TSE Group plc

Report of the Directors
and Financial Statements
for the 12 months ended
31 December 2009

Contents

Company Information

Directors:

Paul Foulger
Adam Reynolds
Lars Haue-Pedersen
Robin Courage
Brian Blasdale

Secretary:

Paul Foulger

Registered Office:

14 Kinnerton Place South
London
SW1X 8EH

Registered Number:

05353387 (England & Wales)

Auditors:

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Bankers:

Coutts & Co
440 Strand
London
WC2R 0QS

Nominated Advisor and Broker:

Zeus Capital Limited
3 Ralli Courts
West Riverside
Manchester
M3 5FT

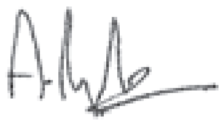
Chairman's Statement

Group revenues increased by 43% in the year to £1,577,617 (2008: £1,103,053); in this difficult economic climate your Board considers this a very strong performance. Unfortunately, the margins associated with this revenue stream were not as high as expected and hence a loss before taxation of £165,885 (2008: profit £31,904) was generated. It is worth noting that during 2009 the Group decided to write off almost all of its development and start up costs relating to its international offices; this amounted to £77,000 (2008: nil).

During the year we set up and opened a new wholly owned office in Istanbul in Turkey and further associate offices in Cairo, Warsaw, and Dubai. Also during the year we set up four new business lines; 'Sports Performance', run out of TSE's new office in Colorado Springs, USA; 'Event Appraisal', which is being run out of our TSE Scandinavia office; 'Digital PR and Marketing', a joint venture with Washington DC based Chong + Koster; and 'Environmental Services', a joint venture with Indianapolis-based August Mack.

Revenues within all the international offices have grown during the period, despite the poor global economy, and 2010 has started very positively; importantly, we are also seeing an improvement in the margins associated with these revenues. We have won a number of high profile new clients this year, particularly in the area of Sports Performance and in April we announced that TSE Consulting SA had been appointed by the Russian Olympic Committee to conduct an in-depth internal review of Russia's winter Olympic sports performance. This major contract follows previous assignments from Saudi Arabia, Brazil and Turkey.

Over the past few months we have been approached by a number of sports related companies with a view to acquiring or merging with TSE Consulting SA and it is our opinion that TSE Consulting would benefit substantially by being part of a larger sports focused group. All shareholders will be kept fully informed on developments.



Adam Reynolds
Chairman

Report of the Directors

The directors have pleasure in presenting their report and audited financial statements for the year ended 31 December 2009.

Directors

ADAM REYNOLDS, Executive Chairman (age 47)
Adam began his career as a stockbroker in 1980, working first with Rowe Rudd and then Jacobson & Townsley as a commission salesman. In 1983, he established the London office of John Siddall & Son, becoming a director in 1987. In 1988, he brokered the sale of that office to Branston & Gothard, where he headed up the UK equity sales team that he had brought with him for the next five years. He remained at Branston & Gothard as a UK equity salesman until 1998, when he joined Basham & Coyle, a financial PR firm, as a director in charge of investor relations, specialising in developing the PR strategies of smaller companies. In February 2000, he established Hansard Group plc, a financial PR firm, listing it on AIM in November 2000, before successfully leading a management buy-out of the business in 2004 at which time Hansard group acquired a major division of Energem Resources Inc. which changed its name to FirstAfrica Oil plc. Adam has founded and has also been involved in the turnaround of a number of public companies. He is also a director of International Brand Licensing plc, MeDaVinci plc, Diablo Consulting Limited and Wilton International Marketing Limited.

ROBIN COURAGE, Chief Executive (age 64)
Robin began his career in advertising and later moved into television and film production. In the early 1970s he acted as impresario to present major international entertainment artistes in cabaret and on stage in London. In 1987 Robin joined The Rowland Company, a wholly-owned subsidiary of the Saatchi & Saatchi Group. In 1994 he founded the sports marketing company, Atkinson Courage, where he worked with his multinational clients to exploit their sponsorships of major international events. He ran Atkinson Courage for seven years prior to forming TSE. As the London-based Director of TSE, Robin focuses on developing long-term strategic plans and near-term marketing programmes for international sports federations and national and local governments. Robin is also Chairman of Fundraising and a member of the Executive Council of WheelPower, the governing body for wheelchair sport in the UK and owner of the UK's national disability sports centre at Stoke Mandeville, the birthplace of the Paralympic Games.

PAUL FOULGER, Finance Director (age 40)
Paul has considerable public and private company experience, having been a director of a number of successful businesses as well as being involved in a large variety of corporate transactions over the years. Paul previously worked in the publishing industry with HarperCollins Publishers and subsequently became finance director at Elsevier Science, a subsidiary of Reed Elsevier plc. He led a management buy-out of previously quoted financial communications group Hansard in 2004, of which he remains a director. He holds several other directorships including International Brand Licensing Plc, MeDaVinci plc, Diablo Consulting Limited and Wilton International Marketing Limited. Paul is a qualified certified accountant and holds a MBA from Warwick Business School.

LARS HAUE-PEDERSEN, Executive Director (age 48)
Lars was born and grew up in Copenhagen, Denmark. He now lives in Lausanne, Switzerland. Lars's background is as an economist and he gained an MSc in economics from Odense University, Denmark. Lars was a sportsman who transferred into sports administration and from 1991 to 1995 was Secretary General of the Danish Volleyball Federation. In 1995 he joined the International Volleyball Federation (FIVB) in Lausanne as Development Director. In 1999 he formed Beaufort Sports Consulting SA, also based in Lausanne. He co-founded TSE in 2001, where he remains as the Director in charge of the Lausanne head office. In addition to managing the international growth of the company Lars provides consulting services to major international sports organisations. He develops management training courses for sports organisations and event owners, and works extensively with national and regional governments involved in bidding for and/or staging major sports events. Lars is an external lecturer in sport management and sport economics at Copenhagen Business School and is an external lecturer at a number

Report of the Directors (continued)

of European universities including Klagenfurt (Austria), Lausanne (Switzerland), St Petersburg (Russia) and Neuchatel (Switzerland).

BRIAN BLASDALE, Non Executive Director (age 60)
Following an early career as a Purser with P&O Shipping Company, Brian held a number of senior sales & marketing roles with blue chip companies including Kodak Limited. Thereafter he formed his own IT outsourcing company, achieving success in attracting a number of major blue-chip companies as clients. Subsequently he co-founded I-B Net Limited, which was listed on the AIM market as Deal Group plc in March 2000. Since this time Brian has actively been involved with a number of companies as Chairman and non executive director for and on behalf of Lloyds Development Capital Private Equity ("LDC").

Business review and principal activities

The principal activity of the Group is that of an International sports consultancy, whose main business activities are based in Lausanne, Switzerland.

Group turnover increased to £1,577,617 in the year (2008: £1,103,053), reflecting strong growth across the international offices.

The Group generated a loss before tax of £165,885 (2008: profit of £31,904). There are no significant issues worth highlighting to shareholders other than the ones highlighted in the Chairman's Statement.

