

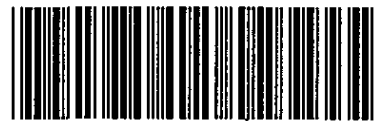
Company Registration No. 00946580

International Management Group (UK) Limited

Report and Financial Statements

31 December 2011

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International Management Group (UK) Limited

Report and financial statements 2011

Contents	Page
Officers and professional advisers	1
Directors' report	2
Directors' responsibilities statement	5
Independent auditor's report	6
Profit and loss account	8
Balance sheet	9
Notes to the accounts	10

International Management Group (UK) Limited

Report and financial statements 2011

Officers and professional advisers

Directors

G Kinnings
J Brand
B Maglione
M Shaw

Secretary

J Loffhagen

Registered Office

McCormack House
Burlington Lane
Chiswick
London
W4 2TH

Bankers

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

Deutsche Bank AG
Winchester House
1 Great Winchester Street
London, EC2N 2DB

Solicitor

MacFarlanes LLP
10 Norwich Street
London
EC4A 1BD

Auditor

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

International Management Group (UK) Limited

Directors' report

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2011

Principal activities

The Company has principal activities in the fields of sport, music, fashion and entertainment. Within these fields, the Company is involved in the management/representation of individuals and organisations and the management and promotion of events and consultancy. There have not been any significant changes in the Company's principal activities in the year.

Business review

Turnover arises principally from event and client commissionable revenues. In particular, event revenue is primarily comprised of sponsorship income, domestic and foreign TV sales income, ticket income and hospitality services. Client revenues consist of commissions received from client prize money, appearance fees and merchandising rights.

Administrative expenses are measured into two distinct categories, 'selling, general and administrative' and 'depreciation'. 'Selling, general and administrative' expenses include staff costs, rent and rates, technology related costs, professional fees and other miscellaneous expenses. Staff costs are primarily comprised of salaries, social security and employer pension contributions.

It is expected that operating margins can be maintained at historical levels as the directors look to improve margins via new business wins, continued business initiatives associated with the positive long-term industry trends and continuing focus on cost-reduction.

As at 31 December 2011, a decision was made by senior executives to discontinue the client football division. This division provided management services to football players. As at 31 December 2011, a provision of £77,005 was recognised for costs of closing down the division. Business activities in the football division ceased during March 2012.

The Company's results for the year and the financial position at the end of the year are shown in the attached financial statements.

Results and dividends

The loss for the year after taxation amounted to £1,250,538 (2010: £5,192,850 loss).

No dividends were paid during the year (2010: nil).

Key performance indicators

The Board uses a range of performance indicators to monitor and manage the business and to ensure focus is maintained on the key priorities of the Company. The relative focus on these will vary from period to period. The key performance indicators used to manage the business are:

- Financial performance against expectations, in particular focus on revenue, gross profit and EBITDA (Earnings before interest, tax, depreciation and amortisation), and
- Delivery of contracted services against client agreements.

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in Note 1 to the financial statements.

International Management Group (UK) Limited

Directors' report (continued)

Risks and uncertainties

The principal risks and uncertainties facing the Company are

- **Market risk** – The Company is exposed to a decline in the economic environment impacting ticket sales, sponsorship revenues and event participation. Such conditions may have a material impact on the Company's profitability.
- **Loss of clients** – The Company may lose contracts and/or clients due to mergers or acquisitions, business failures, contract expirations or strategic reassessments by clients to take services 'in-house'. Such a loss may have a material impact on the Company's profitability.
- **Credit Risk** – The Company primarily transacts with large "blue chip" clients which by their nature assist in reducing credit risk. Invoicing is agreed with the customer in advance and the Company does not offer extended credit terms. In addition, trade debtor balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is minimised. Many of the Company's key client relationships are characterised by a close working relationship and long term knowledge of the business which reduces the credit risk.
- **Exchange rate fluctuations** – The Company currently operates in several countries and is, and will continue to be, exposed to foreign currency rate fluctuations. The Company uses external advice on currency dealings with its bank. Where possible natural hedges are used.
- **Liquidity risk** – The Company believes that future cash flows from operations and availability under existing credit facility with the parent Company will be sufficient to meet its ongoing operations and future developments. Under senior management's supervision, the Company manages its liquidity according to financial forecasts and expected cash flows.

