



## Interim Results 2005





## Interim Results 2005 - Highlights

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- Adjusted operating profit for the period of £490,000 (2004: loss £552,000)
- Improvement in adjusted earnings per share to 0.20p (2004: loss 0.53p)
- Increase in European operating profit to £1.2 million (2004: £0.9 million) and 10% improvement in margin
- Structured bank debt reduced by £0.85 million to £3 million during the period
- Icon's success in the London 2012 Olympic bid
- Disposal of GEM Europe during period for £2.0 million

## Chairman's Statement

The first half of 2005 and the period running up to this announcement has seen the Group focus on becoming a holding company specialising in the investment in sports and entertainment businesses. Therefore the Board has considered the valuation of the assets as well as the operating results.

The results for the period to 30 June 2005 are an adjusted operating profit of £490,000 prior to goodwill amortisation compared with a loss of £552,000 in 2004.

The Board has carried out a review of the goodwill held on the balance sheet and has concluded that an impairment provision of £13.7 million should be made. This gives a net asset value for the group of 76p per share. The Board of CSS intend to apply to restructure the share capital in the Company balance sheet to allow the possibility to pay dividends more quickly in the future.

A considerable amount of management time has been spent over the last year on working to improve the operating performance of Group companies. In Europe this has been successful; the operating profits in Europe have improved to £1.2 million (2004: £0.9 million). Our European businesses, which are all ranked as number one or two in their sectors, will also be beneficiaries of the successful London bid for the 2012 Olympics, with Europe becoming an increased centre of focus over the next five years.

In North America the market is more competitive and GEM and Echo have found trading more difficult with a first half loss of £124,000 (2004: profit of £569,000). In an effort to streamline the business and reduce the cost base, the Group is in the process of re-structuring its businesses so there are four businesses in Europe and three in North America. Our European businesses are performing well – Icon (events), PFD (talent agency) and CSS Sports (sports talent) and CSS Presenters (TV management) are all performing in line with or above expectation.

We have made changes in North America. The global aspirations of GEM have been curtailed and we closed the Atlanta office. This, combined with the sale of GEM Europe, has resulted in a reduction of GEM North America overhead and infrastructure cost. Since 30th June 2005 GEM Chief Executive, Keith McCracken has resigned. Keith has been a significant part of the development of the GEM Group in recent years and we wish him well for the future.

In September 2005 we agreed to sell GEM's European operations for £2m, as previously announced. As part of our regular reviews of our businesses, it was felt that GEM Europe had reached a stage of maturity which indicated it was a good time and price to sell the business.

# Divisional Review of Continuing Operations

## EUROPE

### Talent Management

In the six months to 30th June 2005, turnover was £5.9m (2004: £5.0m) and profit was £645,000 (2004: £473,000), an increase of 18% in turnover and 36% in profit.

### Sport

In motor racing we continue to manage Formula 1 star Juan Pablo Montoya who has won three Grands Prix so far this season, confirming his potential as a future F1 World Champion. Dan Wheldon is the 2005 winner of the Indy Racing League Championship during which he won the world famous Indy 500 – the first Briton to do so since Graham Hill. Sebastien Loeb, 2004 World Rally Champion, is on the point of retaining his title in 2005.

In football, Sir Bobby Robson's book has become a best seller and number one in the hardback sales list. In golf the growing list of talent managed by CSS was confirmed by the appearance of no fewer than 5 clients in the The 2005 Open Championship at St. Andrews.

### Entertainment

At PFD, Keira Knightley is securing unprecedented media exposure on the back of her starring role in the Hollywood blockbuster, *Pride and Prejudice*. The new series by Ricky Gervais, *Extras*, has had rave reviews on both sides of the Atlantic. Novelist Julian Barnes has just been short listed for the 2005 Booker Prize for his new novel 'Arthur and George'. Nick Hornby's book 'A Long Way Down' also recently became a best seller.

CSS Presenters' television stars continue to be prominent on our screens. Michael Parkinson's chat show on ITV is continuing to get excellent ratings. Anne Robinson continues to present a number of highly popular programmes and former Daily Mirror editor, Piers Morgan, is becoming a regular presenter on television.