The consolidated statement of comprehensive income for the year is set out on page 15. No dividends will be distributed for the year ended 31 December 2009.

Going concern

The directors have considered and confirm that it is appropriate to adopt the financial statements on the basis that the Company and Group have adequate resources for the foreseeable future. Therefore the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Future Outlook

The external commercial environment is expected to remain as competitive as it has been historically in 2009, however the Group believes it is well positioned to take advantage of the ever-growing International Sports Consultancy market through both organic and even acquisitive growth, should an appropriate opportunity present itself.

Key Performance Indicators ("KPIs")

Given the straightforward nature of the business, the Group's directors consider that the sales and profit figures as detailed in the business review section above are suitable as a basis for an understanding of the development, performance and position of the business.

Principal risks and uncertainties

The directors identified a number of risk factors which they thought might affect the Group's ability to deliver its strategic goals. The directors are of the opinion that, in general, the risk factors identified are relevant to the business. A list of these risks is given below. This list does not purport to be an exhaustive summary of the risks affecting the Group, is given in no particular order of priority and contains risks considered to be outside the control of the directors.

Report of the Directors (continued)

- **Client relationships**
  As a management consultancy TSE is reliant upon developing its relationships with its clients. The success of the Group therefore depends on the personal relationships established by TSE's consultants with key individuals within sports organisations. The loss of any of these key relationships could have an adverse effect on the Group.

- **Management, employees and overseas consultants**
  The success of the Group depends to a significant extent on key directors and employees and in particular Robin Courage and Lars Haue-Pedersen. In addition, the Directors expect that the overseas offices will contribute an increasing proportion of the Group's sales. Although the Directors believe they have access to strength and depth in the expanded management team, the loss of one or more of the key Directors or overseas office consultants could have an adverse effect on the Group.

  The Group faces competition in attracting and retaining qualified employees. The Group's ability to continue to compete effectively in its businesses will depend upon its ability to attract new employees and retain and motivate existing employees.

- **Agent network**
  The Group continues to expand into new international markets through the establishment of local agents under a common brand. In the event that the local agent underperforms or does not comply with Group's Direction Manual setting out the Group's operating procedures, then there is a risk that the Group's brand may be undermined. In such circumstance, the Group's operations would be adversely affected and it may be unable to secure new consulting contracts.

- **Political risk**
  A significant proportion of the Group's revenues are accounted for by contracts with governments and cities. Accordingly, a change of national or regional administration following local or national elections could result in a loss of a contract which could have an adverse effect on the Group.

- **Currency risk**
  The Group's international agents invoice for a proportion of their services in their local currency. Group's trading subsidiary's costs are mainly payable in Swiss Francs. Accordingly, the Group's financial operations could be adversely affected by exchange rate volatility which results in a shortfall in revenue in Swiss Francs.

- **Considerations relating to future prospects**
  - **Commercial agreements**
    The Group has a number of commercial agreements in place. However these agreements are terminable on notice (the periods of which vary) and there can be no guarantee that the Group's customers will not withdraw from these commercial agreements in the future.

  - **Lack of dividends for the foreseeable future**
    For the foreseeable future, the Group intends to retain any future earnings for the business and therefore the Group does not anticipate paying dividends in the short term.

  - **Market forces**
    The market may not grow as rapidly as anticipated. The Group may lose clients to its competitors. The Group's major competitors may have significantly greater financial resources than those available to the Enlarged Group. There is no certainty that the Group will be able to achieve its projected levels of sales or profitability.

Report of the Directors (continued)

Environment

The directors consider that the nature of the Group's activities during the current business development stage is not inherently detrimental to the environment.

Employees

The Group places considerable value on the involvement of its employees and they are regularly briefed on the Group's activities through company meetings. The Board acknowledges that the Group's employees are a key asset in the future success of the Group and their retention and motivation is a high priority.

The Group closely monitors staff attrition rates which it seeks to maintain at current low levels and aims to structure staff compensation packages at competitive rates in order to attract and retain high-calibre personnel. All employees are afforded an equal opportunity to progress and develop their careers as the Group grows.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the specific aptitudes of the applicant concerned. It is the policy of the Group that the training, career development and promotion of disabled persons, as far as possible, be identical with that of other employees.

Dividends

The directors do not propose to pay a dividend for the year ended 31 December 2009 (2008: £nil).

Directors' interests

The directors who served the company during the year together with their interests (including family interests) in the shares of the company were as follows:

	Ordinary shares of 0.1p each	
	31 December 2009	*31 December 2008*
Paul Foulger	58,441,296	58,441,296
Adam Reynolds	58,441,295	58,441,295
Robin Courage	14,000,000	14,000,000
Lars Haue-Pedersen	14,000,000	14,000,000
Brian Blasdale	8,333,333	8,333,333

Substantial shareholdings

As at 29 June 2010 notification has been received of the following interests in 3% or more of the issued share capital of the Company:

Name	*Number of Ordinary shares held*	*Percentage*
Pershing Nominees Limited (PSL981)	283,166,004	35.0%
JIM Nominees Limited (JARVIS)	74,298,611	9.2%
HSBC Global Custody Nominee UK Limited (883031)	49,666,666	6.1%
Pershing Nominees Limited (BFCLT)	44,400,000	5.5%
Barclayshare Nominees Limited	41,053,372	5.1%

Report of the Directors (continued)

Creditor payment policy

The Group's current policy concerning the payment of trade creditors is to:

- settle the terms of payment with suppliers when agreeing the terms of each transaction;
- ensure that suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- pay in accordance with the company's contractual and other legal obligations.

Trade creditor days based on creditors at 31 December 2009 were 80 days (2008: 78 days).

Charitable and political donations

The Group made no charitable or political donations during the year (2008: £nil).

Auditors

Kingston Smith LLP has indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 2006 it is proposed that they be re-appointed as auditors of the Company for the ensuing year.

Directors Indemnity Insurance

As permitted by Section 233 of the Companies Act 2006, the Company has purchased insurance cover on behalf of the directors indemnifying them against certain liabilities which may be incurred by them in relation to the Company.

Disclosure of information to the auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of Directors' responsibilities

Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by European Union.

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 Company and of the Group and of the profit or loss of the Group for that year. In preparing these 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 assume the Group and Company will continue in business.

Report of the Directors (continued)

The directors confirm that they have complied with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual General Meeting

A notice convening the Annual General Meeting to be held on 28 July 2010 at 10.00 a.m. is enclosed with this report.

Recommendation

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and it is unanimous recommendation that shareholders support these proposals as the Board intends to do in respect of their own holdings.

On behalf of the Board

Paul Foulger

Director

14 Kinnerton Place South
London
SW1X 8EH

Date: 29 June 2010

Corporate Governance

Compliance

The directors recognise the value of the Principles of the Combined Code on Corporate Governance ("the Combined Code"). Although, as an AIM company, compliance with the Combined Code is not required the Group seeks to apply the Combined Code when practicable and appropriate for a Group of its size.

The following statement describes how the Group as at 31 December 2009 sought to address the principles underlying the Combined Code.

Board composition and responsibility

The Board consisted of four executive directors including the Chairman and one non-executive director. All directors are equally accountable for the proper stewardship of the Group's affairs.

