

Register

REGISTERED NUMBER: 4128720 (England and Wales)

**Report of the Directors and**  
**Financial Statements for the Year Ended 31 December 2006**  
**for**  
**Bluecastle Enterprises Limited**

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**Bluecastle Enterprises Limited**

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**for the Year Ended 31 December 2006**

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**Bluecastle Enterprises Limited**

**Company Information**  
**for the Year Ended 31 December 2006**

<b>DIRECTORS:</b>	J Westmoreland N Muravleva
<b>SECRETARY:</b>	Corporate Secretaries Limited
<b>REGISTERED OFFICE:</b>	2 Floor, 9 Chapel Place London EC2A 3DQ
<b>REGISTERED NUMBER:</b>	4128720 (England and Wales)
<b>AUDITORS:</b>	S H Landes LLP Registered auditors 5th Floor Walmar House 288 Regent Street London W1B 3AL
<b>BANKERS:</b>	Tempbank Krutitsky Val d.26 109044 Moscow

## **Bluecastle Enterprises Limited**

### **Report of the Directors** **for the Year Ended 31 December 2006**

The directors present their report with the financial statements of the company for the year ended 31 December 2006.

#### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of investment in sporting entities.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

The company's key financial highlights are as follows:

	31.12.06	31.12.05
Net (loss) /profit for the year	(7,065,263)	4,109,098
Investments	9,084,621	8,322,170
Net Current Assets / (Liabilities)	3,588,047	(57,654)
Net Liabilities	(75,507,688)	(68,427,710)

The loss for the year is high due to the provision of £2,923,619 (2005: reversal of provision (£7,661,939)) against investments during the year.

The increase in investments relates to funds advanced to the subsidiary companies.

The current ratio has improved during the year due to a long term loan of \$3m advanced to a subsidiary.

The movement in net liabilities reflects the loss for the period.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company's key risks are ensuring that there is enough liquidity to meet its obligations and it's ability to continue as a going concern.

#### **RISK MANAGEMENT**

The director believes that sufficient funding will be made available from the company's shareholder to enable it to meet its liabilities as they fall due.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2006.

#### **DIRECTORS**

The directors who have held office during the period from 1 January 2006 to the date of this report are as follows:

A Rooney - resigned 26 February 2006

J Westmoreland - appointed 26 February 2006

N Muravleva was appointed as a director after 31 December 2006 but prior to the date of this report.

**Bluecastle Enterprises Limited**

**Report of the Directors**  
**for the Year Ended 31 December 2006**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

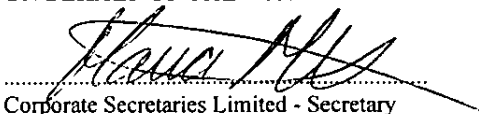
**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that she ought to have taken as a director in order to make herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**AUDITORS**

The auditors, S H Landes LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

  
Corporate Secretaries Limited - Secretary

Date: .....

**Report of the Independent Auditors to the Shareholders of  
Bluecastle Enterprises Limited**

We have audited the financial statements of Bluecastle Enterprises Limited for the year ended 31 December 2006 on pages six to eighteen. These financial statements have been prepared under 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 auditors' 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board, except that the scope of our work was limited as explained below.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned 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:

- we were unable to obtain information needed for the assessment of the appropriateness of the going concern basis of preparation of the financial statements for a period of twelve months from the date of approval of these financial statements. We consider that the director has not been able to take adequate steps to satisfy herself that it is appropriate for her to adopt the going concern basis because the circumstances of the company and the nature of the business require that such information be prepared, and reviewed by the director and ourselves, for a period of at least twelve months from the date of approval of the financial statements. Had this information been available to us we might have formed a different opinion;

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Report of the Independent Auditors to the Shareholders of  
Bluecastle Enterprises Limited**

**Qualified opinion arising from limitation of scope**

Except for any adjustments that might have been found to be necessary had we able to obtain sufficient concerning the appropriateness of the going concern basis of preparation of the financial statements, in our opinion the financial statements :

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended; and

- have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In our opinion the information given in the Report of the Directors is consistent with the financial statements.