### Events and Marketing

In the six months to 30th June 2005 Events turnover was £4.3m (2004: £2.8m) and profit was £554,000 (2004: £347,000), an increase of 53.6% on turnover and 59.7% on profit.

Icon Display have had an outstanding period and continue to grow and establish themselves as one of the leading event and signage companies in the sports sector, as well as branching out into other areas.

Icon were responsible for the signage for the successful London 2012 Olympic bid. The company also continues its outstanding work branding all the UEFA Champions' League matches throughout Europe. Chelsea FC have also become a major client with the installation of their new perimeter advertising board system. The company successfully created and installed all the branded signage at the BMW Golf Championship at Wentworth in May.

Icon are continuing to expand into other non-sports markets, notably in the creation of branded signage and sets at major conferences and exhibitions for clients such as Neff.

Prior to its sale GEM Europe had secured additional work on behalf of Powergen through their rugby league and rugby union sponsorships. The company also looked after Vodafone's sponsorship of the successful England cricket team. Profits in GEM Europe for the six months to 30th June 2005 were £40,000 (2004: profit of £38,000).

# Divisional Review of Continuing Operations

(continued)

## NORTH AMERICA

### Marketing

In the Marketing Division which dominates North American operations, in the six months to 30th June 2005, turnover was £19.2m (2004: £25.5m) with an operating loss of £136,000 (2004: profit of £576,000).

In North America, trading conditions have been extremely hard, with our Canadian operations finding trading particularly challenging. There have been several client losses and the company overall has not sustained the profitability of 2004.

Despite the client losses, GEM has begun to recover and has made business gains. In the USA GEM's New York office has had a fine start to the year and is increasing its work on behalf of major client GE Lighting. GEM NY has just launched the largest GE North American lighting promotion in association with GE's Olympic programme.

It is intended that the GEM US sports and promotional marketing operations will be more focused around our New York office.

GEM Minneapolis continues to be profitable, and Dave Kuettel has now been appointed Chief Executive of GEM Minneapolis. The company secured a major 3 year contract with its biggest client, the catalogue specialists, Fingerhut. This will secure long term revenues and profits but has resulted in some short term reductions in profitability due to a reduction in margin. Our Minneapolis business operates in an area of marketing which is very different to any other in the Group and it is therefore now being managed separately.

Canadian operations have had a very difficult six months and our Toronto office is only just beginning to recover from a poor start to the period.

Echo Media, like the Minneapolis office, will also be separated out from the rest of the North American companies to operate as a stand-alone company because it again operates in an area which is unique within the Group. A major partner will be secured to strengthen the business and help to realise shareholder value.

Finally, we have continued to streamline the central overhead to £573,000 (2004: £601,000) and are looking to make further reductions in these costs going forward.

Looking forward, CSS will now concentrate entirely on being an investor in high quality businesses that operate in the sports and entertainment sector. The strategic development of the Group will see us focusing on the strengths of the business and on expanding the valuable businesses that we own. This will include an increased focus on the ownership of proprietary content rather than on the servicing of rights holders.

The Board remain extremely confident about the future of the Group as a platform for growth. There has been considerable activity in both the sports and entertainment investment markets in recent months. The Group also continues to attract interest from investors and other groups within our areas of specialisation which reaffirms our confidence in this growing sector for the future.

John Webber

Chairman

26 September 2005

# Independent Review Report to CSS Stellar plc

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## Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2005 which comprise the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses and the related notes. We have read the other information contained in the interim report which comprises only the Chairman's Statement and the Divisional review of continuing operations and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

This report is made solely to the company's members, as a body, in accordance with guidance contained in APB Bulletin 1999/4 "Review of Interim Financial Information". Our review work has been undertaken so that we might state to the company's members those matters we are required to state to them in a review 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 review work, for this report, or for the conclusion we have formed.