Directors and their interests

The following directors held office during the year

J Raleigh	(Resigned 22 May 2012)
A Crispino	(Resigned 22 May 2012)
J Cole	(Resigned 22 May 2012)
G Kinnings	(Appointed 22 May 2012)
J Brand	(Appointed 22 May 2012)
B Maglione	(Appointed 22 May 2012)
M Shaw	(Appointed 22 May 2012)

Employees

The Company endeavours to treat all employees and job applicants on the basis of merit and ability to do the job without any unjustifiable discrimination in terms of equality of opportunity.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

This policy does not form part of any employee's contract of employment and the Company reserves the right to amend or issue a replacement policy at any time.

Political and charitable contributions

The Company made no political contributions during the year (2010 £nil)

The Company made a total of £ £7,628 (2010 £18,654) worth of charitable donations during the year

International Management Group (UK) Limited

Directors' report (continued)

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are aware of the terms of payment and abide by the terms of each payment. Trade creditors of the Company at 31 December 2011 were equivalent to 48 (2010: 26) days' purchases, based on the average daily amount invoiced by suppliers during the year.

Disclosure of information to auditor

Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



M Shaw
Director

1 August 2012

International Management Group (UK) Limited

Directors' responsibilities statement

The directors are responsible for preparing the Annual 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of International Management Group (UK) Limited

We have audited the financial statements of International Management Group (UK) Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 26. 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 members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 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 annual 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 Company's affairs as at 31 December 2011 and of its 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.

Independent auditor's report to the members of International Management Group (UK) Limited (continued)

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



Robert Matthews (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
1 August 2012

International Management Group (UK) Limited

Profit and loss account Year ended 31 December 2011

	Notes	2011 £	2010 £
Turnover		53,364,108	53,617,245
Cost of sales		(29,836,431)	(36,083,757)
Gross profit		23,527,677	17,533,488
Administrative expenses		(23,499,629)	(23,607,479)
Other operating income	5	20,075	41,714
Operating profit (loss)	2	48,123	(6,032,277)
Profit on disposal of fixed assets	2	761	581,506
Profit/ (loss) on ordinary activities before interest		48,884	(5,450,771)
Interest receivable and similar income	6	116,070	140,610
Interest payable and similar charges	7	(27,992)	(89,230)
Profit/ (loss) on ordinary activities before taxation	2	136,962	(5,399,391)
Tax (charge) / credit on profit on ordinary activities	8	(1,269,564)	206,541
Loss for the financial year	22	(1,132,602)	(5,192,850)

As at 31 December 2011, a decision was made by senior executives to discontinue the client football division. This division provided management services to football players. As at 31 December 2011, a provision of £77,005 was recognised for costs of closing down the division. The operating loss on discontinued operations for the year ending 31 December 2011, totalled £49,670. Business activities in the football division ceased during March 2012.

There are no other recognised gains or losses in either year.

The notes on pages 10 to 24 form part of these accounts.

International Management Group (UK) Limited

Balance sheet

As at 31 December 2011

	Notes	2011 £	2010 £
Fixed assets			
Goodwill	9	12,262,687	13,029,105
Intangible assets	10	6,064,007	6,580,320
Tangible assets	11	657,455	1,401,832
Investments	12	14,054,935	13,958,491
		<u>33,039,084</u>	<u>34,969,748</u>
Current assets			
Stocks	13	247,754	358,690
Debtors	14	26,426,736	27,816,531
Cash at bank and in hand		8,135,037	6,804,701
		<u>34,809,527</u>	<u>34,979,922</u>
Creditors: amounts falling due within one year	16	<u>(61,017,452)</u>	<u>(59,887,034)</u>
Net current liabilities		<u>(26,207,925)</u>	<u>(24,907,112)</u>
Creditors: amounts falling due after more than one year	17	(5,601,487)	(5,960,314)
Provisions for liabilities and charges	18	<u>(4,426,052)</u>	<u>(6,330,836)</u>
Net liabilities		<u>(3,196,380)</u>	<u>(2,228,514)</u>
Capital and reserves			
Called up share capital	19	1,100	1,100
Share premium account	20	6,753,000	6,753,000
Profit and loss account	20	<u>(9,950,480)</u>	<u>(8,982,614)</u>
Shareholders' deficit	22	<u>(3,196,380)</u>	<u>(2,228,514)</u>

