



Sillsport Sports  
Development Limited

Prospectus

Invitation to: Sample Only

Date: January 2011

To:

Sample Only

## **SILLSPORT SPORTS DEVELOPMENT LIMITED**

### **PROPOSED ISSUE OF 100 'B' SHARES**

#### The Company

Sillsport Sports Development Limited (“the Company”) is a new private company formed to invest in sports people and academies utilising what the directors believe is a new and unique business model.

It should be noted that investments into Sillsport Sports Development Ltd are not regulated by the Financial Services Authority nor are the investments covered by the Financial Services Compensation Scheme. Also, there may not be a market to sell the shares were the company to be wound up and future returns are not guaranteed and investors may receive back less than they originally invested.

In order to fund the establishment and development of this business, the Company wishes to raise funds through the issue of shares.

### The Proposed Share Issue

The issued share capital of the Company will consist of 9,999 'A' Shares of £1 each and 100 'B' Redeemable Shares of £10,000 each.

The 'A' Shares are owned by the directors of the Company, Neil Sillett, Warwick Huntington, and Trevor Inch and the 'A' Shares have been issued and paid up. The Company will issue 100 'B' Shares at a price of £10,000 each (to raise a total of £1million). The 'B' Shares will only be available for subscription by those invited to invest in the Company. Shares in the Company are not offered for sale to members of the public and this document only invites the person whose name and address appears at the top of this to consider offering to purchase shares in the Company.

As explained below, the 'A' Shares and the 'B' Shares will, in aggregate, carry equal entitlement to dividends. However, only the 'A' Shares will be voting shares. The 'B' Shares will not be voting shares.

The 'B' Redeemable Shares will be redeemable at the option of the Company, at par, after 5 years.

If the Company is unable to issue at least 50 fully paid 'B' Shares by 1st September 2010 it may elect not to trade and to redeem or repurchase all of the issued 'B' Shares at par. In that eventuality, investors will be notified of the Company's election within 7 days and will receive a full refund of sums paid to the Company for their shares by 31st October 2010.

In the event of the Company being wound up, the 'B' Shares will rank ahead of the 'A' Shares.

## The Proposed Business and Strategy of the Company

The Directors have substantial experience in representing and assisting professional sports men and women to achieve highly successful careers in their chosen sports. They have contacts with a number of experienced coaches, managers, scouts and agents throughout the world, who provide information and intelligence about future sports stars and assist with introductions to and the management of these young sportsmen and women.

The Company will use the money raised from the issue of shares to secure contractual rights to 'own' the rights of young footballers. Utilising the knowledge and experience of its agents and scouts, it will acquire the rights relating to a portfolio of individuals who are already beginning to establish themselves as leading young footballers around the world.

## Projected Performance

### (I) Individual Sportsman

An example of how the Company will generate profit from a footballer is set out below.

The Company acquires an interest in the ownership/contractual rights to an individual young footballer. The Company through the contacts of the Directors actively markets the player by seeking to match their skill set to the requirements of professional football clubs throughout the world. When a suitable opportunity is found for the player, and a club, a transfer is negotiated and transfer fee paid for the player.

In this example the Company acquires a 40% interest in a player. The remaining 60% interest belongs to the club that the player has been playing for (the selling club).

- 40% of Player A's ownership rights are purchased by the Company for £22,000. The contract governing these rights will be governed by English law.

- Player A is subsequently sold from Club 1 to Club 2 for £1,100,000 – therefore 40% of £1,100,000 (£440,000) is generated for the Company.
- On this *one individual* player alone and based upon one trade over approximately five years, the gross revenue generated for the company is £440,000 with a gross profit of £418,000.

It should be noted that the Company is basing projections upon fees expected to be generated from transfers to a variety of football clubs around the world and not the highest transfer fees paid for example in respect of transfers to Premier League Clubs in the UK. Nor is the Company budgeting for profits generated from substantial one off transfers. Projections are based upon estimated moderate fees involving clubs in the lower English and European Leagues.

## (II) Forecast Income Over 5 Years

(a) The Company has prepared a forecast of anticipated returns from investing rights in relation to footballers. The Company will seek to secure ownership / contractual rights in respect of 24 footballers. It has forecast that to secure these rights will cost between £5,000 and £50,000 per player, with an estimated average cost of £22,000 per player.

- The Company has budgeted for a 58% failure rate (approximately 14 players). The reasons for failure could be loss of form, inability to settle in a new environment, injury, general de-motivation etc. Whilst the potential failure rate may be reduced by professional management, it is likely that there will be a more than minimal failure rate and the Company has deliberately adopted what it believes is a conservative assumption that allows for a substantial failure rate.
- The Company has initially projected £4,400,000 gross revenue over a 5 year period. This is calculated using the same assumptions as in the earlier illustration for an individual footballer set out above. The assumptions are:
  - (1) The Company secures an average of 40% of the ownership/contractual rights of 24 players.