In broad terms, the on-going remit of the Board is as follows:

- Approval of the Group's annual budgets and forecasts and ongoing review of Group strategy and performance;
- Approval of the annual report and any statements made therein;
- Approval of any significant changes in accounting policies and practices;
- Appointment or removal of directors or the Company Secretary;
- Approval of appointment of senior staff and setting of their remuneration;
- Approval of any material expenditure or capital commitments;
- Ensure maintenance of robust systems of internal control – including all operating and financial systems through annual review and assessment;
- Review of the Board's own effectiveness; and
- Ensure continued compliance with any regulatory requirements.

The non-executive director has a particular responsibility to scrutinize and assess the strategy proposed by the executive management, to evaluate performance, business risk and the integrity of financial information and controls, and to ensure appropriate remuneration and succession arrangements are put in place for the executive directors.

After careful review, giving particular consideration to the provision of the Combined code in respect of the independence of non executive directors, the Board has concluded that Brian Blasdale, as the only non executive director at the date of signing the balance sheet is independent in character, judgement and opinion.

Chairman's commitments

The commitments of the Chairman outside those relating to the Company are given in detail in the Board of Directors on page 4. The Chairman's commitments have not materially changed during the year.

Corporate Governance (continued)

Policy on election

Directors are required to offer themselves for election every 3 years and at least one third of the Board must offer itself for re-election each year.

At the forthcoming Annual General Meeting on 28 July 2010, Robin Courage and Brian Blasdale will be offering themselves for re-election. Brief biographical details for Robin Courage and Brian Blasdale are given on page 4 and 5.

Board meetings

Eight board meetings were held during the year. The directors' attendance record during the year is as follows:-

Adam Reynolds – executive	8
Paul Foulger – executive	8
Lars Haue-Pedersen – executive	7
Robin Courage – executive	8
Brian Blasdale – non executive	8

Audit Committee

The audit committee is chaired by Brian Blasdale and comprises Paul Foulger and Brian Blasdale. The audit committee determines the terms of engagement of the Group's and Company's auditors and determines, in consultation with the Group's and Company's auditors, the scope of audits. It receives and reviews reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use by the Group. The Board has adopted a policy for the periodic review of the auditors' objectivity and independence.

The Audit Committee met once during the year in order to fully review the 2008 findings as well as the audit scope and process for 2009 audit.

The Board considers that given the relative size of the Group and the relative costs and benefits that would ensue, there is no necessity for the Group to operate an internal audit function.

Remuneration Committee

The remuneration committee is chaired by Brian Blasdale and comprises Adam Reynolds and Brian Blasdale. The remuneration committee reviews the scale and structure of both the Executive Directors' and other key employees' future remuneration and the terms of their service agreements with due regard to the interests of shareholders.

The Remuneration Committee met once during the year in order to review the scale and structure of the share options for key employees.

Nomination Committee

The nomination committee is chaired by Robin Courage and comprises Paul Foulger and Robin Courage. The nomination committee reviews the appointment of directors and the suitability of their appointment to the Board.

The nomination committee did not meet during the year.

Corporate Governance (continued)

Internal control and risk

The directors are responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. By its nature, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Group continually reviews its internal controls and procedures and corrective actions taken to mitigate risks are identified and implemented where thought necessary.

Board effectiveness

For the time being, the Board itself considers its effectiveness, and that of its committees and directors, on an ongoing basis. It considers this appropriate to a company of this size.

Shareholder communication

The Board encourages regular dialogue with the Group's shareholders and has a policy of making itself available to shareholders at the Annual General Meeting to which all shareholders are invited to attend. The non-executive director is regularly briefed by executive management on developments within the Group in order to facilitate his continued understanding of the Group's products and processes.

Corporate social responsibility

The Board recognises that it has a duty to be a good corporate citizen and is conscious that its business processes minimise harm to the environment, contributes as far as is practicable to the local community and takes a responsible and positive approach to employment practices.

Report of the Auditors

Independent Auditors' Report to the Members of TSE Group plc

We have audited the financial statements of TSE Group plc for the year ended 31 December 2009 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Company Statement of Financial Position, the Consolidated and Parent Company Statement of Cash Flows, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of Companies Act 2006.

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 for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditors report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and 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 auditors

As explained more fully in the directors' responsibilities, set out in Directors' report, 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 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 (APB) 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 and the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's 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.

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;

- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the Parent Company financial statements have been prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Report of the Auditors (continued)

Opinion on other matters 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Twum-Ampofo
Senior Statutory Auditor
For and behalf of Kingston Smith LLP, Statutory Auditor
London
EC1M 7AD
Date: 29 June 2010

Consolidated statement of comprehensive income

For the year ended 31 December 2009

	Notes	*2009* £	*2008* £
Revenue	2	**1,577,617**	1,103,053
Operating costs		**(1,741,712)**	(1,073,650)
Operating (loss)/profit	5	**(164,095)**	29,403
Finance revenue			
		691	3,811
Finance costs	6	**(2,481)**	(1,310)
(Loss)/profit before taxation		**(165,885)**	31,904
Taxation	7	**45**	(9,242)
(Loss)/profit for the year		**(165,840)**	22,662
Other comprehensive (losses)/income			
Exchange differences on translating foreign operations		**(199,698)**	820,355
Total comprehensive (losses)/income for the year		**(365,538)**	843,017
(Loss)/earnings per share			
Basic	16	**(0.002p)**	0.004p
Diluted	16	**(0.002p)**	0.003p

The results shown above relate entirely to continuing and total operations attributable to equity holders of the parent company.

Consolidated statement of financial position

as at 31 December 2009

	Notes	*2009* £	*2008* £
Non-current assets			
Intangible assets	8	**2,312,269**	2,482,721
Property, plant, and equipment	9	**54,925**	38,219
		2,367,194	2,520,940
Current assets			
Trade and other receivables	11	**441,534**	552,460
Cash and cash equivalents		**48,997**	155,523
		490,531	707,983
Current liabilities			
Trade and other payables	12	**(371,615)**	(394,727)
Net current assets		**118,916**	313,256
Total assets less current liabilities		**2,486,110**	2,834,196
Equity			
Issued share capital	15	**1,457,600**	1,457,600
Shares to be issued reserve		**136,000**	136,000
Share premium account		**2,791,920**	2,791,920
Retained losses		**(2,520,067)**	(2,371,679)
Translation reserve		**620,657**	820,355
Total equity		**2,486,110**	2,834,196

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2010.

Paul Foulger

Director

Company registration number: 05353387

Company statement of financial position

as at 31 December 2009

	Notes	*2009* *£*	*2008* *£*
Non-current assets			
Investments	10	**2,197,326**	2,197,326
Current assets			
Trade and other receivables	11	**48,710**	84,963
Cash and cash equivalents		**18,135**	131,465
		66,845	216,428
Current liabilities			
Trade and other payables	12	**(66,344)**	(87,576)
Net current assets		**501**	128,852
Total assets less current liabilities		**2,197,827**	2,326,178
Equity			
Issued share capital	15	**1,457,600**	1,457,600
Shares to be issued reserve		**136,000**	136,000
Share premium account		**2,791,920**	2,791,920
Retained losses		**(2,187,693)**	(2,059,342)
Total equity		**2,197,827**	2,326,178

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2010.