The notes on pages 10 to 24 form part of these accounts

The financial statements of International Management Group (UK) Limited (registered number 00946580) were approved by the Board of Directors on 1 August 2012

Signed on behalf of the Board of Directors



M Shaw
Director

International Management Group (UK) Limited

Notes to the accounts Year ended 31 December 2011

1. Accounting policies

The following accounting policies have been applied consistently throughout the year and the prior year

Basis of preparation

The financial statements are prepared on the going concern basis under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable United Kingdom accounting standards

The Company has taken the exemption available within FRS 1 'Cash Flow Statements', not to prepare a cash flow statement on the grounds that the results of the Company are included in the consolidated accounts of the ultimate parent Company IMG Worldwide Holdings Inc, which are available from the address given in note 26

As the Company is a wholly owned subsidiary of IMG Worldwide Holdings, Inc, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties)

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group

Going concern

The Company's business activities together with the factors likely to affect its future development, performance and position are discussed in the directors' report on pages 2 to 4

The current economic conditions create some uncertainty about the future demand. In noting this, the Company benefits from a number of medium to long term contracts which reduce their short term exposure to such conditions and in turn limit short term volatility in the Company's performance. In addition, as the Company acts as agent in a number of these contracts, their exposure to credit risk is also reduced to this extent

The Company does not have any external debt financing arrangements or restrictive covenants

The Company made a loss of £1,132,602 (2010 £5,192,580) and is in a net liabilities position. As such, the directors have received a binding letter of support from IMG Worldwide, Inc, the intermediate parent Company of the Company, stating that IMG Worldwide Inc will make sufficient funding available to enable the Company to continue to trade and meet its obligations as they fall due for the foreseeable future, being a period of at least twelve months from the date of approval of these financial statements. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although at the date of approval of the accounts they have no reason to believe that it will not continue

Based upon the above the directors believe that it remains appropriate to prepare the financial statements on a going concern basis

Turnover

Turnover is in respect of event and client commissionable revenues, net of Value Added Tax. In particular, event revenue is primarily comprised of sponsorship income, ticket income and hospitality services. Client revenues consist of commissions received from client prize money, appearance fees and merchandising rights

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

1. Accounting policies (continued)

Turnover (continued)

Revenue is recorded as earned. Revenue is earned when the Company has provided services or completed commissionable activities. When revenues from contractual agreements are dependent upon the occurrence of future events, recognition of revenue is deferred until such events have occurred. Accordingly, costs incurred relating to future revenues are also deferred until such events occur.

Revenue from client management activities is earned when the Company has provided services to the client or when the Company has substantially completed all services required under a contractual arrangement and collectability is reasonably assured.

Revenue from Company owned sports and performing arts events is earned during the period the event occurs. Revenue from non-owned events is recorded when services are completed and collectability is reasonably assured. Revenue from non-owned event consulting services is recorded as services are provided throughout the event representation period.

The Company does not recognise the client portion of revenues. Revenue from all other activities is recorded as services are provided and collection is reasonably assured.

The Company manages certain events in the capacity of an agent acting on behalf of its clients. Revenue earned from these events is accounted for on a net basis.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortized on a straight line basis over its useful economic life, which is 20 years. Provision is made for any impairment.

Intangible assets

Intangible assets that are acquired as part of a business combination, including, but not limited to, trade names, event rights, event contracts and internally developed software and that can be separately measured at fair value, on a reliable basis, are separately recognised on acquisition at fair value, together with the associated deferred tax liability.

Intangible assets with a finite useful life are recognised at cost and amortized over their expected useful lives on a straight line basis.