- (2) 10 players are subsequently traded once as outlined in the first illustration, generating an average of £440,000 revenue per player (10 x £440,000 = £4,400,000).
- (3) The average procurement cost per player equates to £22,000, therefore, generating a cost of sale of £528,000 (24 x £22,000 = £528,000).
- (4) Therefore, the gross profit generated from these transactions = £3,872,000.

(b) The Company will pay to Sillsport Holdings Limited a fixed management fee for the provision of management services by the Directors. This payment will be £150,000 and paid in the first year of trading only. Thereafter, from year 2 onwards the Directors will be remunerated by way of dividends on their 'A' Shares, which will as a class, be declared and paid pro rata with dividends paid on the 'B' Shares purchased by investors.

The Company will also incur administration costs and general overheads. These costs have been estimated at about £100,000 per annum over 5 years. In addition, it will need to pay sales commissions and fees. These costs have been budgeted at £100,000. Therefore, over five years the total management fees, commissions and overheads are budgeted at £750,000.

(c) The Company will have the option to redeem the 'B' Shares at the subscription price at the end of 5 years from the date of their allotment or at any time thereafter on 3 months' notice. The 'B' Shares will be redeemed at par, meaning at a rate of £10,000 per share at a total cost of £1million. Accordingly, the anticipated return to investors in the 'B' Shares is in the form of income from dividends rather than capital growth.

Therefore, on the assumptions above and after Corporation Tax consideration, £2,247,840 will be available to be voted as a dividend over the 5 year lifetime of the plan. As the illustration above indicates, the Company generates income and therefore makes profits available for distribution, when players are bought and sold by clubs. These transactions are unlikely to be spread evenly over the 5 year period, or any period. Accordingly, the availability of profits for distribution is likely to be uneven over the 5 year period. The Company forecasts that the majority of such player transactions will incur in years 2 and 3.

### (III) Forecast Dividend Payment

If the budgeted sum of £2,247,840 is available for distribution to shareholders over the 5 year period and the pattern of player transfers over the period is as the Company forecasts, then a possible pattern of dividend payments per £10,000 'B' share might be:

<u>YEAR</u>	<u>PROPORTION OF FORECAST PROFIT GENERATED</u>	<u>AMOUNT OF FORECAST DISTRIBUTABLE RESERVES</u>	<u>AMOUNT OF PROFIT AVAILABLE FOR DISTRIBUTION</u>	<u>DIVIDEND PER SHARE</u>	<u>% RETURN PER £10,000 SHARE</u>
1	0%	£0	£0	£0	0%
2	15%	£341,280	£170,640	£853.20	9%
3	46%	£1,036,800	£518,400	£2,592.00	26%
4	28%	£624,690	£312,480	£1,562.40	16%
5	11%	£244,800	£122,400	£612.00	6%
<u>TOTAL OVER 5 YEARS</u>	100%	£2,247,840	£1,123,920	<u>£5,619.60</u>	<u>56%</u>

### Effect of Taxation on the Company

The figures included in this document relating to the company's activities are calculated taking account of tax. In practice, if the Company generates the profits forecast, it will incur some liability to corporation tax. However the Company will obtain specialist tax advice to ensure that it utilises available tax reliefs and allowances.

## Investors' Taxation

The extent of the liability of shareholders to pay tax on dividends received on their 'B' Shares and on the proceeds of any sale by them of the 'B' Shares will depend upon the investor's particular circumstances. Investors should obtain their own tax advice in relation to their investment in the 'B' Shares.

## Dividend Policy

The Directors will be obliged to exercise their power to declare dividends in the best interests of the Company. It is intended that 50% of the distributable profits each year will be retained by the Company to fund the redemption of the 'B' Shares (subject to an overall maximum of £1million over the 5 years) and that the remainder of the distributable profits (i.e. at least 50% of the distributable profits) will be distributed to shareholders in the year in which they become available for distribution, unless there is a good reason to retain them, such as to meet known or likely liabilities shortly to be incurred.

## Risk Factors

An investment in the Company may be subject to a number of risks. Any prospective investor should consider carefully the risks attaching to an investment in the Company, including the risks described below, before making any investment decision. The risks identified below do not purport to be an exhaustive list.

*Share liquidity* – The 'B' Shares will not be listed on any exchange. It will be possible for investors to sell their 'B' Shares and the Company will have first option to purchase the shares at £10,000 per share. In the event that the Company does not take up the option to purchase the 'B' Shares, they may be sold to other existing holders of 'B' Shares. It may also be possible for investors to sell their 'B' Shares to outside third parties, but any transfer of shares will be subject to the approval of the Board of the Company. Further, the Company will have the option to redeem the 'B' Shares on notice at anytime after 5 years.

*Future profitability* – The business to be operated by the Company is new and innovative. The Directors believe that the business model will prove very profitable. However it is untested and there is no guarantee that it will lead to profitability or that

it will generate sufficient revenues to cover the Company's costs and recoup its investments. Future profitability and hence the generation of profits to enable the payment of dividends to shareholders, also depend upon the other risk factors identified on this section.

