

REGISTRATION NO. 4155991

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005



THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED

COMPANY INFORMATION

Director	J Anderson
Secretary	C Honeyman
Registration No.	4155991 - Registered in England and Wales
Registered office	98 Cockfosters Road Barnet Hertfordshire EN04 0DP
Auditors	Wilson Wright & Co, Chartered Accountants, 71 Kingsway, London, WC2B 6ST.
Bankers	Barclays Bank Plc 1250 High Road Whetstone London N20 0PB
Solicitors	Howard Kennedy 19 Cavendish Square London W1A 2AW

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED

CONTENTS

	Page
Report of the Director	1
Report of the Independent Auditors	3
Profit and Loss Account	4
Balance Sheet	5
Cash Flow Statement	6
Notes to the Accounts	8

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 30 SEPTEMBER 2005

The director submits his annual report and financial statements for the year ended 30 September 2005.

Principal Activity and Review of Business

The company is a holding company, which provides management services to its subsidiaries.

A summary of the results of the year's trading is given on page 4 of the financial statements.

Dividend

No dividend is proposed.

Subsequent Events and Future Developments

There have not been any important post balance sheet events nor are there any major plans for future development.

Director

The director in office during the year was as follows:

J Anderson

Director's Interests

The beneficial interest of the director in office at 30 September 2005 in the shares of the company was as follows:

	Ordinary shares of 10p each	
	30 September 2005	1 October 2004
J Anderson	-	-

The beneficial interests of the director in the issued share capital of the ultimate parent company, Sports Holdings Limited, are as stated in the report of the directors of that company.

Charitable donations

During the year the company made charitable donations of £nil (2004 - £1,000).

Director's Responsibilities

The director is obliged under company law to prepare financial statements for each financial year.

The financial statements, of which the form and content is prescribed by the Companies Act 1985, must give a true and fair view of the state of affairs of the company at the end of the financial year, and of the profit or loss for that period, and they must comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements. The director must prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business. The director is also responsible for the adoption of suitable accounting policies, their consistent use in the financial statements, supported where necessary by reasonable and prudent judgements.

The director confirms that the above requirements have been complied with in the financial statements.

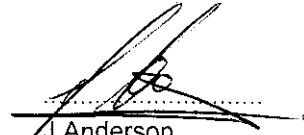
In addition, the director is responsible for maintaining adequate accounting records and sufficient internal controls to safeguard the assets of the company and to prevent and detect fraud or any other irregularities.

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
REPORT OF THE DIRECTOR
FOR THE YEAR ENDED 30 SEPTEMBER 2005

Auditors

Wilson Wright & Co, having been appointed auditors, will be proposed for re-appointment in accordance with Section 385(2) of the Companies Act 1985.

BY ORDER OF THE BOARD


J Anderson
SECRETARY

DATE: 23/6/06

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED

We have audited the financial statements of The Sport Entertainment & Media Group Limited on pages 4 to 14 for the year ended 30 September 2005 which have been prepared in accordance with the accounting policies set out on page 8.

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 the The Director and Auditors

As described in the statement of director's responsibilities, the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 director's 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report 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 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 judgements made by the director 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. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Wilson Wright & Co,
Chartered Accountants
and Registered Auditors,
71 Kingsway,
London, WC2B 6ST.

DATE: 23/6/06

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 SEPTEMBER 2005

	Notes	2005		2004	
		£	£	£	£
Turnover	1.3		500,000		1,100,000
Administrative expenses			457,642		872,178
Operating Profit	2		42,358		227,822
Provision for amounts due from subsidiary undertakings		10,980		303,134	
Provision for investments in subsidiary undertakings		-		2,374,325	
			10,980		2,677,459
			31,378		(2,449,637)
Income from investments	5	126,968		1,386,388	
Interest receivable	5	2,955		-	
			129,923		1,386,388
Profit/Loss on Ordinary Activities before Taxation			161,301		(1,063,249)
Taxation	6		54,140		(55,000)
Profit/Loss for the Financial Year	12		215,441		(1,118,249)


A statement of total recognised gains and losses has not been prepared as the only recognised gain for the year and the previous year was the profit for the financial year as stated above.

The results for both years reflect the continuing operations of the company.

