DCD MEDIA PLC

FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2010

Company number 03393610

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DCD Media plc

("DCD" or the "Group")

Final Results for the Eighteen Months Ended 31 December 2010

DCD Media, the independent TV production and distribution group, today reports results for the eighteen months period ended 31 December 2010.

Financial Summary (comparatives are twelve months to 30 June 2009)

- Revenue £48.4m (2009: £34.5m)
- Gross profit £10.2m (2009: £8.7m)
- Adjusted Profit Before Tax £1.8 m (2009: £2.4m)
- Operating Loss Loss £11.2m (2009: Profit £0.5m)
- Adjusted EBITDA £2.3m (2009: £3.0m)

Refer to table within the Financial Review section below for a reconciliation of the adjustments:

Post Balance Sheet Events

- Potential Funding

  The Group announces that it is currently exploring options to secure additional funding, either in the form of debt or equity. The Board has identified a requirement for further short-term working capital in the order of £1 million. It is in discussions with the Company's larger shareholders, from whom it has received strong indications of support. Such additional funding is subject to, inter alia, finalisation of terms and a further update will be provided in due course.

Key Events during the eighteen month period

- Re-organisation and formation of new production division, DCD Factual to maximize synergies of multiple factual brands within the group and accelerate international expansion
- Strategy of expansion overseas, particularly in the USA, increased revenues from international markets - now accounting for 31% of turnover. September Films USA successfully continues its transatlantic success with returning US hit reality series and new talent led primetime format with international potential.
- Strategy of expansion into the UK's nations and regions – Matchlight becomes one of Scotland's leading production companies on the back of its new commissions, while Wales based producer Prospect Cymru increases commissioning.
- DCD Rights experiences the upside of third party rights acquired for distribution with large package deals and strongest portfolio to date. DCD Publishing successfully launches first products into the retail market and expands ancillary rights portfolio third party and DCD-generated programming.

David Green, Chief Executive, commented:
"We have weathered a very tough environment and with the proposed changes can emerge with an improved operating structure and (subject to finalisation of terms) additional funding and a more stable Group, which has been achieved with lower ongoing fixed cost expenditure. The continued strong foothold in the US production market is a further testament to the determination of our team to improve performance. The directors believe that, alongside the new commissions already announced in 2011, and the actions noted above, this will lead to a more stable business to provide a platform for improved performance through the current year."

For further information please contact:

John McIntosh, Finance Director
DCD Media plc
Tel. 020 8563 9393

Jeremy Ellis or Chris Clarke
Evolution Securities
Tel. 020 7071 4300

Chief Executive's Review

DCD Media has faced its challenges over recent months with cost and development initiatives, a reorganisation of its production assets and a new funding proposal. The Group has also recently been addressing the issue of succession planning within certain of its business areas.

To address the production area, DCD Factual has been created to house the existing brands of West Park Pictures and Prospect Pictures, both of which have enjoyed successful production runs, and to ensure new talent can be attracted and incentivised. The foundations for this are now in place. To ensure its successful development, the Board considers that additional funding is required to support this division's objectives.

Management and Board Changes

Similar development initiatives to the above changes are being considered across the Group and steps are taking place at an early stage to improve DCD's performance during the next period. Executive headcount has reduced during the last financial period and as part of this process, the Group intends to appoint new non-executive directors to the Board. A full announcement disclosing all the details as required by Schedule 2 paragraph (g) of the AIM Rules will be made once the appointments are confirmed.

Chief Executive's Review of Divisions

Review of activity within the Group during the eighteen months period.

The group has four key operating divisions :

- *Factual Television Production* - This division is involved in the production of factual based television content from the Prospect Pictures, Westpark and DCD Factual brands. The results of Matchlight Ltd are also contained in this division.
- *Entertainment Television Production* – This division is involved in the production of entertainment based television content. This includes productions by September Films.
- *Event Management* – This division organises and manages events, primarily music concerts through Done & Dusted.
- *Rights and Licensing* – This division is involved with the sale of distribution rights, DVDs, music and publishing deals through DCD Rights, DCD DVD, DCD Music and DCD Publishing.

Factual Division

During the period, the Group reshaped the structure of its factual production wing in order to take advantage of the synergies and economies of owning successful production brands by further consolidating the management and back office functions into a centralised DCD Factual operating unit.

This was a strategic move to increase future profitability, bring a distinct focus to DCD Media's strong presence in the factual genre, and position the factual production pool for an even bigger push into the international television markets, particularly in the US where other DCD Media producers have a high profile presence.

The factual division launched in September 2010 continues to promote individual brands with their unique style and output. Including Prospect Pictures, Prospect Cymru (Wales), and West Park Pictures.

Prospect Pictures / Prospect Cymru (Wales) (Prospect)

During the period, the London and Cardiff based company delivered two successive seasons of its high volume, low cost lifestyle series **Daily Cooks Challenge** for ITV1, with a revision of the latest series made for ITV3. It also substantially increased its supply of short films for BBC One's flagship magazine show **The One Show** from 8 films in 2009 to 50 films for broadcast across 2010-2011.

Factual highlights included the critically acclaimed two-part documentary **Autistic Superstars** for BBC Three which received an Royal Television Society award nomination, and a raft of new documentaries for BBC Four including the award-winning feature length film **Elgar – The Man Behind The Mask**, **Chopin – The**

Women Behind The Music which marked the composer 200th birth anniversary, and Remembrance Day special **Battlefield Poet Keith Douglas**.

Prospect also successfully co-produced the world's first ever 3D live opera broadcast **Lucrezia Borgia** with sister company Done and Dusted for Sky and 3D cinemas.

The period notably saw a new commissioning out of the Cardiff-based company, Prospect Cymru, which produced a number of programmes for the BBC channels. Management believe that Wales is a vital part of the Group's factual strategy going forward, expecting Prospect Cymru to become one of the DCD's main popular factual content providers in 2011 and as such have increased the Group's investment there. This rationale is supported by the fact Wales saw the biggest growth in the BBC's economic impact of all the nations and regions with a considerable 17.9% boost in 2009/2010*.

Prospect's slate for FY2011 includes the transmission of **Misbehaving Mums To Be**, a major 6-part series commissioned by BBC Three, the 2-part BBC documentary **Passion of Port Talbot** starring Michael Sheen, and a new high profile documentary drama show about the life of Shirley Bassey, currently in pre-production with BBC Two. Further information on the financial impact of the reorganisation of this unit is contained within the Finance Director's Review.

West Park Pictures

Specialist factual producer West Park delivered two instalments of its Masterpiece series produced with The Prince's Charities Events – **The Arch of Enlightenment** and **The Emperor's Secret Garden** which were both broadcast on Sky Arts and continued production on its two part documentary **The Tallest Tower** for Channel 4 and Discovery Europe.