## Directors' Responsibilities

The interim report including the financial information contained therein is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

## Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists primarily of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

## Review Conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

GRANT THORNTON UK LLP  
CHARTERED ACCOUNTANTS

London

26 September 2005

# Consolidated Profit and Loss Account

For the period ended 30 June 2005

	Unaudited 6 months to 30 June 2005 £'000	Unaudited 6 months to 30 June 2004 £'000	Audited Year to 31 December 2004 £'000
<b>Turnover</b>			
- Continuing operations	29,430	33,354	67,812
- Discontinued operations	-	4,227	10,032
<b>Total Turnover</b>	<b>29,430</b>	<b>37,581</b>	<b>77,844</b>
<b>Cost of Sales</b>	<b>(15,809)</b>	<b>(22,050)</b>	<b>(46,215)</b>
<b>Gross Profit</b>	<b>13,621</b>	<b>15,531</b>	<b>31,629</b>
Impairment of goodwill	(13,731)	-	-
Amortisation of goodwill	(1,193)	(1,213)	(2,438)
Other administrative expenses	(13,131)	(16,083)	(31,902)
<b>Total administrative expenses</b>	<b>(28,055)</b>	<b>(17,296)</b>	<b>(34,340)</b>
<b>Operating loss</b>			
- Continuing operations	(14,434)	(418)	(786)
- Discontinued operations	-	(1,347)	(1,925)
<b>Total operating loss</b>	<b>(14,434)</b>	<b>(1,765)</b>	<b>(2,711)</b>
Exceptional items	2 (725)	(321)	-
	(15,159)	(2,086)	
Interest receivable	65	47	112
Interest payable	(209)	(175)	(404)
<b>Loss on ordinary activities before taxation</b>	<b>(15,303)</b>	<b>(2,214)</b>	<b>(3,003)</b>
Tax on loss on ordinary activities	(72)	(143)	(267)
<b>Loss on ordinary activities after taxation</b>	<b>(15,375)</b>	<b>(2,357)</b>	<b>(3,270)</b>
Equity minority interest	-	241	331
Transferred from reserves	(15,375)	(2,116)	(2,939)
<b>Loss per ordinary share</b>	3		
Basic	(53.19)	(7.96)	(10.61)
Diluted	(53.19)	(7.96)	(10.61)
<b>Adjusted earnings/(loss) per ordinary share</b>	3		
Basic	0.20	(0.53)	3.06
Diluted	0.20	(0.53)	2.84
<b>Statement of total recognised gains and losses</b>	£'000	£'000	£'000
Loss for the financial year	(15,375)	(2,116)	(2,939)
Unrealised surplus on revaluation of investment properties	-	-	500
Translation adjustment on opening reserves	(6)	(58)	5
<b>Total losses recognised since last annual report</b>	<b>(15,381)</b>	<b>(2,174)</b>	<b>(2,434)</b>

# Consolidated Balance Sheet

30 June 2005

	Unaudited 30 June 2005 £'000	Unaudited 30 June 2004 £'000	Audited 31 December 2004 £'000
<b>Fixed assets</b>			
Intangible assets	21,784	38,970	36,690
Tangible assets	3,050	2,974	3,201
Investments – other	1,074	1,056	1,056
	<b>25,908</b>	<b>43,000</b>	<b>40,947</b>
<b>Current assets</b>			
Stocks and work in progress	650	405	173
Debtors	13,009	16,594	12,470
Cash at bank and in hand	516	4,554	1,220
	<b>14,175</b>	<b>21,553</b>	<b>13,863</b>
<b>Creditors: amounts falling due within one year</b>	<b>(16,614)</b>	<b>(26,668)</b>	<b>(15,689)</b>
<b>Net current liabilities</b>	<b>(2,439)</b>	<b>(5,115)</b>	<b>(1,826)</b>
<b>Total assets less current liabilities</b>	<b>23,469</b>	<b>37,885</b>	<b>39,121</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(1,452)</b>	<b>(828)</b>	<b>(1,723)</b>
<b>Minority interests</b>	<b>-</b>	<b>417</b>	<b>-</b>
	<b>22,017</b>	<b>37,474</b>	<b>37,398</b>
<b>Capital and reserves</b>			
Called up share capital	14,452	13,621	14,452
Share premium account	28,025	25,866	28,025
Shares to be issued	489	3,295	489
Revaluation reserve	646	171	654
Profit and loss account	(21,595)	(5,479)	(6,222)
<b>Equity shareholders' funds</b>	<b>22,017</b>	<b>37,474</b>	<b>37,398</b>