Intangible assets with an indefinite useful life are recognised at cost and tested for impairment annually.

Tangible fixed assets

Depreciation of fixed assets is provided to write off the cost less the residual value amount of the tangible fixed assets over their expected useful lives on the straight line basis at the following rates per annum:

Short leasehold property and improvements	- 10 years (or term of lease, whichever is shorter)
Fixtures and fittings	- 5 years
Office equipment	- 3-10 years

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

Accounting for joint ventures

The Company holds interests in joint ventures. Investments in joint ventures are accounted for using the equity method or the cost method, depending on whether the joint venture is a partnership or a registered company, respectively.

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

1. Accounting policies (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving or defective items, where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the financial statements.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Post retirement benefits

The Company is a member of group defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Leased assets

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease even if payments are not made on such a basis.

Share based payments

For equity-settled share-based payments, the fair value of equity instruments (options and shares) granted after 7 November 2002 and not vested as at 1 January 2006 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the equity instruments.

The share option schemes allow employees to acquire shares of the ultimate parent Company, IMG Worldwide Holdings, Inc. There are no grants to employees of equity instruments in the Company and there is no policy of the ultimate parent Company making linked-clearly recharges to the Company for the provision of these equity instruments.

The fair value of the options granted is measured using the Black-Scholes option-pricing model for option pricing, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

Where the parent, IMG Worldwide Holdings, Inc, grants options over its own shares to the employees of its subsidiaries, including International Management Group (UK) Limited, the subsidiary records an employee expense and a corresponding increase in shareholders' equity

2. Loss on ordinary activities before taxation

	2011 £	2010 £
Loss on ordinary activities before taxation is stated after charging:		
Depreciation charged on owned assets	176,972	297,826
Depreciation on assets held under finance leases	634,560	634,560
Fees payable to the Company's auditor for the audit of the Company's annual accounts	36,911	37,555
Operating lease rentals – land and buildings	51,040	304,303
Operating lease rental – other	80,892	77,370
Profit on disposal of fixed assets	761	581,506
Impairment of intangibles	-	26,868
Amortisation of intangibles	516,313	496,663
Amortisation of goodwill	766,418	766,418

3. Staff numbers and costs

The average number of employees of the Company including directors (excluding joint ventures) during the year was as follows

	2011 Number	2010 Number
Management and administration	294	277

The aggregate payroll costs to the Company of these persons were as follows

	2011 £	2010 £
Wages and salaries	18,684,081	16,768,806
Social security costs	2,096,860	1,791,550
Other pension costs	1,016,080	982,640
	<u>21,797,021</u>	<u>19,542,996</u>

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

4 Remuneration of directors

The Company's directors were paid through other Group Companies in 2011 and 2010

5. Other operating income

	2011 £	2010 £
Other income	20,075	41,714

6 Interest receivable and similar income

	2011 £	2010 £
Other interest	2,652	4,206
Foreign exchange gains in respect of non trading activities	113,418	-
Intercompany interest received	-	4,333
Dividend income	-	132,071
	116,070	140,610

7. Interest payable and similar charges

	2011 £	2010 £
Interest element of finance leases	27,992	56,397
Foreign exchange losses in respect of non trading activities	-	32,276
Other interest	-	557
	27,992	89,230

International Management Group (UK) Limited

Notes to the accounts Year ended 31 December 2011

8. Taxation

Analysis of credit in period

	2011 £	2010 £
UK corporation tax		
Current tax on loss for the period	120,073	(749,316)
Adjustments in respect of prior periods	(35,379)	(16,465)
	<u>84,694</u>	<u>(765,781)</u>
Foreign tax		
Current tax on income for the period	806,366	481,209
	<u>891,060</u>	<u>(284,572)</u>
Deferred taxation		
Origination and reversal of timing differences	598,191	100,612
Adjustment for prior year	(219,687)	(22,581)
	<u>378,504</u>	<u>78,031</u>
Total tax charge (credit) on profit (loss) on ordinary activities	<u>1,269,564</u>	<u>(206,541)</u>