S H Landes LLP  
Registered auditors  
5th Floor  
Walmar House  
288 Regent Street  
London  
W1B 3AL



Date: 23/3/09

**Bluecastle Enterprises Limited****Profit and Loss Account  
for the Year Ended 31 December 2006**

	Notes	31.12.06 \$	31.12.05 \$
<b>TURNOVER</b>		-	-
Administrative expenses		2,066,887	1,708,399
		(2,066,887)	(1,708,399)
Other operating income	2	246,053	324,222
<b>OPERATING LOSS</b>	4	(1,820,834)	(1,384,177)
Interest receivable and similar income		21,383	378
		(1,799,451)	(1,383,799)
Amounts written off investments	5	2,923,619	(7,661,939)
		(4,723,070)	6,278,140
Interest payable and similar charges	6	2,342,193	2,169,042
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(7,065,263)	4,109,098
Tax on (loss)/profit on ordinary activities	7	-	-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION</b>		(7,065,263)	4,109,098

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous year.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the loss for the current year and the profit for the previous year.

The notes form part of these financial statements

**Bluecastle Enterprises Limited****Balance Sheet****31 December 2006**

	Notes	31.12.06 \$	31.12.05 \$
<b>FIXED ASSETS</b>			
Investments	8	9,084,621	8,322,170
<b>CURRENT ASSETS</b>			
Debtors	9	3,008,037	-
Cash at bank		683,213	18,598
		3,691,250	18,598
<b>CREDITORS</b>			
Amounts falling due within one year	10	103,203	76,252
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		3,588,047	(57,654)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		12,672,668	8,264,516
<b>CREDITORS</b>			
Amounts falling due after more than one year	11	88,165,641	76,692,226
<b>NET LIABILITIES</b>		(75,492,973)	(68,427,710)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	14,715	14,715
Profit and loss account	14	(75,507,688)	(68,442,425)
<b>SHAREHOLDERS' FUNDS</b>	17	(75,492,973)	(68,427,710)

The financial statements were approved by the Board of Directors on ..... and were signed on its behalf by:

  
.....  
J Westmoreland - Director

The notes form part of these financial statements

**Bluecastle Enterprises Limited****Cash Flow Statement**  
**for the Year Ended 31 December 2006**

	Notes	31.12.06 \$	31.12.05 \$
Net cash outflow from operating activities	1	(1,879,298)	(1,565,007)
Returns on investments and servicing of finance	2	16,383	378
Capital expenditure and financial investment	2	(6,299,070)	(300,591)
		(8,161,985)	(1,865,220)
Financing	2	8,826,600	1,862,600
Increase/(Decrease) in cash in the period		664,615	(2,620)
<hr/>			
Reconciliation of net cash flow to movement in net debt	3		
Increase/(Decrease) in cash in the period		664,615	(2,620)
Cash inflow from increase in debt		(8,826,600)	(1,862,600)
Change in net debt resulting from cash flows		(8,161,985)	(1,865,220)
Non cash changes		(9,265,791)	-
Movement in net debt in the period		(17,427,776)	(1,865,220)
Net debt at 1 January		(70,054,652)	(68,189,432)
Net debt at 31 December		(87,482,428)	(70,054,652)

The notes form part of these financial statements

**Bluecastle Enterprises Limited****Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2006****1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES**

	31.12.06	31.12.05
	\$	\$
Operating loss	(1,820,834)	(1,384,177)
Non cash movement - Exchange differences	(124,193)	(322,007)
Other non cash changes	1,485	5,135
(Increase)/Decrease in debtors	(3,037)	100,000
Increase in creditors	67,281	36,042
<b>Net cash outflow from operating activities</b>	<b>(1,879,298)</b>	<b>(1,565,007)</b>

**2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	31.12.06	31.12.05
	\$	\$
<b>Returns on investments and servicing of finance</b>		
Interest received	16,383	378
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>16,383</b>	<b>378</b>
 <b>Capital expenditure and financial investment</b>		
Purchase of fixed asset investments	(6,299,070)	(300,591)
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(6,299,070)</b>	<b>(300,591)</b>
 <b>Financing</b>		
New loans in year	8,826,600	1,862,600
<b>Net cash inflow from financing</b>	<b>8,826,600</b>	<b>1,862,600</b>

The notes form part of these financial statements

**Bluecastle Enterprises Limited****Notes to the Cash Flow Statement**  
**for the Year Ended 31 December 2006****3. ANALYSIS OF CHANGES IN NET DEBT**

