Milestone
Group PLC

Annual Report
& Financial Statements
Year Ended 30 September 2016

Company No. 04689130

Milestone Group PLC
Annual report and financial statements for the year ended 30 September 2016

Contents

Milestone Group PLC is referred to in this document as "Milestone", the "Group" or the "Company". Where the context so requires, references to the "Group" include and consolidate subsidiary companies of Milestone Group PLC. References to "Company" refer solely to Milestone Group PLC and exclude consolidation with the results of its subsidiary companies.

Chairman's Statement

Highlights

- Blockchain technology development capabilities now available
- Nexstar now has the capabilities to publish and distribute independent films through Amazon Prime and other premium global streaming and purchasing services
- Nexstar agreements to provide prepaid card and virtual banking services
- Post year-end, Nexstar music publishing to 193 countries via 120 online music stores
- Membership of the Social Stock Exchange confirmed
- Co-operation agreements signed with the Green Skills Partnership, the Sean Edwards Foundation and Apprenticeships 4 England
- New editorial director appointed to Disorder Magazine
- Winning in the Game of Life™ rolled out across 100 primary school classes across the UK

The last 12 months have been about consolidation

Milestone's business model is to use social initiatives and technology to generate value for its shareholders and create social impact. This involves a number of products and services that are now ready for market.

This important period of development has been underpinned by an expansion of the Company's technology capabilities, including a move towards using Blockchain as the foundation for some of our digital products and services. This innovative technology is now being integrated into Nexstar's media and commerce product offerings, with additional services such as artist IP rights and secure document tracking under review.

The ability to provide Blockchain technology into a rapidly growing marketplace is a key differentiator for Milestone and one we will be actively promoting over the coming months.

Our continued focus on social initiatives is a commercial decision founded on proven societal values and market trends. Evidence supports the theory that consumers want to associate with those companies and brands that add value to others and our Company structure has been established to deliver as such.

In April 2016, Milestone achieved a key goal of being accepted as a member of the Social Stock Exchange. A listing on the Social Stock Exchange reaffirms Milestone's status as an established company combining initiatives for social benefit as well as shareholder value.

This was further reinforced post year-end, with the signing of a strategic partnership between Milestone and the Social Stock Exchange. This partnership allows for the cross promotion of each other's products and services in line with our shared vision regarding the role business can play in creating community and social value.

Our flagshiop initiative - Passion Project

The Milestone Foundation plays a key role in the operation and ultimate commercialisation of the Passion Project initiative, which is operated by the Foundation under a commercial licence from the company.

Following its launch at the House of Lords in October 2015, the Milestone Foundation is now fully staffed with operations being overseen by Kevin Everett, Non-Executive Director of the Company and Chairman of the Sir John Cass Foundation, who has considerable experience in both the profit and not-for-profit sectors.

The launch of the Foundation was followed during the year by the formalisation of a number of distribution and support network relationships needed for the delivery and promotion of the Passion Project, which included, amongst others, the Green Skills Partnership – a network of 44 member organisations, comprising of over 2 million employees collectively – and Apprenticeships 4 England, which has a member network of over 30,000 businesses.

During the year, the Milestone Foundation and the Passion Project worked with the Metropolitan Police and its Divert programme. Divert is a new programme created by the Metropolitan Police Service, aimed at addressing a gap in statutory provision for young adults aged 18–25 entering police custody by demonstrating and establishing an improved framework for handling young offenders.

By working with the Milestone Foundation and the Passion Project, Divert is now equipped to offer emotional intelligence training and mentoring, aimed at guiding young people into sustainable employment and reduce reoffending. The pilot programme held in Brixton resulted in a reduction of the reoffending rate from 29% to 7% during the 12-month period.

After the year-end, the Foundation was successful in a number of grant funding applications that will be used to fund its activities. Its strategy of attracting funding for key projects is beginning to see results, which will result in a reduction in Milestone's operational responsibilities and development costs.

Launch of Alchemy

As part of the Company's vision of using media and technology for good, Nexstar developed a fundraising and marketing platform for the Foundation; this new platform is called Alchemy. Alchemy allows customers to:

1. buy digital content, with a percentage of each transaction going to the Foundation;
2. make a donation to the Foundation directly; or
3. help support social initiatives through crowd funding.

The Foundation will use the platform to raise awareness and funding for its initiatives, whilst also attracting support and attention from the corporate marketplace and celebrity endorsements. The platform provides the company with a useful marketing tool for showcasing its products and services to the Foundation's growing distribution network.

Nexstar

Nexstar has undergone a period of substantial development, streamlining of process and signing of contracts. The activation of these contracts has been slower than anticipated with returns expected to develop during Q2 2017 and with further growth throughout the year.

This part of the business can now be split into three key areas:

1. **Digital Financial Services**
Including a money-over-IP platform that supports virtual bank accounts, payroll, loyalty and rewards cards, prepaid debit cards, blockchain and cryptocurrency. These services complement the Passion Project by supporting the unbankable and enabling prepaid card options to be used to receive salary payments.

Nexstar (continued)

2. **Digital Content Publishing & Distribution**
Using Black Cactus' Backstage HD digital platform, Nexstar's music offering gives independent musicians and filmmakers an affordable and effective way of publishing and selling their content online via services such as iTunes, Apple Music, Amazon Music, Amazon Prime, Spotify and Deezer. This service can be offered to members of the Passion Project, providing young creatives with an avenue to promote their talents.

3. **Social Media Tools & Analytics**
Providing our clients with deep insights into the reach and success of their social media campaigns and media publication.

Throughout the past year, Nexstar has developed strategic relationships with partners needed to deliver these services, including an agreement in September 2016 to distribute independent film and video to the Amazon Prime global streaming service. This was followed in October 2016, with the announcement of the distribution of the first independent film, *Brash Young Turks*, to the service.

After the year-end we announced an agreement between Nexstar joint venture partner, Black Cactus Holdings Pty Ltd ("Black Cactus"), and Benefits on Madison, Inc. ("Madison") which appointed Nexstar as an independent sales organisation (ISO) allowing it to issue prepaid and debit cards, as well as promote, market and solicit orders for Madison's extensive range of stored-value card services.

Following this announcement, Nexstar entered into agreements to provide prepaid cards to a number of partners including a UK-based entertainment organisation for their payroll and an international money transfer group. Nexstar is now poised to take advantage of the structure that has been put in place and will continue to play a significant role in the development of the Group.

Relaunch of Disorder Magazine

In April 2016, Oliver Horton was appointed as the Editorial Director of Milestone's wholly owned subsidiary, Disorder UK Magazine. Under his direction Disorder Magazine was relaunched in November 2016, with a clear focus on music, fashion and the championing of young talent. This was accompanied by a new distribution plan, allowing Disorder's new quarterly publication to be featured within creative colleges and universities across the country with plans to sell the magazine digitally, commencing in Q2 2017.

Winning in the Game of Life™

Our curriculum-based educational programme, which is designed to build young people's emotional intelligence, is currently undergoing a pilot in 100 primary school classes across the country. The results of the pilot will support applications for funding via the Foundation, and provide evidence for educational partners as part of the Company's sales and marketing campaign. It will also be used to demonstrate the proof of concept for expansion and integration into the Passion Project and its associated initiatives.

Management Changes

In January 2016, Patrick Vigors was appointed as Interim Chief Financial Officer, joining the management team. Patrick replaced Jim Brown, who resigned following three years of service to the business to allow him to focus more on his other business interests.

In February 2017, David Hill resigned from his position as Non-Executive Director following six years with the Company. The Board are in the process of appointing Sean Sydenham as his replacement.

Financial Summary

During the year, the Group's net loss was £1,667,270 (2015: £1,402,542). Revenues were £71,359 (2015: £318,035) and net liabilities at the period end were £1,019,656 (2015: £1,706,090). During the year, the Directors agreed to write off a total of £704,347 of contingent liability and Directors' trade payables.

These results are presented under European Union Adopted International Financial Reporting Standards ("EU Adopted IFRS").

Funding

During the year, the Company issued 191,911,950 new ordinary shares for a total consideration of £1,919,120 of which £1,823,794 was received in cash and £95,326 was in exchange for goods or services received.

Since the year-end, the Company has issued 298,143,429 new ordinary shares, raising £748,720 in cash and exchanging £45,701 worth for services received. As announced on 9 November 2016, a further £1,250,000 of cash was due to have been received for these shares from the Company's placee and this amount remains outstanding. The Company is working with the subscriber to find a solution. Funds from this placing were expected to facilitate investment into marketing, key staff hires and additional development of the Passion Project.

The Company continues to carefully manage its working capital position and will need to raise further monies through subscriptions for new shares in the short term to continue to support its business activities until the Company is fully revenue generating.

The Company remains firmly focused on generating revenue through all of its activities, as well as developing further opportunities. Protecting the interest of the Company's shareholders is a priority and the Board's strategy is to seek to raise funds on a basis that is fair to all.

Outlook

Although this past year has been challenging, the continued support of the Company's shareholders, network of partnerships and its staff has meant that the Group remains wholly focused on ensuring that all parts of the business are revenue generating or are ready to drive sales during the coming months.