Factors affecting current year tax charge

The current tax charge for the year is higher (2010 lower) than the standard rate of corporation tax in the UK of 26.5 % (2010 28%)

	2011 £	2010 £
Current tax reconciliation		
Profit (loss) on ordinary activities before taxation	136,962	(5,399,391)
Current tax at 26.5 % (2010 28%)	36,295	(1,511,829)
Effect of		
Expenses not deductible for tax purposes	719,023	946,236
Capital allowances in excess of depreciation	(19,626)	(10,604)
Short term timing differences	(401,932)	(1,400)
Adjustments to tax charges in respect of previous periods	(35,379)	(16,465)
Non-taxable dividends received	-	(36,980)
Total foreign tax suffered	806,366	481,209
Double taxation relief	(213,687)	(134,739)
Tax on loss on ordinary activities	<u>891,060</u>	<u>(284,572)</u>

Factors that may affect future current and total tax charges

As at 31 December 2011, a deferred tax asset on capital losses of £1,835,686 has not been recognised due to uncertainty around future suitable profits against which it may reverse

International Management Group (UK) Limited

Notes to the accounts Year ended 31 December 2011

9. Goodwill

	Total £
Cost	
At 1 January 2011 and 31 December 2011	15,328,359
Amortisation	
At 1 January 2011	(2,299,254)
Charge for the year	(766,418)
At 31 December 2011	(3,065,672)
Net book value	
At 31 December 2011	12,262,687
At 31 December 2010	13,029,105

On 2 April 2007, the Company acquired all of the ordinary share capital of Quintus Group Limited ("Quintus") a United Kingdom based Company that is involved in sports sponsorship and event management. Effective 1 January 2008, the trade assets and liabilities of the Quintus entities were transferred to the Company.

Goodwill arising on the acquisition of Quintus has been calculated as £15,328,359.

10. Intangible fixed assets

	Total £
Cost	
At 1 January 2011 and 31 December 2011	9,075,000
Depreciation	
At 1 January 2011	(2,494,680)
Charge for the year	(516,313)
At 31 December 2011	(3,010,993)
Net book value	
At 31 December 2011	6,064,007
At 31 December 2010	6,580,320

Intangible assets have been acquired on the acquisition of Quintus and include, but are not limited to, trade names, event rights, event contracts and internally developed software.

International Management Group (UK) Limited

Notes to the accounts Year ended 31 December 2011

11. Tangible fixed assets

	Fixtures and fittings £	Office equipment £	Leasehold improvements £	Total £
Cost				
At 1 January 2011	259,473	2,563,553	334,653	3,157,679
Additions	2,385	44,168	20,603	67,156
At 31 December 2011	261,858	2,607,721	355,256	3,224,835
Depreciation				
At 1 January 2011	152,768	1,514,853	88,226	1,755,847
Charge for the year	27,907	743,756	39,870	811,533
At 31 December 2011	180,675	2,258,609	128,096	2,567,380
Net book value				
At 31 December 2011	81,183	349,112	227,160	657,455
At 31 December 2010	106,705	1,048,700	246,427	1,401,832

Included in the total net book value for office equipment is £264,388 (2010 £898,948) in respect of assets held under finance leases and depreciation of £ 634,560 (2010 £634,560) charged thereon

12. Fixed asset investments

The values of the investments in which the Company's interest at year end was more than 20% are as follows

	Subsidiary undertakings £	Joint ventures £	Associates £	Total £
Cost and Net book value				
At 1 January 2011	13,958,391	100	-	13,958,491
Additions	1,394	-	95,050	96,444
At 31 December 2011	13,959,785	100	95,050	14,054,935

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

12 Fixed asset investments (continued)

The Company owns the issued share capital of the following Companies

	Country of incorporation	% of ordinary shares and voting rights held	Nature of business
Subsidiary undertakings			
BSI Speedway Limited	England	100%	World FIM speedway
Quintus Group Limited	England	100%	Dormant Company
IMG Advisory Private Limited	India	100%	Advisory & consultancy services
Investments in joint ventures			
European Golf Design Limited	England	50%	Design of golf courses, club houses and associated facilities
Investments in Associates			
Golf Live Limited	England	25%	Management of golf events

