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**KENTARO LIMITED**

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**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

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## KENTARO LIMITED

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### COMPANY INFORMATION

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**DIRECTORS**

Philipp Grothe  
Christian Radeke  
James Elliott (appointed 18 May 2010)  
Jonathan Hill (appointed 18 May 2010)

**COMPANY SECRETARY**

Christian Radeke

**COMPANY NUMBER**

04918516

**REGISTERED OFFICE**

Eighth Floor  
6 New Street Square  
London  
EC4A 3AQ

**AUDITORS**

Rawlinson & Hunter  
Chartered Accountants & Statutory Auditor  
Eighth Floor  
6 New Street Square  
New Fetter Lane  
London  
EC4A 3AQ

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**KENTARO LIMITED**

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## KENTARO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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The directors present their report and the financial statements of Kentaro Limited ("the company") and its subsidiaries ("the group") for the year ended 31 December 2010

#### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 UK 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 group will continue in business.

The directors are responsible for keeping adequate 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 the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

#### PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

#### PRINCIPAL ACTIVITIES

The principal activities of the group are those of the acquisition and sale of TV rights for sporting events, the organisation of sporting events, TV rights consultancy and sports representation agency and management.

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## KENTARO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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#### BUSINESS REVIEW

The results for the year are set out on page 7. The directors consider the results for the year and current state of affairs of the group to be disappointing and are confident that the group will return to profitability in the next financial year.

#### Business environment

In the prior year, the company acquired a 51% controlling interest in Sports Holding Limited ("SHL") and its wholly owned subsidiaries, The Sport Entertainment & Media Group Limited ("SEMGL"), Jerome Anderson Management Limited ("JAML") and Manmark SA ("MSA"), (collectively "the SHL Group"). SHL and its subsidiaries have been consolidated in these financial statements from the date of acquisition on 1 January 2009. MSA was liquidated during the current year.

#### Business environment

Kentaro AG, the ultimate parent undertaking, and its subsidiaries including the company but excluding the SHL Group ("the Kentaro AG Group"), specialise in the global marketing of national football federations, leagues and clubs, and the core business of the Kentaro AG Group is the international acquisition and distribution of premium broadcast rights. The Kentaro AG Group marketed the TV rights for over 250 matches in the build-up to the FIFA World Cup 2010, including 90% of the South American qualifiers. More than 20 federations rely on the unique network and management skills of the Kentaro AG Group, as do many top club sides.

The SHL Group includes a leading sports management agency, with an established reputation within the sector, which specialises in the provision of sports representation agency and management services to well known and highly successful sports personalities.

#### Principal risks and uncertainties

The ability of the Kentaro AG Group to generate returns depends on obtaining sports TV rights of a sufficiently high quality and appeal to maintain sales growth and market share while maintaining gross margin levels. The Kentaro AG Group faces strong competition for high quality sports TV rights and is also exposed to financial risks, as explained later in this report. In spite of these risks, the directors believe that the Kentaro AG Group possesses the core competencies to continue to succeed in the sports TV rights market.

The activity of the SHL Group is reliant on the strong sport and media performances of its clients. The services of the SHL Group are aimed at an elite group of high-profile top tier personalities, thus any deterioration in their performance is likely to affect the results of the SHL Group.

#### RESULTS AND DIVIDENDS

The loss for the year, after taxation and minority interests, amounted to £1,000,932 (2009 - profit of £488,012).

The directors do not recommend the payment of dividend (2009 - £Nil).

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## KENTARO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

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#### CURRENT AND FUTURE DEVELOPMENTS

The group has seen a decline in revenues from 2009 to 2010 with the culmination of the FIFA World Cup 2010 in July 2010 and a significant focus of senior management time on a small number of large contracts during 2010

The directors will continue to work extensively with existing clients, both of the company and the SHL Group, and will particularly focus on acquiring new business. The directors are confident that 2011 will show a return to profitability and that future years will produce significant growth

#### FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include the effects of changes in foreign exchange risk, credit risk, liquidity risk and interest rate risk

##### Foreign exchange risk

The group is exposed to movements in foreign exchange rates as a result of transactions with a number of customers and suppliers. The ultimate parent undertaking, Kentaro AG, manages the foreign exchange risk associated with the Kentaro AG Group and the SHL Group (together "the Combined Group"), as disclosed in the financial statements of that company. It manages the risk by matching income and expenses in the same currency and by transferring money between Combined Group entities as required to minimise the foreign exchange risk to the Combined Group