Deborah White

Chief Executive Officer and Interim Chairman

27 February 2017

Board of Directors

Directors at 27 February 2017:

Deborah White, Chief Executive Officer and Interim Chairman

appointed as Chief Executive Officer, 31 March 2008, and as Executive Director (combining functions of Chief Executive Officer and Chairman), 4 February 2010

Anthony Sanders, Technical and Development Director

appointed as Technical and Development Director, 28 December 2011

Kevin Everett, Non-Executive Director

appointed as Non-Executive, 16 May 2013

Other Directors during the year:

David Hill, Non-Executive Director

served as Non-Executive, 15 August 2011 to 1 February 2017

Jim Brown, Group Finance Director

served as Group Finance Director, 10 July 2012 to 11 January 2016

Company Secretary

Jim Brown

served 1 February 2013 to 11 January 2016

Patrick Vigors

appointed 11 January 2016

Company Details:

Address and Registered office:

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1st Floor, 2 Royal Exchange Steps,
The Royal Exchange,
London EC3V 3DG

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Fax: +44 (0)870 495 4820
Email: enquiries@milestonegroup.co.uk
Website: www.milestonegroup.co.uk

Registered in England Company no: 04689130

Auditors: **Nexia Smith & Williamson Audit Ltd, Portwall Place, Portwall Lane, Bristol BS1 6NA**

Nominated Adviser: **Cairn Financial Advisers LLP, 61 Cheapside, London EC2V 6AX**

Brokers: **Hybridan LLP, 20 Ironmonger Lane, London EC2V 8EP**

Registrars: **Capita Registrars, 40 Dukes Place, London EC3A 7NH**

Solicitors: **Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH**

Strategic Report for the year ended 30 September 2016

Results and dividends

The consolidated results of the Group for the year are set out on page 15 of this report and show the loss for the year of £1,667,270 (2015: £1,402,542) with total revenues of £71,359 (2015: £318,035).

The Directors are unable to recommend the payment of a dividend (2015: nil).

Principal activities, review of business and future developments

A description of the Group's principal activities and a review of the year are held within the Chairman's statement above.

The Group offers its shareholders exposure to the digital media sector. Milestone brings together media practices and technology to deliver interactive digital solutions across web, phone and portable media, whilst supporting social change.

Key performance indicators ("KPIs")

The principal focus of the Group has been to create a sustainable, profitable business that also delivers positive social change and impact. Each of the projects has now been launched and the Board will monitor financial and non-financial performance indicators appropriate to each of the projects and activities as they are developed.

The key performance indicators for the Group's operations during the year are the control of central costs against expected future benefits, along with revenues and contribution levels for all projects.

Financial instruments and principal risks and uncertainties

The Group had £134,027 of interest bearing loans outstanding at the year-end (2015: £106,527). The Group's modest cash reserves during the year were held in bank current and deposit accounts. A detailed description of how the Group manages risks and uncertainty surrounding financial instruments, working capital, interest rates and liquidity is held in note 15 to the financial statements.

This annual report contains certain forward looking statements with respect to the principal risks and uncertainties facing the Group. These statements can be identified by the use of forward looking terminology such as "believe", "could", "expects", "plan", "anticipate", "envisage", "estimate", "intend", "should", "may" or comparable terminology indicating expectations or beliefs concerning future events. By their very nature, these forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. The forward looking statements reflect the knowledge and information available at the date of preparation of this annual report and will not be updated during the year. Nothing in this annual report should be construed as a profit forecast.

The Directors consider cash flow to be the material financial risk to the Group in the immediate future. As the new projects and platforms are rolled out by the Group, the risks impacting the Group will change and these changes will be expanded upon as the various projects and initiatives are commercialised.

Events after the reporting period

Events after the reporting period are set out in note 24 to the financial statements.

Going concern

Whilst the Group has made a loss in the year and had net liabilities of £1,019,656 (2015: £1,706,090) at the year-end, the Board feel it is appropriate to adopt the going concern basis in preparing the annual reports and accounts. There are significant risks and uncertainties surrounding the going concern assumption and these are fully discussed and disclosed in note 1 and 2 to the annual report and accounts.

By order of the Board

Deborah White

Chief Executive Officer and Interim Chairman

27 February 2017

Report of the Directors for the year ended 30 September 2016

The Directors present their report together with the audited financial statements for the year ended 30 September 2016.

Directors in the year

Deborah White, Chief Executive Officer and Interim Chairman
Anthony Sanders, Technical and Development Director
Kevin Everett, Non-Executive Director
David Hill, Non-Executive Director, resigned 1 February 2017
Jim Brown, Group Finance Director, resigned 11 January 2016

Substantial shareholdings

So far as the Company is aware and subject to any new notifications received after 27 February 2017, the following persons have a notifiable interest in the ordinary share capital of the Company (3 per cent or more of the Company's ordinary shares; please note percentages are rounded):

	Ordinary Shares held at 27 February 2017
Anthony Daltrey	47,500,000 (4.39%)
Deborah Jane White	35,439,330 (3.27%)

Communication with shareholders

London Stock Exchange notifications are the primary vehicles for communication with shareholders. The annual report and accounts and the interim statement at each half year are also communicated to shareholders and are distributed to other parties who have expressed an interest in the Group's performance. The London Stock Exchange notifications and the Group results can be viewed on the Company website (www.milestonegroup.co.uk).

Each year shareholders are invited to an annual general meeting ("AGM"). The AGM is the main shareholder event of the year and provides an opportunity for shareholders to question the Directors.

Shareholders who have any queries relating to their shareholdings or to the affairs of Milestone generally are invited to contact the Company Secretary at the Company's registered address.

During January 2007, new provisions within the Companies Act 2006 came into force regarding the ways that a company is permitted to communicate with its shareholders. Milestone put a resolution to the shareholders at the AGM in March 2012 requesting permission to use its website to publish statutory documents and communications to shareholders, such as Annual Report and Accounts, as its default method of publication.

This resolution was duly passed and we therefore publish all shareholder information including the AGM Notice of Meeting and Annual Report and Accounts on the Company website at www.milestonegroup.co.uk/investors. Reducing the number of communications sent by post not only results in cost savings to the Company but also reduces the impact that the unnecessary printing and distribution of reports has on the environment.

Environmental matters

The nature of Milestone's business means that it is unlikely to be a major polluter but the Board is mindful of the potential impact on the environment of Group activities. The Board recognises its responsibility to the environment in areas such as energy management, paper usage, waste reduction and recycling, and communications.

The Board is also focused on ensuring that there is positive social change alongside the commercial aspects of the business. Further information on the steps being taken to deliver this can be found in the Chairman's Statement on pages 1 to 4 of this report.

Board of Directors

The Board is responsible for formulating, reviewing and approving the Group's strategies, budgets, major items of capital expenditure and corporate actions.

At the end of the year the Board of the Company comprised two Executive Directors, Deborah White and Anthony Sanders, and two Non-Executive Director, David Hill and Kevin Everett. Other Directors who held office during the year are set out at the beginning of this report, together with their appointment and resignation dates. Each Director has extensive and relevant business experience. Brief biographies of the Directors are set out below in this report.

The Board is currently of the opinion that, given the present size of the Group, it is inappropriate to retain separate sub-committees but intends to keep this matter under regular review.

The Board believes that this is an appropriate structure for the Company at its current stage of development and that there is sufficient expertise within the Board to facilitate a sound decision-making process and control environment in the short-term.

Details of the remuneration of the Directors are included in note 5 of the financial statements. Future remuneration will be dependent on the growth of the Company.

Directors' profiles

Deborah White, Chief Executive Officer and Interim Chairman

Deborah has over 20 years' experience in the Financial Services sector and has built a number of successful businesses. Seeing the potential of Milestone Group PLC, she acquired a major stake in the business and took the position of CEO in 2008. Since then, she has driven substantial change in the Company through her leadership, vision and extensive network of key industry contacts. The Company is now firmly positioned as a digital media and technology group synonymous with creating social change.

This vision resulted in the creation of the Company's flagship product the Passion Project - a collaborative social marketplace, brought together for the purpose of unlocking human and commercial potential.

Anthony Sanders, Technical and Development Director

Tony has over 30 years technology experience and has been responsible for growing several businesses and overseeing the development of a number of award winning products. He has worked for various companies including British Telecom, ICM (Phoenix IT Group PLC), Thorn EMI and Hill Samuel.

From 1997, Tony focussed on developing IT businesses within the Business Continuity and IT Services arena. He was founding director of Assurity Europe Ltd and oversaw its growth and subsequent sale to the ICM Computer Group PLC, where he took up the role of Technical and Operations Director. Most recently he was Technical and Development Director for ICM (Phoenix IT Group PLC) where he was responsible for the business and product development strategy.

Kevin Everett, Non-Executive Director

Kevin has extensive strategic, operational and financial experience. He has balanced professional and charitable careers, particularly focusing on business and education. He has vast experience in connecting foundations with the corporate sector, a model now used by industry to bring education and employers closer together.

Kevin is currently Treasurer and Chairman of the Board of the Sir John Cass Foundation. During his 24 years on the Board, he has led the restructuring of the Foundation, increasing their assets from £16m to £120m. His early support for specialist schools, linked with his belief in the model of putting education and employers together, has helped increase the Sir John Cass Foundation's grant capacity and benefit from £300k to over £5m.

In his early career, Kevin was a voluntary youth leader in Tower Hamlets, a role he held from 1971 to 1984. This led in the early 1990s to the building of a Mental Health Resource Centre in the area. Kevin has previously served as a director on a number of Boards, both commercial and not for profit. He is also a Chairman of the Valuation Tribunal for England.

Kevin is a key player in the development of a number of Milestone's initiatives and will be taking the lead on the further development of the Milestone Foundation.