The issued share capital of each subsidiary, joint venture and associate is in ordinary shares

13. Stocks

	2011 £	2010 £
Finished goods and goods for resale	247,754	358,690

There is no material difference between the balance sheet value of stocks and their replacement value

14. Debtors

	2011 £	2010 £
Trade debtors	5,152,684	6,870,384
Amounts owed by parent Company and fellow subsidiaries	10,935,795	6,995,095
Other debtors	961,936	961,847
Prepayments and accrued income	7,365,904	9,674,286
Corporation tax	-	925,997
Deferred taxation	2,010,417	2,388,922
	<u>26,426,736</u>	<u>27,816,531</u>

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

15. Deferred taxation

A deferred tax asset has been recognised as the Directors estimate that suitable future taxable profits will arise against which this asset could be deducted. The amount of the asset recognised in 2011 is £1,743,266 (2010 £2,388,922) and is made up as follows

	2011 £	2010 £
Excess of capital allowances over depreciation	109,818	99,612
General provisions	1,733,022	2,152,806
Share based payments	167,577	136,504
	<u>2,010,417</u>	<u>2,388,922</u>
Current period deferred tax movements		
At 1 January 2011	2,388,922	
Prior year adjustment	219,687	
Charge to the profit and loss account for the year	(598,191)	
	<u>2,010,417</u>	
At 31 December 2011		

Factors that affect future tax changes

The main rate of UK corporation tax was reduced from 28% to 26% effective from 1 April 2011

The UK corporation tax rate of 25% was substantively enacted on 19 July 2011 and this reduced rate is reflected in the calculation of deferred tax. The new rate of 25% was due to apply from 1 April 2012 however the 2012 Budget on 21 March 2012 immediately reduced the main rate of UK corporation tax rate to 24%. This reduction in the UK corporation tax rate and the further reductions announced in the 2012 Budget were not substantively enacted by 31 December 2011 and are therefore not reflected in these financial statements

16. Creditors amounts falling due within one year

	2011 £	2010 £
Trade creditors	5,421,127	2,481,478
Amounts owed to parent undertaking and fellow subsidiaries	28,031,896	29,625,107
Other taxes and social security	631,925	558,531
VAT creditor	212,925	146,733
Other creditors	1,807,974	1,238,461
Accruals and deferred income	23,861,944	24,967,283
Corporation tax	682,222	-
Obligations under finance leases	367,439	869,441
	<u>61,017,452</u>	<u>59,887,034</u>

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

17. Creditors: amounts falling due after more than one year

	2011 £	2010 £
Other creditors	5,601,487	5,601,487
Obligations under finance leases	-	358,827
	<u>5,601,487</u>	<u>5,960,314</u>
	2011 £	2010 £
Finance leases		
On demand or within one year	367,439	869,441
Between one and two years	-	358,827
	<u>367,439</u>	<u>1,228,268</u>

Prior year comparatives have been amended to reflect the correct ownership of the leases within the group

18. Provisions for liabilities and charges

	Other £	Onerous lease £	Severance £	Total £
At 1 January 2011	3,287,043	1,732,680	1,311,113	6,330,836
Unwinding of discount	-	-	78,667	78,667
Utilisation of provision	(923,967)	(282,671)	(62,509)	(1,269,147)
Released to the profit and loss account	(501,033)	-	(213,271)	(714,304)
At 31 December 2011	<u>1,862,043</u>	<u>1,450,009</u>	<u>1,114,000</u>	<u>4,426,052</u>

A provision of £1,862,043 (2010 £3,287,043) has been made in respect of an onerous contract. Provision has been made for estimated future losses over the term of the contract. In determining the provision, no discount factor was applied to the expected cash flows.

A provision of £1,450,009 (2010 £1,732,650) has been made in respect of the Company's vacant portion of the leasehold property, Pier House, located in Chiswick, London. Provision has been made for the residual lease commitments, together with other outgoings for the remaining period of the lease, which at 31 December 2011 is approximately 5.5 years. In determining the provision, the cash flows have been discounted using a factor of 6%.