##### Credit risk

The group, on occasion, undertakes significant contracts for its customers and, hence, can be exposed to significant concentrations of credit risk. The group has implemented policies that require appropriate checks on potential new customers before sales commence and the amount of credit to any individual counterparty is subject to a limit which is assessed on a contract by contract basis by the group's management. Furthermore, the group maintains strong relationships with its customers which enables it to closely monitor the recoverability of credit provided

##### Liquidity risk

The group manages the liquidity position with the objective of maintaining the ability to fund commitments and repay liabilities in accordance with their required terms. The financing of operations is managed at a group level by the ultimate parent undertaking

##### Interest rate risk

The group has interest bearing assets in the form of cash balances. Cash balances earn interest at floating rates

The group also has interest bearing liabilities in the form of bank, group and other loans. Interest is charged on the bank loans at floating rates. Interest is charged on the group and other loans, which represent the majority of the group's interest bearing liabilities, at fixed rates of interest which provides the group with certainty over its financing costs in respect of these loans

##### Price risk

The group has no significant concentrations of exposure to price risk. The group has implemented policies that require appropriate checks on potential significant price movements

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**KENTARO LIMITED**

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**DIRECTORS' REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**DIRECTORS**

The directors who served during the year were

Philipp Grothe  
Peter Silverstone (resigned 11 February 2010)  
Christian Radeke  
James Elliott (appointed 18 May 2010)  
Jonathan Hill (appointed 18 May 2010)

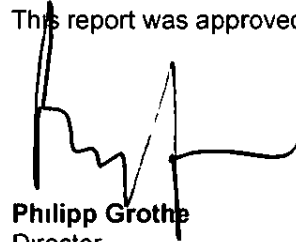
**CHARITABLE DONATIONS**

During the year, the group made charitable donations of £4,490 (2009 - £3,481)

**AUDITORS**

Under section 487(2) of the Companies Act 2006, Rawlinson & Hunter will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier

This report was approved by the board on 24 November 2011 and signed on its behalf



**Philipp Grothe**  
Director



**Christian Radeke**  
Director

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## KENTARO LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENTARO LIMITED

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We have audited the group and company financial statements ("the financial statements") of Kentaro Limited for the year ended 31 December 2010, which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, 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 Auditing Practices Board's Ethical Standards for Auditors.

#### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- 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.

#### OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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KENTARO LIMITED

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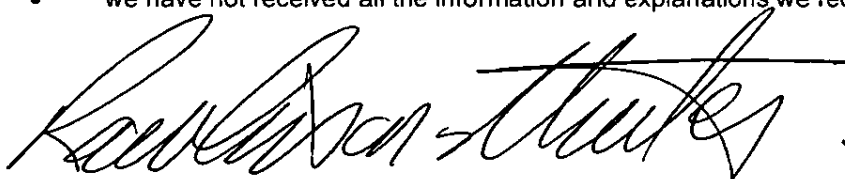
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF KENTARO LIMITED

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**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 company, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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



Christopher Bliss (Senior statutory auditor)

for and on behalf of  
**Rawlinson & Hunter**

Chartered Accountants  
Statutory Auditor

Eighth Floor  
6 New Street Square  
New Fetter Lane  
London  
EC4A 3AQ

24 November 2011

KENTARO LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
<b>TURNOVER</b>	1,2	<b>17,301,480</b>	<b>24,487,347</b>
Cost of sales		<b>(9,894,224)</b>	<b>(15,674,335)</b>
<b>GROSS PROFIT</b>		<b>7,407,256</b>	<b>8,813,012</b>
Administrative expenses		<b>(7,238,450)</b>	<b>(5,770,089)</b>
<b>OPERATING PROFIT</b>	3	<b>168,806</b>	<b>3,042,923</b>
Loss on disposal of investments		<b>(7,621)</b>	-
Interest receivable and similar income		<b>10,049</b>	<b>15,346</b>
Interest payable and similar charges	6	<b>(752,358)</b>	<b>(721,447)</b>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>(581,124)</b>	<b>2,336,822</b>
Tax on (loss)/profit on ordinary activities	7	<b>(202,398)</b>	<b>(889,661)</b>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>(783,522)</b>	<b>1,447,161</b>
Minority interests		<b>(217,410)</b>	<b>(959,149)</b>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	15	<b>£ (1,000,932)</b>	<b>£ 488,012</b>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss Account

