Sportsworld Media Group plc
c/o Steven Pearson and Anthony Lomas
Joint Administrative Receivers
PricewaterhouseCoopers
Plumtree Court
London EC4A 4HT

and

Geoffrey John Brown
53 Chelsea Square
London SW3 6LH

29 March 2004

FINAL NOTICE: Contravention of the Listing Rules and knowing concern

ACTIONS

1. The FSA gave Sportsworld Media Group plc ("Sportsworld") and Mr Geoffrey Brown a decision notice on 26 February 2004 notifying them that the FSA had decided to publish a public statement substantially in the form of that notice in respect of Sportworld's contravention of the FSA's Listing Rules specified in paragraph 3 below and to impose a financial penalty of £45,000 on Mr Brown for being knowingly concerned in that contravention. Neither has chosen to refer the matter to the Financial Services and Markets Tribunal pursuant to section 92(7) of the Financial Services and Markets Act 2000 ("the Act").

2. Accordingly, the FSA, pursuant to section 91 of the Act, hereby:

   - publishes a statement in the form of this Final Notice censuring Sportsworld for that contravention; and

   - imposes on Mr Brown a penalty of £45,000 for being knowingly concerned in that contravention.

3. By 24 December 2001, changes had occurred in the performance of Sportsworld's business and/or its expectation as to its performance, which, if made public, would have been likely to lead to substantial movement in the price of Sportsworld's listed securities. Accordingly an obligation arose on Sportsworld to notify the Company Announcements Office without delay of all relevant information which was not public knowledge concerning these changes. By not making that notification until 06:54 on 28 January 2002 Sportsworld contravened Listing Rule 9.2. Mr Brown was aware of those changes and had a responsibility to bring them to the attention of the full Board.

By failing to do so or otherwise to ensure that Sportsworld complied with its obligations under the Listing Rules, Mr Brown was knowingly concerned in Sportsworld's contravention[1].

REASONS FOR PUBLIC STATEMENT AND FINANCIAL PENALTY

The facts

4. Sportsworld was admitted to stock exchange listing in December 1998. It was involved in the sports, media and entertainment business, and operated in three principal areas: the production and distribution of sports and other television programmes, sports-event management and advertising, and the arrangement of major sports sponsorship.

5. Its Board comprised two executive directors (a chief executive officer and a finance director) and three non-executive directors. Mr Brown was the chief executive officer. The finance director changed during the material period, the change being announced on 29 November 2001 and taking effect on 1 January 2002.

6. Throughout the material period Sportsworld was comprised of four business units which were segregated on a geographical and activity basis, with a non-board director (who was a member of the International Management Team) managing each business unit (together "the IMT managers"). The IMT managers reported directly to Mr Brown. This group had access to and were assisted by the provision of management and statutory financial reporting information. Sportsworld produced monthly management accounts and other financial data to monitor its progress during the course of the financial year.

7. At the beginning of September 2001 the expectations of market analysts as to Sportsworld's performance for the full year ending 30 June 2002 were in the range of £14.9-18 million. On 10 September 2001, Sportsworld confirmed in a statement to the market that *"…the Board continues to be confident that the Group will meet market expectations for the year to 30 June 2002"*.

8. On 17 September 2001 the Board of Sportsworld met and agreed the budget for the year ending 30 June 2002. The agreed figure in the budget for Sportsworld's full year PBT was £16.1 million. This represented a growth in PBT of 40% compared with Sportsworld's previous financial year. The budget envisaged profits to be weighted towards the second half of the financial year: £5.53 million or 34% in the first half and £10.59 million or 66% in the second half.

9. Sportsworld had made profits of £12 million in the previous financial year ended 30 June 2001. The weighting of those profits was £5 million or 42% for the first half year ended 31 December 2000 (announced to the market on 1 March 2001) and £7 million or 58% for the second half year ended 30 June 2001.

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[1] See paragraphs 25 and 26 below for the text of Listing Rules 9.2 and 16.2. See footnotes 3 and 4 for sections 91(1) and 91(2) of the Act.