Highlights for the period included the one-hour special **Last Chance to See Special: Return of The Northern White Rhino**, co-produced with BBC Wales for BBC Two; the delivery of three-part series **Nature's Power Revealed** for Readers Digest and feature length documentary **Punchdrunk's Duchess of Malfi** which transmitted in late 2010 on More4.

Post year end West Park Pictures underwent a management restructure as part of the ongoing integration of the factual production entities under the new DCD Factual umbrella. West Park's slate of programming for FY2011 including documentaries for Channel 4, Discovery UK and various corporate clients is now under the management of the Group's factual division. Further information of the financial impact of the reorganisation of this unit is contained within the Finance Director's Review.

Matchlight

Since its formation Matchlight, the collaboration between DCD and a group of prominent Scottish programme makers, has grown to become one of Scotland's leading production companies.

From its base in Glasgow the company is ideally placed to take advantage of the BBC's increased commitment to sourcing more of its output from the UK's nations and regions. The BBC has already met its 2012 target of 6% of original television commissions from Scotland and remains committed to a further rise of 2.9% to a total of 8.9% by 2016. Channel 4 has also renewed its commitment to out-of-London commissioning and has identified Scotland as a growth area.

The Group is delighted that the strategic move to capture a share of this market has paid off. In the period since it was brought within the Group Matchlight was commissioned to make series or individual films for BBC One, BBC Two, BBC Three, BBC Four, BBC Scotland and Channel 4.

Highlight's included the Royal Television Society nominated history series **At Home with the Georgians** for BBC Two, presented by Prof. Amanda Vickery; a special two-part Imagine arts documentary for BBC One presented by Alan Yentob and entitled **The Trouble with Tolstoy**; **See You in Court** (previously titled Libel) a major six part documentary series for BBC One; and a two part series for BBC Two fronted by Rory Stewart MP. Both **See You in Court** and the BBC Two series are due to transmit later in 2011.

Looking forward Matchlight has secured a solid slate of development projects which contributes to a positive outlook: it has secured its first commission from Channel 5, a six part popular factual series about nervous drivers fighting their fears currently entitled **So You Think You Can't Drive**; a three part history series for BBC Two and BBC Four; as well as three major projects in funded development with Channel 4.

Further information on the financial accounting impact of the formation of this venture are contained within the Finance Director's Review.

Entertainment

September Films

September Films, the Group's transatlantic producer of reality television, entertainment and formats had another prosperous period, delivering high rated primetime programming in both the UK and the US, and strategically expanding the breadth of its output into new genres.

In the US, September continued to strengthen its ever-growing reputation in the American reality TV market with for the first time three major series airing simultaneously on three different cable channels; Season 7 of WEtv's long running hit wedding series **Bridezillas**, A&E's signature non-fiction franchises **Billy The Exterminator**, whose popularity led to the commissioning of a third season, and **Mall Cops: Mall of America**, for TLC. The company continued to produce high rated human interest documentaries including **650lb Virgin: The Weight is Over**, **Marlie's New Face: 4 Years On**, **Child Frozen in Time**, all for TLC and **Raising Bains** for A&E. The company also expanded its broadcaster client base, notably with its first show for MTV US, the one-hour special **Baby High**, exploring the issues of teenage pregnancy.

In the UK, September added to the growth of its US operation by anticipating the revival of the 'magic' genre on British Television and delivering an original and daring TV magic show for ITV1 – **Penn & Teller: Fool Us** - starring the world famous magic double act and hosted by Jonathan Ross in his first presenting job on ITV. The ratings and critical success of the 90-minute special in January led to the commissioning post year end by ITV1 of a major 6-part series due to transmit primetime later this year (a co-production with 1/17 Productions).

Meanwhile in the children's genre, the BAFTA winning **Richard Hammond's Blast Lab** received a further Children's BAFTA nomination during the run of its third series in 2010. The franchise now totalling 52 x 30 minute episodes proved a ratings success in the UK and beyond and CBBC commissioned a spin off series **Richard Hammond's Blast Lab: The Experiments** (20x5') which aired from October 2010 on BBC1 and CBBC. International TV sales, publishing and merchandising for Blast Lab have also been successful via the group's dedicated divisions, which supports the rationale of a vertically integrated structure. A number of best selling books and a range of science kits are available from major UK retailers such as Argos and Tesco, while series 4 (13x30') is due for transmission from this summer.

Looking into FY 2011, September Films's slate include new seasons of its largest franchises such as **Bridezillas** and **Billy The Exterminator**, and the expansion of its US creative pool with the recent appointment for the new role of Senior VP, Creative. The outlook remains good for the company which ideally positioned to be one of the main drivers of DCD's headlong surge into the American TV marketplace.

DCD Drama

Broadcaster commissioning budget for drama has continued to fall during the period with the total number of drama hours produced by UK independent companies decreasing significantly between 2009 and 2010. Hence, the drama division remains on hold in favour of investment in other production and distribution areas. This will continue until the demand for high budget drama returns.

Event Management

Done and Dusted

The division had a strong period adding major award and live concert commissions which, strengthened their presence in the ad-funded programming market.

Returning business included the iconic **Victoria's Secret Fashion Show**, now in its eight consecutive year on CBS TV, **T4 On the Beach**, Channel 4's sold out flagship live music TV event, and **The Laureus World Sports Awards**, the world's premier sports awards broadcast worldwide from the Emirates Palace in Abu Dhabi.

New commissions were staged and filmed in both 2009 and 2010, including **The Mobo Awards** (BBC), T4 On The Beach's winter counter part **T4 Stars** (Channel 4), **Arthur's Day'** the live music annual celebrations, advertiser funded by Guinness - streamed across bars and pubs worldwide and in the UK on Pub TV. Other new high profile projects included **The Video Games Awards**, the most important event in the Video Gaming industry broadcast on Spike TV, **F1 Rocks Singapore** advertiser funded by LG for Universal, **A Christmas Carol** and the UK red carpet coverage of the 68th **Golden Globes** both for Sky Movies. Done and Dusted also continued to film live concerts for a broad range of international music acts ranging from **Neil Diamond** to **Coldplay**.

Done and Dusted also delivered the world's first 3D live opera broadcast, **Lucrezia Borgia**. The widely publicised event aired simultaneously on the new Sky 3D channel in the UK and Germany, on Sky Arts and in 3D cinemas across the UK. Further 3D credits during the period included a Circus Show broadcast live for Israel's largest telecom group, Bezeq.

While operating in an extremely competitive environment the company has successfully managed to anticipate changes in the market and diversify its revenue outside traditional broadcaster funding or the live music DVD market. Importantly, due to the ongoing re-organisation of the Group, the management will propose a new structure within this valued division which will be announced in due course. Further information is contained within the Finance Director's Review.