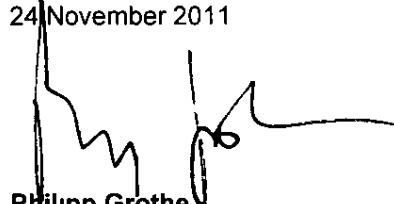
The notes on pages 11 to 26 form part of these financial statements

**KENTARO LIMITED**  
**REGISTERED NUMBER: 04918516**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	£	2010 £	£	2009 £
<b>FIXED ASSETS</b>					
Intangible fixed assets	8		10,493,289		11,076,250
Tangible fixed assets	9		223,986		90,387
			<u>10,717,275</u>		<u>11,166,637</u>
<b>CURRENT ASSETS</b>					
Debtors	11	12,735,982		10,747,844	
Cash at bank and in hand		132,538		663,611	
		<u>12,868,520</u>		<u>11,411,455</u>	
<b>CREDITORS:</b> amounts falling due within one year	12	(13,568,824)		(10,955,480)	
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			<u>(700,304)</u>		<u>455,975</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>10,016,971</u>		<u>11,622,612</u>
<b>CREDITORS</b> amounts falling due after more than one year	13		(8,196,983)		(8,152,601)
<b>NET ASSETS</b>			<u>£ 1,819,988</u>		<u>£ 3,470,011</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,000		1,000
Profit and loss account	15		(554,952)		445,980
<b>SHAREHOLDERS' (DEFICIT)/FUNDS</b>	16		<u>(553,952)</u>		<u>446,980</u>
<b>MINORITY INTERESTS</b>	17		<u>2,373,940</u>		<u>3,023,031</u>
			<u>£ 1,819,988</u>		<u>£ 3,470,011</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 November 2011

  
**Philipp Grothe**  
 Director

  
**Christian Radeke**  
 Director

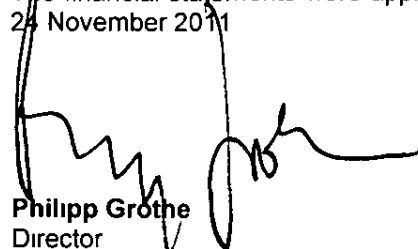
The notes on pages 11 to 26 form part of these financial statements

**KENTARO LIMITED**  
**REGISTERED NUMBER: 04918516**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	£	2010 £	£	2009 £
<b>FIXED ASSETS</b>					
Tangible fixed assets	9		151,261		51,657
Investments	10		7,564,814		7,564,814
			<u>7,716,075</u>		<u>7,616,471</u>
<b>CURRENT ASSETS</b>					
Debtors	11	10,744,935		7,230,381	
Cash at bank and in hand		75,174		89,328	
		<u>10,820,109</u>		<u>7,319,709</u>	
<b>CREDITORS:</b> amounts falling due within one year	12	(10,195,201)		(7,126,936)	
<b>NET CURRENT ASSETS</b>			<u>624,908</u>		<u>192,773</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>8,340,983</u>		<u>7,809,244</u>
<b>CREDITORS:</b> amounts falling due after more than one year	13		(8,051,727)		(7,777,601)
<b>NET ASSETS</b>			<u>£ 289,256</u>		<u>£ 31,643</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		1,000		1,000
Profit and loss account	15		288,256		30,643
<b>SHAREHOLDERS' FUNDS</b>	16		<u>£ 289,256</u>		<u>£ 31,643</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 November 2011

  
**Philipp Grothe**  
 Director

  
**Christian Radeke**  
 Director

The notes on pages 11 to 26 form part of these financial statements

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**KENTARO LIMITED**

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**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	Note	2010 £	2009 £
Net cash flow from operating activities	19	1,463,474	7,630,246
Returns on investments and servicing of finance	20	(872,477)	(24,236)
Taxation		(936,701)	151,361
Capital expenditure and financial investment	20	(109,316)	(34,041)
Acquisitions and disposals	20	-	(6,929,347)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<b>(455,020)</b>	<b>793,983</b>
Financing	20	(76,053)	(211,027)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>£ (531,073)</b>	<b>£ 582,956</b>

