630968

World Sport Group Plc (formerly Orchard Furniture Plc)

Annual Report and Financial Statements

Year Ended

30 June 2001

BDO
BDO Stoy Hayward
Chartered Accountants

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Annual report and financial statements for the year ended 30 June 2001

Contents

Page:

Directors and advisors

Directors	David Ciclitira (Chairman) Seamus O'Brien (Group Chief Executive) Tony Morgan (Group Finance Director) Robert Bland (Group Sales and Marketing Director)
Non-executive Directors	Jonathan Crisp Ronald Littleboy Richard Armstrong Ian Frykberg
Company No.	630968
Secretary and registered office	Gabriela Ewa Narozny 56 Ennismore Gardens Knightsbridge London SW7 1AJ
Nominated adviser and broker	Investec Henderson Crosthwaite (a division of Investec Bank (UK) Limited) 2 Gresham Street London EC2V 7QP
Auditors	BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.
Solicitors	Denton Wilde Sapte 1 Fleet Place London EC4M 7WS
Bankers	HSBC Bank Plc Birmingham DSC Birmingham B4 7LZ
Registrars	Capita IRG Plc Balfour House 390-398 High Street Ilford Essex IG1 1NQ

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)
Chairman's statement

This is my first report to shareholders as Chairman of World Sport Group, and follows the acquisition of World Sport Group (Jersey) by Orchard Furniture ("Orchard") on 15th August this year. This transaction transformed the old Orchard from a cash shell into an international sports marketing, media and management business which controls the commercial and media rights to a number of major sporting properties, with a particularly strong position in Asia.

The results for the year to 30th June 2001 relate to a period prior to the above transaction, when the Company's sole source of income was represented by interest receivable on its cash balances. Pre-tax profits of £441,000 were achieved after taking account of exceptional costs of £181,000, which related almost entirely to professional costs incurred in conducting due diligence on abortive acquisitions.

Current Trading

Since the end of the financial year, the Company has undergone a fundamental transformation with the acquisition of the World Sport Group Limited and Parallel Media Group International Limited. The Company has been re-branded World Sport Group plc and is a leading sports marketing, media and management company. In particular, World Sport has a very strong market position in Asia controlling the commercial and media rights to a number of major sporting properties in the region. I am delighted to report that the integration of the businesses has proceeded swiftly and I would like to take this opportunity to thank all the staff and my fellow Board members for all their efforts in making the integration so successful.

Since the completion of the acquisition, the Board has undertaken a strategic review of the business in order to achieve the objectives of maximising its leading position in the Asian market place, leveraging strategic relationships with sports bodies and developing a fully integrated media sales platform. In addition, the Board has been looking at ways of increasing operational efficiencies by reducing the cost base across the entire Group. The Board has also identified a number of non-core activities that it will be discontinuing. This review has not been completed but it is expected that the Group will incur certain one-off costs in this financial year as a result of the restructuring and the expenses associated with the reverse takeover.

While market conditions in the aftermath of the events of 11 September have not adversely affected the overall prospects of the business, they have caused timetables for negotiations with sponsorship partners to be extended. Furthermore, a number of events organised by the Group have been postponed or cancelled. Notwithstanding this, financial performance for the year to 31 December 2001, the new accounting reference date for the Group, is expected to be broadly in line with market expectations. The eventual level of operating profitability achieved in the period remains dependent on the successful conclusion of certain major sponsorship contracts that management had originally hoped to finalise in the autumn. The Board believes that these are capable of being signed before the year-end.

Given the sponsorship and broadcast deals that have been signed post 11 September 2001 and the high visibility of revenue going forward, the Board is confident that the revenues from continuing businesses should show an improvement next year. In our experience, business in Asia has been less adversely affected than it has in Europe and North America. More than 80 per cent of our revenues are from Asia and we are experiencing a heightened interest from multi-nationals in sports events in this region ahead of the World Cup in Japan and South Korea in 2002 and the Asian Cup in China in 2004.