	At 1.1.06 \$	Cash flow \$	Other non-cash changes \$	At 31.12.06 \$
Net cash:				
Cash at bank	18,598	664,615		683,213
	<u>18,598</u>	<u>664,615</u>		<u>683,213</u>
Debt:				
Debts falling due after one year	(70,073,250)	(8,826,600)	(9,265,791)	(88,165,641)
	<u>(70,073,250)</u>	<u>(8,826,600)</u>	<u>(9,265,791)</u>	<u>(88,165,641)</u>
Total	<u>(70,054,652)</u>	<u>(8,161,985)</u>	<u>(9,265,791)</u>	<u>(87,482,428)</u>

**4. MAJOR NON-CASH TRANSACTIONS**

Major non cash transactions are summarised as under:

	31.12.2006 \$
Interest accrued - Amounts owed to associated undertakings	7,867,195
Exchange differences - Amounts owed to associated undertakings	119,366
Interest accrued - Other loans	225,896
Non cash movements - Other loans	1,053,334
	<u>9,265,791</u>

The notes form part of these financial statements

## **Bluecastle Enterprises Limited**

### **Notes to the Financial Statements** **for the Year Ended 31 December 2006**

#### **1. ACCOUNTING POLICIES**

##### **Accounting convention**

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

The financial statements are expressed in US dollars.

##### **Exemption from preparing consolidated financial statements**

The financial statements contain information about Bluecastle Enterprises Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under Section 248 of the Companies Act 1985 from the requirements to prepare consolidated financial statements.

##### **Deferred tax**

Deferred tax 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.

##### **Foreign currencies**

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

##### **Investments**

Investments are stated at the lower of cost or net realisable value.

#### **2. OTHER OPERATING INCOME**

	31.12.06	31.12.05
	\$	\$
Exchange gains	<u>246,053</u>	<u>324,222</u>

#### **3. STAFF COSTS**

There were no staff costs for the year ended 31 December 2006 nor for the year ended 31 December 2005.

#### **4. OPERATING LOSS**

The operating loss is stated after charging/(crediting):

	31.12.06	31.12.05
	\$	\$
Auditors' remuneration	14,379	10,110
Auditors' remuneration for non audit work	47,655	25,812
Foreign exchange differences	<u>(246,053)</u>	<u>(324,222)</u>
Directors' emoluments	<u>-</u>	<u>-</u>

**Bluecastle Enterprises Limited****Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2006****5. AMOUNTS WRITTEN OFF INVESTMENTS**

	31.12.06	31.12.05
	\$	\$
Amounts written off investments	<u>2,923,619</u>	<u>(7,661,939)</u>

The amounts written off investments comprise of £2,933,003 against investment in CJSC Professional Football Club CSCA and simple partnership agreement with CJSC Professional Football Club CSCA - Simple Partnership and a reversal of provision of £9,384 against investment in OJSC AVO - Capital. The provision of £9,384 is reversed during the year to increase the investment value to £113,146 which represents the net assets of OJSC AVO - Capital as at 31 December 2006.

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

	31.12.06	31.12.05
	\$	\$
Loan interest	<u>2,342,193</u>	<u>2,169,042</u>

**7. TAXATION****Analysis of the tax charge**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2006 nor for the year ended 31 December 2005.

**Factors affecting the tax charge**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.06	31.12.05
	\$	\$
(Loss)/profit on ordinary activities before tax	<u>(7,065,263)</u>	<u>4,109,098</u>
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005 - 30%)	<u>(2,119,579)</u>	<u>1,232,729</u>
Effects of:		
Expenditure disallowed for tax purposes	650,709	641,689
Provision against investments	877,085	(2,298,582)
Losses carried forward	<u>591,785</u>	<u>424,164</u>
Current tax charge	<u>-</u>	<u>-</u>

**Factors that may affect future tax charges**

At 31 December 2006 the company had tax losses carried forward of approximately \$18,360,000 approximately. No deferred taxation asset is recognised in respect of these losses as their recoverability cannot be ascertained with certainty in the foreseeable future.