Directors' shareholdings

The Directors of the Company and their beneficial interests as at the end of the year and as at 27 February 2017 (including those of their immediate family and any company controlled by them) in the share capital of Milestone are shown below:

	Ordinary shares of 0.1p each held at 27 February 2017	Ordinary shares of 0.1p each held at 30 September 2016	Ordinary shares of 0.1p each held at 30 September 2015
Deborah Jane White	35,439,330	35,439,330	35,439,330
Anthony Sanders	1,500,000	1,500,000	1,500,000
David Hill	1,000,000	1,000,000	1,000,000
Kevin Everett	-	-	-

No Directors' share options were exercised in the year (2015: nil) and there were 148,926,782 Directors options outstanding at the end of the year.

No Directors' share warrants were exercised in the year (2015: nil) and there were 33,130,392 Directors warrants outstanding at the end of the year.

Details of any Directors' interests in transactions of the Group are given in note 20 to these financial statements.

Qualifying third party indemnity provision for the benefit of the Directors was in place during the year and continues to remain in place.

Financial instruments and principal risks and uncertainties

Financial instruments and principal risks and uncertainties are set out in the Strategic Report on page 6.

Events after the Reporting Period

Events after the reporting period are set out in note 24 to the financial statements.

Auditors

In the case of each person who was a Director at the time this report was approved:

- so far as that Director was aware there was no relevant audit information of which the Company's auditors were unaware; and
- that Director had taken all steps that the Director ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Nexia Smith & Williamson Audit Ltd expressed their willingness to continue in office. A resolution to re-appoint them will be proposed at the Annual General Meeting.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Group and Parent Company financial statements in accordance with the applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the financial statements of the parent company in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) and have prepared the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and applicable law. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair review of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

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

The Directors are responsible for keeping proper accounting records 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Company and Group and hence take reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the on-going integrity of the financial statements contained therein.

By order of the Board

Deborah White

Chief Executive Officer and Interim Chairman

27 February 2017

Report of the independent auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILESTONE GROUP PLC

We have audited the group financial statements of Milestone Group plc for the year ended 30 September 2016 which comprise the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of cash flows, the Consolidated statement of changes in equity and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 set out on page 11, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 September 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The going concern status of the group is dependent upon the management of the timing of settlement of its liabilities and the raising of further funds in the immediate to short term and thereafter on the forecast profitability of new strategic partnerships and joint ventures which have recently commenced and for which the degree of success cannot yet be reliably demonstrated.

Forecasts prepared by management indicate that if they are unable to manage the group's liabilities as planned or the external fundraising does not occur in the immediate term and, subsequently, the future projects do not prove as profitable as forecast the group would have an immediate requirement to seek alternative sources of funding. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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:

- 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.

Other matter

We have reported separately on the parent company's financial statements of Milestone Group plc for the year ended 30 September 2016. That report includes an emphasis of matter.

Jonathan Talbot

Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: 27 February 2017

Consolidated statement of comprehensive income for the year ended 30 September 2016

	Note	2016	2015
		£	£
Revenue	1	71,359	318,035
Cost of sales		(13,856)	(140,214)
Gross profit		**57,503**	**177,821**
Other operating income		1,738	-
Adminstrative expenses	4	(1,820,652)	(1,573,771)
		(1,818,914)	(1,573,771)
Loss from operations		**(1,761,411)**	**(1,395,950)**
Net finance (expense) / income	6	(2,104)	(6,592)
Loss before taxation		**(1,763,515)**	**(1,402,542)**
Taxation charge	7	96,245	-
Total Comprehensive loss for the year		**(1,667,270)**	**(1,402,542)**
Attributable to owners of the parent		**(1,667,270)**	**(1,402,542)**
Basic and diluted loss per share (pence)	**9**	**(0.25)**	**(0.25)**

The notes on pages 19 to 41 form part of these financial statements.

Consolidated statement of financial position at 30 September 2016
Company No: 04689130

	Note	2016	2015
		£	£
Non-current assets			
Intangible assets	10	1	18,914
		1	**18,914**
Current assets			
Trade and other receivables	11	187,836	63,477
Cash and cash equivalents		128,462	92,495
		316,298	**155,972**
Current liabilities			
Trade and other payables	12	(1,201,928)	(1,774,449)
Interest bearing loans	13	(134,027)	(106,527)
		(1,335,955)	**(1,880,976)**
Net liabilities		**(1,019,656)**	**(1,706,090)**
Capital and reserves attributable to owners of the Company			
Share capital	16	783,998	592,086
Share premium account		15,073,350	13,395,669
Shares to be issued		63,081	502,848
Merger reserve		11,119,585	11,119,585
Capital redemption reserve		2,732,904	2,732,904
Retained losses		(30,792,574)	(30,049,182)
Total Equity		**(1,019,656)**	**(1,706,090)**

The financial statements were approved by the Board and authorised for issue on 27 February 2017

Deborah White
Chief Executive Officer and Interim Chairman

The notes on pages 19 to 40 form part of these financial statements.

Consolidated statement of cash flows for the year ended 30 September 2016

	Note	2016	2015
		£	£
Cash flow from operating activities			
Loss for the year		**(1,667,270)**	**(1,402,542)**
Adjustments for:			
Amortisation of intangible assets		18,913	37,814
Net bank and other interest charges		2,104	(6,592)
Services settled by the issue of shares		45,799	30,619
Issue of share options charge		883,878	18,235
Net cash before changes in working capital		**(716,576)**	**(1,322,466)**
(Increase) / decrease in trade and other receivables		(124,358)	51,507
(Decrease) / increase in trade and other payables		(572,523)	444,743
Cash outflow from operations		(1,413,457)	(826,216)
Interest received		19	10
Interest paid		(623)	(2)
Net cash flows from operating activities		**(1,414,061)**	**(826,208)**
Financing activities			
Issue of ordinary share capital		1,424,028	809,848
Repayment of loan		(65,000)	(73,500)
New loans raised		91,000	106,500
Net cash flows from financing activities		**1,450,028**	**842,848**
Net increase in cash		**35,967**	**16,640**
Cash and cash equivalents at beginning of year		92,495	75,855
Cash and cash equivalents at end of year	23	**128,462**	**92,495**

The notes on pages 19 to 40 form part of these financial statements.

Consolidated statement of changes in equity for the year ended 30 September 2016

	Share Capital	Share Premium	Shares to be issued	Other Reserves	Retained Earnings	Total Equity
	£	£	£	£	£	£
Balance at 30 Sept 2014	**553,961**	**13,056,175**	**40,000**	**13,852,489**	**(28,664,875)**	**(1,162,250)**
Loss for the year	-	-	-	-	(1,40,542)	(1,402,542)
Cash received in advance of share issue	-	-	462,848	-	-	462,848
Shares issued	38,125	339,494	-	-	-	377,619
Share options	-	-	-	-	18,235	18,235
Balance at 30 Sept 2015	**592,086**	**13,395,669**	**502,848**	**13,852,489**	**(30,049,182)**	**(1,706,090)**
Loss for the year	-	-	-	-	(1,667,270)	(1,667,270)
Cash received in advance of share issue	-	-	63,081	-	-	63,081
Contingent consideration written off	-	-	(40,000)	-	40,000	-
Shares issued	191,912	1,677,681	(462,848)	-	-	1,406,745
Share options	-	-	-	-	883,878	883,878
Balance at 30 Sept 2016	**783,998**	**15,073,350**	**63,081**	**13,852,489**	**(30,792,574)**	**(1,019,656)**

On the acquisition of FEDS / LIMIT the deferred consideration is payable in shares at a fixed market price. This deferred consideration is payable on the achievement of certain performance criteria. Part of these criteria was met in January 2013 resulting in the issue of £30,000 worth of shares. The remaining criteria are not expected to be met and therefore the remaining £40,000 held in shares to be issued has been written off in the year.

During the year, shares were issued for the £462,848 received prior to the previous year-end and held in shares to be issued at September 2015. Prior to the year-end, cash of £63,081 was received in advance of the issue of the associated equity shares, which were issued subsequent to the balance sheet date.

The other reserves relate to the merger reserve and the capital redemption reserve.

Notes to the consolidated accounts for the year ended 30 September 2016

The principal activity of Milestone Group plc and its subsidiaries (the Group) is the provision of multimedia and technology solutions.

Milestone Group plc is the Group's ultimate parent company, and it is incorporated in the United Kingdom with registration number 04689130. Milestone Group PLC is domiciled in the United Kingdom and has its registered office at 1st Floor, 2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG and this is its principal place of business.

Milestone Group plc's shares are quoted on the AIM market of the London Stock Exchange.

Milestone Group plc's consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent Company.

1. Principal accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("EU Adopted IFRSs"), and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under EU Adopted IFRSs.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and below. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements. In addition note 15 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and exposures to credit risk and liquidity risk.

The net liability balance sheet position as at 30 September 2016, being the Group's financial year-end, was £1,019,656 (2015: £1,706,090). Subsequent to the balance sheet date, the Board has been able to agree funding in the form of further share issues raising £748,720 in cash and exchanged £45,701 worth of shares for services received. In addition, and as discussed in the Chairman's statement, a further £1,250,000 was agreed in the form of further share issue, with the Company's placee, however this has not been received by the Company. The Board is continuing to seek a resolution. The funding received to date will go part way to cover year-end liabilities and the Company will be dependent upon future funding and revenues to meet the remaining obligations, as discussed below.