Rights and Licensing

DCD Rights

The international distribution arm of DCD Media sells rights of both DCD and third-party producers to television, DVD and new media across all genres.

The division had a healthy period, expanding its client base and optimizing its catalogue with further valuable programming rights despite a very competitive TV distribution market, mostly due to the lack of new products available for distribution.

The key drivers of the performance were its investment in new programmes such as prestigious dramas from the BBC and ABC Australia, offering buyers a compelling mix of high profile cast and top producers, large package deals to existing and new international clients, and the continued success of September's hit reality franchise **Bridezillas**, now totalling 150 hours. DCD Rights also showcased its strongest ever slate of factual programming at the MIPCOM market in October 2010, spanning 60 hours of new factual content.

Sales were driven by large packages with BBC Worldwide International, multi-national deals with leading networks such as Discovery, Sundance and the National Geographic channel; key deals in the US notably included drama series **Rake** to DirectTV, factual series **The Bionic Vet** to the Smithsonian Channels, the ten-part documentary series **Hardliners** to CurrentTV, and **Danger Coast** to Discovery International Channels.

A clutch of awards increased visibility on the international scene for its most recent programmes, including BAFTA, RTS, National TV Awards, FIPA, and DCD Rights was singled out as one of the most highly rated distributors by UK producers in the annual survey from one major UK trade publication in autumn 2010.

DCD Rights kick started FY 2011 with a raft of factual sales and launched the original format and series of the new entertainment show **Penn & Teller: Fool Us** hosted by Jonathan Ross, one of the highlights of the division's new slate of programmes for the MIP TV market in April.

The outlook for distribution remains cautious. Despite challenging trading conditions, DCD Rights is in a favourable position due to the expansion of its third party programme portfolio, the quality of the shows made internally by the DCD producers, and a consolidated catalogue focusing on programming with a broad appeal.

DCD Publishing

DCD Publishing has continued its strategy of signing up third party producers and content owners with a view to exploiting their IP in publishing, merchandising, DVD and music. Representation deals have been signed with Windfall Films, Free@Last, WNET Australia, MNG Films and Oxford Films, as well as with Simon Mann, the Old Etonian mercenary. Licensing deals have been concluded with all these copyright owners.

We have also signed a new representation deal with **Suzy's Zoo**, the multi US and Japanese pre-school property and the first licences are now being signed in the bedding, publishing, gift and apparel categories.

Richard Hammond's Blast Lab science toy range continues to perform well and **Puppy Love**, a new soft toy, singing Donny Osmond's original iconic hit written by Paul Anka was launched successfully. We have also signed the first deals in our newly developed merchandising programme based on the puppy soft toy in the stationery, gift, publishing, greetings card and apparel categories.

Finally DCD Music, the consumer-facing music division launched in April 2010, has made good progress in its first nine months of trading. DCD Music has also developed its music publishing business.

Digital Classics (DVD Label and Digital Download)

DCD's wholly owned DVD label increased the number of titles it brought to market in each quarter of the period under review, boosting its total output by 180% from 22 titles in the previous period to 62. This transformational expansion was driven by working with independent producers to release their existing catalogues. Many of these titles were previously unexploited because of clearance issues. Using its expertise, Digital Classics has been able to resolve these issues on behalf of the rights holder making the releases possible.

The label also released two prestigious box sets of existing titles, notably the 8-disc box set, **Stephen Fry: The Definitive Collection** and continued to develop its relationship with Stephen Fry by releasing the DCD-produced **Last Chance to See**, and licensing two more Fry documentaries licensed in from an external production company.

The label also started to launch a number of titles on iTunes with two DCD-produced titles, **Stephen Fry in America** and **Last Chance to See**, generating better than expected sales. The label also continued to release other programmes from DCD producers such as **Daily Cooks Challenge**, **Bridezillas** and **Theatreland**.

Other externally-licensed title highlights released during this period were **The Bridge** (Bernhard Wicki's Oscar-nominated anti-war film), **The Great Silence** (starring Klaus Kinski) and a number of original films with iconic 1950s pin-up Bettie Page.

Digital Classics is now looking forward to building on these successes in 2011 with upcoming releases including Matchlight's RTS-nominated documentary **At Home with the Georgians**, the multi award-winning **Stephen Fry: Wagner & Me**, and other celebrity-led documentary features.

David Green
Chief Executive Officer
30 April 2011

Finance Director's Review

The Group has faced challenges during recent months to balance current development of the business with its future growth plans. During the process of re-organsiation, which included the creation of DCD Factual, described in the CEO review above, it has been necessary to merge certain areas of management and operations. This kind of change, the risk of which is highlighted in the Business Review section, has potential to cause reduced momentum and it is important for management to communicate clearly to its key staff the reasons for change and how it will positively promote improved performance in the near term.

The headline Adjusted EBITDA in the eighteen months ended 31 December 2010, a key performance measure used by the Board, decreased by 24% to £2.3m (Year ended 30 June 2009: profit of £3.0m) in part due to reduced momentum, delayed development of programming, and the cost of refocusing its core factual production away from lesser performing areas. Primarily due to non-cash impairment charges Operating Profit in the eighteen month period fell to a loss of £11.2m (2009: profit of £1.0m) primarily after accounting for an impairment review of intangible assets, which resulted in a write down of £10.8m (Year ended 30 June 2009: £Nil) for the period.

The accounting implications in terms of the effect of reporting impaired intangible assets under International Financial Standards is explained below.

West Park Pictures Limited, an operating unit within the Factual segment, was restructured as part of the overall re-organisation of the Group's factual production and transferred future business to the DCD Factual division of DCD Media Plc. The retention and promotion of the trade name is part of the overall commercial strategy, however despite the commissions won during the current year, the business no longer supported the previous goodwill and trade name values associated with them. The re-organisation should enhance overall profitability going forward but the impacts of these changes have not been assumed as delivered in assessing carry values and, accordingly management has consequently impaired goodwill by £2.4m. This reduced the carrying value of goodwill for the operating unit to £nil. Refer to Note 12 below.

Prospect Pictures Limited, an operating unit within the Factual segment, transferred future business to the DCD Factual division of DCD Media Plc. Similar to above the business no longer supported the previously associated goodwill values. The re-organisation should enhance overall profitability going forward but the impacts of these changes have not been assumed as delivered in assessing carry values and. consequently management has assessed that it should impair goodwill. This resulted in an impairment to goodwill of £4.9m.

During recent months management has considered how it should value of the Event Management unit which contains no intellectual property, and has decided that given the risk associated with retention and or replacing its key staff in the event of failure to retain their service beyond the current period, that it is appropriate to write down of the carrying goodwill associated with this division by £1.5m. This reduced the carrying value of goodwill for the operating unit to £1.5m. Management is considering a revised structure for this division which will be announced in due course.