**Bluecastle Enterprises Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2006**

**8. FIXED ASSET INVESTMENTS**

	31.12.06	31.12.05
	\$	\$
Shares in group undertakings	8,127,491	8,118,107
Loans to group undertakings	957,130	204,063
	<u>9,084,621</u>	<u>8,322,170</u>

Additional information is as follows:

	Shares in group undertakings \$
<b>COST</b>	
At 1 January 2006 and 31 December 2006	<u>8,381,485</u>
<b>PROVISIONS</b>	
At 1 January 2006	263,378
Provision written back	<u>(9,384)</u>
At 31 December 2006	<u>253,994</u>
<b>NET BOOK VALUE</b>	
At 31 December 2006	<u>8,127,491</u>
At 31 December 2005	<u>8,118,107</u>

The provision of £9,384 is reversed during the year to increase the investment value in OJSC AVO -C apital to £113,146 which represents the net assets of OJSC AVO - Capital as at 31 December 2006.

The company's investments at the balance sheet date in the share capital of companies include the following:

**OJSC "AVO - Capital"**

Country of incorporation: Russian Federation

Nature of business: Managing Investments

	% holding	31.12.06	31.12.05
		\$	\$
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		113,146	103,762
Loss for the year		<u>(152)</u>	<u>(209)</u>
			\$
Shares in OJSC "AVO - Capital"			367,140
Less: Provision against investment			<u>(253,994)</u>
Net investment in OJSC "AVO - Capital"			<u>113,146</u>

**Bluecastle Enterprises Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2006**

**8. FIXED ASSET INVESTMENTS - continued**

**CJSC Professional Football Club CSCA**

Country of incorporation: Russian Federation

Nature of business: Football Club

	%		
Class of shares:	holding		
Ordinary	75.06		
		31.12.06	31.12.05
		\$	\$
Aggregate capital and reserves		5,856,000	14,221,000
Loss for the year		(13,673,000)	(2,523,000)

Shares in CJSC Professional Football Club CSCA	14,345
Loans to CJSC Professional Football Club CSCA	30,781,815
Less: Provision against investment	(30,781,815)
Net investment in CJSC Professional Football Club CSCA	<u>14,345</u>

The company holds 23.82% (2005 - 23.82%) of the issued share capital of CJSC Professional Football Club CSCA via it's 100% shareholding in OJSC " AVO - Capital" which has a 23.82% interest in the Club.

**PFC CSKA - Simple Partnership**

Country of establishment : Russia Unincorporated Entity

Nature of business: Sports Investment Activity

	31.12.06	31.12.05
	\$	\$
Aggregate capital and reserves	9,330,344	8,545,899
Profit/(Loss) for the year	(5,500,386)	993,402

	\$
Initial contribution to "PFC CSCA - Simple Partnership"	8,000,000
Loans to "PFC CSCA - Simple Partnership"	24,800,981
Less: Provision against investment	(23,843,851)
Net investment in "PFC CSCA - Simple Partnership"	<u>8,957,130</u>

	Loans to group undertakings
	\$
At 1 January 2006	51,896,726
New in year	7,213,000
Repayment in year	(3,526,930)
Provision	(54,625,666)
At 31 December 2006	<u>957,130</u>

**Bluecastle Enterprises Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2006**

**9. DEBTORS**

	31.12.06	31.12.05
	\$	\$
Amounts falling due within one year:		
Prepayments and accrued income	3,037	-
	<u>3,037</u>	<u>-</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	3,005,000	-
	<u>3,005,000</u>	<u>-</u>
Aggregate amounts	<u>3,008,037</u>	<u>-</u>

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.06	31.12.05
	\$	\$
Accruals and deferred income	103,203	76,252
	<u>103,203</u>	<u>76,252</u>

**11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.06	31.12.05
	\$	\$
Other loans (see note 12)	88,165,641	76,692,226
	<u>88,165,641</u>	<u>76,692,226</u>

**12. LOANS**

An analysis of the maturity of loans is given below:

	31.12.06	31.12.05
	\$	\$
Amounts falling due between two and five years:		
Amounts owed to associated undertaking 2-5 years	78,059,812	75,635,450
Other loans - 2-5 years	10,105,829	1,056,776
	<u>88,165,641</u>	<u>76,692,226</u>

**13. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	31.12.06	31.12.05
			£	£
4,000,000	Ordinary Shares	£1	<u>4,000,000</u>	<u>4,000,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.06	31.12.05
			\$	\$
10,000	Ordinary Shares	£1	<u>14,715</u>	<u>14,715</u>

**Bluecastle Enterprises Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2006**

**14. RESERVES**

	Profit and loss account \$
At 1 January 2006	(68,442,425)
Deficit for the year	(7,065,263)
At 31 December 2006	<u>(75,507,688)</u>