The Company continues to be reliant upon its continuing ability to manage the timing of settlement both of its current liabilities and future liabilities as they arise. There is also a need for successful on-going equity fundraises and / or loans in the immediate to short term thereafter, while sales plans and projections come into effect, especially in relation to revenues generated from new strategic partnerships and joint ventures and from the Passion Project. The Board has prepared forecasts to reflect the revenues expected to be generated by the Group and partnerships. The Company is fully focused on ensuring that sales plans are followed to ensure that the business becomes self-sustaining in the near future.

The Directors have concluded that the need to generate future funds from further fundraising and from trading activities to satisfy the settlement of its on-going and future liabilities represents a material uncertainty, which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless after making enquiries and considering this uncertainty and the measures that can be taken to mitigate the uncertainty, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include any adjustments that would result if the Group and Company was unable to continue as a going concern.

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 30 September 2016. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. The trading results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Group transactions, balances, income and expenditure are eliminated on consolidation.

Revenue and attributable profit

Revenue is recognised as the contract activity progresses. Revenue and associated costs are recognised in proportion to the work completed. Where, however, the outcome cannot be assessed with reasonable certainty before the contract's conclusion, revenue is recognised only to the extent that the expenses recognised are recoverable. Full provisions are made for any contracts that are forecast to be loss making as soon as it is identified. Where revenue is for a membership fee, the subscription is initially credited to deferred income and released to revenue in equal monthly amounts on the basis of the expired period of membership.

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development activity is recognised only if all the following conditions are met:

- an asset is created that can be identified (such as a website);
- it is probable that the asset created will generate future economic benefits, and;
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Intangible Assets

Goodwill

Goodwill represents the excess cost of a business combination over total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired.

Cost comprised the fair value of assets given, liabilities assumed and equity instruments issued. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations, directly attributable costs of acquisition are recognised immediately as an expense.

Goodwill is not amortised and is reviewed annually for impairment. Any impairment identified as a result of the review is charged in the consolidated statement of comprehensive income.

Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their estimated useful economic lives. The amortisation expense is included within the other administrative expenses line of the consolidated statement of comprehensive income. Intangible assets are recognised on business combinations if they are separable from the acquired entity to give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

Impairment of non-current assets

For the purposes of assessing impairment, assets are grouped into separately identifiable cash-generating units. Goodwill is allocated to those cash-generating units that have arisen from business combinations. At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested for impairment annually. Goodwill impairment charges are not reversed.

An impairment loss is recognised for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value and value in use based on an internal discounted cash flow evaluation.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and on demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are shown in current liabilities on the statement of financial position.

Equity

Equity comprises the following:

- *Share capital* represents the nominal value of issued ordinary shares and deferred shares.
- *Share premium* represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- *Shares to be issued reserve* represents cash received for the purchase of shares yet to be issued at the period end.
- *Merger reserve* represents the excess over nominal value of the fair value of consideration received for equity shares issued on acquisition of subsidiaries, net of expenses of the share issue.
- *Capital redemption reserve* represents the nominal value of shares repurchased by the Company.
- *Retained earnings* represent retained profits and losses.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Financial instruments

Financial assets and financial liabilities are initially recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument at their fair value and thereafter at amortised cost.

Trade receivables

Trade receivables are initially recorded at fair value and then carried at their amortised cost less any provision for doubtful debts. Trade receivables due in more than one year are discounted to their present value.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. Trade receivables are reported net.

The doubtful debt provision expense is recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Trade payables

Trade payables are initially recorded at fair value and then carried at their amortised cost.

Contingent consideration

Contingent consideration is recorded at fair value, being the Directors best estimate of amounts expected to be payable. Non-current consideration is held at discounted fair value. Contingent consideration payable solely in shares at a fixed price per share are recorded in equity when the transaction entered into at the level of total consideration that the Directors expect to be payable. Contingent consideration which is payable in either cash or shares or where the price of shares to be issued is not fixed are held as current or non-current payables as appropriate.

Equity instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct costs.

Share based payments

When share options and warrants are awarded, the fair value of the options and warrants at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market conditions are taken into account by adjusting the number of equity instruments expected to vest at each end of reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options and warrants that eventually vest. Market conditions are factored into the fair value of the options and warrants granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options and warrants are modified before they vest, the increase in fair value of the options and warrants, measured immediately before and after the modification, is also charged to the consolidated statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the full cost of services provided is recognised as a current liability and as a charge in the consolidated statement of comprehensive income. When shares are issued to settle the obligation, the liability is extinguished and the share issue is reflected in equity as an issue of share capital.

Upon exercise of share options and warrants, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

New standards applied this year

There are a number of new standards that have come into affect for the first time this year. These are not listed here as they have not had and are not expected to have a material impact on the financial statements.

New standards, amendments and interpretations that are currently in issue, but are effective for accounting periods commencing after 1 October 2015

There are a number of new standards, amendments to standards and interpretations to standards that are not mandatory for the financial year. These include:

IFRS 15 'Revenue from contracts with customers' will be effective for periods beginning on or after 1 January 2018. The standard sets out the requirements for recognising revenue from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and the related interpretations.

IFRS 16 'Leases' will be effective for periods beginning on or after 1 January 2019, subject to endorsement by the EU. The standard sets out requirements for recognising assets and liabilities in respect of leases, and will supersede the existing accounting guidance in IAS 17 'Leases' and the related interpretations.

IFRS 9 'Financial Instruments' will be effective for periods beginning on or after 1 January 2018, subject to endorsement by the EU. The standard will impact the classification and measurement of financial instruments and will supersede IAS 39 'Financial Instruments: Recognition and Measurement'.

These are not expected to materially impact the financial statements of the Group over the next 12 months. The Directors are considering the financial impact of the introduction of these.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

Critical judgements and estimates in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Judgements

Going concern

Management have considered that the Group remains a going concern. The going concern assumption is discussed further in note 1.

Estimates

Impairment of goodwill and other intangibles

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. Other intangible assets are tested for impairment if there are any indicators of impairment during the period. The recoverable amount of goodwill and other intangibles is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 10.

Contingent consideration

As part of the acquisition of FEDS / LIMIT the vendors are entitled to consideration dependent upon the acquired business's performance in the periods subsequent to acquisition. The Directors have estimated that the group will not meet these performance targets and has therefore written off the amount provided in prior years.

Warrant and share options issued

Where warrants and share options have been issued the fair value of the share options was estimated at the date of the grant using either the Black-Scholes model or the Monte-Carlo model, taking into account the terms and conditions upon which they were granted. The charge for these payments is then recognised in line with the vesting period. Actual outcomes may vary. More information including the inputs used for the valuation is included in note 17.

3. Segment analysis

The accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the senior management team.

The Group has two main reportable segments:

- Milestone – Milestone seeks to generate revenue from the exploitation of intellectual property and licenses held. The operational expenditure incurred on behalf of the Group is also managed within this segment.

- Oil Productions – Oil Productions generates revenue from multiplatform digital production services.

Oil Productions is managed separately with all other business activities falling under the Head Office. Uniform accounting policies are applied to the entire Group. These are described in note 1 of the financial statements.

Year to 30 September 2016	Milestone	Oil Productions	Total
	£	£	£
Revenue to External Customers	**67,759**	**3,600**	**71,359**
Net finance (expense)	(1,481)	(623)	(2,104)
Depreciation & Amortisation	(18,913)	-	(18,913)
Segment loss before tax	**(1,636,600)**	**(126,915)**	**(1,763,515)**

Year to 30 September 2015	Milestone	Oil Productions	Total
	£	£	£
Revenue to External Customers	**192,224**	**125,811**	**318,035**
Net finance (expense)	(6,590)	(2)	(6,592)
Depreciation & Amortisation	(37,814)	-	(37,814)
Segment loss before tax	**(1,118,508)**	**(284,034)**	**(1,402,542)**

£3,600 of revenues recognised in Oil Productions for the year are generated from sales to one customer (2015: £45,894). All revenue for the Group arose in the UK.

As at 30 September 2016	Milestone	Oil Productions	Total
	£	£	£
Total Segment Assets	**274,337**	**41,962**	**316,299**
Total Segment Liabilities	**(1,195,594)**	**(140,361)**	**(1,335,955)**

As at 30 September 2015	Milestone	Oil Productions	Total
	£	£	£
Total Segment Assets	**154,038**	**20,848**	**174,886**
Total Segment Liabilities	**(1,728,666)**	**(152,310)**	**(1,880,976)**

4. Administrative Expenses

The following amounts are included within administrative expenses:

	2016	2015
	£	£
Auditors' remuneration:		
Fees payable to the Company's auditor:		
For the audit of the Company's annual accounts	29,850	29,000
Fees for taxation compliance services	4,500	4,375
Depreciation, amortisation and impairment:		
Software Licenses	18,913	37,814
Staff costs (note 5)	825,465	705,951

5. Directors and staff

Staff costs during the year, including Directors, were as follows:

	2016	2015
	£	£
Wages and salaries	745,637	640,607
Social security costs	79,828	65,344
	825,465	**705,951**

The average number of staff of the Group during the year was as follows:

	2016	2015
	no.	no.
Sales and distribution	9	6
Directors and administration	8	10
	17	**16**

The amounts accrued as a contingent liability by the Company in respect of the Directors, who are the key management personnel of the Group, and remuneration of other key management personnel was as follows:

	2016	2015
	£	£
Deborah White	120,000	120,000
Anthony Sanders	114,000	114,000
Kevin Everett	24,000	24,000
David Hill	24,000	24,000
Jim Brown	9,000	36,000
Total Directors emoluments	291,000	318,000
Remuneration for additional key management	-	-
Employers national insurance and share option / warrant charges for key management personnel (including directors)	691,912	45,120
	982,912	**363,120**

Details of the total amounts outstanding to the Directors at the period end are detailed in note 12. During the year, the Directors waived their entitlement to historic contingent liabilities (accrued in the statement of financial position) of £704,347. The Company issued them with options and warrants during the year, creating a charge of £660,112 (2015: £13,320).