# Consolidated Cashflow Statement

For the period ended 30 June 2005

		Unaudited 6 months to 30 June 2005 £'000	Unaudited 6 months to 30 June 2004 £'000	Audited Year to 31 December 2004 £'000
<b>Net cash (outflow)/inflow from operating activities</b>	4	<b>(364)</b>	<b>(233)</b>	<b>148</b>
<b>Returns on investments and servicing of finance</b>				
Interest paid		(209)	(162)	(392)
Interest received		65	47	112
Interest element of finance lease payments		-	(13)	(12)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(144)</b>	<b>(128)</b>	<b>(292)</b>
<b>Taxation</b>		<b>-</b>	<b>(208)</b>	<b>(35)</b>
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets		(267)	(495)	(848)
Purchase of intangible fixed assets		-	(292)	(440)
Sale of tangible fixed assets		-	86	170
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(267)</b>	<b>(701)</b>	<b>(1,118)</b>
<b>Acquisitions and disposals</b>				
Purchase of subsidiaries		-	(982)	(970)
Sale of subsidiaries		655	-	(151)
Purchase of investments		(37)	-	-
<b>Net cash inflow/(outflow) from acquisitions and disposals</b>		<b>618</b>	<b>(982)</b>	<b>(1,121)</b>
<b>Equity dividends paid</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Net cash outflow before financing</b>		<b>(157)</b>	<b>(2,252)</b>	<b>(2,418)</b>
<b>Financing</b>				
Receipts from borrowings		-	-	3,900
Repayment of borrowings		(847)	(1,057)	(3,048)
Capital element of finance lease rentals		(3)	(52)	(75)
<b>Net cash (outflow)/inflow from financing</b>		<b>(850)</b>	<b>(1,109)</b>	<b>777</b>
<b>Decrease in cash</b>		<b>(1,007)</b>	<b>(3,361)</b>	<b>(1,641)</b>

# Notes to the Accounts

For the period ended 30 June 2005

## 1. Analysis of Trading by Class of Business

Divisions	Turnover			Profit/(loss) before taxation		
	6 months to 30 June 2005 £'000	6 months to 30 June 2004 £'000	Year to 31 December 2004 £'000	6 months to 30 June 2005 £'000	6 months to 30 June 2004 £'000	Year to 31 December 2004 £'000
<b>Continuing operations</b>						
Talent Management	5,896	5,024	10,924	645	473	1,236
Marketing	19,237	25,516	50,321	(136)	576	920
Television	-	-	-	-	-	-
Events	4,297	2,814	6,567	554	347	687
Central costs (1)	-	-	-	(573)	(601)	(1,191)
	<b>29,430</b>	<b>33,354</b>	<b>67,812</b>	<b>490</b>	<b>795</b>	<b>1,652</b>
<b>Discontinued operations</b>						
Talent Management	-	304	229	-	(512)	(976)
Marketing	-	79	93	-	(254)	(369)
Television	-	3,844	9,710	-	(581)	(580)
Events	-	-	-	-	-	-
	-	<b>4,227</b>	<b>10,032</b>	-	<b>(1,347)</b>	<b>(1,925)</b>
Impairment of goodwill				(13,731)	-	-
Amortisation of goodwill				(1,193)	(1,213)	(2,438)
Operating loss				(14,434)	(1,765)	(2,711)
Net interest				(144)	(128)	(292)
Exceptional items				(725)	(321)	-
Group loss before taxation				<b>(15,303)</b>	<b>(2,214)</b>	<b>(3,003)</b>

# Notes to the Accounts (continued)

For the period ended 30 June 2005

## 1. Analysis of Trading by Class of Business (continued)

Geographical analysis	Turnover			Profit/(loss) before taxation		
	6 months to 30 June 2005 £'000	6 months to 30 June 2004 £'000	Year to 31 December 2004 £'000	6 months to 30 June 2005 £'000	6 months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Continuing operations						
Europe	11,950	10,352	21,807	1,187	895	1,912
North America	17,480	22,990	45,993	(124)	569	1,028
Rest of the World	-	12	12	-	(68)	(97)
Central costs (1)	-	-	-	(573)	(601)	(1,191)
	<u>29,430</u>	<u>33,354</u>	<u>67,812</u>	<u>490</u>	<u>795</u>	<u>1,652</u>
Discontinued operations						
Europe	-	4,148	9,938	-	(1,093)	(1,658)
North America	-	48	48	-	(129)	(128)
Rest of the World	-	31	46	-	(125)	(139)
	<u>-</u>	<u>4,227</u>	<u>10,032</u>	<u>-</u>	<u>(1,347)</u>	<u>(1,925)</u>