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**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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	2010 £	2009 £
(Decrease)/increase in cash in the year	(531,073)	582,956
Cash inflow from increase in debt and lease financing	76,053	211,027
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<b>(455,020)</b>	<b>793,983</b>
New finance leases	(84,182)	-
Other non-cash changes	-	(923,152)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(539,202)</b>	<b>(129,169)</b>
Net (debt)/funds at 1 January 2010	(48,514)	80,655
<b>NET DEBT AT 31 DECEMBER 2010</b>	<b>£ (587,716)</b>	<b>£ (48,514)</b>

The notes on pages 11 to 26 form part of these financial statements

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## KENTARO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom

Although the group had net current liabilities at 31 December 2010 and made a loss in the year then ended, the consolidated financial statements have been prepared on a going concern basis on the assumption that the group and company will continue in operational existence for the foreseeable future

The directors have reached this assessment on the basis of the current trading of and forecasts for the group, which indicate that the group will have sufficient financial resources to continue in operation for the foreseeable future

The company has also received assurance from its parent undertaking, Kentaro AG, of its intention to provide such financial support as is necessary for the group to continue in operation for the foreseeable future and at least 12 months from the date of signing of these financial statements

Accordingly, the directors consider it appropriate to prepare the consolidated financial statements for the group on a going concern basis

##### 1.2 Basis of consolidation

The financial statements consolidate the accounts of Kentaro Limited ("the company") and all of its subsidiary undertakings ("the subsidiaries") (collectively "the group") made up to 31 December 2010

The results of subsidiaries acquired during the year are included from the effective date of acquisition

##### 1.3 Turnover

Turnover comprises revenue recognised by the group in respect of services supplied, exclusive of Value Added Tax and trade discounts

Revenue from services supplied is recognised as the work is performed in line with the terms of sales agreements with customers. Revenue is only recognised where there is appropriate evidence of an arrangement, where the consideration is fixed and determinable and where collectability is reasonably assured

##### 1.4 Intangible fixed assets

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. Goodwill is amortised to the Profit and Loss Account over its estimated useful economic life, being 20 years

Whenever there is an indication that an asset may be impaired, the group reviews the carrying amount of its intangible fixed assets to determine whether there is any indication that those assets have suffered an impairment loss. Impairment losses are recognised in the Profit and Loss Account

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## KENTARO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 1 ACCOUNTING POLICIES (continued)

##### 1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	-	20% straight line
Furniture, fittings and equipment	-	33.33% straight line
Motor vehicles	-	25% reducing balance

##### 1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment, if any.

##### 1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 1.8 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

##### 1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as 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 tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

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## KENTARO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 1 ACCOUNTING POLICIES (continued)

##### 1 10 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and Loss Account

##### 1 11 Pensions

The group operates a number of defined contribution pension schemes and the pension charge represents the amounts payable by the group to the funds in respect of the year

##### 1.12 Financial instruments

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 year to which it relates

Financial assets and liabilities are recognised in the Balance Sheet at the lower of cost and net realisable value. Provision is made for impairment in value, where appropriate

#### 2 TURNOVER

An analysis of turnover by class of business is as follows

	2010 £	2009 £
Sale of TV rights	7,781,365	9,003,238
Agents fees	6,661,900	8,290,419
Sports event organisation	1,872,478	3,703,138
Consultancy	623,269	2,670,099
Commission	261,618	453,317
Other	100,850	367,136
	<u>£ 17,301,480</u>	<u>£ 24,487,347</u>

A geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	6,064,633	13,275,563
Rest of European Union	7,728,162	9,229,743
Rest of World	3,508,685	1,982,041
	<u>£ 17,301,480</u>	<u>£ 24,487,347</u>



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**KENTARO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**3 OPERATING PROFIT**

The operating profit is stated after charging/(crediting)

	2010 £	2009 £
Amortisation - intangible fixed assets	582,961	582,961
Depreciation of tangible fixed assets		
- owned by the group	41,220	31,935
- held under finance leases	11,890	4,328
Auditors' remuneration	22,950	15,000
Auditors' remuneration - non-audit	38,910	11,990
Operating lease rentals		
- plant and machinery	6,320	6,444
- other operating leases	117,449	114,441
Difference on foreign exchange	179,704	(28,814)
Profit on disposal of tangible fixed assets	(832)	-

Auditors fees for the company were £12,000 (2009 - £15,000)

**4 STAFF COSTS**

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	3,038,467	2,358,988
Social security costs	359,438	278,130
Other pension costs	70,743	68,700
	<u>£ 3,468,648</u>	<u>£ 2,705,818</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010 No.	2009 No
Sales and administration	<u>32</u>	<u>28</u>