The Directors agreed that whilst not waiving their ultimate entitlement to the remaining remuneration, the Board will be granted the right to decide when the Company can afford to pay its directors. The payment of entitlement will not take place until the Board determine that the Company has the financial resources to make any remuneration and so the Directors have agreed to amend the terms of their contracts to reflect this.

6. Finance expenses

	2016	2015
	£	£
Trade Interest	(623)	(2)
Loan Interest	(1,500)	(6,600)
	(2,123)	**(6,602)**

7. Tax on loss on ordinary activities

	2016	2015
	£	£
Loss from operations before tax	(1,763,515)	(1,402,542)
Loss from operations at the standard rate of corporation tax in the UK of 20% (2015: 20%)	(352,703)	(280,508)
Effects of:		
Expenses not deductible for tax purposes	6,254	81,513
R&D tax credit	(96,245)	-
Unutilised tax losses and other deductions	346,449	198,995
Total tax charge in the year	(96,245)	-

Deferred tax assets of approximately £2.1m (Group) (2015: £1.8m) have not been recognised in the financial statements as there is currently insufficient evidence to suggest that any deferred tax asset would be recoverable. The Group has unutilised tax losses of approximately £10.2m (2015: £8.6m) that would be available to carry forward against future profits from the same activity, subject to agreement by HM Revenue & Customs.

8. Dividend

No dividends have been paid or proposed in the year (2015: £nil).

9. Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares and the post tax effect of dividends and interest, on the assumed conversion of all other dilutive options and other potential ordinary shares.

There were 174,189,116 share options and 110,931,460 share warrants outstanding at the yearend (2015: 104,522,000 and nil). However, the figures for 2016 and 2015 have not been adjusted to reflect conversion of these share options as the effects would be anti-dilutive.

			2016			2015
	Loss	Weighted average number of shares	Per share Amount Pence	Loss	Weighted average number of shares	Per share Amount Pence
	£			£		
Basic and diluted loss per share attributable to shareholders	(1,667,270)	653,810,277	(0.25)	(1,402,542)	572,401,922	(0.25)

10. Intangible assets

	Licenses	Goodwill	Customer relationships	Total
	£	£	£	£
Cost				
Balance as at 1 October 2014	189,074	407,987	242,927	839,988
Balance as at 1 October 2015	189,074	407,987	242,927	839,988
Disposals	(189,073)	(407,987)	(242,927)	(839,987)
Balance as at 30 September 2015	**1**	**-**	**-**	**1**
Amortisation				
Balance as at 1 October 2014	**132,346**	**407,987**	**242,927**	**783,260**
Amortisation charged in the year	37,814	-	-	37,814
Balance as at 1 October 2015	**170,160**	**407,987**	**242,927**	**821,074**
Amortisation charged in the year	18,913	-	-	18,913
Disposals	(189,073)	(407,987)	(242,927)	(839,987)
Balance at 30 September 2016	**-**	**-**	**-**	**-**
Net book value				
As at 30 September 2016	**1**	**-**	**-**	**1**
As at 30 September 2015	18,914	-	-	18,914

Current estimates of useful economic lives of intangible assets other than goodwill are as follows:

Software licenses	5 years
Customer relationships	1 year

No intangible assets are internally generated.

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 Goodwill recorded all relates to the acquisition of Oil Productions Limited in 2011. Management have concluded that this represents one CGU.

Goodwill is not amortised but is tested annually for impairment. To the extent that the carrying value of the cash-generating unit exceeds the value-in-use, determined from estimated discounted future net cash flows, goodwill is written down to the value-in-use and an impairment charge is recognised.

In the previous periods, the Goodwill in Oil Productions has been fully impaired and therefore an impairment charge of £nil been recognised in the statement of comprehensive income (2015: £nil).

10. Intangible assets (continued)

Subsidiaries as at 30 September 2016	Registered Address	Class of Shares	Total Number of Shares in issue at 30 September 2016	Percentage held by Milestone
Oil Productions Ltd (Relative)	2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG	Ordinary Shares of 0.1p	2,325	100%
Nexstar League Ltd	2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG	Ordinary Shares of 0.1p	100	51%
OnSide Now Ltd (Dormant)	2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG	Ordinary Shares of 0.1p	1	100%

11. Trade and other receivables

	2016	2015
	£	£
Trade receivables	-	12,330
Other receivables	187,836	51,147
	187,836	**63,477**

Trade receivable days at the year-end were 0 days (2015: 14 days). No interest is charged on receivables within the agreed credit terms. Thereafter, interest may be charged.

An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount. The Group provides, in full, for any debts it believes have become non-recoverable. The figures shown above are after deducting specific provision for bad and doubtful debts of nil (2015: nil). No amounts included within trade and other receivables are expected to be recovered in more than one year (2015: nil).

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above. The carrying value at the year-end for each class of assets is deemed by the Directors to be the same as the fair value.

Held within other receivables is a provision of £96,246 for R&D tax claims (2015: nil). This amount was recovered post year-end.

The ageing of trade receivables that have not been impaired are:

	2016	2015
	£	£
Not yet due		
0 - 29 days	-	12,330
	-	**12,330**

12. Trade and other payables

	2016	2015
	£	£
Trade payables	328,601	389,939
Other payables	17,564	16,736
Taxation and social security	159,873	170,865
Accruals and deferred income	695,890	1,196,909
	1,201,928	**1,774,449**

Included in accruals and deferred income are amounts of £115,344 (2015: £754,872) relating to unpaid contingent remuneration to the Directors in office at the year-end. This has been accrued in accordance with the payments agreed between the Company and Directors.

13. Interest bearing loans and borrowing - due within one year

	2016	2015
	£	£
Interest bearing loans	134,027	106,527
	134,027	**106,527**

Of these loan balances, £117,527 is unsecured, attracts no interest and has no fixed repayment schedule. The remaining £16,500 is unsecured, attracts 10% per annum interest and has no fixed repayment schedule.

The interest charge in the consolidated statement of comprehensive income for the year was £1,500 (2015: £6,660).

14. Deferred tax assets and liabilities

Deferred tax is calculated in full on temporary differences under the liability method using a rate of 20% (2015: 20%). Recognised deferred tax liabilities for 2016 are nil (2015: nil).

A deferred tax asset of £2.15m, arising principally from losses in the Group, has not been recognised (2015: £1.81m). These losses can be offset against future trading profits generated. The Directors believe at this stage that it is prudent not to recognise the deferred tax asset within the financial statements.

15. Financial instruments and risk management

Financial risk factors

The Group's financial instruments comprise cash, including short-term deposits, trade and other receivables, short term loan financing and trade and other payables that arise directly from its operations. The main risks arising from the Group's financial instruments are liquidity risk, credit risk and interest rate risk. The Board has reviewed and agreed policies for managing each of these risks and they are summarised below. The Group has no financial assets other than trade receivables and cash at bank. The statement of financial position values for the financial assets and liabilities are not materially different from their fair values.

Liquidity risk

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group's policy is to ensure there are sufficient cash reserves to meet liabilities during such periods. These are incorporated into rolling twelve-month Group cash flow forecasts, which are reviewed by the Board monthly, and the cash flows are monitored at Group level by weekly cash reports from each operating entity. Short-term flexibility is provided through the availability of cash facilities. Long term funding is secured through issues of share capital and loans.

Credit risk

The Group's principal financial assets are bank balances, cash and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables. As far as possible the Group operates to ensure that the payment terms of customers are matched to the Group's own contractual obligations on development.

Currency risk

The Group does not operate in overseas markets and is not subject to exposures on transactions undertaken during the year. The Group's exposure to exchange rate fluctuations is therefore not significant.

Capital risk management

The capital structure of the Group consists of short term loan financing provided by individual vendors and the shareholders' equity comprising issued share capital and reserves. The capital structure of the Group is reviewed on an on-going basis with reference to the costs applicable to each element of capital, future requirements of the Group, flexibility of capital to be drawn down and availability of further capital should it be required.

The Group had current loan liabilities of £134,027 at the year-end (2015: £106,527).

Liability maturity analysis

2016	Repayable on demand or within 1 month	Between 1 month and 6 months	Between 6 months and 1 year
	£	£	£
Trade payables	328,601	-	-
Other trade payables	-	17,564	-
Accruals and deferred income	-	250,599	605,164
Interest bearing loans	-	134,027	-

2015	Within 1 month	Between 1 month and 6 months	Between 6 months and 1 year
	£	£	£
Trade payables	389,939	-	-
Other trade payables	33,414	16,739	-
Accruals and deferred income	-	170,865	1,1163,496
Interest bearing loans	-	106,527	-

Within interest bearing loan balances at the year-end, there are no convertible loans (2015: nil).

All loan balances and associated financial liabilities are due within one year of the end of the reporting period.