This, combined with the anticipated reduction in our cost base as referred to above, leaves us confident that we will show good organic growth next year. In addition, the Group will continue to look at a number of add-on acquisitions to accelerate our growth.
A further statement regarding the outcome of the Board's restructuring plans, strategic review and trading for the period to 31 December will be made in the new year.

J D McCiclitira
Chairman
23 November 2001

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Report of the directors for the year ended 30 June 2001

The directors present their report together with the audited financial statements for the year ended 30 June 2001.

Principal activities

The principal activity of the Company during the year ended 30 June 2001is that of an investment holding company. The company changed its name to World Sport Group plc on 16 August 2001.

Results

The results for the year are set out on page 7. The profit for the financial year is £439,000 (2000 £79,000).

A review of the development of the business of the Group during the year and on future developments are given in the Chairman's statement on page 2. Details of significant post balance sheet events are given in notes 13 (capital re-organisation) and 20 (acquisition of The World Sport Group Limited and Parallel Media Group International Limited and Placing and Open Offer).

Dividend

The directors do not recommend the payment of a dividend (2000 £ Nil).

Directors

The present directors are shown on page 1. With the exception of R Armstrong who has been a director throughout the period they were all appointed on 15 August 2001. A T Lawson-Cruttenden and M Wilsher resigned as directors on the same date.

Directors' interests in shares and options

The beneficial interests in the ordinary share capital of the company of the directors in office at 30 June 2001 or subsequently appointed were as follows:

	15 November 2001 Ordinary shares of 20p		30 June 2001 Ordinary shares of 0.1p		30 June 2000 Ordinary shares of 0.1p	
	Fully paid	**Options**	**Fully paid**	**Options**	**Fully paid**	**Options**
T Lawson-Cruttenden	N/A	N/A	-	-	-	-
M Wilsher*	N/A	N/A	9,500,000	-	6,500,000	-
R Armstrong	413,576	-	82,715,334	-	82,715,334	-
D Ciclitira**	12,091,227	-	N/A	N/A	N/A	N/A
R Bland***	214,525	114,379	N/A	N/A	N/A	N/A
R Littleboy****	25,000	-	N/A	N/A	N/A	N/A
J Crisp*****	20,000	65,359	N/A	N/A	N/A	N/A
I Frykberg	-	130,718	N/A	N/A	N/A	N/A

* M Wilsher's shares were held by companies owned by a trust of which he is a potential beneficiary.

** Some of these shares are held by Luna Trading Limited, which is wholly owned by a discretionary trust, The Tokyo Settlement, of which D Ciclitira is a potential beneficiary. The remainder of the shares are held by Walbrook International Trust Company Limited, a trustee of a discretionary trust, "Witco 16", of which D Ciclitira is a potential beneficiary.

*** R Bland's shares are held by Pinnacle Trustees, a discretionary trust of which he is a potential beneficiary.

**** Shares held under Fiske Nominees Limited

***** 10,000 shares held under European Tavern (PTY) Limited

Directors *(continued)*

The Park House Trust, which holds 15,703,919 ordinary shares is a discretionary trust constituted under the laws of Hong Kong set up by Seamus O'Brien in 1993. Park House, of which Tony Morgan and Seamus O'Brien are two of the four directors, is the trustee of the Park House Trust.

The options (granted in August 2001) are exercisable at a price of £1.53 per share between August 2004 – 2011.

Substantial shareholdings

In addition to D Ciclitira's holding (21.11%) shown above, the following investors notified the directors that they hold or are beneficially interested in 3% or more of the company's ordinary share capital, as set out below as at 15 November 2001.

	Ordinary 20p shares	% holding
The Bank of New York (Nominees) Limited	1,728,333	3.01%
News Cayman Holdings Limited	3,221,317	5.63%
Nomura International Plc	2,773,375	4.84%
Nutraco Nominees Limited	1,974,807	3.45%
Park House Holdings Limited	15,703,919	27.42%
Vidacos Nominees Limited	2,128,194	3.72%
Walbrook International Trust Company Limited	11,188,989	19.54%

Charitable and political contributions

No political or charitable contributions were made during the year.