10. On 3 October 2001 Sportsworld, in a statement accompanying its preliminary results for the financial year ended 30 June 2001, said that *"the financial year has started strongly and in line with the Board's expectations"*. Such a positive view about Sportsworld's prospects was reiterated in a presentation by management to market analysts and institutional shareholders on 13 October 2001.

11. On 29 November 2001 an announcement made by Sportsworld to coincide with its Annual General Meeting included the statement that *"As indicated in the preliminary results in October, the new financial year has started in line with the Board's expectations"*.

12. On 24 December 2001 the November 2001 management accounts were distributed to senior management but not to Sportsworld's non-executive directors. (In fact the Board did not meet at any time between 17 September 2001, when the budget for the year ending 30 June 2002 was agreed, and 25 January 2002. Furthermore, Sportsworld's non-executive directors did not receive management accounts or other financial information throughout this period.)

13. The November 2001 management accounts contained information showing that for every month in the financial year to date Sportsworld had failed to meet its budgeted profits for the month and, further, that for each of the four months from August to November 2001 inclusive Sportsworld had experienced a significant loss rather than the budgeted profit. However, Mr Brown's and Sportsworld's expectation for the full year PBT nonetheless remained at £16.1 million. To achieve this, profits not included in the budget were necessary. These additional profits were expected from acquisitions, accounting adjustments and a consumer promotions programme which had not been reflected in the budget. Mr Brown believed that further analysis needed to be done in relation to incurred costs as reflected in the November 2001 management accounts.

14. On the basis of the November 2001 management accounts, a full year PBT of £16.1 million equated to a weighting between the first half and second half of the financial year of -£1.29 million or -8% and £17.39 million or 108% respectively. With regard to actual performance, even allowing for adjustments to the November 2001 accounts to amortise incurred costs over a longer period, the financial figures demonstrated a material shortfall in the PBT for the year to date compared to the budget, to the performance in the first half of the previous financial year and market expectation. Based on Sportsworld's own announcements, market expectation for Sportworld's PBT for the half year to 31 December 2001 could reasonably be expected to be (and, as it subsequently appeared, was) £4-6 million.

15. Sportsworld's financial performance was discussed at a meeting with the IMT managers on 9 January 2002 in which Mr Brown participated. It should have been evident to Mr Brown, and therefore Sportsworld, that by 9 January 2002 the necessary major contracts needed to get Sportsworld's performance back on track had not been secured and that the deficit to the agreed budget as shown by the November 2001 accounts in respect to the half year ended 31 December 2001 could not be recovered.

16. In the week commencing 21 January 2002, the December 2001 management accounts became available in draft. When finalised (as presented to the board on 24 January 2002), they showed an operating loss for the first half of the year of £1.7 million (compared with a budgeted profit for the period of £5.53 million) which was £6.71 million less than the PBT in the first half of the preceding financial year. It was therefore clear that, in order to meet Sportsworld's PBT expectation for the full year, Sportsworld would now have to generate £17.8 million profit in the second half of the year, 68% more than the agreed budget for that period.

17. On Monday, 21 January 2002 Mr Brown met with Sportsworld's finance director to discuss the December 2001 management accounts. Both agreed that there was a change in their expectations as to the amount of Sportsworld's PBT for the full year to 30 June 2002 but that further work needed to be done to understand the true position.

18. On Friday, 25 January 2002 the Board met to discuss the half year performance and draft trading statement. At the meeting the Board agreed to announce to the market a new full year PBT expectation of £9-10 million.

19. Sportsworld consequently issued a trading statement before the opening of the market on Monday, 28 January 2002 as follows:

    "In light of the most recent trading information it has received, the Board…announces that it does not expect to meet the current published consensus expectations of profit for the year ending 30 June 2002. The view of the Board, based on the experience of the first half…, is that trading profit (before amortisation of goodwill) for the full year is more likely to be in the range between £9M and £10M.

    The Group had always expected that the results of the current financial year would be more biased towards the second half than previous years. However, the delays in sponsorship income and the effects of other factors…mean that this bias will be significantly greater than originally anticipated…"

20. Between 24 December 2001 and 25 January 2002 approximately 2.71 million Sportsworld shares were traded. The closing price of the shares during this period ranged between 255p and 161p. Sportsworld's share price fell 60% from 161p at the close of trading on Friday, 25 January 2002 to 65p at the close of trading on Monday, 28 January 2002. The volume of shares traded on 28 January 2002, following Sportsworld's RNS announcement, was 1.61 million shares.