Due to the above structural changes and executive departures the Group has also incurred reorganisation costs of £0.5m (Year ended 30 June 2009: £Nil) during the period.

Period	**Eighteen months £m 2010**	**Twelve months £m 2009**
Operating profit/(loss) per statutory accounts	**(11.2)**	**1.0**
Add Amortisation of programme rights (note 12)	8.7	6.8
Add: Impairment of programme rights (note 12)	1.4	-
Add: Amortisation of trade names (note 12)	1.5	1
Add: Impairment of goodwill & related intangibles (note 12)	9.4	-
Less: Capitalised programme rights intangibles (note 12)	(8.1)	(6.2)
Add: Depreciation (note 13)	0.1	0.1
EBITDA	**1.8**	**2.7**
Add: Restructuring costs (legal and statutory)	0.5	0.3
Adjusted EBITDA	**2.3**	**3.0**
Less: Net financial income/(expense) (note 8)	(0.4)	(0.5)
Less: Depreciation	(0.1)	(0.1)
Adjusted PBT	**1.8**	**2.4**

For the period to 31 December 2010, the Group provided for no tax provision as it has incurred operating losses deductible for corporation tax purposes.

Earnings per share
Basic loss per share in the period was 13.38p (Year ended 30 June 2009: 1.27p profit per share) and was calculated on the losses after taxation of £7.9m (Year ended 30 June 2009: Profit £0.7m) divided by the weighted average number of shares in issue during the period being 59,019,293 (2009: 53,368,503). The number of shares has increased due to a conversion of debt to equity in the period, please see note 22.

Balance Sheet
Since the prior year end the Group debt profile has reduced by £3.9m to £5.8m (30 June 2009: £9.9m). During the period from November 2009 until December 2010 £1m of bank debt was repaid. The remaining debt is made up of outstanding bank loans £2m (2009: £nil) and overdraft of £0.7m (£nil) and convertible debt of £3.1m (2009: £9.9m).

Following the restructuring explained in the CEO section above, the Group undertook its regular impairment review after the period end. As a consequence of that review under the principles of International Financial Reporting Standards the Group has taken a non-cash charge of £9.4m (2009: £nil) against goodwill and trade names and £1.4m against the intangible programme rights catalogue. This impairment has been recorded in the statement of comprehensive income (see note 11).

The Group's net cash balances as at 31 December 2010 were £4.1m (30 June 2009: £1.8m). The year-on-year comparative was £3.4m as at 31 December 2009 reflecting the higher proportion of work carried out in the run up to December. A substantial part of the company cash balances represent the company's working capital commitment in relation to its programme making and is not considered to be free cash.

In these results the Group announces that it is currently exploring options to secure additional funding, either in the form of debt or equity. The Board has identified a requirement for further short-term working capital in the order of £1 million. It is in discussions with the Company's larger shareholders, from whom it has received strong indications of support. Such additional funding is subject to, inter alia, finalisation of terms and a further update will be provided in due course.

Shareholders' Equity
Retained earnings as at 31 December 2010 were £(52.3m) (2009: £(45.2m)) and total shareholders' equity at that date was £9.8m (30 June 2009: £16.4m).

Amounts attributable to non-controlling interests
During the period the Group brought Matchlight Ltd, a collaboration with a group of leading Scottish programme makers within its Group accounting. The Group has recognised a loss of £0.15m attributable to non controlling interests in the statement of comprehensive reserves and an amount of £0.39m as equity representing the non controlling interest of the company as at the financial year end.

Cost reduction
Other overhead reduction initiatives have begun across the Group particularly with respect to occupancy costs. These changes will take place during the first half of 2011 in order to deliver property cost savings on top of the existing re-organisation plans.

John McIntosh
Finance Director
30 April 2011

Report of the directors for the year ended 31 December 2010

The directors present their report together with the audited financial statements for the period ended 31 December 2010.

Principal Activities
The main activities of the Group continued to be the production and distribution of programmes, with compatible new lines of business in the publishing and merchandising area.

A detailed review of the Group's business is contained in the CEO's statement on pages 3 to 7.

Results
The Group's Loss before Tax for the eighteen month period ended 31 December 2010 was £8.4m (Year ended 30 June 2009: £0.5m). The loss for the period post-taxation was £7.9m (Year ended 30 June 2009: Proift £0.7m) and has been carried forward in reserves.

The directors do not propose to recommend the payment of a dividend.

Business Review

Risks and uncertainties
The Group's management aims to minimise risk by developing a broad, balanced stable of production/distribution activity and intellectual property. Clear risk assessment and strong financial and operational management is essential to control and manage the Group's existing business, retain key staff and balance current development with future growth plans. The Finance Director's Review refers to the re-organisation and the uncertainties which have had to be dealt with during recent Group re-organisation and following the formation of the DCD Factual division. As the Group operates in overseas markets it is also subject to exposures on transactions undertaken in foreign currencies.

Acquisition Activity
As described in the Finance Director's Review during the period of reporting the Group has focused on stabilizing its existing business while seeking suitable partner opportunities. It is an aim of the Group to continue to look for suitable opportunities which will add value and enhance earnings. The known risks of such a strategy can be summarized as: finding appropriate targets or joint ventures opportunities, integration risk of acquiring (multiple) targets and finding/retaining key staff, and, failure to achieve financial/operational synergies from those targets.

To minimize risk, the Group uses its financial and operational diligence process, backed by legal diligence. The Group has already integrated its previous acquisitions, which are regularly monitored through the Group's internal control function.

Production and distribution revenue
The Group revenue tends to be seasonally cyclical with a significant element occurring in the second half of the year. Group revenue arises from a number of broadcasters, corporations and distributors across the world. No single production or distribution sale represents more than 10% of Group revenue. The Group is continually looking to broaden its customer base. The action taken to change the year end to 31 December resulting in these eighteen month results was specifically aimed to match the business's cycle to avoid encountering more year-end judgments and estimates than should be necessary for its type of business.

Report of the directors for the year ended 31 December 2010 (cont.)

Funding and Liquidity
Costs incurred during production are not always funded by the commissioning broadcaster. The Group policy is to maintain its production cash balances to ensure there is no financial shortfall in the ability to produce a programme. It is inherent in the production process that in the short-term cash flows on productions can sometimes be negative initially. This is due to costs incurred before contracted sales have been received, in order to meet delivery and transmission dates. The Group funds these initial outflows, when they occur, in two ways: internally, ensuring that overall exposure is minimized; or, through a short term advance from a bank or finance house, which will be underwritten by the contracted sale. The Group regularly reviews the cost/benefit of such decisions in order to obtain the optimum use from its working capital. The Group's net cash at the end of the period was £3.4m (30 June 2009: £1.8m) including certain production related cash held to maintain the Group policy. The Group debt consists of Convertible Loans and conventional bank debt. Details of the interest payable and Convertible Loans are disclosed in note 8, 17 and 19 to the financial

statements, respectively. The Finance Director's review refers to the ongoing discussions to improve the group liquidity position.