Creditors payment policy

It is Group policy that appropriate terms and conditions for its transactions be agreed with its suppliers and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them. The Group does not follow any code or standard on payment practice. The number of creditor days of the Company outstanding at 30 June 2001 was 60.

Auditors

BDO Stoy Hayward were appointed auditors after the year end and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board

Director
JDN CICLITIRA
23 November 2001

DIRECTOR
R F LITTLEBOY

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report. As described below, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing those 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Report of the independent auditors

To the shareholders of World Sport Group plc (formerly Orchard Furniture Plc)

We have audited the financial statements of World Sport Group plc (formerly Orchard Furniture Plc) for the year ended 30 June 2001 on pages 7 to 19 which have been prepared under the accounting policies set out on page 11.

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

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

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

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 affairs of the Company and the Group at 30 June 2001 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward

BDO STOY HAYWARD
Chartered Accountants
and Registered Auditors
London

23 November 2001

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Consolidated profit and loss account for the year ended 30 June 2001

	Notes	2001 £'000	2000 £'000
Turnover	2	-	-
Administration expenses - exceptional	3	(181)	15
Administration expenses - other	-	(198)	(112)
		(379)	(97)
Other operating income		-	92
Operating loss		(379)	(5)
Interest receivable		820	84
Profit on ordinary activities before tax	4	441	79
Tax on profit on ordinary activities	7	2	-
Profit for the financial year	14	439	79
Earnings per share – basic and diluted	8	4.14p	3.51p

There were no recognised gains or losses other than disclosed above and there have been no discontinued activities or acquisitions in the current or preceding period.

The notes on pages 11 to 19 form part of these financial statements

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Balance sheets at 30 June 2001

	Note	Group 2001 £'000	Group 2000 £'000	Company 2001 £'000	Company 2000 £'000
Fixed assets					
Investments	9	-	-	-	-
		-	-	-	-
Current assets					
Debtors	10	**487**	63	**586**	163
Cash		**15,147**	13,108	**14,946**	12,915
		15,634	13,171	**15,532**	13,078
Creditors: amounts falling due within one year	11	**(235)**	(337)	**(234)**	(336)
Net current assets		**15,399**	12,834	**15,298**	12,742
Capital and reserves					
Called up share capital	13	**7,182**	6,965	**7,182**	6,965
Share premium account	14	**20,247**	18,338	**20,247**	18,338
Other reserve	14	**557**	557	**557**	557
Profit and loss account	14	**(12,587)**	(13,026)	**(12,688)**	(13,118)
Shareholders' funds - equity		**15,399**	12,834	**15,298**	12,742

The financial statements on pages 7 to 19 were approved by the Board of Directors on 23 November 2001 and were signed on its behalf by:

DIRECTOR
JDN CICLITIRA

DIRECTOR
R F LITTLEBOY

The notes on pages 11 to 19 form part of these financial statements

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Consolidated cash flow statement for the year ended 30 June 2001

	Notes	2001 £'000	2001 £'000	2000 £'000	2000 £'000
Net cash (outflow) from operating activities	16		(585)		(24)
Returns on investments and servicing of finance					
Interest paid		-		-	
Interest received		703		84	
			703		84
Capital expenditure and financial investment					
Receipts from sales of tangible fixed assets			-		-
Net cash inflow before management of liquid resources and financing			118		60
Management of liquid resources					
Increase in short term deposits			(2,182)		(12,831)
Financing					
Proceeds from new share issues		2,000		13,420	
Expenses of share issues		(79)		(377)	
			1,921		13,043
(Decrease)/increase in cash	17		(143)		272

The notes on pages 11 to 19 form part of these financial statements

WORLD SPORT GROUP PLC (FORMERLY ORCHARD FURNITURE PLC)

Reconciliation of movements in consolidated shareholders' funds for the year ended 30 June 2001

	2001 £'000	2000 £'000
Profit for the financial year	439	79
Proceeds from issue of shares	2,126	13,043
Net increase in shareholders' funds	2,565	13,122
Opening shareholders' funds	12,834	(288)
Closing shareholders' funds	15,399	12,834

The notes on pages 11 to 19 form part of these financial statements

1 Accounting policies

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

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings as at 30 June 2001 using the acquisition method of accounting. Under the acquisition method the results of subsidiary undertakings are included from the date of acquisition. On disposal, the results are included up to the date of disposal.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that a liability or asset will crystallise.