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
BALANCE SHEET AT 30 SEPTEMBER 2005

	Notes	2005 £	£	2004 £	£
Fixed Assets					
Tangible assets	7	79,270		108,772	
Investments	8	2,414,005		2,414,005	
		<u>2,493,275</u>		<u>2,522,777</u>	
Current Assets					
Debtors	9	122,393		403,197	
Cash at bank		2,614		50,000	
		<u>125,007</u>		<u>453,197</u>	
Current Liabilities					
Creditors: amounts falling due within one year	10	20,418		593,551	
Net Current Assets/Liabilities		<u>104,589</u>		<u>(140,354)</u>	
Total Assets less Current Liabilities		<u>2,597,864</u>		<u>2,382,423</u>	
Capital and Reserves					
Called up share capital	11	3,410,087		3,410,087	
Profit and loss account	12	(812,223)		(1,027,664)	
Shareholders' Funds		<u>2,597,864</u>		<u>2,382,423</u>	

Approved by the Board


J. Anderson
Director

Date: 23/6/06

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2005

	2005 £	2004 £
Net cash outflow from operating activities	(290,018)	(224,793)
Returns on investments and servicing of finance		
Interest received	2,955	-
Dividends received	126,968	386,388
Net cash inflow for returns on investments and servicing of finance	129,923	386,388
Taxation	121,680	(162,540)
Capital expenditure		
Payments to acquire tangible assets	-	(85,315)
Receipts from sales of tangible assets	-	92,353
Net cash inflow for capital expenditure	-	6,974
Decrease/increase in cash in the year	<u>(38,415)</u>	<u>6,029</u>

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 2005

1	Reconciliation of operating profit to net cash outflow from operating activities	2005	2004
		£	£
	Operating profit	42,358	227,822
	Depreciation of tangible assets	29,502	62,277
	Loss on disposal of tangible assets	-	6,647
	Decrease in debtors	147,284	936,207
	Decrease in creditors	(509,162)	(1,457,746)
	Net cash outflow from operating activities	(290,018)	(224,793)

2	Analysis of net funds	1 October 2004	Cash flow	Other non-cash changes	30 September 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	50,000	(47,386)	-	2,614
	Bank overdrafts	(8,971)	8,971	-	-
	Net funds	41,029	(38,415)	-	2,614

3	Reconciliation of net cash flow to movement in net funds	2005	2004
		£	£
	Decrease/increase in cash in the year	(38,415)	6,029
	Movement in net funds in the year	(38,415)	6,029
	Opening net funds	41,029	35,000
	Closing net funds	2,614	41,029

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

1 Accounting Policies

1.1 Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by Section 248 of the Companies Act 1985 not to prepare group accounts.

1.3 Turnover

Turnover represents management fees receivable in the period, excluding value added tax

1.4 Tangible fixed assets

Depreciation is provided at the following rates in order to write off each asset over its estimated useful life:

Leasehold improvements	- 5 years
Fixtures, fittings & equipment	- 15% reducing balance

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.6 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits. Deferred tax balances are not discounted.

2 Operating Profit

	2005	2004
	£	£
The operating profit is stated after charging:		
Depreciation of tangible fixed assets	29,502	62,277
Auditors' remuneration	-	9,000
	<u>29,502</u>	<u>71,277</u>

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

3 Employees (including the director)	2005	2004
	£	£
Salaries	236,536	471,725
Other pension costs	1,100	-
	<u>237,636</u>	<u>471,725</u>

The average monthly number of employees during the year was as follows:

Number	Number
<u>3</u>	<u>4</u>

4 Director's Emoluments	2005	2004
	£	£
Emoluments	<u>156,992</u>	<u>409,067</u>

5 Income from Investments and Other Interest Receivable	2005	2004
	£	£
Income from subsidiary undertakings	126,968	1,386,388
Other interest	2,955	-
	<u>129,923</u>	<u>1,386,388</u>

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

6 Taxation	2005	2004
	£	£
U.K. corporation tax	-	55,000
Adjustment for prior years	(54,140)	-
Current tax charge	(54,140)	55,000
Taxation reconciliation		
Profit/(loss) on ordinary activities before taxation	161,301	(1,063,249)
Taxation at the standard corporation tax rate of 19.00% (2004: 30.00%)	30,647	(318,975)
Effects of:		
Non deductible expenses	10,150	25,208
Capital allowances in excess of depreciation	3,028	(2,959)
Tax losses utilised	(21,710)	(67,328)
Foreign tax adjustments	(24,258)	(82,971)
Adjustments to previous periods	(54,140)	-
Intercompany provisions	2,086	747,122
Intercompany dividends	-	(300,000)
Other tax adjustments	57	54,903
	(84,787)	373,975
Current tax charge	(54,140)	55,000