Liquidity risks
Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. A full description of the Group's position regarding its Convertible Loan Notes is disclosed in the directors consideration of the going concern basis of preparation of the financial statements. The Group's exposure to interest rate fluctuations on its conventional bank debt is appropriately hedged. The Group's exposure to exchange rate fluctuations has historically been small based on its revenue and cost base. Dependent on the extent the Group's international revenue grows the appropriate hedging strategy will be introduced.

It is Group policy to continue to seek the most optimum structure for its borrowings and this policy will be pursued over the coming year.

Directors and their interests

The directors of the Company, and their beneficial interests in the share capital of the Company, during the period were as follows:

		At 30 December 2010		**At 30 June 2009**	
		Ordinary shares of 10p each	**Deferred shares of 0.9 p each**	**Ordinary shares of 0.1p each**	**Deferred shares of 0.9p each**
David Elstein	(resigned 12th October 2010)	-	-	3,349,309	-
Tarik Wildman		29,285	645,157	29,285	645,157
Simon Pizey	(resigned 7th December 2010)	2,406,250	-	2,411,452	-
David Green		4,246,614	-	4,246,614	-
John McIntosh		-	-	-	-

Details of directors' options are disclosed in note 6 to the financial statements.

Other than as disclosed in note 27 to the financial statements, none of the directors had a material interest in any other contract of any significance with the Company and its subsidiaries during or at the end of the financial period.

Report of the directors for the year ended 31 December 2010 (cont.)

Substantial Shareholdings
As at 28 April 2011, the following notifications had been made by holders of beneficial interests in 3% or more of the Company's issued ordinary share capital as follows:

	No. of 10 p ordinary shares	%
Gartmore Investment Management	13,155,458	21.41
Taya Communications Limited	12,145,157	19.77
D Green (director)	4,246,614	6.91
Universities Superannuation Scheme	4,221,581	6.87
MD Barnard & Co	2,807,740	4.57
S Pizey (director)	2,406, 250	3.92
I Stewart	2,406,250	3.92
H Hamilton	2,406,250	3.92

Share capital
Details of share capital are disclosed in note 22 to the financial statements.

Employment Involvement

The Group's policy is to encourage employee involvement at all levels as it believes this is essential for the success of the business. There is significant competition for experienced and skilled creative staff and administrators. The directors are aware of this and have looked to encourage and develop internal resources and to put in place succession plans. In addition, the Group has adopted an open management style to encourage communication and give employees the opportunity to contribute on business issues.

The Group does not discriminate against anyone on any grounds. Criteria for selection and promotion are based on suitability of an applicant for the job. Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort will be made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be at least comparable with that of other employees.

Financial Instruments

Details of the use of financial instruments by the company are contained in note 21 of the financial statements.

The Board
As at the date of approval of these financial statements, the board consisted of three members, one of whom is a Non-Executive Director. Their biographies are to be found on page 16. The Group has adopted a framework for corporate governance which it believes is suitable for a company of its size with reference to the key points within the Principles of Good Governance and Code of Best Practice, ("the Combined Code") Although the Board consider the costs of full compliance with the code to outweigh the benefits it would provide to a business the size it is the Group's stated aim to find an appropriate candidate for the position of Chairman as soon as practicable.

Corporate governance
The Board meets regularly, normally monthly, and covers strategic, operational, financial performance and remuneration committee matters as they arise from time to time. A Management Board made up of key executives from the divisions normally meets monthly to cover cross-group matters and develop new business opportunities. Matters of significance are raised with the Group Board of directors.
The Board reviews financial and operational information derived from the Group's Management Board, and the effectiveness of external audit and internal financial controls. The terms of reference of the Audit Committee are to assist themselves as Directors in discharging their individual and collective legal responsibilities for ensuring that:

Report of the directors for the year ended 31 December 2010 (cont.)

- the Group's financial and accounting systems provide accurate and up-to-date information on its current financial position;
- the Group's published financial statements represent a true and fair reflection of this position; and
- the external audit, which the law requires in order to provide independent confirmation that these legal responsibilities are being met, is conducted in a thorough, efficient and effective manner.

The external auditors attend the audit committee meeting and as such it provides them with a direct line of communication to the directors.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO's statement. The financial position of the Group, its cash position and borrowings are set out in the financial review section of the statement. In addition note 21 sets out the Group's objectives, policies and processes for managing its financial instruments and risk.

As highlighted in note 1 to the financial statements, the Group's day-to-day operations are funded from cash generated from trading. The Group believes that the opportunity to inject new cash into the Group will help underpin its stability, help refocus and reduce the need for the Company to divert operating cash towards short term non operating requirements

The Group has identified a requirement for further short-term working capital in the order of £1 million. It is in discussions with the Company's larger shareholders, from whom it has received strong indications of support. Such additional funding is subject to, inter alia, finalisation of terms and a further update will be provided in due course. which the directors believe will be concluded in the near future on appropriate terms for the Group.

The Board remain positive about the resilience of the Group despite the pressures from the current economic conditions and those outlined above. In preparing their forecasts and projections allowance is made for reasonably possible changes in its trading performance. These projections show that, with the ongoing support of its senior shareholders and its bank, the Group can continue to generate cash to meet their obligations as they fall due.

Through the recent negotiations with senior shareholders, and its principal bankers the directors, after making enquiries, have a reasonable expectation that the company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Creditor Payment Policy

The Group's current policy and practice concerning the payment of suppliers is to agree terms of payment when agreeing the terms of the transactions, varying them as may be agreed from time to time,to ensure that the suppliers are aware of the terms and to abide by the agreed or varied terms. The company's averaged 'creditor days' at 31 December 2010 was 72 days (30 June 2009: 79 days).

Directors' Responsibilities for the Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors have elected to prepare the parent company financial statements in accordance with UK GAAP. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

Report of the directors for the year ended 31 December 2010 (cont.)

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

By Order of the Board

J McIntosh
Director

30 April 2011

Board of Directors

DAVID GREEN (CHIEF EXECUTIVE OFFICER)

David Green was appointed Chief Executive Officer of DCD Media plc in December 2009. He joined the Group in 2007 when London and LA-based television and film production company September Films, of which he was Chairman and Founder, was acquired by DCD Media. He originally took on the role of DCD Chief Creative Officer with the task of driving creative synergies across all Group production and distribution companies. He now merges his corporate CEO role with special responsibility for spearheading DCD Media's surge into the booming American production market.