(1) Central costs have been separately analysed to enable a direct comparison of the operating performance of each division in accordance with IFRS guidelines.

## 2. Exceptional Items

	6 months to 30 June 2005 £'000	6 months to 30 June 2004 £'000	Year to 31 December 2004 £'000
<b>Exceptional items</b>			
Costs of restructuring	(725)	-	-
Loss on disposal of subsidiary undertakings	-	(321)	-
	<u>(725)</u>	<u>(321)</u>	<u>-</u>

### 3. (Loss)/Earnings Per Share

	£'000	Weighted average no of shares	Basic per share amount pence	Adjusted per share amount pence
<b>6 months ended 30 June 2005</b>				
Loss	(15,375)			
Amortisation of goodwill	1,193			
Amounts written off goodwill	13,731			
Costs of restructuring	725			
Less: tax at 30%	(217)			
<b>Adjusted earnings</b>	<u>57</u>			
<b>Basic earnings per share</b>				
Earnings attributable to ordinary shareholders		28,906,428	(53.19)	0.20
<b>Dilutive effect of securities</b> - options and warrants		-		
<b>Diluted earnings per share</b>		<u>28,906,428</u>	<u>(53.19)</u>	<u>0.20</u>
<b>6 months ended 30 June 2004</b>				
Loss	(2,116)			
Amortisation of goodwill	1,213			
Exceptional loss on disposal	321			
Operating loss on discontinued activities	766			
Less: tax at 30%	(325)			
<b>Adjusted earnings</b>	<u>(141)</u>			
<b>Basic earnings per share</b>				
Earnings attributable to ordinary shareholders		26,574,359	(7.96)	(0.53)
<b>Dilutive effect of securities</b> - options and warrants		<u>2,305,256</u>		
<b>Diluted earnings per share</b>		<u>28,879,615</u>	<u>(7.96)</u>	<u>(0.53)</u>
<b>Year ended 31 December 2004</b>				
Loss	(2,939)			
Amortisation of goodwill	2,438			
Operating loss on discontinued activities	1,925			
Less: tax at 30%	(577)			
<b>Adjusted earnings</b>	<u>847</u>			
<b>Basic earnings per share</b>				
Earnings attributable to ordinary shareholders		27,692,271	(10.61)	3.06
<b>Dilutive effect of securities</b> - options and warrants		<u>2,155,116</u>		
<b>Diluted earnings per share</b>		<u>29,847,387</u>	<u>(10.61)</u>	<u>2.84</u>

The adjusted earnings per share is based on the retained profits adjusted by the amortisation of goodwill and the exceptional administrative expenses and exceptional items net of taxation at 30%.

# Notes to the Accounts (continued)

For the period ended 30 June 2005

## 4. Reconciliation of Operating Loss to Net Cash (Outflow)/Inflow from Operating Activities

	6 months to 30 June 2005 £'000	6 months to 30 June 2004 £'000	Year to 31 December 2004 £'000
Operating loss	(14,434)	(1,765)	(2,711)
Depreciation charge	419	476	820
Impairment of goodwill	13,731	-	-
Amortisation of goodwill	1,193	1,213	2,478
Increase in stocks	(477)	(153)	79
(Increase)/decrease in debtors	(1,213)	(809)	1,326
Increase/(decrease) in creditors	417	805	(1,844)
Net cash (outflow)/inflow from operating activities	(364)	(233)	148

## 5. Publications of Non-Statutory Accounts

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The figures from the year ended 31 December 2004 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985.

## 6. Basis of Preparation

The interim financial statements have been prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of land and buildings. The principal accounting policies of the Group have remained unchanged from those set out in the Group's annual report and accounts.





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