Leases

Annual rentals for operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Pension costs

Contributions to the Company's employee personal pension schemes are charged to the profit and loss account in the year in which they fall due.

Liquid resources

For the purposes of the cash flow statement, liquid resources are defined as short term deposits.

Financial instruments

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

2 Analysis of results

The directors consider that the company has a single activity. The Group is currently a non trading Group whose only source of income is that of capital gains on investments and interest on monies held in interest bearing accounts. All turnover and profits originate from operations in the United Kingdom.

3 Exceptional items

The exceptional item for the year to 30 June 2001 of £181,000 comprises primarily legal costs in respect of abortive take-overs.

The exceptional items for the year to 30 June 2000 of £15,263 comprise a write-back of £122,113 in respect of creditors as a result of approval of the company voluntary arrangement that took place on 10 January 2000 and a charge of £106,850 in respect of pension and compensation payments made to former directors and employees for loss of office.

4 Profit on ordinary activities before tax

	2001 **£'000**	**2000** **£'000**
This is stated after charging:		
Auditor's remuneration – group and company audit fee	6	5

Fees payable to the auditor and its associates in respect of non-audit services amount to £212,000, of which £210,000 relates to advisory services in connection with the acquisition of The World Sport Group (see note 20). (2001 : £5,000 and 2000 £5,354 to former auditor).

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax and before dividends of £430,000 (2000: loss £13,000) which is dealt with in the financial statements of the parent company.

5 Employees

The average number of employees including directors during the year was:

	2001	2000
Administration	3	3

The aggregate payroll costs were:

	£'000	£'000
Wages, salaries and fees	62	11
Social security costs	-	-
Other pension costs	-	6
Compensation for loss of office	-	101
	62	118

6 Remuneration of directors

	30 June 2001			2000
	Salary and fees £'000	Taxable benefits £'000	Total £'000	Total £'000
A T Lawson-Cruttenden	52	-	52	7
R J Armstrong	65	-	65	-
M Wilsher	15	-	15	-
H R Gillespie	-	-	-	4
A P Appleton	-	-	-	-
A P Davies	-	-	-	-
D K Exley	-	-	-	-
	132	-	132	11

Included above are fees of £20,000 and £50,000 to Messrs A T Lawson-Cruttenden and R J Armstrong respectively in respect of additional advisory services.

In addition to the above, compensation for loss of office totalling £75,000 was paid to directors in the year ended 30 June 2000.

Pension contributions totalling £nil (2000 - £5,750) were paid in respect of the directors.

The number of directors to whom benefits were accruing under money purchase pension schemes was nil (2000 : 2).

Directors' service contracts are terminable by a notice period not exceeding one year.

7 Tax

The tax charge represents corporation tax on the element of interest received, not covered by excess management charges brought forward.

8 Earnings per share

	2001	2000
Profit for the financial year	**£439,000**	£79,000
Number of shares in issue (weighted average as adjusted for the 1 : 200 consolidation in August 2001)	**10,590,232**	2,229,528
Earnings per share	**4.14p**	3.51p
Diluted earnings per share	**4.14p**	3.51p

9 Fixed asset investments

The company has an investment, carried at cost of £100, in the shares of a wholly owned subsidiary incorporated in England and Wales, Briar Abbey Services Limited, whose principal activity is that of an investment company.

