3,667
Equity issued during the year	622	12,776	-	(1,311)	-	-	12,087
Dividend	-	-	-	-	-	(1,675)	(1,675)
Balance at 1 January 2016	4,461	46,079	-	-	1,889	685	53,114
Total comprehensive income for the year	-	-	-	-	(12,342)	1,403	(10,939)
Equity issued during the year	12	-	309	-	-	-	321
Dividend	-	-	-	-	-	(1,949)	(1,949)
Balance at 31 December 2016	4,473	46,079	309	-	(10,453)	139	40,547

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## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 1. Accounting policies

#### *Basis of preparation*

These financial statements were prepared in accordance with the Companies Act as applicable to companies using the Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements have been prepared under the historical cost convention.

In preparing these financial statements, the Company applies the recognition and measurement requirements of International Financial Reporting Standards as adopted by the EU ("IFRS"), amended where necessary in order to comply with Companies Act 2006.

#### *Reduced disclosures*

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements and, where relevant, equivalent disclosures have been made in the Group accounts of the ultimate controlling party, in accordance with FRS 101:

- Presentation of a cash flow statement and related notes;
- A reconciliation of the number and weighted average exercise prices of share options, how the fair value of share-based payments was determined and their effect on profit or loss and the financial position;
- Disclosure of the objectives, policies and processes for managing capital;
- Inclusion of an explicit and unreserved statement of compliance with IFRS;
- Disclosure of key management compensation;
- Disclosure of the categories of financial instrument and nature and extent of risks arising on these financial instruments;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible fixed assets;
- Related party disclosures for transactions with wholly owned members of the group;
- Disclosure of the future impact of new International Financial Reporting Standards in issue but not yet effective at the reporting date; and
- Disclosure of the effect of financial instruments on the Statement of Comprehensive Income.

The financial statements of the Company are consolidated into the TLA Worldwide plc group financial statements.

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its own profit and loss account for the year. The Company's profit and loss account was approved by the Board on 15 November 2017. The Company reported a loss for the year ended 31 December 2016 of \$0.4 million.

The principal accounting policies of the Company are set out below.

#### *Investments*

Fixed asset investments are shown at cost, less provision for impairment.

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## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (continued)

### 1. Accounting policies (continued)

#### *Classification of financial instruments issued by the Company*

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Company to deliver cash or other financial assets or exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- Where the instrument will or may be settled in the Company's equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as financial liability. Where the instruments for call up share capital and share premium account excludes amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity in which case it is recognised in equity.

Current tax is the expected on all tax payable on the taxable income for the year, using tax rates enacted or subsequently enacted at the balance sheet date, and any adjustment to tax payable in respect of the previous year.

Deferred tax is recognised on all timing difference where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or subsequently enacted by the balance sheet date.

#### *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

**NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (continued)**

**2. Fixed assets investments**

At 31 December 2015	\$000
Translation difference	26,327
31 December 2016	(5,504)
	20,823

At 31 December 2016 the Company held either directly or indirectly, 20% or more of the allotted share capital of the following companies

Nature of Business	By Group	By parent	Class of share			
intermediate holding company	100%	100%	Ordinary	TLA Acquisitions Limited <sup>1</sup>	-	undertakes the business of Athlete Management and sports marketing
undertakes the business of Athlete Management and sports marketing	100%	-	Ordinary	TLA-ESP Limited <sup>1</sup>	-	undertakes the business of Athlete Management and sports marketing
undertakes the business of Athlete Management and sports marketing	100%	-	Ordinary	TLA-ESP Pty Ltd <sup>2</sup>	-	undertakes the business of Athlete Management and sports marketing
undertakes the business of Sports Marketing	100%	-	Ordinary	The Legacy Agency Australia Pty Ltd <sup>2</sup>	-	undertakes the business of Sports Marketing
Undertakes the business of merchandising	100%	-	Ordinary	Elite Sports Properties Merchandise Pty Ltd <sup>2</sup>	-	Undertakes the business of merchandising
undertakes the business of Athlete Management and sports marketing	100%	-	Ordinary	TLA Worldwide Pty Ltd <sup>2</sup>	-	undertakes the business of Athlete Management and sports marketing
undertakes the business of Athlete Management and sports marketing	100%	-	Ordinary	The Legacy Agency Inc. <sup>3</sup>	-	undertakes the business of Athlete Management and sports marketing
intermediate holding company	100%	-	Ordinary	TLA Acquisitions (number two) Limited <sup>1</sup>	-	intermediate holding company
intermediate holding company	100%	-	Ordinary	TLA Americas Inc. <sup>3</sup>	-	intermediate holding company
undertakes the business of Athlete Management	100%	-	Ordinary	The Legacy Agency (NY) Inc. <sup>3</sup>	-	undertakes the business of Athlete Management