Interest rate and liquidity risk

The Group's financial liabilities represented trade payables and short-term loan financing at the year-end. No interest was payable on the trade and other payables outstanding. The Group's working capital commitments are reviewed on an on-going basis with reference to the dates when liabilities are to be repaid.

16. Share capital

	2016	2015
	£	£
Authorised		
2,267,095,595 (2015: 2,267,095,595) ordinary shares of 0.1p (2015: 0.1p) each	2,267,096	2,267,096
	2,267,096	**2,267,096**
Allotted, called up and fully paid		
783,997,982 (2015: 592,086,032) ordinary shares of 0.1p (2015: 0.1p) each)	783,998	592,086
	783,998	**592,086**

On 11 November 2015, the Company issued 15,067,550 ordinary shares at a price of 1 penny per share for a cash consideration of £113,500 and for settlement of outstanding trade payables of £37,175.50.

16. Share capital (continued)

On 25 February 2016, the Company issued 18,100,000 ordinary shares at a price of 1 penny per share for a cash consideration of £180,010.

On 4 April 2016, the Company issued 54,950,000 ordinary shares at a price of 1 penny per share for a cash consideration of £540,500 and for settlement of outstanding trade payables of £9,000.

On 9 August 2016, the Company issued 54,855,000 ordinary shares at a price of 1 penny per share for a cash consideration of £506,000 and for settlement of outstanding trade payables of £42,550.

On 30 August 2016, the Company issued 23,879,400 ordinary shares at a price of 1 penny per share for a cash consideration of £232,194 and for the settlement of outstanding trade payables of £6,600.

On 26 September 2016, the Company issued 25,150,000 ordinary shares at a price of 1 penny per share for a cash consideration of £251,500.

No transaction costs were recorded against the share premium in the year.

17. Share warrants

At the 30 September 2016, the Company had the following equity settled warrants in issue:

	Date warrent granted	Number of shares outstanding as at 1 Oct 2015	Warrants granted during the year	Shares forefeited / expired / waived during the year	Warrants outstanding as at 30 Sept 2016	Option Price
Deborah White	23/08/2016	-	12,287,417	-	12,287,417	1.25p
		-	12,287,417	-	12,287,417	1.75p
David Hill	23/08/2016	-	2,333,334	-	2,333,334	1.25p
		-	2,333,334	-	2,333,334	1.75p
Kevin Everett	23/08/2016	-	1,944,445	-	1,944,445	1.25p
		-	1,944,445	-	1,944,445	1.75p
Misc Warrants	03/08/2016	-	26,707,500	-	26,707,500	1.25p
		-	26,707,500	-	26,707,500	1.75p
	23/08/2016	-	12,193,034	-	12,193,034	1.25p
		-	12,193,034	-	12,193,034	1.75p

The performance conditions of all the warrants are that the mid-market share price of the Company must be 2.5p for 5 consecutive days. These conditions were not met in the year.

The weighted average contractual life of the outstanding warrants at 30 September 2016 was 4.9 years.

The fair value of the share warrants was estimated at the date of grant using the Monte-Carlo model, taking into account the terms and conditions upon which they were granted.

The following tables list the inputs to the model used for the valuations of share warrants.

Grant Date	03/08/2016	03/08/2016
Final Date	02/08/2021	02/08/2021
Exercise Price	1.25p	1.75p
Share Price	0.06p	0.06p
Expected Volatility	81%	81%
Expected Dividend Yield	n/a	n/a
Risk Free Rate	0.13%	0.13%
Average Time to Vest	2.3 years	2.3 years

Grant Date	23/08/2016	23/08/2016
Final Date	22/08/2021	22/08/2021
Exercise Price	1.25p	1.75p
Share Price	0.0625p	0.0625p
Expected Volatility	81%	81%
Expected Dividend Yield	n/a	n/a
Risk Free Rate	0.07%	0.07%
Average Time to Vest	2.1 years	2.1 years

The total fair value of the warrants granted in the period was £222,068 (2015: £nil). The charge recognised in the consolidated statement of comprehensive income for share warrants was £222,068 (2015: £nil).

18. Capital commitments

There were no capital commitments at 30 September 2016 or 30 September 2015.

19. Share based payment

On 15 August 2011, the Company granted to the Directors and other individuals options over a total of 19,500,000 ordinary shares of 0.1p each at a price of 1 penny per share as disclosed in the announcement dated 16 August 2011. Half of the options vest once the closing mid-market share price of the Company has been more than or equal to 2 pence for a period of 15 consecutive business days. The remainder vest once the closing mid-market share price of the Company has been more than or equal to 3 pence for a period of 15 consecutive days.
The options are exercisable on or following the first anniversary of the date of issue and will lapse on the tenth anniversary of the date of issue. Options issued to non-Director employees under the EMI scheme lapse on cessation of employment. Since the issue date 5,500,000 options have lapsed.

On 13 December 2012, the Company granted to various individuals options over a total of 7,695,000 ordinary shares of 0.1p each at a price of 1.5 pence per share as disclosed in the announcement dated 14 December 2012. Half of the options vest once the closing mid-

19. Share based payment (continued)

market share price of the Company has been more than or equal to 2 pence for a period of 15 consecutive business days. The remainder vest once the closing mid-market share price of the Company has been more than or equal to 3 pence for a period of 15 consecutive days. The options are exercisable on or following the first anniversary of the date of issue and will lapse on the tenth anniversary of the date of issue. Options issued to employees under the EMI scheme lapse on cessation of employment. Since the issue date 3,440,000 options have lapsed.

On 27 March 2015, the Company granted to the Directors and other individuals options over a total of 85,787,000 ordinary shares of 0.1p each at a price of 1 penny per share as disclosed in the announcement dated 22 December 2014. Half of the options vest once the closing mid-market share price of the Company has been more than or equal to 2 pence for a period of 15 consecutive business days. The remainder vest once the closing mid-market share price of the Company has been more than or equal to 3 pence for a period of 15 consecutive days. The options are exercisable on or following the first anniversary of the date of issue and will lapse on the tenth anniversary of the date of issue. Options issued to non-Director employees under the EMI scheme lapse on cessation of employment.

On 23 August 2016, the Company granted to the Directors and other individuals options over a total of 78,260,782 ordinary shares of 0.1p each at a price of 0.1 pence per share as disclosed in the announcement dated 23 August 2016. The options will lapse on the tenth anniversary of the date of issue. On 23 August 2016, the Company also granted to a Director options over a total of 3,333,334 ordinary shares of 0.1p each, half of the options at a price of 1.25 pence per share and the remainder at 1.75 pence per share. The options vest once the closing mid-market share price of the Company has been more than 2.5 pence for a period of 5 consecutive business days. The options will lapse on the fifth anniversary of the date of issue.

Details of the Options are as follows:

2016	**Options held at 1 October 2015**	**Number of new options granted in the year**	**Number of options forfeited in the year**	**Options held at 30 September 2016**	**Option price**
Holder					
Deborah White	46,000,000	-	-	46,056,000	1p
	-	49,149,668	-	49,149,668	0.1p
David Hill	7,676,000	-	-	7,676,000	1p
	-	9,333,334	-	9,333,334	0.1p
Tony Sanders	15,352,000	-	-	15,352,000	1p
	-	6,666,668	-	6,666,668	0.1p
	-	1,666,667	-	1,666,667	1.25p
	-	1,666,667	-	1,666,667	1.75p
Kevin Everett	3,582,000	-	-	3,582,000	1p
	-	7,777,778	-	7,777,778	0.1p
Others	27,121,000	-	11,447,000	15,674,000	1p
	5,085,000	-	830,000	4,255,000	1.5p
	-	5,333,334	-	5,333,334	0.1p
Total	**104,872,000**	**81,594,116,**	**12,277,000**	**174,189,116**	

2015	Options held at 1 October 2015	Number of new options granted in the year	Number of options forfeited in the year	Options held at 30 September 2016	Option price
Holder					
Deborah White	6,000,000	40,056,000	-	46,056,000	1p
David Hill	4,000,000	3,676,000	-	7,676,000	1p
Tony Sanders	-	15,353,000	-	15,352,000	1p
Kevin Everett	-	3,582,000	-	2,582,000	1p
Others	4,000,000	23,121,000	-	27,121,000	1p
	5,085,000	-	-	5,085,000	1.5p
Total	**19,085,000**	**85,787,000**	**-**	**104,872,000**	

At 30 September 2016, 78,260,782 options were exercisable, the remainder were not exercisable due to the mid-market share price of the Company in the period (30 September 2015: nil). At this date, the weighted average contractual life of the outstanding options was 6.1 years (30 September 2015: 8.9 years).

There were no share options exercised during the year (2015: nil).

The fair value of the share options was estimated at the date of the grant using either the Monte-Carlo model (where market conditions existed) or the Black-Scholes model, taking into account the terms and conditions upon which they were granted.