21. Sportsworld was obliged in due course to issue a further corrective announcement at 11.28am on Wednesday, 13 February 2002 stating, *"it is clear that the current financial year will be substantially below the range of figures previously indicated"* [i.e. £9-10 million].

22. Sportsworld's share price fell a further 87%, from 26.5p to 3.5p, between the close of trading on 12 February 2002 and the close of trading on 13 February 2002. The volume of shares traded on 13 February 2002 following Sportsworld's RNS announcement was 35.02 million shares.

23. On 31 December 2001 Sportsworld's market capitalisation was £163.5 million; as at 13 February 2002 it had fallen to £2.4 million.

24. Sportsworld's listing was suspended on 2 April 2002 pending announcement of its interim results and on 10 April 2002 Administrative Receivers were appointed.

Relevant Statutory Provisions, Rules and Guidance

25. The Listing Rules set out the requirements for the admission of securities to the Official List and the continuing obligations of companies whose securities are so admitted.[2] Listing Rule 9.2 states that:

"A company must notify the Company Announcements Office without delay of all relevant information which is not public knowledge concerning a change:

(a) in the company's financial condition;
(b) in the performance of its business; or
(c) in the company's expectation as to its performance;

which, if made public, would be likely to lead to substantial movement in the price of its listed securities."[3]

26. Listing Rule 16.2 states that:

"A listed company must ensure that its directors accept full responsibility, collectively and individually, for the company's compliance with the Listing Rules."[4]

27. The FSA regards the continuing obligation requirements of Chapter 9 of the Listing Rules as a fundamental protection for shareholders.[5] These requirements are designed to promote full disclosure to the market of all relevant information on a timely basis to ensure that all users of the market have simultaneous access to the same information. Observance of these continuing obligations is essential to the maintenance of an orderly market in securities and of confidence in the financial system.

28. A listed company has a continuing obligation to consider carefully whether changes in the performance of its business or in its expectation as to its performance may be such

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[2] Pursuant to Part VI of the Act, the FSA makes the Listing Rules and is responsible for the official listing of securities in the UK.

[3] Pursuant to section 91(1) of the Act "if the [FSA] considers that...an issuer of listed securities...has contravened any provision of listing rules, it may impose on him a penalty of such amount as it considers appropriate". Alternatively, it may publish a statement of censure under section 91(3).

[4] The responsibility of directors in this regard is reinforced by section 91(2): "if [the FSA] considers that, a person who was at the material time a director of the issuer....was knowingly concerned in the contravention, it may impose on him a penalty of such amount as it considers appropriate".

[5] The relevant guidance on the disclosure obligations in the Listing Rules is contained in the *UKLA's Guidance on the Dissemination of Price Sensitive Information* in the UKLA Guidance Manual at Appendix 2, in particular at section 3, published in December 2001.

that, if made public, they would be likely to lead to substantial movement in the price of its listed securities and so require disclosure without delay under the Listing Rules. This is an overriding obligation and listed companies, where appropriate, should make use of their advisers to assist in determining whether information is potentially price sensitive when such changes are under consideration.

29. In assessing an issuer's compliance with Listing Rule 9.2(b) with respect to a change in the performance of its business, the primary issue is whether, objectively, there has been such a change. This may take many forms depending on the circumstances but will include a significant shortfall in profits being generated by the business. The likely price sensitivity of any such change must then be assessed.

30. Compliance with Listing Rule 9.2(c) involves the assessment of the issuer's (subjective) expectation and the (objective) assessment of the likely market impact of any change in that expectation. A listed company (together with, if necessary, its advisers) is normally best placed to assess whether an announcement under Listing Rule 9.2(c) is required. Even in the absence of a change to the "headline" full year profit expectation, if there is a change in the phasing of that profit through the financial year, the company must consider whether that change would, if made public, be likely to lead to substantial movement in its share price.

31. A company's optimism that it will achieve its headline profit figure at the end of the year, despite changes in the timing of delivery of that profit through the year, is not a sufficient basis in itself for the company to conclude that no announcement is necessary; the company must consider whether the market should be given the opportunity to assess that optimism for itself, through an announcement by the company.

