

BLUECASTLE ENTERPRISES LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003



S H LANDES & CO

CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS

Company number: 4128720

BLUECASTLE ENTERPRISES LIMITED

**FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2003**

Contents	Page
Company information	1
Director's report	2-3
Auditors' report	4-5
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8-11
Detailed profit and loss account (management use only)	12

BLUECASTLE ENTERPRISES LIMITED**COMPANY INFORMATION**

DIRECTOR	A. A. Rooney
SECRETARY	Corporate Secretaries Limited
AUDITORS	S H Landes & Co Chartered Accountants and Registered Auditors 5th Floor, Walmar House 288 Regent Street London W1B 3AL
PRINCIPAL BANKERS	Tempbank Krutitsky Val d.26 109044 Moscow Russia Latvijas Krajbanka Palasta 1, Riga LV-1954 Latvia
REGISTERED OFFICE	161 Cleveland Way Stevenage Hertfordshire SG1 6BU
REGISTERED NUMBER	4128720

BLUECASTLE ENTERPRISES LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003

The director submits her report and the accounts for the year ended 31 December 2003.

ACTIVITIES

The principal activity during the year was that of investment in sporting entities.

RESULTS AND DIVIDEND

The company made a loss after taxation for the year of \$30,098,282 (2002: \$734,945). The director does not propose a dividend (2002: nil) and recommends that the loss for the year be carried forward.

DIRECTOR AND HER INTERESTS

The director who held office during the year, and her beneficial interest in the issued share capital, was as follows:

Ordinary shares of £1 each	
31 December 2003	31 December 2002

A. A. Rooney	-
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DIRECTOR'S RESPONSIBILITIES

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements the director is required to:

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable her to ensure that the financial statements comply with the Companies Act 1985. She is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

The auditors, S H Landes & Co, will be proposed for reappointment in accordance with S.385 of the Companies Act 1985.

BLUECASTLE ENTERPRISES LIMITED
DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003
(continued)

SMALL COMPANY RULES

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

BY ORDER OF THE BOARD

8


Corporate Secretaries Limited
Secretary

Date: 31 August 2004

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BLUECASTLE ENTERPRISES LIMITED

We have audited the financial statements of Bluecastle Enterprises Limited for the year ended 31 December 2003 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. However, the evidence available to us was limited because most of the company's transactions occur outside the United Kingdom and there was no alternative system of verification we could apply. There were no satisfactory audit procedures that we could adopt to confirm that all transactions were properly recorded. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF
BLUECASTLE ENTERPRISES LIMITED
(continued)

Fundamental uncertainty

In forming our opinion, we have considered the appropriateness of preparing the financial statements on a going concern basis. This basis may not be appropriate because the company incurred a loss after taxation of \$30,098,282 during the year ended 31 December 2003. As detailed in note 12, the company is reliant on the support of its shareholders and creditors to enable it to meet its liabilities as they fall due.

In the absence of the support of the company's shareholders and creditors, adjustments would have to be made to reduce the value of assets to their recoverable amount, to provide for any further liabilities which might arise, and to reclassify fixed assets as current assets. Our opinion is not qualified in this respect.

Qualified opinion arising from limitation in audit scope

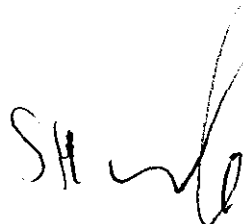
Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence of the company's transactions, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to the company's transactions:

- we have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and
- we were unable to determine whether proper accounting records had been maintained.

S H LANDES & CO
CHARTERED ACCOUNTANTS AND
REGISTERED AUDITORS

5th Floor, Walmar House
288 Regent Street
London
W1B 3AL



Date: 31 August 2004

BLUECASTLE ENTERPRISES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 \$	2002 \$
TURNOVER	2	-	-
Direct costs		-	-
GROSS PROFIT		-	-
Administrative expenses		(98,023)	(1,427,100)
OPERATING LOSS	3	(98,023)	(1,427,100)
Interest receivable		150	38
Interest payable		(1,333,592)	(522,110)
Provision against investment		(28,666,817)	1,214,227
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(30,098,282)	(734,945)
TAXATION	4	-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED	9	(30,098,282)	(734,945)

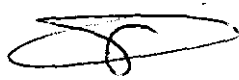
The accompanying notes are an integral part of this profit and loss account

BLUECASTLE ENTERPRISES LIMITED

BALANCE SHEET
AT 31 DECEMBER 2003

	Notes	2003		2002	
		\$	\$	\$	\$
FIXED ASSETS					
Investments	5		359,640		10,051,525
CURRENT ASSETS					
Debtors	6	100,000		100,000	
Cash at bank and in hand		23,463		29,564	
		<u>123,463</u>		<u>129,564</u>	
CREDITORS: amounts falling due within one year	7a	<u>(2,193,733)</u>		<u>(2,858,327)</u>	
NET CURRENT LIABILITIES			(2,070,270)		(2,728,763)
CREDITORS: amounts falling due after one year	7b		(40,390,270)		(19,325,380)
NET LIABILITIES			<u>(42,100,900)</u>		<u>(12,002,618)</u>
CAPITAL AND RESERVES					
Called up share capital	8		14,715		14,715
Profit and loss account			(42,115,615)		(12,017,333)
SHAREHOLDERS' FUNDS	9		<u>(42,100,900)</u>		<u>(12,002,618)</u>