The following table lists the inputs to the model used for the valuations of share options:

Options granted on 15 August 2011	
Weighted average share price (pence)	0.95p
Weighted average exercise price (pence)	1p
Option life (years)	1
Risk free interest rate (%)	2
Dividend yield	0
Volatility (%)	60

Options granted on 13 December 2012	
Weighted average share price (pence)	0.7p
Weighted average exercise price (pence)	1.5p
Option life (years)	1
Risk free interest rate (%)	2
Dividend yield	0
Volatility (%)	60

Options granted 27 March 2015		
Excercise Price	1p	1p
Share Price	0.65p	0.65p
Expected Voltility	85%	85%
Expected Divident Yield	n/a	n/a
Risk Free Rate	0.41%	0.49%
Average Time to Vest	2 years	2.3 years

19. Share based payment (continued)

Options granted 23 August 2016	
Excercise Price	0.1p
Share Price	0.625p
Expected Voltility	91%
Expected Divident Yield	n/a
Risk Free Rate	1.33%
Average Time to Vest	10 years

Options granted 23 August 2016		
Excercise Price	1.25p	1.75p
Share Price	0.625p	0.625p
Expected Voltility	91%	91%
Expected Divident Yield	n/a	n/a
Risk Free Rate	0.07%	0.07%
Average Time to Vest	2 years	2 years

The expected volatility was based on historic volatility and reflects the assumption that the historical volatility is indicative of future trends, which many not necessarily be the actual outcome. No other features of the options were incorporated into the measurement of fair value, and non-market conditions have not been included in calculating the fair value. The total fair value of the options granted in the period was £453,586 (2015: £364,700). The amount debited to the consolidated statement of comprehensive income for share options was £661,810 (2015: £18,235). The combined total fair value of the options and warrants grated in the period was £675,654 (2015: 364,700) and the combined amount debited to the consolidated statement of comprehensive income was £883,878 (2015: £18,235).

20. Transactions with Directors and other related parties

Other transactions with Directors

As stated in note 12 to the accounts a total of £115,344 (2015: £748,847) is due to certain Directors as unpaid remuneration.

Related Party relationship	Transaction amount		Balance owing / owed	
	2016	2015	2016	2015
	£	£	£	£
Purchases from companies in which Directors or their immediate family have a significant controlling interest	-	44,395	12,468	12,468
Amounts lent to the Company by immediate family members of the Directors	6,000	-	36,000	30,000
Amounts lent by the Company to companies in which Directors or their immediate family have a significant controlling interest	(7,100)	-	-	7,100

All amounts owing to related parties are payable on demand with no interest accruing.

21. Retirement benefit schemes

No payments were made on behalf of Directors to any retirement benefit schemes in the year (2015: nil).

22. Operating lease rental commitments

	30 Sept 2016 Land and buildings £	30 Sept 2015 Land and buildings £
Within one year	12,825	6,637
More than one year	-	-
	12,825	**6,637**

23. Notes supporting the cash flow statement

Cash and cash equivalents for the purposes of the cash flow statement comprises:

	2016 £	2015 £
Cash available on demand	128,462	92,495
	128,462	**92,495**

24. Events after the reporting period

Subscriptions and funding

On 31 October 2016, the Company issued 92,333,332 ordinary shares at a price of 1.5 pence per share for a cash consideration of £1,385,000. As announced on 9 November 2016, the Company did not receive the funding. As announced on 13 December 2016 and 27 February 2017, the Company has now received £135,000 and continues to seek a resolution for the remainder.

On 4 November 2016, the Company issued 4,833,334 ordinary shares at a price of 1.5 pence per share for a cash consideration of £72,500 and 4,570,093 ordinary shares at a price of 1 penny per share for the settlement of outstanding trade payables of £45,700.93.

On 13 December 2016, the Company issued 196,406,670 ordinary shares at a price of 0.3 pence per share for a cash consideration of £541,220.

Directorate Change

On 2 February 2017, the Company announced the resignation of Mr. David Hill as Non-Executive Director. The Company proposes to appoint Sean Sydenham as his replacement.

Company statement of financial position at 30 September 2016 Company No. 04689130

	Note	2016	2015
		£	£
Fixed assets			
Intangible assets	6	1	18,914
		1	**18,914**
Current assets			
Debtors	8	151,498	42,687
Cash at bank and in hand		122,838	92,437
		274,336	**135,124**
Current liabilities			
Creditors: amounts falling due within one year	9,10	(1,195,594)	(1,728,664)
		(1,195,594)	**(1,728,664)**
Net current liabilities		**(921,258)**	**(1,593,540)**
Total assets less current liabilities		**(921,257)**	**(1,574,626)**
Creditors: amounts falling due in more than one year			
Other liabilities		-	-
		-	-
Net Liabilities		**(921,257)**	**(1,574,626)**
Capital and reserves attributable to owners of the Company			
Called up share capital	11	783,998	592,086
Share premium account		15,073,350	13,395,669
Shares to be issued reserve		63,081	502,848
Capital redemption reserve		2,732,904	2,732,904
Profit and loss account		(19,574,590)	(18,798,133)
Shareholders' funds		**(921,257)**	**(1,574,626)**

The financial statements were approved by the Board and authorised for issue on 27 February 2017

Deborah White
Chief Executive Officer and Interim Chairman

The notes on pages 44 to 51 form part of these financial statements.

Company statement of cash flows for the year ended 30 September 2016

	Note	2016	2015
		£	£
Cash flow from operating activities			
Loss for the year		**(1,700,335)**	**(1,418,732)**
Adjustments for:			
Amortisation of intangible assets		18,913	37,814
Net bank and other interest charges		1,481	6,590
Services settled by the issue of shares		45,799	30,619
Issue of share options charge		883,878	18,235
Net cash before changes in working capital		**(750,264)**	**(1,325,474)**
(Increase) / decrease in trade and other receivables		(108,810)	(35,990)
(Decrease) / increase in trade and other payables		(560,572)	(466,570)
Cash outflow from operations		**(1,419,627)**	**(822,914)**
Interest received		19	10
Interest paid		-	**(2)**
Net cash flows from operating activities		**(1,419,627)**	**(822,906)**
Financing activities			
Issue of ordinary share capital		1,424,028	809,848
Repayment of loan		(65,000)	(73,500)
New loans raised		91,000	106,500
Net cash flows from financing activities		**1,450,028**	**842,848**
Net increase in cash		**30,401**	**19,942**
Cash and cash equivalents at beginning of year		92,437	72,495
Cash and cash equivalents at end of year		**122,838**	**92,437**

The notes on pages 44 to 51 form part of these financial statements.

Company statement of changes in equity for the year ended 30 September 2016

	Share Capital	Share Premium	Shares to be issued	Profit and loss account	Capital redemption reserve	Total
	£	£	£	£	£	£
Balance at 30 Sept 2014	**553,961**	**13,056,175**	**40,000**	**(17,397,636)**	**2,732,904**	**(1,014,596)**
Loss for the year	-	-	-	(1,418,732)	-	(1,418,732)
Cash received in advance of share issue	-	-	462,848	-	-	462,848
Shares Issued	32,125	339,494	-	-	-	377,619
Share options	-	-	-	18,235	-	18,235
Balance at 30 Sept 2015	**592,086**	**13,395,669**	**502,848**	**(18,798,133)**	**2,732,904**	**(1,574,626)**
Loss for the year	-	-	-	(1,700,335)	-	(1,700,335)
Cash received in advance of share issue	-	-	63,081	-	-	63,081
Contingent consideration written off	-	-	(40,000)	40,000	-	-
Shares issued	191,912	1,677,681	(462,848)	-	-	1,406,745
Share options	-	-	-	883,878	-	883,878
Balance at 30 Sept 2016	**783,998**	**15,073,350**	**63,081**	**(19,574,590)**	**2,732,904**	**(921,257)**

On the acquisition of FEDS / LIMIT the deferred consideration is payable in shares at a fixed market price. This deferred consideration is payable on the achievement of certain performance criteria. Part of these criteria was met in January 2013 resulting in the issue of £30,000 worth of shares. The remaining criteria are not expected to be met and therefore the remaining £40,000 held in shares to be issued has been written off in the year.

During the year, shares were issued for the £462,848 received prior to the previous year-end and held in shares to be issued at September 2015. Prior to the year-end, cash of £63,081 was received in advance of the issue of the associated equity shares, which were issued subsequent to the balance sheet date.

Notes to the Company accounts for the year ended 30 September 2016

The principal activity of Milestone Group plc is the provision of multimedia and technology solutions.

Milestone Group plc is incorporated in the England and Wales with registration number 04689130. Milestone Group plc is domiciled in the United Kingdom and has its registered office at 1st Floor, 2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG and this is its principal place of business.

Milestone Group plc is a public limited company, limited by shares, and its shares are quoted on the AIM market of the London Stock Exchange.

Milestone Group plc's financial statements are presented in Pounds Sterling (£).

1. Principal accounting policies

These financial statements are the first annual financial statements of the Company prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". The first date at which FRS 102 was applied was 1 October 2015. In accordance with FRS 102, the Company has:

- provided comparative information;
- applied the same accounting policies through all periods presented; and
- retrospectively applied FRS 102 as required.

The transition to FRS 102 has resulted in no material changes to the financial position or results of the Company. The financial statements have been prepared in accordance with the historical cost convention.

Financial instruments

Financial assets are measured initially and subsequently at amortised cost. Provision is made for impairment where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. The recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and below. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the financial statements. In addition note 15 to the Group financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and exposures to credit risk and liquidity risk.

The net liability balance sheet position as at 30 September 2016, being the Company's financial year-end, was £921,257 (2015: £1,574,626). Subsequent to the balance sheet date, the Board has been able to agree funding in the form of further share issues raising £748,720 in cash and exchanged £45,701 worth of shares for services received. In addition, and as discussed in the Chairman's statement, a further £1,250,000 was agreed in the form of further share issue, with the Company's placee, however this has not been received by the Company. The Board is continuing to seek a resolution. The funding received to date will go part way to cover year-end liabilities and the Company will be dependent upon future funding and revenues to meet the remaining obligations, as discussed below.