A provision of £1,114,000 (2010 £1,311,113) has been made in respect of severance costs payable to an employee who was notified of redundancy prior to 31 December 2005. Payments will be spread over 20 years. In determining the provision, the cash flows have been discounted using a factor of 6%.

International Management Group (UK) Limited

Notes to the accounts Year ended 31 December 2011

19. Called up share capital

	2011 £	2010 £
Authorised:		
Equity 20,100 ordinary shares of £1 each	20,100	20,100
Called up, allotted and fully paid		
Equity 1,100 ordinary shares of £1 each	1,100	1,100

Allotted share capital consists of 300 'A' ordinary shares of £1 each and 800 'B' ordinary shares of £1 each

20. Share premium and reserves

	Share premium £	Profit and loss account £
At 1 January 2011	6,753,000	(8,982,614)
Loss for the financial year	-	(1,132,602)
Share based payments	-	164,736
At 31 December 2011	6,753,000	(9,950,480)

The share based payments of £164,736 is the credit in shareholders' equity matching to the fair value of equity instruments recognised as an employee expense in the year to 31 December 2011

21 Share based payments

The Company has the following stock purchase and incentive plans

Stock option plan:

At the balance sheet date, the Company's ultimate parent Company IMG Worldwide Holdings, Inc (which is incorporated in the USA) operated a share option scheme. The scheme permits the grant of share options to employees of the group for up to 84 million class A common shares.

The purpose of the scheme is to provide financial incentives to the directors and employees of the Company whose entrepreneurial and management talents and commitments will contribute to the continued growth and expansion of the Company's business.

Option awards are generally granted with an exercise price equal to the market price of IMG Worldwide Holdings Inc's class A common shares at the date of grant, those option awards vest based on four years of continuous service and have 10-year contractual terms. Options provide for accelerated vesting in the event of a total or partial sale (as defined in the scheme). In the event of a total sale and at its sole discretion, the Compensation Committee of IMG Worldwide Holdings Inc's Board of Directors can require the redemption of unexercised options.

Movements in the number of share options outstanding and their related weighted average exercise prices are presented below

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

21. Share based payments (continued)

Movements in the number of share options outstanding and their related weighted average exercise prices are presented below

	2011		2010	
	Weighted average exercise prices USD(\$)/ share	Options Quantity	Weighted average exercise prices USD(\$)/ share	Options Quantity
Outstanding at beginning of the period	1 35	2,040,000	1 35	2,040,000
Granted	1 53	900,000	-	-
Forfeited	1 21	150,000	-	-
Outstanding at end of period	<u>1 40</u>	<u>2,790,000</u>	<u>1 35</u>	<u>2,040,000</u>
Exercisable at the end of the period	<u>1 38</u>	<u>2,065,000</u>	<u>1 32</u>	<u>1,958,750</u>

The weighted average share price at the date of exercise of share options exercised during the period was nil (2010 nil)

The options outstanding at the year end have an exercise price in the range of USD \$1 11 to USD \$2 22 and a weighted average contractual life of 5 67 years remaining

The estimate of fair value of the services received is measured on a Black-Scholes option pricing model and the inputs and assumptions into the model are as follows

	31 December 2011 £	31 December 2010 £
Expected dividend yield	0%	0%
Expected volatility	33%	33%
Risk-free interest rates	2 61%	3 09%
Expected lives of the options (years)	<u>6 25</u>	<u>6 25</u>

The expected volatility was based on an analysis of the average volatility exhibited in Companies representing the global television broadcasting and advertising industry. These volatilities have been calculated over a 6 25 year period, in conjunction with the expected term of the options.

The contractual life of the options is in accordance with the scheme rules. Options issued during the years ended 31 December 2011 and 2007, have a ten year original contract term and graded vesting over four years (25% of the options vest annually) resulting in an expected term of 6 25 years.

The risk-free rate is based on the yield on 7-year US Treasury notes as of the grant date.

The Company recognised total expenses of £164,736 (2010 £115,659) in respect of stock options during the year.