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

8 
A. A. Rooney
Director

Formally approved on: 31 August 2004

The accompanying notes are an integral part of this balance sheet

BLUECASTLE ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003**

1. ACCOUNTING POLICIES

The principal accounting policies which are adopted in the preparation of the financial statements are set out below:

(a) Basis of accounting

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

The company has taken advantage of the exemption in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

(b) Foreign currencies

Monetary assets and liabilities in other currencies are translated into US dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies were translated into US dollars at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the loss.

(c) Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(d) Investments

Investments are stated at the lower of cost and realisable market value.

2. TURNOVER

In the year to 31 December 2003, any company turnover would be derived from markets outside the United Kingdom.

3. OPERATING LOSS

	2003	2002
	\$	\$
This is stated after charging:		
Auditors' remuneration	37,113	28,278
	=====	=====

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003
(continued)

4. TAXATION

	2003 \$	2002 \$
Corporation tax at current rates	-	-
Tax deducted at source	-	-
	-----	-----
	-	-
	=====	=====

At 31 December 2003 the company had deferred tax assets, subject to Inland Revenue approval, of \$13,420,994 (2002: \$4,391,509) which have not been recognised on the balance sheet. The directors believe that there is insufficient evidence to show that it can be regarded as more likely than not that there will be suitable taxable profits from which future reversal of the underlying timing difference can be deducted.

5. INVESTMENTS

Fixed assets:

	\$	\$
Investment in football club, CSCA Moscow, Russia (note a)	14,162,911	
Less Provision against investment	(14,162,911)	-

Shares in group undertakings (note b and note c)	21,423,058	
Less Provision against investment	(21,063,418)	
	-----	359,640

		359,640
		=====

- (a) The benefit of the investment in the football club, CSCA Moscow is a contingent asset, as the company is only entitled to monies on the sale of players by the football club. As there are no sales, the investment has been fully provided against in this year.
- (b) The company owns 49% of ZAO "Professional Football Club CSCA", a professional football club incorporated in the Russian Federation. The aggregate amount of share capital and reserves of ZAO "Professional Football Club CSCA" as at 31 December 2003 was \$195,147 and the profit for the year ended on that date was \$87,423. The company has also acquired the right to buy a further 25.8% of the issued share capital of ZAO "Professional Football Club CSCA".
- (c) The company owns 100% of OAO "Avo-Capital", a company which manages investments and is incorporated in the Russian Federation. The aggregate amount of share capital and reserves of OAO "Avo-Capital" as at 31 December 2003 was \$103,350 and the loss for the year ended on that date was \$67,533.

BLUECASTLE ENTERPRISES LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003
(continued)**

6. DEBTORS

	2003	2002
	\$	\$
Loans	100,000	100,000
	=====	=====

7a. CREDITORS: amounts falling due within one year

	2003	2002
	\$	\$
Sundry creditors and accruals	2,193,733	2,858,327
	=====	=====

7b. CREDITORS: amounts falling due after one year

	2003	2002
	\$	\$
Loan from parent companies	40,390,270	12,093,665
Other loans	-	7,231,715
	-----	-----
	40,390,270	19,325,380
	=====	=====

The loans are repayable within two and five years.

8. CALLED UP SHARE CAPITAL

	2003	2002
	\$	\$
Authorised:		
4,000,000 ordinary shares of £1 each	5,880,000	5,880,000
	=====	=====
Allotted, called up and fully paid:		
10,000 ordinary shares of £1 each	14,715	14,715
	=====	=====

9. STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003	2002
	\$	\$
Shareholders' funds at 1 January 2003	(12,002,618)	(11,267,673)
Net loss for the year	(30,098,282)	(734,945)
	-----	-----
Shareholders' funds at 31 December 2003	(42,100,900)	(12,002,618)
	=====	=====

BLUECASTLE ENTERPRISES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2003
(continued)

10. DIRECTOR'S REMUNERATION

No remuneration was received by the director during the year.

11. PARENT UNDERTAKING AND CONTROLLING PARTY

Macasyng Holding BV, a company incorporated in Holland, and Era Intermedia SA, a company incorporated in Luxembourg, are the company's immediate parent undertakings and no consolidated accounts are available. The director believes that there is no one controlling party.

12. COMPANY FINANCING

The company has net current liabilities of \$2,070,270 and made a loss for the year of \$30,098,282. Should the company's income prove insufficient to fund its future working capital the company's shareholders have indicated their willingness to make available to the company such additional funds as it may require in respect of working capital for the foreseeable future. Having consideration to the support indicated, the director has concluded that it is appropriate to prepare the financial statements on a going concern basis.