## **Bluecastle Enterprises Limited**

### **Notes to the Financial Statements - continued** **for the Year Ended 31 December 2006**

#### **15. RELATED PARTY DISCLOSURES**

In February 2001, Bluecastle Enterprises Limited (herein referred to as "Bluecastle") entered into an open-ended contractual agreement (in the form of a Joint Activity Agreement) with CJSC Professional Football Club CSCA (herein referred to as "the Club") whereby Bluecastle initially undertook to contribute up to \$8,000,000 towards the acquisition of players' registrations and improvement of training facilities. In return, Bluecastle is entitled to (i) the amount equalling 80% of the net financial result of operations within the framework of the contractual arrangement and (ii) 100% reimbursement of certain costs incurred by Bluecastle before such financial result is determined. All entitlements are determined by the parties on an annual basis in accordance with the provisions of the contractual arrangement. Depending on the actual cash flows the parties to the contractual arrangement may agree that Bluecastle absorbs a certain agreed-upon portion of the expenditure.

From 1 January 2005, Bluecastle and the Club are entitled to 96% and 4% of the Joint activity net financial result of operations within the framework of the contractual arrangement, respectively.

The movements in the amounts advanced to the Joint Activity was as follows in the year ended 31 December :

	2006	2005
As of January 1	34,165,911	35,257,911
Contribution towards acquisition of players' registration rights	176,000	300,000
Foreign exchange effects	386,000	
Repayment from cash proceeds from sale of players' registrations	(1,926,930)	
Other adjustment		(1,392,000)
As of 31 December	<u>32,800,981</u>	<u>34,165,911</u>

Provision of £23,843,851 have been made against the investment in Simple Partnership reducing the investment balance to £8,957,130 which represents the net assets of Simple Partnership as at 31 December 2006.

In 2006, Bluecastle advanced \$5,051,000 to the Club towards acquisition of the players' registration rights.

There were also other loan facilities in amount of \$1,600,000 provided to the Club during 2006, which have been fully repaid including interest of \$15,992 by December 31, 2006.

Provision of \$30,781,815 have been made against the investment in the Club reducing the investment balance to \$14,345 representing the cost of shareholding in the Club. The Club does not recognise any obligation to repay these amounts to Bluecastle and hence provision has been made in full for the loans provided to the Club. The loans provided are recorded by the Club as additional paid in capital.

In December 2006, Bluecastle provided a loan facility to the Club of \$3,000,000 payable by December 2011 and bearing interest of 3% p.a. The loan together with the interest is subject to earlier repayment at any date before December 2011. Interest expense for the year ended 31 December 2006 was \$5,000.

During the year, the company was charged interest of \$1,083,999 (2005 - \$1,069,267) by Macasyng Holding BV in respect of loans provided to the company. During the year additional loans provided to the company totalled \$Nil (2005-\$930,200). At 31 December 2006, the amount owed to Macasyng Holding BV was \$39,033,152 (2005 - \$37,820,971). Macasyng Holding BV holds a 50% interest in the share capital of the company.

During the year, the company was charged interest of \$1,083,999 (2005 -\$ 1,069,692) by Era Intermedia SA in respect of loans provided to the company. During the year additional loans provided to the company totalled \$Nil (2005 - \$932,400). At 31 December 2006, the amount owed to Era Intermedia SA was \$39,026,659 (2005 - \$37,814,479). Era Intermediate SA holds a 50% interest in the share capital of the company.

**Bluecastle Enterprises Limited**

**Notes to the Financial Statements - continued**  
**for the Year Ended 31 December 2006**

**16. ULTIMATE CONTROLLING PARTY**

Macasyng Holding BV, a company incorporated in Holland, and Era Intermedia SA, a company incorporated in Luxembourg, each hold a 50% interest in the company. In the opinion of the director there is no single controlling party.

**17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	31.12.06	31.12.05
	\$	\$
(Loss)/Profit for the financial year	(7,065,263)	4,109,098
<b>Net (reduction)/addition to shareholders' funds</b>	<b>(7,065,263)</b>	<b>4,109,098</b>
Opening shareholders' funds	(68,427,710)	(72,536,808)
<b>Closing shareholders' funds</b>	<b>(75,492,973)</b>	<b>(68,427,710)</b>