A veteran of the British and American Film and television industries where he has successfully built his career since graduating from Oxford in 1972, David has produced and/or directed over a thousand hours of primetime television including the landmark 'Hollywood Women' series and September's flagship show 'Bridezillas' - both of which he created. His four feature film directing credits notably include the Oscar-nominated 'Buster' (4 awards) one of the biggest grossing British films of all time, and the $22m Disney action adventure 'Wings of the Apache', starring Nicolas Cage and Tommy Lee Jones. He was also the Executive Producer of two September movies: Oscar-nominated 'Solomon and Gaenor' (7 awards) and 'House of America' (6 awards).

JOHN MCINTOSH (FINANCE DIRECTOR, CHIEF FINANCIAL OFFICER)

John McIntosh qualified as a Chartered Accountant at Deloitte & Touche in 1994 and has held Director roles in AIM listed companies since 2003. His early professional career allowed him to live in various European countries, working with international distribution, advertising and media corporations including Sony, D'Arcy Masius Benton & Bowles and BBC's corporate finance. During the latter years, John has concentrated on working for private equity investors in London and has consulted for the Thomson Media Group.
John joined DCD Media in August 2006 holding the joint positions of Chief Financial and Chief Operating Officer, before he became the group's Finance Director in June 2008 with overall responsibility for finance and operations.

TARIK WILDMAN (NON-EXECUTIVE DIRECTOR)

Tarik Wildman has been involved in the financial industry for over 20 years. He was a Director at Credit Suisse First Boston and Dillon Read and remains an adviser at UBS.
He is also a partner in the Madrid-based firm Forest Asset Management, and runs his own enterprise Wildman & Company Ltd, which finds financial solutions for a wide variety of corporate clients. Tarik is currently Managing Director of PJ Investments and sits on the board of a number of companies associated with Peter Jones, including Phones International Group, UK's premier distributors of mobile phones, accessories and telecoms services.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DCD MEDIA PLC

We have audited the financial statements of DCD Media Plc for the period ended 31 December 2010 which comprise the group statement of financial position and company balance sheet, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period 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.

James Brown (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Bristol
30 April 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC203127).

Consolidated statement of comprehensive income for the period ended 31 December 2010

	Note	18 Month Period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Revenue	4	**48,359**	**34,516**
Cost of sales		(36,743)	(25,861)
Impairment of programme rights		(1,422)	-
		(38,165)	(25,861)
Gross profit		**10,194**	**8,655**
Selling and distribution expenses		**(101)**	**(63)**
Administrative expenses:			
- Other administrative expenses		(9,934)	(6,499)
- Impairment of goodwill and impairment and amortisation of trade names	5,12	(10,899)	(988)
- Restructuring costs	5	(530)	(94)
		(21,363)	**(7,644)**
Other income		54	-
Operating (loss)/profit		**(11,216)**	**1,011**
Finance income	7	5	62
Gain settlement on convertible loan	17	3,560	-
Finance costs	8	(788)	(623)
(Loss)/profit before taxation		**(8,439)**	**450**
Taxation	9	544	229
(Loss)/profit after taxation		**(7,895)**	**679**
Profit attributable to:			
Owners of the parent		(7,742)	679
Non controlling interest		(153)	-
(Loss)/profit and total comprehensive income for the period		**(7,895)**	**679**

Earnings per share attributable to the equity holders of the company during the period (expressed as pence per share)

Basic (loss)/profit per share	11	(13.38p)	1.27p
Diluted (loss)/profit per share	11	(13.38p)	0.77p

The notes on pages 22 to 47 are an integral part of these consolidated financial statements.

Consolidated statement of financial position as at 31 December 2010 Company number 03393610

	Note	18 Month Period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Non-current assets			
Goodwill	12	7,568	16,249
Other intangible assets	12	7,768	11,915
Property, plant & equipment	13	104	114
		15,440	**28,278**
Current assets			
Inventories	14	276	210
Trade and other receivables	15	7,930	6,975
Cash and cash equivalents		4,135	1,845
		12,341	**9,030**
Current liabilities			
Bank overdrafts	17	(738)	-
Bank and other loans	17,20	(1,000)	(9,686)
Trade and other payables	16	(9,560)	(7,858)
Taxation and social security	16	(869)	(1,050)
Obligations under finance lease	17	(11)	-
Provisions	18	(76)	(84)
		(12,254)	**(18,678)**
Non-current liabilities			
Secured convertible loan	19,21	(3,123)	-
Bank and other loans	19	(1,000)	
Obligations under finance leases	19	-	(14)
Deferred tax liabilities	20	(1,636)	(2,213)
		(5,759)	**(2,227)**
Net assets		**9,768**	**16,403**
Equity			
Equity attributable to owners of the parent			
Share capital	22	6,602	5,806
Share premium account		49, 451	49,100
Equity element of convertible loan	19	120	328
Merger reserve		6,356	6,356
Retained earnings		(52,721)	(45,187)
Equity attributable to owners of the parent		**9,807**	**16,403**
Non controlling interest		(39)	-
Total Equity		**9,768**	**16,403**

The notes on pages 23 to 48 are an integral part of these consolidated financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 30 April 2011

J McIntosh
Finance Director

Consolidated statement of cash flows for the period ended 31 December 2010

Cash flow from operating activities		18 Month Period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Net (loss)/profit before taxation		**(8,439)**	**450**
Adjustments for:			
Depreciation of tangible assets		79	74
Amortisation and impairment of intangible assets	12	21,056	7,166
Profit on disposal of property, plant and equipment		-	7
Profit on refinancing of convertible loan		(3,560)	
Loss on disposal of intangible assets		-	-
Net bank and other interest charges		783	561
Decrease in provision		(8)	
Net cash flows before changes in working capital		**9,911**	**8,258**
Decrease/(increase) in inventories		(66)	5
(Increase)/Decrease in trade and other receivables		(1,143)	1,524
(Decrease)/increase in trade and other payables		870	(2,897)
Cash from operations		**9,572**	**6,890**
Interest received		5	62
Interest paid		(169)	(623)
Income taxes (received)/paid		(33)	-
Net cash flows from operating activities		**9,375**	**6,329**
Investing activities			
Acquisition of subsidiary undertakings, net of cash and overdrafts acquired	31	(179)	-
Purchase of property, plant and equipment	13	(35)	(10)
Purchase of intangible assets	12	(8,092)	(6,233)
Sale proceeds of property, plant and equipment			7
Net cash flows used in investing activities		**(8,306)**	**(6,236)**
Financing activities			
Issue of ordinary share capital		-	-
Repayment of finance leases		(3)	(10)
Repayment of loan		(3,480)	(1,700)
New loans raised		3,000	363
Net cash flows from financing activities		**483**	**(1,347)**
Net increase/(decrease) in cash		**1,552**	**(1,254)**
Cash and cash equivalents at beginning of period		1,845	3,099
Cash and cash equivalents at end of period	30	**3,397**	**1,845**

Consolidated statement of changes in equity for the period ended 31 December 2010