7 Tangible Fixed Assets

	Leasehold improvements	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 October 2004 & at 30 September 2005	113,293	75,310	188,603
Depreciation			
At 1 October 2004	45,700	34,131	79,831
Charge for year	19,200	10,302	29,502
At 30 September 2005	64,900	44,433	109,333
Net book values			
At 30 September 2005	48,393	30,877	79,270
At 30 September 2004	67,593	41,179	108,772

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

8 Fixed Asset Investments

	Other investments £	Shares in group undertakings £	Total £
8.1 Cost			
At 1 October 2004	98,000	5,181,984	5,279,984
Disposal	-	(2,302,709)	(2,302,709)
At 30 September 2005	98,000	2,879,275	2,977,275
Provision			
At 1 October 2004	98,000	2,767,979	2,865,979
On disposal	-	(2,302,709)	(2,302,709)
At 30 September 2005	98,000	465,270	563,270
Net book values			
At 30 September 2005	-	2,414,005	2,414,005
At 30 September 2004	-	2,414,005	2,414,005

In the opinion of the director, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

8.2 The company has an interest in the following subsidiary companies:

Name of Company	Country of Registration or Incorporation	Shares Held Class	%
Group undertakings			
Jerome Anderson Management Limited	England & Wales	Ordinary	100
Cloudmanor Limited	England & Wales	Ordinary	100
Manmark S.A.	Switzerland	Ordinary	100
Lion Promotions Limited	England & Wales	Ordinary	100
Inside Stuff Management S.A.	Portugal	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and Profit for the reserves financial year	
	£	£
Jerome Anderson Management Limited	294,632	134,091
Cloudmanor Limited	(796,477)	(3,897)
Manmark S.A.	162,248	40,060
Lion Promotions Limited	(1,114,975)	-
Inside Stuff Management S.A.	(37,143)	(89,724)

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

The company also holds 49% of the ordinary share capital in Templar Sport Limited a company engaged in the provision of financial services. The investment has been fully written off as it has no realisable value.

9 Debtors	2005	2004
	£	£
Amounts falling due within one year:		
Amounts owed by group undertakings	94,437	937
Corporation tax	-	122,540
Other debtors	8,163	258,677
Prepayments and accrued income	19,793	21,043
	<u>122,393</u>	<u>403,197</u>

Included within prepayments and accrued income is £12,500 (2004 - £12,500) due after more than one year.

10 Creditors	2005	2004
	£	£
Amounts falling due within one year:		
Bank overdraft	-	8,971
Trade creditors	18,635	68,006
Amounts owed to group undertakings	-	343,934
Corporation tax	-	55,000
Social security and other taxes	1,783	10,359
Other creditors	-	77,250
Accruals and deferred income	-	30,031
	<u>20,418</u>	<u>593,551</u>

11 Share Capital	2005	2004
	£	£
Authorised		
50,000,000 Ordinary shares of 10p each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid		
34,100,870 Ordinary shares of 10p each	<u>3,410,087</u>	<u>3,410,087</u>

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

12 Statement of Movements on Reserves

	Profit and loss account £
Balance at 1 October 2004	(1,027,664)
Retained profit for the financial year	215,441
	<hr/>
Balance at 30 September 2005	(812,223)
	<hr/>

13 Financial commitments

At 30 September 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings 2005 £	Land & Buildings 2004 £
Operating leases which expire:		
Over five years	25,000	25,000
	<hr/>	<hr/>

14 Contingent Liabilities

The company has provided a guarantee in respect of Jerome Anderson Management Limited's bank loan and overdraft which at the balance sheet date amounted to £1,449,335.

15 Pension Costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge represents contributions paid by the company to the fund and amounted to £1,100 (2004 - £nil).

THE SPORT ENTERTAINMENT & MEDIA GROUP LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 SEPTEMBER 2005

16 Related Party Disclosures

16.1 Control

Sports Holdings Limited, registered in England & Wales, was regarded as the company's ultimate parent company at the balance sheet date.

The ultimate controlling party of Sports Holdings Limited is Mr J Anderson.

16.2 Balances

At 30 September 2005, the company was owed £50,937 (2004 - £937) by Sports Holdings Limited.

At 30 September 2005, the company was owed £43,500 (2004 - £343,934 owed to) by Jerome Anderson Management Limited.

16.3 Transactions

Management fees of £500,000 (2004 - £1,100,000) were received from Jerome Anderson Management Limited during the year.