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**KENTARO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**5. DIRECTORS' REMUNERATION**

	2010 £	2009 £
Emoluments	£ 741,096	£ 493,308
Company pension contributions to defined contribution pension schemes	£ 30,000	£ -

During the year retirement benefits were accruing to 1 director (2009 - NIL) in respect of defined contribution pension schemes

The highest paid director received remuneration of £251,638 (2009 - £225,000)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £30,000 (2009 - £Nil)

**6. INTEREST PAYABLE**

	2010 £	2009 £
On bank loans and overdrafts	1,753	17,787
On finance leases and hire purchase contracts	2,739	3,125
On loans from group undertakings	736,333	681,865
Other interest payable	11,533	18,670
	£ 752,358	£ 721,447

**7. TAXATION**

	2010 £	2009 £
<b>Analysis of tax charge in the year</b>		
UK corporation tax charge on (loss)/profit for the year	206,095	890,280
Adjustments in respect of prior periods	(3,697)	(619)
<b>Tax on (loss)/profit on ordinary activities</b>	£ 202,398	£ 889,661

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**KENTARO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**7 TAXATION (continued)****Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2009 - *higher than*) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £	2009 £
(Loss)/profit on ordinary activities before tax	£ (581,124)	£ 2,336,822
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	(162,715)	654,310
<b>Effects of.</b>		
Expenses not deductible for tax purposes	234,970	233,746
Difference between capital allowances for year and depreciation	(6,613)	3,439
Adjustments to tax charge in respect of prior periods	(3,697)	(619)
Short term timing differences	13,176	-
Unrelieved tax losses carried forward	127,277	-
Other tax adjustments	-	570
Subsidiaries taxed at lower rate	-	(1,785)
<b>Current tax charge for the year (see note above)</b>	<b>£ 202,398</b>	<b>£ 889,661</b>

**Factors that may affect future tax charges**

A deferred tax asset, relating to non-trade tax losses, of approximately £133,000 (2009 - £Nil) carried forward has not been recognised in the financial statements as the directors do not consider it more likely than not that appropriate future taxable profits will arise against which the potential deferred tax asset profit can be recovered

The March 2011 Budget announced that the UK corporation tax rate will reduce from 28% to 23% over a period of 3 years from 2011 This will reduce the company's future current tax charge accordingly

KENTARO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

8. INTANGIBLE FIXED ASSETS

	Goodwill on consolidation £
<b>Group</b>	
<b>Cost</b>	
At 1 January 2010 and 31 December 2010	11,659,211
<b>Amortisation</b>	
At 1 January 2010	582,961
Charge for the year	582,961
At 31 December 2010	1,165,922
<b>Net book value</b>	
At 31 December 2010	£ 10,493,289
At 31 December 2009	£ 11,076,250

The directors have considered it appropriate to amortise the goodwill over a useful economic life of 20 years

9 TANGIBLE FIXED ASSETS

	Leasehold improvement s £	Motor vehicles £	Furniture, fittings & equipment £	Total £
<b>Group</b>				
<b>Cost</b>				
At 1 January 2010	113,293	52,951	215,659	381,903
Additions	-	155,776	46,088	201,864
Disposals	-	(31,105)	(7,921)	(39,026)
At 31 December 2010	113,293	177,622	253,826	544,741
<b>Depreciation</b>				
At 1 January 2010	113,293	31,327	146,896	291,516
Charge for the year	-	18,979	34,131	53,110
On disposals	-	(21,244)	(2,627)	(23,871)
At 31 December 2010	113,293	29,062	178,400	320,755
<b>Net book value</b>				
At 31 December 2010	£ -	£ 148,560	£ 75,426	£ 223,986
At 31 December 2009	£ -	£ 21,624	£ 68,763	£ 90,387

**KENTARO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**9. TANGIBLE FIXED ASSETS (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

<b>Group</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Motor vehicles	<b>£ 73,047</b>	<b>£ 22,902</b>

The depreciation charged to the financial statements in the year in respect of such assets amounted to £11,890 (2009 - £4,328)