Paul Foulger
Director

Company registration number: 05353387

Consolidated statement of cash flows

for the year ended 31 December 2009

	2009	*2008*
	£	*£*
Cash flow from operating activities		
Operating (loss)/profit	**(164,095)**	29,403
Adjusted for:		
Depreciation	**41,336**	13,012
Decrease/(increase)in trade and other receivables	**110,926**	(97,171)
(Decrease)/increase in trade and other payables	**(23,112)**	5,213
Share based payments	**17,452**	19,506
Decrease in provisions	**–**	(35,114)
Foreign exchange loss	**–**	7,912
Tax refunded/(paid)	**45**	(50,983)
Net cash generated from/(used in) operating activities	**(17,448)**	(108,222)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(60,645)**	(28,171)
Acquisition of subsidiary, net of cash acquired	**–**	(17,432)
Interest received	**691**	3,811
Interest paid	**(2,481)**	(1,310)
Net cash used in investing activities	**(62,435)**	(43,102)
Cash flows from financing activities		
Proceeds from the issue of shares (net of issue costs)	**–**	341,235
Repayment of deferred cash consideration relating to the acquisition of Wilton International Consulting Limited	**–**	(155,000)
Net cash generated from financing activities	**–**	186,235
Net (decrease)/increase in cash & cash equivalents	**(79,883)**	34,911
Cash & cash equivalents at 1 January 2009	**155,523**	97,945
Effect of exchange rate changes	**(26,643)**	22,667
Cash & cash equivalents at 31 December 2009	**48,997**	155,523

Company statement of cash flows

for the year ended 31 December 2009

	2009	2008
	£	£
Cash flow from operating activities		
Operating loss	**(146,461)**	(8,105)
Adjusted for:		
Decrease in trade and other receivables	**36,253**	16,943
Decrease in trade and other payables	**(21,232)**	(267,012)
Share based payments	**17,452**	19,506
Net cash used in operating activities	**(113,988)**	(238,668)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	**–**	(17,432)
Interest received	**658**	3,634
Net cash generated from/(used in) investing activities	**658**	(13,798)
Cash flows from financing activities		
Proceeds from the issue of shares (net of issue costs)	**–**	341,235
Net cash generated from financing activities	**–**	341,235
Net increase in cash & cash equivalents	**(113,330)**	88,769
Cash & cash equivalents at 1 January 2009	**131,465**	42,696
Cash & cash equivalents at 31 December 2009	**18,135**	131,465

Statement of changes in equity

for the year ended 31 December 2009

GROUP

	Share Capital £	*Shares to be Issued Reserve* £	*Share premium* £	*Retained losses* £	*Translation reserve* £	*Total equity* £
Balance at 01.01.08	**1,231,900**	**204,000**	**2,608,385**	**(2,413,847)**	**–**	**1,630,438**
Profit for the year	–	–	–	22,662	–	**22,662**
Shares issued	–	(68,000)	–	–	–	**(68,000)**
Issue of share capital	225,700	–	212,390	–	–	**438,090**
Expenses of share issue	–	–	(28,855)	–	–	**(28,855)**
IFRS2 charge – Credited to reserves	–	–	–	19,506	–	**19,506**
Exchange difference	–	–	–	–	820,355	**820,355**
Balance at 01.01.09	**1,457,600**	**136,000**	**2,791,920**	**(2,371,679)**	**820,355**	**2,834,196**
Loss for the year	–	–	–	(165,840)	–	**(165,840)**
IFRS2 charge – Credited to reserves	–	–	–	17,452	–	**17,452**
Exchange difference	–	–	–	–	(199,698)	**(199,698)**
Balance at 31.12.09	**1,457,600**	**136,000**	**2,791,920**	**(2,520,067)**	**620,657**	**2,486,110**

Statement of changes in equity

for the year ended 31 December 2009 (continued)

COMPANY

	Share Capital £	*Shares to be Issued Reserve* £	*Share premium* £	*Retained losses* £	*Total equity* £
Balance at 01.01.08	**1,231,900**	**204,000**	**2,608,385**	**(2,074,377)**	**1,969,908**
Loss for the year	–	–	–	(4,471)	**(4,471)**
IFRS 2 charge – credited to reserves	–	–	–	19,506	**19,506**
Shares to be issued Reserve	–	(68,000)	–	–	**(68,000)**
Issue of share capital	225,700	–	212,390	–	**438,090**
Expenses of share issue	–	–	(28,855)	–	**(28,855)**
Balance at 01.01.09	**1,457,600**	**136,000**	**2,791,920**	**(2,059,342)**	**2,326,178**
Loss for the year	–	–	–	(145,803)	**(145,803)**
IFRS 2 charge – credited to reserves	–	–	–	17,452	**17,452**
Balance at 31.12.09	**1,457,600**	**136,000**	**2,791,920**	**(2,187,693)**	**2,197,827**

Notes to the financial statements

for the year ended 31 December 2009

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation of the financial statements

The consolidated and Company financial statements of TSE Group Plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The consolidated and Company financial statements have been prepared under the historical cost convention and on a going concern basis.

The financial statements have been prepared in accordance with IFRS and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and parent company financial statements are disclosed under accounting policies note (r).

New and amended standards adopted by the group

The Group and Company has adopted the following new and amended IFRSs as of 1 January 2009.

- IAS 1 (revised). 'Presentation of financial statements' – effective 1 January 2009. The revised standard requires 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been represented so that it also is in conformity with the revised standard. As the change in accounting policy is only presentational there is no impact on earnings per share.

- IFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment does not have a material impact on the Group or Company's financial statements.

Mandatory new standards or interpretations, effective for accounting periods beginning on or after 1 January 2009, not covered specifically above have no impact on the Group's financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group or Company's accounting periods beginning on or after 1 January 2010 or later periods and have not been early adopted. It is anticipated that these new standards, amendments and interpretations, currently in issue at the time of preparing these financial statements will have no material impact on the Group or Company's financial statements.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

(b) Basis of consolidation

The consolidated statement of comprehensive income and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2009. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

A subsidiary is an entity controlled, directly or indirectly, by TSE Group plc. Control is regarded as the power to govern the financial and operating policies of the entity so as to obtain the benefits from its activities.

(c) Going concern

The directors confirm that, after giving due consideration to the financial position and cash flows of the Group and Company, they have reasonable expectation that the Group and Company have adequate resources to continue in operational existence of the foreseeable future. For this reason the Group and company adopt the going concern basis in preparing the financial statements.

The performance of the business within the current economic climate has been objectively assessed and reported upon internally. The Board has a clear view of the current trading conditions and this has led the Board to have confidence in their projections going concern. 2010 has started positively and the Group is seeing continued improvement in revenue and margins across all their divisions. The Group has comfortable levels of headroom against its projected cash flows and, accordingly, the financial statements have been prepared on a going concern basis.