10 Debtors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Due within one year				
Loan to subsidiary undertaking	-	-	100	100
Other debtors	487	63	486	63
	487	63	586	163

11 Creditors

	Group		Company	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amounts falling due within one year				
Trade creditors	62	-	62	-
Other creditors	16	215	16	215
Accruals	157	122	156	121
	235	337	234	336

12 Provisions for liabilities and charges

The actual and potential liability to deferred tax are nil. Due to the availability of tax losses, there is an estimated deferred tax asset in the region of £300,000.

13 Called up share capital

	2001 £'000	2000 £'000
Authorised		
6,253,679,353 ordinary shares of 0.1p each	**6,254**	6,254
25,295,753 deferred shares of 19.9p each	**5,034**	5,034
	11,288	11,288
Issued and fully paid		
2,147,544,645 (2000 – 1,931,093,829) ordinary shares of 0.1p each	**2,148**	1,931
25,295,753 deferred shares of 19.9p each	**5,034**	5,034
	7,182	6,965

On 16 August 2000 200,000,000 shares of 0.1p each were placed at a price of 1p.

On 7 September 2000 9,146,058 shares of 0.1p were issued to creditors at a price of 1.25p

On 22 March 2001 the company issued 7,304,758 shares of 0.1p in respect of outstanding amounts owed to creditors at a price of 1.25p.

Deferred shares

The deferred shares have no rights to receive dividends, have no voting rights and entitle their holders on a return of assets on a winding up of the Company or otherwise only to the repayment of the amount paid up on the deferred shares which they hold and only after repayment of the capital paid up on the ordinary shares and the payment of a further £100,000 on each ordinary share. The deferred shares may at any time be cancelled for no consideration by means of a reduction of capital effected in accordance with Companies Act 1985 without the sanction or consent of the holders of the deferred shares.

Share options

Under the Company's Executive Share Option Scheme, the following share options have been granted and were outstanding at 30 June 2001:

	Exercise price	Number
Exercisable between:		
March 2002 and March 2009	1.25p	650,000

Share warrants

On 10 August 2000, the Company issued warrants to subscribe for 25,000,000 shares at a price of 4p per share. These warrants are exercisable by 4 February 2002.

On the same date, the company also issued the warrant holder with warrants to subscribe for up to an additional 75,000,000 ordinary shares of 0.1p each at a price of 4p per share, exercisable by 30 June 2002. These warrants are only exercisable if the company utilises a facility of up to £10 million made available by the warrant holder by way of a loan or subscription for shares in the company. The precise number of shares issued under this warrant will be determined by a pro rata basis by the amount of the facility utilised.

Capital re-organisation

Subsequent to the year end, a capital re-organisation of the company's capital was approved on 10 August 2001 whereby the existing ordinary shares were consolidated into Ordinary Shares of 20p each on a 1 for 200 basis. The deferred shares were redeemed by the company for an aggregate price of 1p on 20 August 2001. The terms of the warrants have been amended in accordance with the share consolidation, resulting in warrants over 125,000 and 375,000 shares respectively at £8.00 per share. The terms of the share options have similarly been amended to be options over 3,250 Ordinary Shares of 20p each exercisable at £2.50 each.

The authorised share capital was increased by £9,746,322 by the creation of 48,731,609 new Ordinary Shares of 20p each.

14 Reserves

	Share Premium £'000	**Other Reserves £'000**	**Profit and Loss account £'000**	**Total £'000**
Group				
At 1 July 2000	18,338	557	(13,026)	5,869
Retained profit for the year	-	-	439	439
Share premium arising in the year	1,988	-	-	1,988
Cost of share issue	(79)	-	-	(79)
At 30 June 2001	**20,247**	**557**	**(12,587)**	**8,217**
Company				
At 1 July 2000	18,338	557	(13,118)	5,777
Retained profit for the year	-	-	430	430
Share premium arising in the year	1,988	-	-	1,988
Cost of share issue	(79)	-	-	(79)
At 30 June 2001	**20,247**	**557**	**(12,688)**	**8,116**

15 Pension schemes

The Group operated certain 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 payable by the Group to personal pension schemes and amounted to £nil (2000 : £5,750).