Contravention - price sensitivity and delay

32. The FSA is satisfied that, if the information known within Sportsworld and to Mr Brown on 24 December 2001 concerning the changes in the performance of Sportsworld's business and/or the expectation as to its performance had been known to the market, it would have been likely to lead to substantial movement in the price of Sportsworld's listed securities. This is clear from the following:

    (1) the market knew that Sportsworld's actual profit for the full year ended 30 June 2001 had been £12 million and that profit had been weighted 42% for the first half year and 58% for the second half year;

    (2) the market expectation for Sportsworld's financial year ended 30 June 2002 was consistent with the Sportsworld's budgeted PBT of £16.1 million which assumed growth of 40%;

    (3) the market expectation was for profit of £4-6 million for the first half year to 31 December 2001 (a weighting of between 25% to 37%) and £10.1-12.1 million profit for the second half year to 30 June 2002 (a weighting of between 63% to 75%) which was consistent with the previous year's profit weighting.

33. In contrast, Sportsworld's November 2001 management accounts (which were distributed on 24 December 2001) showed that Sportsworld's performance would have had to have been exceptional in December 2001 even to break-even in the half year ending 31 December 2001. In other words, the first half year's expected PBT of £4-6 million was unlikely to be achieved and instead there was likely to be a substantial shortfall.

34. The significant changes in the first half and second half PBT weighting meant that Sportsworld's expectation of a full year PBT of £16.1 million was dependent on delivering a significant increase in the profits expected in the second half of the year. No matter how confident Mr Brown or therefore Sportsworld may have been that such a significant increase would be achieved (and the FSA does not challenge the sincerity of this belief), it is likely that the market would have reacted materially and adversely to the information that, in order to deliver the expected full year PBT, Sportsworld was now relying on a considerably more optimistic view of its performance in the second half of the year than it had done previously, following a worse than budgeted first half year performance.

35. All relevant information concerning these changes both in the performance of Sportsworld's business and in its expectation as to its performance should therefore have been accelerated to Board level and have been made the subject of an announcement without delay. Sportsworld's failure to do so until 28 January 2002 therefore constituted a continuing breach of its obligations under Listing Rule 9.2.

Mr Brown – knowingly concerned in the contravention

36. The FSA concludes that Mr Brown was knowingly concerned in Sportsworld's contravention for the following reasons:

- he was at all material times a director of Sportsworld and its Chief Executive Officer;

- he was familiar with and principally responsible for Sportsworld's optimistic trading announcements of 10 September, 3 October and 29 November 2001;

- he was fully aware of Sportsworld's budgeted PBT of £16.1 million for the year to 30 June 2002 including the weighting of profits between the first and second halves of the financial year;

- he was fully aware of the performance of Sportsworld's business including the November 2001 management accounts which confirmed the continuing deterioration in the performance of Sportsworld's business, even given the costs issues identified above at paragraph 13, with the result that by 24 December 2001 Mr Brown knew that:

  (1) Sportsworld's performance in the first five months had changed materially for the worse relative to the budget and also to the corresponding period of the preceding financial year;

(2) the impact on Sportsworld's profit relative to budget and expectation as to its full year PBT was to require a greatly increased weighting of profit in the second half of the financial year; and

(3) this information was not public knowledge.

37. As CEO, it was, ultimately, Mr Brown's duty to ensure that the full Board was provided with the information set out above and to ask the Board to consider the issue of an announcement without delay. In failing to do so he was knowingly concerned in Sportsworld's breach of Listing Rule 9.2.

Sanction

38. The FSA’s policy on the imposition of financial penalties and public censures is set out in Chapter 8 of the UKLA Guidance Manual. The principal purpose of financial penalties is to promote high standards of regulatory conduct by deterring those who have breached regulatory requirements from committing further contraventions and by demonstrating generally the benefits of compliant behaviour. The criteria for determining whether it is appropriate to issue a public censure are similar to those for financial penalties.

39. The breach of Listing Rule 9.2 was serious in view of the length of the delay, the impact or potential impact on the market and the apparent lack of control within the company (including the lack of information provided to and discussed with the non-executive directors).