(d) Foreign currency translation

Amounts included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The consolidated financial statements are presented in pounds sterling, the company's functional and presentation currency. Transactions in foreign currencies are translated into the functional currency using the exchange rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from settlement of such transactions, and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement except when deferred in equity as qualifying cash flow and net investment hedges.

The results and financial position of all Group companies that have a functional currency other than sterling are translated as follows:

- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rate prevailing on the transaction date, in which case income and expenses are translated at the date of the transaction);
- assets and liabilities are translated at the closing exchange rate at the balance sheet date; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and from borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

(e) Revenue and revenue recognition

Revenue represents the turnover, net of discounts, derived from services provided to and invoiced to customers. Long-term contracts are accounted for in accordance with the contractual terms either on a percentage of completion basis or on a time as incurred basis.

Both fee income and recharged costs are billed in the period in which the work was completed or the costs incurred. Where there are exceptions to this income is deferred or accrued as necessary. For projects falling over the financial year end, income is recognised to reflect the partial performance of the contractual obligations.

(f) Intangible assets – Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets (including intangible assets) of the acquired subsidiary, associate or joint venture at the date of acquisition.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill and intangibles on acquisition of associates and joint ventures is included in the carrying value of the investment. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity or investment sold.

(g) Investments

The Group classifies its investments depending on the purpose for which the investments were acquired. Management determines the classification of its investments on purchase and re-evaluates this designation at every reporting date. Fixed asset investments in subsidiaries are shown at cost less any provision for impairment.

(h) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and provision for any impairment. Depreciation is calculated to write down the cost of all tangible fixed assets to estimated residual value by equal annual instalments over their expected useful lives as follows:

Computer equipment	25% reducing balance
Fixtures, fittings & equipment	25% reducing balance

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the statement of comprehensive income.

(j) Impairment of assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the present value of the future cash flows relating to the asset, and is determined over periods which are deemed to appropriately reflect the minimum expected period that the cash generating unit will operate for. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the provision is recognised in the statement of comprehensive income.

(l) Cash and cash equivalents

Cash and cash equivalents comprise current bank balances which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the cash flow statement.

(m) Leasing commitments

Leases where lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases (net of any incentives received) are charged to the statement of comprehensive income on a straight-line basis over the lease term.

(n) Finance costs

Finance costs, which include interest, bank charges and the unwinding of the discount on deferred consideration, are recognised in the income statement in the year in which they are incurred.

(o) Share capital and share premium

Ordinary shares are classified as equity.

Share premium represents the amounts received in excess of the nominal value of the ordinary shares less cost of share issued and is classified as equity.

(p) Pensions and similar obligations

The Group operates a defined benefit plan. It is a multi employer plan and the assets of the scheme are not directly attributable to an individual employee. In accordance with IAS 19 this scheme has been accounted for as if it were a defined contribution scheme. Payments to defined contribution pension plans are charged as an expense to the income statement, as incurred, when the related employee service is rendered. The Group has no further legal or constructive payment obligations once the contributions have been made.

(q) Taxation including deferred taxation

Tax on company profits is provided for at the current rate applicable in each of the relevant territories.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This is reviewed annually.

(r) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- Estimated impairment of goodwill

Goodwill is subject to an impairment review both annually and when there are indications that the carrying value may not be recoverable, in accordance with the accounting policy stated above. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 8).

- Deferred taxation

Deferred tax assets are recognised to the extent that the Group believes it is probable that future taxable profit will be available against which temporary timing differences and losses from previous periods can be utilised. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised.

(s) Share-based payments

The Group makes equity-settled and cash-settled share-based payments to its employees. Equity-settled share-based awards are measured at fair value at the date of grant using an options pricing methodology and expensed over the vesting period of the award. At each balance sheet date, the Group reviews its estimate of the number of options that are expected to vest. Cash-settled share-based payments are accrued over the vesting period of the award, based on the current fair market value at each balance sheet date. When share options are exercised, the proceeds received, net of any transaction costs, are credited to share capital (nominal value) and share premium.

The shares to be issued reserve relates to 16,000,000 ordinary shares which are due to be issued as part of the deferred consideration for the acquisition of the Group's trading subsidiary.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

2. Segmental reporting

The board considers that the Group has a single business segment which delivers international sports consultancy services. The revenue, expenditure and result reported in the income statement and the assets and liabilities reported in the balance sheet all relate to this single segment. An analysis of turnover by geographical destination is given below.

	2009	*2008*
	£	*£*
Europe (including Cayman Islands and Switzerland)	**690,787**	624,011
Africa	**265,747**	17,826
America	**286,001**	209,145
Asia	**335,082**	252,071
	1,517,617	1,103,053

3. Staff costs

	2009	*2008*
	£	*£*
Wages and Salaries	**287,942**	191,741
Directors Remuneration and Fees	**260,058**	231,000
Social Security costs	**45,799**	39,364
Share based payment	**17,452**	19,506
	611,251	481,611

The remuneration of the highest paid Director included above was £119,000 (2008: £96,000).

The average monthly number of employees was as follows:

	2009	*2008*
	No.	*No.*
Administration (including Directors)	10	12

The directors are considered to be the key management personnel. Directors remuneration and fees comprises the whole of the compensation for these individuals. The directors hold no share options.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

4. Retirement benefits

TSE Group plc operates a defined benefit pension plan in respect of its Swiss employees into which contributions of £13,288 (2008: £8,442) were made during the year.

The contributions are paid into a multi-employer scheme. The proportion of the scheme's assets and liabilities to the Group's employees is not provided by the pension provider and no information about any scheme surplus and deficit is available. The Group makes contributions to the scheme in accordance with the annual recommendations of the scheme provider and provided the Group continues to make contributions at the correct level the provider guarantees the level of pension payable to the employee on retirement.

Since insufficient information is available to account for the pension plan as a defined benefit plan it is accounted for as if it were a defined contribution plan.

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2009	*2008*
	£	*£*
Depreciation of owned tangible fixed assets	**41,336**	13,012
Staff costs (see note 3)	**611,251**	481,611
Foreign currency loss	**22,531**	7,411
Auditors remuneration		
– Audit of the parent company and consolidated financial statements	**16,251**	13,500
– Audit of subsidiary company financial statements	**10,151**	4,550
– Tax compliance services	**1,000**	1,000

6. Finance costs

	2009	*2008*
	£	*£*
Interest on bank loans and overdrafts	**2,481**	1,310

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

7. Taxation

	2009 £	2008 £
Analysis of charge in the year:		
Current tax	**(45)**	9,242

The tax assessed for the year differs from the standard rate of corporation tax in the UK at 28%. The differences are explained below:

	2009 £	2008 £
(Loss)/profit before tax	**(165,885)**	31,904
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 28%	**(46,448)**	8,933
Tax losses carried forward and disallowable items	**46,403**	309
	(45)	9,242

The total amount of unused tax losses for which no deferred tax asset is recognised in the balance sheet is approximately £500,000 (2008: £373,000).