16 Reconciliation of operating loss to net cash outflow from operating activities

	2001 £'000	2000 £'000
Operating loss	**(379)**	(5)
(Increase) in debtors	**(309)**	(63)
Increase in creditors	**103**	44
	(585)	(24)

Included above is £92,000 cash outflow and £89,000 increase in creditors in respect of exceptional operating costs.

17 Reconciliation of net cash flow to movements in net funds

	2000 £'000	Cash flow £'000	2001 £'000
Analysis of net funds			
Cash at bank and in hand	277	(143)	**134**
Investment in short term deposits	12,831	2,182	**15,013**
Net funds	13,108	2,039	**15,147**

Decrease in cash during the year	**(143)**
Increase in liquid resources	**2,182**
Change in net funds resulting from cash flows	**2,039**
Net funds at 1 July 2000	**13,108**
Net funds at 30 June 2001	**15,147**

18 Contingent liability

During September and October 2000 the Company was in negotiations to acquire, by way of a reversal, a target company (the "Target Company") to which Arthur Andersen were auditors and financial advisers. The directors of the Company have been advised by the Company's solicitors, Bircham Dyson Bell, that it was agreed between the Company and the Target Company, subject to contract, that Arthur Andersen were, on completion of the transaction, also to be nominated advisers to the enlarged group comprising the Company and the Target Company. The proposed transaction did not proceed. On 6 November 2000 Arthur Andersen wrote to the Company to say that it had allocated and proposed to bill the Company £598,650 (excluding VAT) for its share of Arthur Andersen's costs and expenses in the aborted matter. Included in the £598,650 was a sum of £11,375 plus VAT which the Company acknowledged was due for advice given by Arthur Andersen to the Company in relation to the preparation of the Company's audited accounts. The sum of £11,375 plus VAT has been duly paid to Arthur Andersen, although to date no invoice has been rendered to the Company and no acknowledgement of receipt has been received.

The Company, after seeking advice from Bircham Dyson Bell, has denied that it agreed, except as above, to be responsible for any of Arthur Andersen's costs and expenses and, in particular, denies that it has any further liability to Arthur Andersen in respect of the balance of the sum which they have proposed should be billed by them, namely £587,275. To date Arthur Andersen has not commenced any legal proceedings against the Company.

19 Financial instruments

The Group's financial instruments comprise some cash and liquid resources, and various items, such as trade debtors and trade creditors, that arise directly from its operations. The Group holds financial instruments to finance its working capital for its current operations. Funds not immediately required for the Group's operations are invested in bank deposits. Debtors and creditors are treated as financial assets or financial liabilities.

Interest rate risk

The Group finances its current operations through a mixture of cash generated from the disposal of its businesses in prior periods. The principal risk on the return on cash investments is fluctuations in UK base lending rates. At 30 June 2001 the weighted average rate of interest on fixed interest deposits was 3.76%, fixed for a weighted average of 20 days.

Liquidity risk

The Group's net liquid resources were maintained on a mixture of short term and money market deposits which are realisable with 14 – 90 days notice. The interest rates for various terms of deposit are reviewed regularly and the best rate obtained in the context of the Group's cashflow and investment requirements.

Foreign currency risk

There is no significant exposure to foreign currency exchange rates. At 30 June 2001 all monetary assets and liabilities are held in sterling.

Fair value of financial assets and financial liabilities

In the Board's opinion, the carrying value of all financial assets and liabilities represents the fair value of such assets/liabilities.

20 Post balance sheet events

On 16 July 2001 the Company announced it had concluded negotiations to acquire The World Sport Group Limited and Parallel Media Group International Limited and World Sport Group (Jersey) Limited for a consideration of some £65.7m, to be satisfied by the issue of 42,950,892 Ordinary Shares of 20p each. This was approved at an Extraordinary General meeting on 10 August 2001. At the same time the Company made a Placing and Open Offer of 8,847,772 Ordinary Shares of 20p each, of which 5,268,531 were in respect of a vendor placing of the consideration shares, resulting in a net £3.58m being raised.