<b>Company</b>	<b>Motor vehicles</b>	<b>Furniture, fittings &amp; equipment</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost</b>			
At 1 January 2010	-	135,957	135,957
Additions	129,043	20,023	149,066
Disposals	-	(7,921)	(7,921)
At 31 December 2010	<b>129,043</b>	<b>148,059</b>	<b>277,102</b>
<b>Depreciation</b>			
At 1 January 2010	-	84,300	84,300
Charge for the year	13,282	30,886	44,168
On disposals	-	(2,627)	(2,627)
At 31 December 2010	<b>13,282</b>	<b>112,559</b>	<b>125,841</b>
<b>Net book value</b>			
At 31 December 2010	<b>£ 115,761</b>	<b>£ 35,500</b>	<b>£ 151,261</b>
At 31 December 2009	<b>£ -</b>	<b>£ 51,657</b>	<b>£ 51,657</b>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

<b>Company</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Motor vehicles	<b>£ 46,870</b>	<b>£ -</b>

The depreciation charged to the financial statements in the year in respect of such assets amounted to £11,313 (2009 - £Nil)

# KENTARO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 10 INVESTMENTS

Company Cost or valuation	Shares in group undertakings £
At 1 January 2010 and 31 December 2010	£ 7,564,814

Details of the principal subsidiaries can be found under Note 26

### 11. DEBTORS

	Group		Company	
	2010 £	2009 £	2010 £	2009 £
<b>Due after more than one year</b>				
Prepayments and accrued income	46,495	287,495	21,495	21,495
<b>Due within one year</b>				
Trade debtors	7,708,719	4,450,833	6,321,963	3,592,290
Amounts owed by group undertakings	296,249	3,304,386	193,332	2,625,809
Other debtors	308,052	139,503	282,454	101,635
Prepayments and accrued income	4,376,467	2,553,053	3,925,691	889,152
Tax recoverable	-	12,574	-	-
	<b>£ 12,735,982</b>	<b>£ 10,747,844</b>	<b>£ 10,744,935</b>	<b>£ 7,230,381</b>

Amounts owed by group undertakings consist of £1,841 (2009 - £2,666,182) due from Kentaro AG, the ultimate parent undertaking, £Nil (2009 - £555,809) due from Kentaro AB, £289,997 (2009 - £81,247) due from Kentaro GmbH and £4,411 (2009 - £1,147) due from Northern Sky AB, all of which are fellow subsidiary undertakings. These amounts are unsecured, interest free and repayable on demand.

Included within other debtors due within one year is an interest free loan to P Grothe, a director of the company, amounting to £70,000 (2009 - £Nil). Amounts advanced and amounts repaid during the year totalled £70,103 and £103 respectively. The maximum amount outstanding during the year was £70,000.

# KENTARO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 12 CREDITORS Amounts falling due within one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	270,072	200,000	-	-
Other loans (see Note 13)	250,000	125,000	-	-
Net obligations under finance leases and hire purchase contracts	26,051	12,125	21,657	-
Trade creditors	1,742,747	2,893,001	1,277,924	2,212,167
Amounts owed to group undertakings	5,052,574	4,218,321	5,253,237	4,218,321
Corporation tax	344,317	1,088,992	-	92,432
Social security and other taxes	258,026	166,493	213,410	36,985
Other creditors	167,797	15,041	88,466	4,285
Accruals and deferred income	5,457,240	2,236,507	3,340,507	562,746
	<b>£ 13,568,824</b>	<b>£ 10,955,480</b>	<b>£ 10,195,201</b>	<b>£ 7,126,936</b>

Amounts owed to group undertakings consist of £3,885,566 (2009 - £4,049,744) due to Kentaro AG, the ultimate parent undertaking, £1,547 (2009 - £1,625) due to Attaro AG, £1,165,461 (2009 - £Nil) due to Kentaro AB and £Nil (2009 - £166,952) due to Kentaro GmbH, all of which are fellow subsidiary undertakings. These amounts are unsecured, interest free and repayable on demand.

Bank loans and overdrafts at 31 December 2010 consists of bank overdrafts in The Sport Entertainment & Media Group Limited ("SEMGL") and Jerome Anderson Management Limited ("JAML"), both subsidiaries of the company, of £737 (2009 - £Nil) and £269,335 (2009 - £Nil) respectively. These bear interest at 3.4% above the bank's base rate and are secured by a personal guarantee up to £1,100,000 given by J Anderson, a director of SEMGL and JAML, a debenture over the assets of SEMGL and JAML and a cross guarantee between SEMGL and JAML.