International Management Group (UK) Limited

Notes to the accounts

Year ended 31 December 2011

21. Share based payments (continued)

Class B shares

Senior management are entitled to purchase class B shares in the Company's ultimate parent Company IMG Worldwide Holdings, Inc (which is incorporated in the USA) They pay fair value for the shares upon grant and are issued a fully authorised stock certificate These shares then vest 25% annually The fair value of the class B shares is measured as if they were vested and issued on the date of grant

IMG Worldwide Holdings, Inc may reacquire an employee's unvested class B shares at the lesser of fair value or the price paid by the employee to acquire the shares once their employment is terminated for any reason ("Class B Unvested Put Option") An employee also has the option to put back to IMG Worldwide Holdings, Inc any unvested class B shares for fair value once their employment is terminated for any reason except for "cause" (as defined in the stockholder's agreement) ("Class B Unvested Put Option") The Class B Unvested Put Option gives employees the ability to avoid the risks and rewards associated with share ownership for a reasonable period of time after the vesting period is complete

There are 4,388,855 class B shares outstanding at 31 December 2011 (9,231,214 at 31 December 2010) of which nil are unvested (2010 337,838) The cost is expected to be recognised over a weighted average of 0.68 years

In the year ended 31 December 2011, class B shares were granted with a weighted average fair value per unit of \$0.24 (2010 \$0.276)

The Company recognised total expenses of nil (2010 £49,279) in respect of class B shares during the year

The total expense relating to share-based payments, which are all equity settled transactions, was £164,736 (2010 £115,659)

As the Company has taken advantage of the transitional provisions of FRS 20, the charge only includes grants made after 7 November 2002 that had not vested by 1 January 2005

22. Reconciliation of movement in shareholders' deficit

	2011 £	2010 £
Opening shareholders' (deficit)/funds	(2,228,514)	2,848,677
Loss for the financial year	(1,132,602)	(5,192,850)
Share based payments	164,736	115,659
Closing shareholders' deficit	<u>(3,196,380)</u>	<u>(2,228,514)</u>

International Management Group (UK) Limited

Notes to the accounts Year ended 31 December 2011

23 Financial commitments

The Company had annual commitments under non-cancellable operating leases as set out below

	2011		2010	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire				
Within one year	2,858,963	118,627	2,907,879	187,253
In two to five years	7,681,554	87,102	9,519,883	265,679
After five years	-	-	1,544,422	-
	<u>10,540,517</u>	<u>205,729</u>	<u>13,972,184</u>	<u>452,932</u>

The lease of land and buildings is subject to rent reviews

Leases are held in the name of the Company on behalf of related parties

Prior year comparatives have been amended to reflect the correct ownership of the leases within the group

24. Related party transactions

The Company's ultimate parent Company is IMG Worldwide Holdings, Inc

Under FRS 8 'Related Party Disclosures', the Company is exempt from the requirement to disclose transactions with entities that are part of the IMG group, or investees of the group qualifying as related parties, as all of the Company's voting rights are controlled within the Group. There are no transactions with any other related parties

25. Pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £922,896 (2010 £924,490)

In addition to this, the Company operates a defined benefit (final salary) funded pension plan. The latest full actuarial valuation was carried out at 1 January 2009 and revealed a funding shortfall of £16,000 for which the company has paid a contribution of £16,700 in January 2010. The number of employees in the defined benefit plan at 31 December 2011 was 6 (2010 7) and it is closed to new entrants. As at 31 December 2011, the total market value of assets was £105,911 (2010 £169,370) and the present value of the plan liability was £106,830 (2010 £153,490). The directors do not consider the assets and liabilities of this scheme to be material to these financial statements and have not included the results therein.

26 Ultimate parent Company

The Company's ultimate parent Company is IMG Worldwide Holdings, Inc

The Company is a wholly owned subsidiary of IMG Worldwide, Inc. IMG Worldwide, Inc. is owned by IMG Worldwide Holdings, Inc. which is incorporated in the USA and is controlled by certain Forstmann Little & Co. partnerships.

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