*Dependence on key personnel* – The success of the Company's business depends upon identifying and signing up suitable young players and then on placing these players with suitable clubs. This in turn will depend upon the knowledge, experience and abilities of the Directors and the network of coaches, agents and managers that they are in contact with. If the services of the Directors or of several of these key contacts were to become unavailable to the Company, it may be unable to identify and place players in order to generate the income forecast.

*Sports Regulatory issues* – The Tevez Affair highlighted uncertainties as to how third party ownership of players can work. The Directors' experience and understanding of the operation of the relevant FIFA and English FA regulations enables them to operate within those regulations in obtaining rights in relation to players and the transfer of players between clubs in a manner that generates profit for the clubs and the Company. The Directors have also obtained legal advice confirming that the proposed modus operandi of the Company complies with the relevant current FIFA and English FA regulations. However a change in the regulations or in the interpretation of the current regulations could necessitate a change in the business model of the Company and affect its ability to trade profitably.

*Market Place and Competition* - A decline in the transfer values of players could mean a reduction in the income and profitability of the Company. The Directors are not aware of any other person operating a business of the type proposed by the Company. It is possible that new businesses may be formed to compete with the Company in the future. The principal barriers to new participants in the market will be the need to establish a network of coaches, managers and scouts to identify new players, obtaining contacts with and the confidence of potential purchasing clubs and an understanding of the relevant sports regulations. Over time the emergence of competitors could lead to the Company needing to trade on less advantageous terms. However, the Directors believe that there are many players with the potential to succeed in the game and many clubs keen to sign talented young players so that the

arrival of competitors with the Company is not something that they would view with great concern.

#### Additional Information

The Company was incorporated and registered in England on 12 June 2009 with the registered number 06933188. The Company's registered office is The Centre, 201-203 London Road, East Grinstead, West Sussex RH19 1HA.

Following the allotment of the B Shares the Company's issued share capital will consist of 9,999 'A' Shares of £1 each and 100 Redeemable 'B' Shares of £10,000 each.

A copy of the Company's Articles of Association is available on request.

The Directors will not have the power to issue or allot any further shares after all of the 'B' Shares have been allotted and are fully paid without the approval of three quarters of the holders of the 'B' Shares.

*If you require any further information or advice please do not hesitate to contact your advisor.*

#### The Directors

None of the directors has ever been declared bankrupt.

None of the directors has ever been disqualified from acting as a company director (and none are currently the subject of disqualification proceedings).

Although the Company is not part of the Sillsport Group, the directors' work for and experience with the Sillsport Group is relevant to their ability to develop the business of the Company.

The Directors are:

Trevor Inch

Since leaving professional sport due to serious injury, over the past 25 years Trevor has had a successful career in the corporate world. He is particularly experienced in marketing. Trevor was Managing Director of an advertising and marketing agency for 11 years until 2004 and established the business as one of the top 200 agencies in the U.K. working with Blue Chip clients drawn from the following sectors: Multiple Retail, Home Improvements, Automotive, Travel and Leisure, Health and Fitness, Local Government, Finance and Insurance and Online Retail. Until February 2009, he was Marketing and Distribution Director for Monarch Travel Group, the airline and holiday company, and responsible for all on and offline advertising and marketing activity for their Tour Operation brands. During his time there, his key achievements included initiating and delivering their new web channel project raising web revenues from £10M to £26M in under 2 years and playing a key role in delivering Monarch's brand consolidation in the B2C market.

His responsibilities are to lead the board and the management team and ensure all divisions of the Sillsport Group companies and Sillsport Sports Development Ltd (a company which sits outside the Group) are performing optimally.

Neil Sillett

Neil has worked at the very highest level of professional sport for more than 20 years, being a former player, coach and physiotherapist. He is the third-generation professional footballer in his family. Over the past two decades he has worked for Portsmouth FC, Coventry City FC and Derby County FC with the likes of Terry Venables, Jim Smith, Steve McClaren and his own father, John Sillett. He has a track record in recognising quality players and throughout his career he has helped develop many of these players into Premiership players. Having worked with many top international players, his technical knowledge is highly regarded and his advice is often sought by people directly involved in the game. He has gained an excellent reputation as a coach and an agent and his amiable approach has won him many friends in the game across the globe. He has links with a well-developed network of sports professionals and is a fully licensed FIFA and UEFA agent himself. Neil's responsibilities within the Sillsport Group are focused

upon delivering the sports infrastructure strategy and establishing relationships throughout the world with respected coaches, managers, scouts and academy leaders to find the very best sporting talent.

#### Directors Interests

Trevor Inch - Director – Sillsport Holdings Ltd, Sillsport Sports Asset Fund Ltd, Sillsport Ltd, Sillsport Leisure Ltd, TMLP Ltd. Trevor Inch was a director of Time Right Marketing Ltd, which went into insolvent liquidation in October 2004.

Neil Sillett - Director – Sillsport Holdings Ltd, Sillsport Sports Asset Fund Ltd, Sillsport Ltd, Sillsport Leisure Ltd, Sillsport Management Ltd (Separate from the Sillsport Group of Companies).