Bank loans and overdrafts at 31 December 2009 consisted of a bank loan of £200,000 held by JAML which bore interest at a rate of 2.75% above the bank's base rate and was secured by a debenture over the assets of JAML and by a personal guarantee given by J Anderson. The loan was repaid in full during the year.

### 13. CREDITORS Amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Other loans	125,000	375,000	-	-
Net obligations under finance leases and hire purchase contracts	49,131	-	28,875	-
Amounts owed to group undertakings	8,022,852	7,777,601	8,022,852	7,777,601
	<b>£ 8,196,983</b>	<b>£ 8,152,601</b>	<b>£ 8,051,727</b>	<b>£ 7,777,601</b>

# KENTARO LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 13. CREDITORS:

#### Amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Between one and five years	£ 49,131	£ -	£ 28,875	£ -

Amounts owed to group undertakings include a loan of £5,167,250 (2009 - £5,167,250) from Kentaro AG, the ultimate parent undertaking, which is unsecured, bears interest at 14.25% per annum and is repayable by 31 December 2013, and a loan of £3,591,357 (2009 - £3,591,357) also from Kentaro AG, which is unsecured, interest free and repayable by 31 December 2013. The loan balances have been offset by capitalised loan issue costs of £735,755 (2009 - £981,006) which are being amortised over a period of 5 years.

Other loans of £375,000 (2009 - £500,000), of which £250,000 (2009 - £125,000) is included in creditors due within one year (see Note 12), are unsecured, bear interest at 3% per annum and are repayable by 31 December 2012.

### 14. SHARE CAPITAL

	2010	2009
	£	£
<b>Allotted, called up and fully paid</b>		
1,000 Ordinary shares of £1 each	£ 1,000	£ 1,000

### 15. RESERVES

	<b>Profit and loss account</b>
	£
<b>Group</b>	
At 1 January 2010	445,980
Loss for the year	(1,000,932)
At 31 December 2010	£ (554,952)
<b>Company</b>	
At 1 January 2010	30,643
Profit for the year	257,613
At 31 December 2010	£ 288,256



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**KENTARO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

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**16. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' (DEFICIT)/FUNDS**

<b>Group</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Opening shareholders' funds/(deficit)	<b>446,980</b>	<b>(41,032)</b>
(Loss)/profit for the year	<b>(1,000,932)</b>	<b>488,012</b>
Closing shareholders' (deficit)/funds	<b>£ (553,952)</b>	<b>£ 446,980</b>

<b>Company</b>	<b>2010</b>	<b>2009</b>
	<b>£</b>	<b>£</b>
Opening shareholders' funds/(deficit)	<b>31,643</b>	<b>(41,032)</b>
Profit for the year	<b>257,613</b>	<b>72,675</b>
Closing shareholders' funds	<b>£ 289,256</b>	<b>£ 31,643</b>

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account

The profit for the year dealt with in the accounts of the company was £257,613 (2009 - £72,675)

**17. MINORITY INTERESTS**

<b>Equity</b>	<b>£</b>
At 1 January 2010	<b>3,023,031</b>
Proportion of profit after taxation for the year	<b>217,410</b>
Dividend payable to minority interests	<b>(866,501)</b>
At 31 December 2010	<b>£ 2,373,940</b>

**18. ACQUISITIONS**

In the prior year, the company acquired a controlling interest (51% of the issued Ordinary share capital) in Sports Holdings Limited ("SHL"), a company incorporated in England & Wales, and its wholly owned subsidiary undertakings, The Sport Entertainment & Media Group Limited, Jerome Anderson Management Limited and Manmark SA, for a cash consideration of £6,492,760. SHL and its subsidiaries were consolidated and accounted for under acquisition accounting rules with effect from 1 January 2009.

KENTARO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

19 NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	168,806	3,042,923
Amortisation of intangible fixed assets	582,961	582,961
Depreciation of tangible fixed assets	53,110	36,263
Profit on disposal of tangible fixed assets	(832)	-
Increase in debtors	(2,734,842)	(5,582,686)
Increase in creditors	3,394,271	9,550,785
<b>Net cash inflow from operating activities</b>	<b>£ 1,463,474</b>	<b>£ 7,630,246</b>

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010 £	2009 £
<b>Returns on investments and servicing of finance</b>		
Interest received	10,049	15,346
Interest paid	(13,286)	(36,457)
Hire purchase interest	(2,739)	(3,125)
Dividends paid to minority interests	(866,501)	-
<b>Net cash outflow from returns on investments and servicing of finance</b>	<b>£ (872,477)</b>	<b>£ (24,236)</b>