8. Intangible fixed assets – Group

	Goodwill £
Cost	
At 1 January 2008	1,737,158
Additions	17,432
Translation difference	728,131
At 31 December 2008	**2,482,721**
Translation difference	(170,452)
At 31 December 2009	**2,312,269**

Impairment tests of goodwill

No impairment losses in respect of goodwill have been recognised in 2009 or 2008. An annual goodwill impairment review is performed as at 31 December. This review compares the carrying value of goodwill with the present value of future cash flows arising from TSE Consulting SA, the Swiss subsidiary and main operating unit. If the present value is less than the carrying value of the goodwill, an impairment loss is recognised immediately in the income statement.

Key assumptions used in the value in use calculations are as follows:

Cash flow projections are derived from financial plans approved by the Board and cover a twelve month period. They reflect management's expectations of revenue growth, operating cost and margin for TSE Consulting SA based on past experience.

A post-tax discount rate of 10% to 15% has been applied to cash flow projections reflecting management's view that this range of discount rates are suitable for the year.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

9. Property, plant and equipment – Group

	Office Furniture and machinery £	*IT equipment* £	*Total* £
Cost			
At 1 January 2008	28,937	11,723	**40,660**
Translation difference	11,872	4,809	**16,681**
Additions	19,471	8,700	**28,171**
At 31 December 2008	60,280	25,232	**85,512**
Translation difference	(4,106)	(1,718)	**(5,824)**
Additions	51,361	9,284	**60,645**
At 31 December 2009	**107,535**	**32,798**	**140,333**
Depreciation			
At 1 January 2008	11,428	10,278	**21,706**
Translation difference	6,182	6,393	**12,575**
Charge for the year	5,296	7,716	**13,012**
At 31 December 2008	22,906	24,387	**47,293**
Translation difference	(1,559)	(1,662)	**(3,221)**
Charge for the year	37,453	3,883	**41,336**
At 31 December 2009	**58,800**	**26,608**	**85,408**
Net Book Value			
At 31 December 2008	37,374	845	38,219
At 31 December 2009	**48,735**	**6,190**	**54,925**

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

10. Investments – Company

	Investment in Subsidiaries £
Cost and Net Book Value at 1 January 2008	2,179,894
Additions	17,432
Cost and Net Book Value at 31 December 2008	**2,197,326**
Additions	–
Cost & Net Book Value at 31 December 2009	**2,197,326**

In the opinion of the directors, the aggregate value of the investments in subsidiaries is not less than the amount at which it is stated above and in the statement of financial position.

At 31 December 2009 the subsidiaries were as follows:

Name of subsidiary	*Country of Incorporation*	*Percentage shareholding*	*Principal activities during year*
Wilton International Consulting Limited	England & Wales	100%	Dormant
TSE Consulting SA	Switzerland	100%	International sports consultancy

11. Trade and other receivables – Group

	2009 £	*2008* £
Trade debtors: Gross		
Less: provision for bad debts	**633,613**	528,608
	(199,382)	(52,879)
	434,231	475,729
Other debtors	**5,661**	53,971
Prepayments and accrued income	**1,642**	22,760
	441,534	552,460

Trade and other receivables – Company

	2009 £	*2008* £
Trade debtors: Gross	**–**	41,544
Less: provision for bad debts	**–**	–
	–	41,544
Other debtors	**518**	–
Prepayments and accrued income	**1,642**	17,438
Amounts owed by group undertakings	**46,550**	25,981
	48,710	84,963

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

12. Trade and other payables – Group

	2009	*2008*
	£	*£*
Trade creditors	**196,907**	151,267
Taxes and social security costs	**1,564**	–
Other creditors	**15,004**	243,460
Accrued expenses	**158,140**	–
	371,615	394,727

Trade and other payables – Company

	2009	*2008*
	£	*£*
Trade creditors	**30,124**	29,214
Other creditors	**15,004**	58,362
Accrued expenses	**21,216**	–
	66,344	87,576

Trade and other creditors principally comprise amounts outstanding for trade purchases and on-going costs. The Directors consider that the carrying amount of trade payables approximates their fair value.

13. Provision for liabilities & charges – Group & Company

	2009	*2008*
	£	*£*
Provision for claim for breach of contract (see below):		
Balance brought forward at 1 January 2009	**–**	35,114
Legal charges incurred in year	**–**	(12,910)
Provision released in year	**–**	(22,204)
Balance carried forward at 31 December 2009	**–**	–

In 2007 a provision was made to allow for a potential claim for breach of contract relating to J E Farmer, a former director of the company. In 2008 the provision was released after Mr Farmer withdrew his request for a hearing.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

14. Financial instruments – risk management

The Group and the Company in principle do not use or trade in derivative financial instruments.

Financial assets categorised as loans and receivables

	Notes	*Group 2009 £*	*Group 2008 £*
Trade and other receivables	11	**441,534**	552,460
Cash and cash equivalents		**48,997**	155,523
		490,531	707,983

Financial liabilities measured at amortised cost

	Notes	*Group 2009 £*	*Group 2008 £*
Trade payables	12	**196,907**	151,267
Other payables	12	**173,144**	243,460
Other taxes and social security	12	**1,564**	–
		371,615	394,727

Financial assets categorised as loans and receivables

	Notes	*Company 2009 £*	*Company 2008 £*
Trade and other receivables	11	**48,710**	84,963
Cash and cash equivalents		**18,135**	131,465
		66,845	216,428

Financial liabilities measured at amortised cost

	Notes	*Company 2009 £*	*Company 2008 £*
Trade payables	12	**30,124**	29,214
Other payables	12	**36,220**	58,362
		66,344	87,576

The main risks arising from the financial instruments of the Group and of the Company are credit risk, interest rate risk, liquidity risk and fair value risk. The Board reviews and agrees policies for managing these risks and they are summarised below. These policies have remained unchanged throughout the financial period.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

Credit risk

The exposure to credit risk of the Group and of the Company is limited to the carrying values of financial assets recognised at the balance sheet date, as summarised below:

	Group 2009 £	*Group 2008 £*
Classes of financial assets – carrying amount		
Cash and cash equivalents	**48,997**	155,523
Trade and other receivables	**441,534**	552,460
	490,531	707,983

	Company 2009 £	*Company 2008 £*
Classes of financial assets – carrying amount		
Cash and cash equivalents	**18,135**	131,465
Trade and other receivables	**48,710**	84,963
	66,845	216,428

The maximum exposure to credit risk in relation to trade receivables is equivalent to the year end balance. It is the policy of the Group and of the Company to assess the credit risk of its customers. The Group and the Company closely monitor the credit worthiness of customers and other counterparties, and will require an advance payment if necessary. The Group and the Company will terminate business with a poor credit history.

The Directors consider that all the above financial assets that are not impaired for each of the reporting dates under review are of good credit quality, based on financial information and past trading history, including those that are past due.

Neither the Group nor the Company are exposed to any significant credit risk exposure to any single counterparty or Group of counterparties having similar characteristics. The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

Liquidity risk

The objectives of the Group and of the Company are to maintain a balance between continuity of funding and flexibility through cash pooling and shareholder funding. The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures.