The Company continues to be reliant upon its continuing ability to manage the timing of settlement both of its current liabilities and future liabilities as they arise. There is also a need for successful on-going equity fundraises and / or loans in the immediate to short term thereafter, while sales plans and projections come into effect, especially in relation to revenues generated from new strategic partnerships and joint ventures and from the Passion Project. The Board has prepared forecasts to reflect the revenues expected to be generated by the Group and partnerships. The Company is fully focused on ensuring that sales plans are followed to ensure that the business becomes self-sustaining in the near future.

The Directors have concluded that the need to generate future funds from further fundraising and from trading activities to satisfy the settlement of its on-going and future liabilities represents a material uncertainty, which may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless after making enquiries and considering this uncertainty and the measures that can be taken to mitigate the uncertainty, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include any adjustments that would result if the Group and Company was unable to continue as a going concern.

Intangible fixed assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The useful economic lives of fixed assets in the Company are:

Software licenses: 5 years

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

Critical judgements and estimates in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described in note 1, management has made the following judgements and estimates that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Judgements

Going concern

Management have considered that the Company remains a going concern. The going concern assumption is discussed further in note 1.

Estimates

Impairment of goodwill and other intangibles

The Company is required to test, on an annual basis, whether goodwill has suffered any impairment. Other intangible assets are tested for impairment if there are any indicators of impairment during the period. The recoverable amount of goodwill and other intangibles is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. Actual outcomes may vary. More information including carrying values is included in note 6.

Contingent consideration

As part of the acquisition of FEDS / LIMIT the vendors are entitled to consideration dependent upon the acquired business's performance in the periods subsequent to acquisition. The Directors have estimated that the group will not meet these performance targets and has therefore written off the amount provided in prior years.

Warrant and share options issued

Where warrants and share options have been issued the fair value of the share options was estimated at the date of the grant using either the Black-Scholes model or the Monte-Carlo model, taking into account the terms and conditions upon which they were granted. The charge for these payments is then recognised in line with the vesting period. Actual outcomes may vary. More information including the inputs used for the valuation is included in note 13.

3. Loss for the financial year

Milestone has taken advantage of section 408 Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year after tax was £1,700,335 (2015: £1,418,732). There were no other gains or losses in the year or the prior year other than the loss for the periods.

4. Dividends

No dividends have been paid or proposed in the year (2015: nil).

5. Directors and staff

Staff costs during the year, including Directors, were as follows:

	2016	2015
	£	£
Wages and salaries	693,424	483,436
Social security costs	74,862	48,119
	768,286	**531,555**

The average number of staff of the Company during the year was as follows:

	2016	2015
	No.	No.
Directors and administration	15	12
	15	**12**

Remuneration in respect of the Directors and Key Management Personnel – see note 5 to the consolidated financial statement.

6. Intangible assets

	Software Licenses	Magazine	Total
	£	£	£
Cost as at 1 October 2015	189,073	1	189,074
Disposals	(189,073)	-	(189,073)
At 30 September 2016	**-**	**1**	**1**
Amortisation as at 1 October 2015	170,160	-	170,160
Charge for year	18,913	-	18,913
Disposals	(189,073)	-	(189,073)
At 30 September 2016	**-**	**-**	**-**
Net book value			
At 30 September 2016	**-**	**1**	**-**
At 30 September 2015	18,914	1	18,914

7. Fixed asset investments

	Shares in subsidiary undertakings	Trade Investments	Total
	£	£	£
Cost			
At 1 October 2015	246,921	61,713	308,634
Disposals	-	-	-
At 30 September 2016	**246,921**	**61,713**	**308,634**
Amounts written off			
At 1 October 2015	(24,921)	(61,713)	(308,634)
Write down in carrying-value	-	-	-
At 30 September 2016	**(246,921)**	**(61,713)**	**(308,634)**
Net book value			
At 30 September 2015 and 30 September 2016	-	-	-

The value of shares in subsidiary undertakings and trade investments are tested annually for impairment. In prior years, the review suggested that the fair value of Oil Productions and of

Subsidiaries as at 30 September 2016	Registered Address	Class of Shares	Total Number of Shares in issue at 30 September 2015	Percentage held by Milestone
Oil Productions Ltd (Relative)	2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG	Ordinary Shares of 0.1p	2325	100%
Nexstar League Ltd	2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG	Ordinary Shares of 0.1p	100	51%
OnSide Now Ltd (Dormant)	2 Royal Exchange Steps, The Royal Exchange, London EC3V 3DG	Ordinary Shares of 0.1p	1	100%

8. Debtors

	2016	2015
	£	£
Trade debtors	-	2,340
Other debtors	151,498	40,347
	151,498	**42,687**

The amounts owed from group undertakings have been fully provided for in the year.

9. Creditors: amounts falling due within one year

	2016	2015
	£	£
Trade creditors	289,349	337,139
Other creditors	61,282	-
Accruals and deferred income	620,855	1,192,211
Taxation and Social Security	90,081	92,787
	1,061,567	**1,622,137**

Included in accruals and deferred income are amounts of £115,344 (2015: £754,872) relating to unpaid contingent remuneration to the Directors in office at the year-end. This has been accrued in accordance with the payments agreed between the Company and Directors.

Included in deferred income there is £10,816 (2015: £12,363), which relates to the residual proportion of membership fees remaining at the year-end.

10. Interest bearing loans and borrowings - due within one year

	2016	2015
	£	£
Interest bearing loans	134,027	106,527
	134,027	**106,527**

Of these loan balances, £117,527 is unsecured, attracts no interest and has no fixed repayment schedule. The remaining £16,500 is unsecured, attracts 10% per annum interest and has no fixed repayment schedule.

The interest charge in the consolidated statement of comprehensive income for the year was £1,500 (2015: £6,660).

11. Financial instruments and risk management

	2016	2015
	£	£
Financial assets held at amortised cost	122,838	92,437
Total assets held at amortised cost	151,499	61,601
Total liabilities held at amortised cost	(1,195,594)	(1,728,664)

12. Share capital

	2016	2015
	£	£
Allotted, called up and fully paid		
783,997,982 (2015: 592,086,032) ordinary shares of 0.1p (2015: 0.1p) each)	783,998	592,086
	783,998	**592,086**

On 11 November 2015, the Company issued 15,067,550 ordinary shares at a price of 1 penny per share for a cash consideration of £113,500 and for settlement of outstanding trade payables of £37,175.50.

On 25 February 2016, the Company issued 18,100,000 ordinary shares at a price of 1 penny per share for a cash consideration of £180,010.

On 4 April 2016, the Company issued 54,950,000 ordinary shares at a price of 1 penny per share for a cash consideration of £540,500 and for settlement of outstanding trade payables of £9,000.

On 9 August 2016, the Company issued 54,855,000 ordinary shares at a price of 1 penny per share for a cash consideration of £506,000 and for settlement of outstanding trade payables of £42,550.

On 30 August 2016, the Company issued 23,879,400 ordinary shares at a price of 1 penny per share for a cash consideration of £232,194 and for the settlement of outstanding trade payables of £6,600.

On 26 September 2016, the Company issued 25,150,000 ordinary shares at a price of 1 penny per share for a cash consideration of £251,500.

No transaction costs were recorded against the share premium in the year.

13. Share warrants

Details of the share warrants in issue for the Company are as disclosed for the Group in note 17 to the consolidated accounts.

14. Capital commitments

There were no capital commitments at 30 September 2016 or 30 September 2015.

15. Share based payments

Details of the share based payments in issue for the Company are as disclosed for the Group in note 19 to the consolidated accounts.

16. Transactions with Directors and other related parties

Details of related party transactions for the Company are as disclosed for the Group in note 20 to the consolidated accounts.

17. Retirement benefit schemes

No payments were made on behalf of Directors to any retirement benefit schemes in the year (2015: nil).

18. Operating lease rental commitments

At 30 September 2016, the Company had commitments under operating leases as follows:

	30 Sept 2016	30 Sept 2015
	Land and buildings	Land and buildings
	£	£
Within one year	12,825	6,637
More than one year	-	-
	12,825	**6,637**

19. Post balance sheet events

Details of events after the reporting period for the Company are as disclosed for the Group in note 24 to the consolidated accounts.

Report of the independent auditors

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MILESTONE GROUP PLC

We have audited the parent company financial statements of Milestone Group plc for the year ended 30 September 2016 which comprise the Statement of financial position, the Statement of changes in equity, the Statement of cash flows and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 set out on page 11, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the parent company's affairs as at 30 September 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The going concern status of the group is dependent upon the management of the timing of settlement of its liabilities and the raising of further funds in the immediate to short term and thereafter on the forecast profitability of key projects which have recently commenced and for which the degree of success cannot yet be reliably demonstrated.

Forecasts prepared by management indicate that if they are unable to manage the group's liabilities as planned or the external fundraising does not occur in the immediate term and, subsequently, the future projects do not prove as profitable as forecast the group would have an immediate requirement to seek alternative sources of funding. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

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.

Other matter

We have reported separately on the group financial statements of Milestone Group plc for the year ended 30 September 2016. That report includes an emphasis of matter.

Jonathan Talbot
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Portwall Place
Portwall Lane
Bristol
BS1 6NA

Date: 27 February 2017

Milestone Group PLC

Annual Report and Financial Statements

Year ended 30 September 2016

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