	Share capital	Share premium	Equity element of convertible loan	Merger reserve	Retained earnings	Equity attributable to owners of the parent	Amounts attributable to non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£000	£000	£'000
Balance at 30 June 2008	**5,772**	**49,077**	**328**	**6,356**	**(45,866)**	**15,667**	**-**	**15,667**
Profit and total comprehensive income for the year	-	-	-	-	679	679	-	679
Shares issued	34	23	-	-	-	57	-	57
Balance at 30 June 2009	**5,806**	**49,100**	**328**	**6,356**	**(45,187)**	**16,403**	**-**	**16,403**
(Loss)and total comprehensive income for the period	-	-	-	-	(7,742)	(7,742)	(153)	(7,895)
Shares issued	796	351	-	-	-	1,147	-	1,147
Movements on refinancing	-	-	(208)	-	208	-	-	-
Minority interest recognised on obtaining a controlling interest	-	-	-	-	-	-	114	114
Balance at 31 December 2010	**6,602**	**49,451**	**120**	**6,356**	**(52,721)**	**9,808**	**(39)**	**9,768**

Notes to the financial statements for the period ended 31 December 2010

The principal activity of DCD Media plc and subsidiaries (the Group) is the production of television programmes in the United Kingdom and United States, and the worldwide distribution of those programmes for television and other media; the Group also distributes programmes on behalf of other independent producers.

DCD Media plc is the Group's ultimate parent company, and it is incorporated and domiciled in Great Britain. The address of DCD Media plc's registered office is One America Square, Crosswall, London EC3N 2SG, and its principal place of business is London. DCD Media plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

DCD Media plc's consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company. The accounts have been drawn up to the balance sheet date 31 December 2010.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 April 2011.

1 Principal accounting policies

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the periods presented, unless otherwise stated. The group financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by European Union ("Adopted IFRSs"), and with those parts of the Companies Act 2006 applicable to companies preparing their financial statements under Adopted IFRSs.

Change of accounting reference date
During the period, the accounting reference date (ARD) was changed from 30 June to 30 December. Under the Companies Act 2006, accounts can be made up to a date within 7 days of the ARD. The directors have therefore selected 31 December as the period end date. The financial statements shown for 2010 are for the period 1 July 2009 to 31 December 2010, a period of 18 months. Comparative figures are for the 12 months to 30 June 2009.

Basis of preparation – Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO's statement. The financial position of the Group, its cash position and borrowings are set out in the financial review section of the statement. In addition note 20 sets out the Group's objectives, policies and processes for managing its financial instruments and risk.

The Group's day-to-day operations are funded from cash generated from trading, with other activities funded from a combination of equity and short and medium term debt instruments. In considering the going concern basis of preparation of the Group's financial statements, the Board have prepared profit and cash flow projections which incorporate reasonably foreseeable impacts of the ongoing challenging economic environment. These projections reflect the ongoing management of the day to day cash flows of the Group which includes assumptions on the profile of payment of certain existing liabilities of the Group. They show that the day to day operations will continue to be cash generative, but that additional short term funding is required to help underpin the Group's stability and enable management to continue to focus the Group's activities into profitable production development. The forecasts also show that in addition to the extra short term funding referred to above, the Group will continue to utilise its term loan and overdraft facility provided by its principal bankers for the foreseeable future.

The Company is currently exploring options to secure this additional funding, which the Board estimates to be in the order of £1million, either in the form of debt or equity. It is in discussions with the Company's larger shareholders, from some of whom it has received strong indications of support. Such additional funding is subject to, inter alia, finalisation of terms which the Directors believe will be concluded in the near future on appropriate terms for the Group.

The Group's overdraft facility is currently under review with the bank. Whilst the ongoing facility has not yet been formally approved, the Group's bankers have indicated that subject to its satisfactory review of the business it is their intention to continue with the existing facilities. The Group's term loan facility contains, inter alia, a number of financial covenants that are tested periodically throughout the period and on the period end financial statements. These covenants include a minimum level of Group net assets. The Group's bankers have indicated that they are aware of the net asset position and it is their intention to reset the net asset covenant in line with the Group's current position. Accordingly, the Directors have a reasonable expectation that both the term loan and the overdraft facility will continue to be available to the Group for the foreseeable future.

The Group believes that the opportunity to inject new cash into the Group will help underpin its stability, and help management refocus its balance between profitable current production development and future growth and reduce the need for the Company to divert operating cash towards short term non operating requirements.

The Board remain positive about the resilience of the Group despite the pressures from the current economic conditions and those outlined above. The Directors forecasts and projections, which make allowance for reasonably possible changes in its trading performance, show that, with the ongoing support of its senior shareholders and its bank, the Group can continue to generate cash to meet their obligations as they fall due.

Through the recent negotiations with senior shareholders and its principal bankers, the directors, after making enquiries, have a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Basis of Consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2010. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The group also holds an investment of 19.9% in Classical TV Limited. This interest is not not accounted for as a subsidiary or associate as the group does not have sufficient control or interest to do so. The investment had a carrying value of nil in both the current and previous financial periods.

Notes to the financial statements for the period ended 31 December 2010

1 Principal accounting policies (continued)

Changes in accounting policies
New standards, interpretations and amendments effective from 1 July 2009
The following new standards, interpretations and amendments, applied for the first time from 1 July 2009, have had an effect on the financial statements:

Revised IFRS 3 'Business combinations' Much of the basic approach to business combination accounting required under the previous version of IFRS 3 'Business combinations' has been retained in this revised version of the standard. However, in some respects the revised standard may result in very significant changes to the account treatments previously adopted, including: The requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment (which will have a consequent effect on the value of goodwill recognised); the requirement to recognise an intangible asset even if it cannot be reliably measured; and, an option to gross up the balance sheet for goodwill attributable to non-controlling interests (known formerly as 'minority interests') on a combination-by-combination basis. There are also some significant changes in the disclosure requirements of the revised standard. Contingent consideration in an IFRS 3(R) business combination will also now fall within the scope of IAS 39 and be measured initially and subsequently at fair value with remeasurement differences being recognised in profit or loss. Changes in the value of contingent consideration in a business combination falling with the scope of the old IFRS 3 continue to be treated as adjustments to goodwill

The revised standard does not require the restatement of previous business combinations and in consequence, the group's acquisition of Matchlight Ltd is the first business combination to fall within the scope of IFRS 3 (R.). The principle effect of the adoption of IFRS 3 (R.) is that on the calculation of goodwill to recognise, the total fair value of net assets acquired were deducted from a combination of book value of non controlling interest and fair value of consolidation. Under the previous standard the Group's percentage of net assets acquired would have been deducted from the fair value of consideration when calculating the goodwill balance.