The financial liabilities of the Group and of the Company have contracted maturities, which are summarised below:

	Group 2009 £ Within 6 months	*Group 2009 £ 6 to 12 months*	*Group 2008 £ Within 6 months*	*Group 2008 £ 6 to 12 months*
Trade Payables	196,907	–	151,267	–

	Company 2009 £ Within 6 months	*Company 2009 £ 6 to 12 months*	*Company 2008 £ Within 6 months*	*Company 2008 £ 6 to 12 months*
Trade Payables	30,124	–	29,214	–

Interest rate risk

The Group and the Company finance themselves using their own cash balances which comprise cash and short-term deposits, and therefore has no significant interest rate risk. Additionally, borrowings on short term and long term borrowings are on fixed rates.

15. Share capital

	2009 £	*2008 £*
Authorised:		
1,352,000,000 Ordinary shares of 0.1p each	1,352,000	1,352,000
72,000,000 Deferred shares of 0.9p each	648,000	648,000
	2,000,000	**2,000,000**
Allotted, called up & fully paid:		
809,600,000 Ordinary shares of 0.1p each	809,600	809,600
72,000,000 Deferred shares of 0.9p each	648,000	648,000
	1,457,600	**1,457,600**

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

Deferred Shares

The special rights, privileges, restrictions and limitations attached to the Deferred shares are as follows:

(a) A holder of Deferred shares shall have no right to receive notice of or to attend or vote at any General meeting of the company.

(b) A holder of Deferred shares shall have no right to receive any dividend or distribution.

(c) A holder of Deferred shares shall on a return of capital in a liquidation, but not otherwise, be entitled to receive only the amount credited as paid up on each share but only after the holder of each Ordinary share shall have received the amount paid up or credited as paid up on such share, together with a payment of 0.1 pence per share but the holders of Deferred shares shall not be entitled to any further participation in the assets or profits of the Company.

Warrants

Neil McClure, a former Director of the Company, holds 8,800,000 Warrants. Each Warrant entitles Neil McClure to receive, upon exercise of the Warrants, one Ordinary Share at an exercise price of 0.1p per Ordinary Share. These warrants have expired since the year end.

Beaumont Cornish Limited currently holds 7,500,000 Warrants. Each Warrant entitles Beaumont Cornish to receive, upon exercise of the Warrants, one Ordinary Share at an exercise price of 0.85p per Ordinary Share. The Warrants may be exercised at anytime before the expiry of a five year period from the date of grant.

16. (Loss)/earnings per share

The basic earnings per share is calculated by dividing the profit for the financial year attributable to shareholders by the weighted average number of shares in issue.

	2009 *Number*	*2008* *Number*
Weighted average number of shares (ordinary)	809,600,000	645,685,714
Weighted average number of shares (dilutive)	809,600,000	682,985,714
	£	*£*
(Loss)/profit for the year	(165,840)	22,662
Basic (loss)/earnings per share	(0.002p)	0.004p
Diluted (loss)/earnings per share	(0.002p)	0.003p

In the current year the basic and diluted loss per share is the same, as the exercise of share options and warrants would increase the loss per share and is therefore, anti-dilutive. Details of the options and warrants which are outstanding and potentially dilutive are given in note 19.

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

17. Related party transactions

Group & Company

During the year the Company was invoiced the following amounts by Diablo Consulting Limited and Wilton International Marketing Limited, companies of which both Adam Reynolds and Paul Foulger are directors:

- Office rent and administration costs = £15,000 (2008: £1,250)
- Director fees = £24,000 (2008: £2,000)
- Fundraising introductory fees = £nil (2008: £7,000)

At the year end a balance existed within trade Creditors of £19,838 (2008: £11,788).

During the year the Company was invoiced £12,000 (2008: £12,000) by CICS Limited, a company of which Brian Blasdale is a director, for director's fees earned. At the year end a balance existed within trade creditors of £4,000 (2008: £nil)

At the year end Robin Courage, a director of the company, was owed £12,500 (2008: £nil).

18. Profit accounted for in the parent company

As permitted under Section 408 of the Companies Act 2006, the statement of comprehensive income of the parent Company is not presented as part of the financial statements. The company's loss for the year was £145,803 (2008: £4,471).

19. Share based payments

As at 31 December 2009, the following share options and warrants were outstanding over the ordinary shares of the Company.

	Date of grant	*Vesting date*	*Expiry date*	*Balance at 31 December 2009 Number*	*Exercise price Pence*	*Fair value of option at grant date Pence*
Warrants						
2007 Warrants	28/02/07	28/02/07	28/02/10	**8,800,000**	0.10p	0.0p
2007 Warrants	26/07/07	26/07/07	26/07/12	**7,500,000**	0.85p	0.0p
Total warrants outstanding				**16,300,000**		
Share option scheme:						
2007 Options	21/08/07	21/08/09	21/08/17	**4,500,000**	1.00p	0.325p
2009 Options	18/02/09	18/02/11	18/02/14	**26,000,000**	0.23p	0.735p
Total share options outstanding				**30,500,000**		
Total equity instruments outstanding				**46,800,000**		

Notes to the financial statements

for the 12 months ended 31 December 2009 (continued)

In February 2009, the Company cancelled the existing options held by certain key employees over 16.5 million shares at an exercise price of 1p per Ordinary Share which had been previously awarded in 2007. At the same time, the Company awarded in aggregate options over 26 million New Ordinary Shares to key employees of its wholly owned subsidiary, TSE Consulting SA, in accordance with the terms of the Company's share option scheme. The options will vest on 18 February 2011 and must be exercised on or before 18 February 2014 at an exercise price of 0.23p per ordinary share.

The exercise price of the warrants is the lowest average closing price for a preceding quarter or the current exercise price, whichever is the lower.

The fair value of share options and warrants at grant date has been determined using the Black-Scholes formula. The assumptions and other inputs used in the models in respect of share options issued during the year were as follows:

	Share option scheme 2007	***Share option scheme 2009***
Share price on date of grant	0.395p	**0.20p**
Exercise price	1.00p	**0.23p**
Expected volatility	30%	**30%**
Expected dividends	Nil	**Nil**
Option life	3 years	**5 years**
Risk free interest rate	5.0%	**5.0%**

At the dates of issue of shares under the various share option schemes, there was insufficient historical data to calculate a reliable estimate of expected share volatility in respect of the Company itself and accordingly expected volatility has been based on the average volatility of a range of similar UK listed companies operating in similar markets.

The following tables reconcile the outstanding warrants and share options granted under the employee share option schemes at the beginning and end of the financial year.

	Number 2009	*Weighted average exercise price 2009*	*Number 2008*	*Weighted average exercise price 2008*
Balance at beginning of the financial year	**37,300,000**	0.76p	37,300,000	0.76p
Granted during the year	**32,000,000**	0.23p	–	–
Cancelled	**(22,500,000)**	0.79p	–	–
Balance at end of the financial year	**46,800,000**	0.38p	37,300,000	0.76p
Exercisable at end of the financial year	**20,800,000**	0.56p	16,300,000	0.45p

No warrants were exercised during the year and 8,800,000 unexercised warrants expired since the year end.