The addresses of the entities above are as follows:

1. 2-6 Boundary Row, London SE1 8HP
2. Level 4, 109-133 Burwood Road, Hawthorn, VIC 3122
3. 1500 Broadway, Suite 2501, New York, NY 10036

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## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (continued)

### 3. Debtors

	2016 \$000	2015 \$000
<b>Amounts falling due within one year</b>		
Trade receivables	764	-
Other debtors	749	-
	<b>1,513</b>	<b>-</b>

### 4. Creditors: Amounts falling due within one year

	2016 \$000	2015 \$000
Trade creditors	320	-
Accruals and deferred income	358	147
Tax payable	51	79
	<b>729</b>	<b>226</b>

### 5. Called up Share capital

The issued share capital of the Company and the changes during the year can be summarised as follows:

	Nominal Value £	Nominal Value \$	Number
<b>Balance at 31 December 2015</b>	<b>2,859,187</b>	<b>4,461,230</b>	<b>142,959,325</b>
Issued on 1 July 2016 at 55.61p per share	9,357	12,428	467,874
<b>Balance at 31 December 2016</b>	<b>2,868,544</b>	<b>4,473,658</b>	<b>143,427,199</b>

On 1 July 2016 the Company issued 467,874 shares at a price of 55.61p per share, as part consideration for the acquisition of the assets and business of Elite Sports Properties Merchandise Pty LTD (ESPM).

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## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS (continued)

### 6. Related parties

The Company is exempt from the requirement to FRS 101 to disclose transactions with other 100% members of the TLA Worldwide plc group of companies.

Transactions with other related parties are disclosed in note 29 to the consolidated financial statements.

### 7. Financial risk management objectives and policies

Details of the Group policies are set out in note 26 to the consolidated financial statements.

### 8. Auditor's remuneration

Details of remuneration paid to the auditor by the Group are shown in note 6 of the consolidated financial statements.

### 9. Directors and employees

The average monthly number of employees was:

	2016 Number	2015 Number
Directors	4	4
Management	1	1
	<hr/>	<hr/>
	5	5
	<hr/> <hr/>	<hr/> <hr/>

Their aggregate remuneration comprised:

	2016 \$000	2015 \$000
Wages and salaries	1,245	918
Social security costs	35	90
	<hr/>	<hr/>
	1,280	1,008
	<hr/> <hr/>	<hr/> <hr/>

The USA based directors of the Group are remunerated by TLA INC.

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## Shareholder information

Annual General Meeting 15 December 2017

Website: [www.tlaworldwide.com](http://www.tlaworldwide.com)

### Advisers

Auditor  
Deloitte LLP  
Reading

Nominated Advisor and Broker  
Numis Securities Limited  
The London Stock Exchange Building  
10 Paternoster Square  
London EC4M 7LT

Registrars  
Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA

Lawyers – UK  
DAC Beachcroft  
100 Fetter Lane London, EC4A 1BN

Lawyers – US  
Pepper Hamilton  
The New York Times Building  
37th Floor  
620 Eighth Avenue  
New York, New York 10018-1405

Registered office  
100 Fetter Lane London, EC4A 1BN

Registered number: 7741649  
Country of incorporation: England

Banker – UK  
HSBC BANK PLC  
West End Corporate Banking Centre  
2nd Floor, 70 Pall Mall, London SW1Y 5E

Bankers – US  
Sun Trust Banks Inc.  
303 Peachtree Street, 32<sup>nd</sup> Floor  
Atlanta, GA 30308