40. The continuing duration of the breach until 28 January 2002 meant that it became more serious over time as more information became available confirming those changes. During this period the market's views of Sportsworld’s performance were materially in excess of the price sensitive information available to Sportsworld and Mr Brown. Indeed, market expectations had been conditioned by Sportsworld’s positive statements in October 2001 and November 2001, when warning signs were already evident from the financial information available to the executive management.

41. Mr Brown, as CEO, was required to be familiar with the requirements of the Listing Rules and, as he had knowledge of all the relevant facts, he was ultimately responsible for Sportsworld's failure to make a timely announcement.

42. Sportsworld's internal controls and governance failed. Sportsworld had no formal or written procedures in place relating to compliance with the Listing Rules. During December 2001 neither Sportsworld nor Mr Brown considered the Listing Rules and there was a failure to take advice in relation to the Listing Rules from Sportsworld's financial or other adviser in that month. The Company did take advice from its financial adviser in the second half of January 2002. Furthermore, during the period September 2001 to January 2002 there were no meetings of Sportsworld's Board and the non-executive directors did not receive the management accounts.

43. It is not open to listed companies or their directors to refrain from informing the market of price sensitive information concerning the adverse performance of the company's business on the basis of a belief that lost ground may be recovered in the remainder of the financial year. Rather, the market should be given the opportunity to assess a company's optimism in these circumstances and the credibility of the company's increasingly ambitious expectations for the remainder of the year.

44. Investors and other market participants were seriously prejudiced by Sportsworld's contravention of the Listing Rules, in which Mr Brown was knowingly concerned.

45. The FSA has taken into account that Mr Brown, who remains a director of Sportsworld, is an individual and may not have the resources of a body corporate when determining the amount of his penalty. Mr Brown has chosen not to make any representations as to his financial resources and the FSA has no information about his personal financial circumstances.

46. Sportsworld is in Administrative Receivership and is no longer trading. The FSA has received from the Administrative Receivers a statement of Sportsworld's financial condition to the effect that it has no financial resources from which to pay a financial penalty. The FSA would have imposed a substantial financial penalty on Sportsworld in respect of that contravention were it not for Sportsworld's lack of financial resources.

47. When considering whether to impose and the appropriate level of penalty for this serious failure under the Listing Rules, the FSA takes into account the fact that neither Sportsworld or Mr Brown deliberately set out to mislead the market. In addition, Mr Brown has a previously unblemished record as a company director and he has fully co-operated with the FSA's investigation.

48. The FSA has not previously imposed a financial penalty on a director of an issuer for a contravention of the Listing Rules involving conduct after 30 November 2001 ("N2"). It has imposed one censure on an issuer for a contravention in that period. In respect of previous cases involving contraventions prior to N2, the FSA has taken a very serious view of the conduct in question but, not having had the power to impose a penalty, has instead published statements of censure.

IMPORTANT

49. This Final Notice is given to Sportsworld and Mr Brown in accordance with Section 390 of the Act.

Financial penalty: manner of payment

50. Mr Brown must pay the Penalty to the FSA in full.

Time for payment

51. The Penalty must be paid by Mr Brown to the FSA within 14 days beginning with the date on which the notice is given to him.

If the penalty is not paid

52. If all or any of the Penalty is outstanding after 14 days, the FSA may recover the outstanding amounts as a debt owed by Mr Brown due to the FSA.

Publicity

53. Sections 391(4), 391(6) and 391(7) of the Act apply to the publication of information about the matter to which this notice relates. Under those provisions, the FSA must publish such information about the matter to which this notice relates as the FSA considers appropriate. The information may be published in such manner as the FSA considers appropriate. However, the FSA may not publish information if such publication would, in the opinion of the FSA, be unfair to Sportsworld and/or Mr Brown or prejudicial to the interests of consumers.

54. The FSA intends to publish such information about the matter to which this Final Notice relates as it considers appropriate.

FSA contacts

55. For more information concerning this matter generally, you should contact David Blunt at the FSA (direct line: 020 7066 1608) or Richard Powell (direct line: 020 7066 0528).

Martyn Hopper
Head of Market Integrity
FSA Enforcement Division