TSE GROUP PLC

(incorporated and registered in England and Wales with registered number 05353387)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of TSE Group Plc will be held 10.00 a.m. on Wednesday 28 July 2010 at the offices of Pritchard Englefield Solicitors, 14 New Street, London EC2M 4HE (the "**Meeting**") to consider, and if thought fit to pass resolutions 1 to 5 as ordinary resolutions and resolution 6 as a special resolution of the Company:

ORDINARY BUSINESS

(1) To receive and adopt the statement of accounts for the year ended 31 December 2009, together with the reports of the directors and the auditors thereon.

(2) That Robin Courage, a Director retiring by rotation in accordance with article 102 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company.

(3) That Brian Blasdale, a Director retiring by rotation in accordance with article 102 of the Company's Articles of Association, be and is hereby re-elected as a Director of the Company.

(4) To re-appoint Kingston Smith LLP as auditors of the Company and to authorise the Directors to fix the remuneration of Kingston Smith LLP.

SPECIAL BUSINESS

(5) **THAT** the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise all powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("**Rights**") up to an aggregate nominal amount of £189,840.00 of the ordinary shares and unless previously renewed, revoked, varied or extended, this authority shall expire at the conclusion of the next annual general meeting of the Company, except that the Company may at any time before such expiry make an offer or agreement which would or might require shares to be allotted or Rights to be granted after such expiry, and the Directors may allot shares or grant Rights in pursuance of such an offer or agreement as if this authority had not expired. This authority is in substitution for all previous authorities conferred upon the Directors pursuant to section 80 of the Companies Act, but without prejudice to the allotment of shares or the grant of Rights already made or to be made pursuant to such authorities.

(6) **THAT** subject to the passing of resolution 5 and in accordance with section 570 of the Companies Act 2006 (the "**Act**") the Directors of the Company be and they are hereby empowered to allot equity securities (within the meaning of section 560 of the Act) wholly for cash pursuant to the authority conferred by resolution 5 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with an offer of such securities by way of rights to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange;

(b) up to an aggregate nominal amount of £29,195.00 in connection with the issue of ordinary shares by the Company pursuant to the exercise of options proposed to be granted by the Company; and

TSE GROUP PLC

(continued)

(c) otherwise than pursuant to sub-paragraphs (a) and (b) above up to an aggregate nominal amount of £108,480.00

and shall expire at the conclusion of the next annual general meeting of the Company, save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

Dated: 29 June 2010

Registered Office
14 Kinnerton Place South
London
SW1X 8EH

BY ORDER OF THE BOARD
PAUL FOULGER
Secretary

Notes:

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered on the Company's register of members at 10.00 a.m. on Monday, 26 July 2010 (or in the case of adjournment forty-eight hours before the time of the adjourned meeting) will be entitled to attend and vote at the Meeting. Changes to the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the Meeting.

3. A proxy need not be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy are set out below and in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

4. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

   To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified or office copy of such power or authority must be in writing and delivered to SLC Registrars Limited of 42-46 High Street, Esher, Surrey KT10 9QY, no later than 10.00 a.m. on Monday, 26 July 2010 (or 48 hours before the time fixed for any adjourned meeting).

5. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more then one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each

TSE GROUP PLC

(continued)

proxy appointment relates to or specifying a number of shares in excess of those held by the member on the record date will result in the proxy appointment being invalid.

7. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

9. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Registrars of the Company, SLC Registrars Limited of 42-46 High Street, Esher, Surrey KT10 9QY (in the case of a member which is a company, the revocation notice must be executed in accordance with note 11 below).

   Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be in writing and included with the revocation notice. The revocation notice must be received by the Company at 14 Kinnerton Place South, London SW1X 8EH, not less than 48 hours before the time fixed for the holding of the Meeting or any adjourned meeting at which the proxy is to attend, speak and to vote.

   If you attempt to revoke your proxy appointment but the revocation is received after the time specified then your proxy appointment will remain valid.

10. Use of the proxy form does not preclude a member attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

11. In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney.

12. The following documents will be available for inspection at 14 Kinnerton Place South, London SW1X 8EH from 29 June 2010 until the time of the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting:

   - Copies of the service contracts of executive directors of the Company.

   - Copies of the letters of appointment of the non-executive directors of the Company.

13. Except as provided above, members who have general queries about the Meeting should call SLC Registrars Limited on +44(0) 207 245 1100 (no other methods of communication will be accepted).

   You may not use any electronic address provided either in this notice of annual general meeting or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.

TSE Group Plc

(Registered Number: 05353387)

FORM OF PROXY

For use by shareholders at the 2009 Annual General Meeting of TSE Group Plc (the "Company") to be held at the offices of Pritchard Englefield Solicitors, 14 New Street, London EC2M 4HE (the "Meeting") on 28 July 2010 at 10.00 a.m.

I/We being (a) members(s) of TSE Group Plc (the "**Company**") hereby appoint the Chairman of the Meeting or (*see note 3 overleaf*):

....

as my/our proxy to attend, speak and vote on my/our behalf at the Meeting and at any adjournment of the Meeting. I/we direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X':

Ordinary business – Resolutions		**For**	**Against**	**Vote withheld**
Resolution 1 (Ordinary)	To consider and adopt the statement of accounts for the year ended 31 December 2009 and the reports of the directors and auditors thereon			
Resolution 2 (Ordinary)	To re-appoint Robin Courage as a director of the Company			
Resolution 3 (Ordinary)	To re-appoint Brian Blasdale as a director of the Company			
Resolution 4 (Ordinary)	To re-appoint Kingston Smith LLP as auditors of the Company			
Special business – Resolutions				
Resolution 5 (Ordinary)	To authorise the directors pursuant to section 80 of the Companies Act 1985			
Resolution 6 (Special)	To disapply the statutory pre-emption rights			

If no indication is given, I/we authorise my/our proxy to vote or abstain from voting at his/her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he/she thinks fit in relation to any other matter which is properly put before the Meeting (including any resolution to adjourn the Meeting).

Date: ....

Signature: ....
(Please complete in BLOCK CAPITALS including initials and surnames of joint holders if applicable).

Name in full: ....

Address: ....

Joint Holders: ....

Notes

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. A proxy need not be a member of the Company but must attend the Meeting to represent you.
3. If it is desired to appoint any person other than the Chairman of the Meeting as a proxy the words "the Chairman of the Meeting" should be struck out and the name and address of the other person be inserted in block capitals in the space provided. If you sign and return this proxy form with no name inserted in the box, the Chairman of the Meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the Meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
5. To be valid, a form of proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified or office copy of such power or authority must be in writing and delivered to SLC Registrars of Thames House, Portsmouth Road, Esher, Surrey KT10 9AD, no later than 10.00 a.m. on Monday 26 July 2010 (or 48 hours before the time fixed for any adjourned meeting).
6. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy complete and submit more then one proxy form and make it clear how many shares the proxy has voting rights over. Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares in excess of those held by the member on the record date will result in the proxy appointment being invalid.
7. Use of this form does not preclude a member attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.
8. For details of how to revoke your proxy appointment see the notes to the notice of meeting.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
11. In the case of a member which is a company, the form of proxy must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney.

Please return using addressed envelope supplied.

tse group plc