	2010 £	2009 £
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(117,682)	(34,041)
Sale of tangible fixed assets	8,366	-
<b>Net cash outflow from capital expenditure</b>	<b>£ (109,316)</b>	<b>£ (34,041)</b>

	2010 £	2009 £
<b>Acquisitions and disposals</b>		
Purchase of fixed asset investments (net of cash acquired)	£ -	£ (6,929,347)

KENTARO LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT (continued)

	2010 £	2009 £
<b>Financing</b>		
New bank overdrafts	270,072	-
Repayment of loans	(200,000)	(200,000)
Repayment of other loans	(125,000)	-
Repayment of finance leases	(21,125)	(11,027)
<b>Net cash outflow from financing</b>	<b>£ (76,053)</b>	<b>£ (211,027)</b>

21. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £	Cash flow £	Other non-cash changes £	31 December 2010 £
Cash at bank and in hand	663,611	(531,073)	-	132,538
<b>Debt:</b>				
Finance leases	(12,125)	21,125	(84,182)	(75,182)
Debts due within one year	(325,000)	54,928	(250,000)	(520,072)
Debts falling due after more than one year	(375,000)	-	250,000	(125,000)
<b>Net debt</b>	<b>£ (48,514)</b>	<b>£ (455,020)</b>	<b>£ (84,182)</b>	<b>£ (587,716)</b>

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## KENTARO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 22. PENSION COMMITMENTS

The group operates a number of defined contribution pension schemes. The assets of the schemes are held separately from those of the group in independently administered funds. The pension cost charge represents contributions paid by the group to the funds and amounted to £70,743 (2009 - £68,700)

#### 23. OPERATING LEASE COMMITMENTS

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings			
	2010	2009	2010	Other
	£	£	£	2009
<b>Group</b>				£
<b>Expiry date:</b>				
Within 1 year	-	-	-	2,028
Between 2 and 5 years	78,330	76,536	12,150	6,780
After more than 5 years	29,000	25,000	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

At 31 December 2010 the company had annual commitments under non-cancellable operating leases as follows

	Land and buildings			
	2010	2009	2010	Other
	£	£	£	2009
<b>Company</b>				£
<b>Expiry date:</b>				
Within 1 year	-	-	-	2,028
Between 2 and 5 years	78,330	76,536	12,150	6,780
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

#### 24. RELATED PARTY TRANSACTIONS

Balances due from and to fellow Kentaro AG Group companies are disclosed in debtors (Note 11) and creditors (Notes 12 and 13) respectively

Included within other creditors is £83,740 (2009 - £Nil) owed to P Huber, a director and shareholder of Kentaro AG

At 31 December 2010, the group owed £322,130 (2009 - £331,558) to Banaram Limited, a company in which J Anderson, a director of a subsidiary undertaking, has a material interest. Management fees of £5,000 (2009 - £Nil) were invoiced to Banaram Limited during the year

Included within other debtors is £7,009 (2009 - £20,005) owed by J Anderson

Transactions with fellow Kentaro AG companies are disclosed below

Included within turnover are amounts invoiced to Kentaro AG, Kentaro GmbH and Northern Sky AB of £288,755 (2009 - £386,510), £116,343 (2009 - £19,751) and £3,266 (2009 - £1,147) respectively

Included within cost of sales are amounts invoiced by Kentaro AG, Kentaro GmbH and Northern Sky AB of £4,171,044 (2009 - £4,858,502), £Nil (2009 - £97,307) and £Nil (2009 - £36,400) respectively

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## KENTARO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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#### 25 IMMEDIATE PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

The group's immediate parent undertaking and ultimate controlling party is Kentaro AG, a company registered in Switzerland. Kentaro AG is the parent undertaking of the largest group of undertakings in which these financial statements are consolidated.

#### 26. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Class	Activity
Sports Holdings Limited	England and Wales	51	Ordinary	Holding company
The Sport Entertainment & Media Group Limited	England and Wales	51 *	Ordinary	Holding company
Jerome Anderson Management Limited	England and Wales	51 *	Ordinary	Sports agency

\* - The group's share of these subsidiaries is 51% as they are held indirectly through Sports Holdings Limited's 100% interest in them.