Amendments to IAS 27 Consolidated and Separate Financial Statements: This Amendment affects in particular the treatment of non-wholly-owned subsidiaries. Transactions which increase or decrease the group's interest in a subsidiary without altering control will no longer give rise to changes in the carrying value of the subsidiary's assets or liabilities (including its associated goodwill) and will not give rise to a gain or loss. Any difference between the consideration paid or received and the adjustment to the carrying value of the non-controlling interest will be recognised directly in equity. In addition, total comprehensive income must now be attributed to owners of the parent and to the non-controlling interests even if this results in the non-controlling interest having a deficit balance. Previously, unfunded losses in such subsidiaries would be attributed entirely to the group. The Amendment does not require the restatement of previous transactions and has had no effect on the current financial year.

IFRS 8, Segment Information: This standard requires the Group to disclose segmental reporting in the notes to the financial statement in the form that Chief Operating Decision maker of the group reviews the financial information. IFRS 8 disclosures are held in note 3 to the financial statements. The prior year comparatives have been restated to make them comparable with the current period end disclosures.

A number of standards and interpretations have been issued by the IASB. They become effective after the current year and have not been adopted by the Group. Management have reviewed these standards and believe none of these standards, which are effective for periods beginning after 1 July 2009 are expected to have a material effect on the Group's future financial statements.

Notes to the financial statements for the period ended 31 December 2010

Revenue and attributable profit
Production revenue represents amounts receivable from producing programme content, and is recognised over the period of the production in accordance with the underlying signed contract. The revenue is recognised through the different stages of production completion, with apportionment across the recognised stages of production including pre-production, filming, post-production and delivery to the commissioning broadcaster. The assessment of the stage of completion is made by reference to production costs incurred and after consultation with production staff. Attributable profit is calculated by recognising all appropriate costs up to the stage of production completion, and amortising production costs in the proportion that the revenue recognised in the period bears to estimated total revenue from the programme. The carrying value of programme costs in the balance sheet is subject to an annual impairment review.

Where productions are in progress at the period end and where billing exceeds the value of work done, the excess is classified as deferred income and is shown within trade payables.

Distribution revenue arises from the licensing of programme rights which have been obtained under distribution agreements with either external parties or Group companies. Distribution revenue is recognised in the income statement on signature of the licence agreement, and represents amounts receivable from such contracts.

Revenue from sales of DVDs and other sales is the amounts receivable from invoiced sales during the period.

All revenue excludes value added tax.

Property, plant and equipment
Property, plant and equipment are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value by equal annual instalments over their expected useful lives. The rates generally applicable are:

Short leasehold property improvements	Over the life of the lease
Motor vehicles	20% on cost
Office and technical equipment	25%-33% on cost

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Intangible Assets
Goodwill
Goodwill represents the excess of the cost of a business combination over, in the case of business combinations completed prior to 1 January 2010, the Group"s interest in the fair value of identifiable assets, liabilities and contingent liabilities acquired and, in the case of business combinations completed on or after 1 January 2010, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. For business combinations completed prior to 1 January 2010, cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus any direct costs of acquisition. Changes in the estimated value of contingent consideration arising on business combinations completed by this date are treated as an adjustment to cost and, in consequence, result in a change in the carrying value of goodwill.

For business combinations completed on or after 1 January 2010, cost comprised the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree. Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss. For business combinations completed on or after 1 January 2010, direct costs of acquisition are recognised immediately as an expense.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Other intangible assets
Trade names
Trade names acquired through business combinations are stated at their fair value at the date of acquisition. They are amortised through the income statement, following a periodic impairment review, on a straight line basis over their useful economic lives, such periods not to exceed 10 years.

Notes to the financial statements for the period ended 31 December 2010

1 Principal accounting policies (continued)

Development expenditure
Development expenditure incurred on specific projects is capitalised when recoverability can be assessed with reasonable certainty, when there is the ability and intention to complete development, and when it is estimated that future sales will exceed total costs of production. Development expenditure that does not satisfy those criteria are written off in the income statement within cost of sales.

Programme rights
Internally developed programme rights are stated at the lower of cost, less accumulated amortisation, or recoverable amount. Cost comprises the cost of all productions and all other directly attributable costs incurred up to completion of the programme and all programme development costs. Where programme development is not expected to proceed, the related costs are written off to the income statement. Amortisation of programme costs is charged in the ratio that actual revenue recognised in the current period bears to estimated ultimate revenue. At each balance sheet date, the directors review the carrying value of programme rights and consider whether a provision is required to reduce the carrying value of the investment in programmes to the recoverable amount. The expected life of these assets are not expected to exceed 5 years.

Purchased programme rights are stated at the lower of cost, less accumulated amortisation, or recoverable amount. Purchase programme rights are amortised over a period inline with expected useful life, not exceeding 5 years.

Amortisation and any charge in respect of writing down to recoverable amount during the period are included in the income statement within cost of sales.

Leased assets
Property, plant and equipment acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other property, plant and equipment, and the interest element of the lease is charged to the income statement over the period of the finance lease. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability by using an effective interest rate. The related obligations, net of future finance charges, are included in liabilities.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Inventories
Inventories comprise pre-production costs incurred in respect of programmes, and finished stock of DVDs available for resale. Where it is virtually certain production will occur, pre-production costs are capitalised in inventories and transferred to intangibles on commencement of production. Finished stock of DVDs available for re-sale is also included within inventories. Inventories are valued at the lower of cost or recoverable amount.

Programme distribution advances
Advances paid in order to secure distribution rights on third party catalogues or programmes are included within current assets. Distribution rights entitle the company to license the programmes to broadcasters and DVD labels for a sales commission, whilst the underlying rights continue to be held by the programme owner. The advances are stated at the lower of the amounts advanced to the rights' owners less actual amounts due to rights owners based on sales to date and anticipated future sales.

Impairment of non-current assets
For the purposes of assessing impairment, assets are grouped into separately identifiable cash-generating units. Goodwill is allocated to those cash-generating units that have arisen from business combinations.

At each balance sheet date, the Group reviews the carrying amounts of its non-current assets, to determine whether there is any indication those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested for impairment annually. Goodwill impairment charges are not reversed.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value and value in use based on an internal discounted cash flow evaluation.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are shown in current liabilities on the balance sheet. Overdrafts are included in cash and cash equivalents for the purpose of the cash flow statement.

Notes to the financial statements for the period ended 31 December 2010

1 Principal accounting policies (continued)

Equity
Equity comprises the following
- **Share capital** represents the nominal value of issued Ordinary shares and Deferred shares;
- **Share premium** represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue;
- **Equity element of convertible loan** represents the part of the loan classified as equity rather than liability (see note 17);
- **Merger reserve** represents the excess over nominal value of the fair value of consideration received for equity shares issued on acquisition of subsidiaries, net of expenses of the share issue (in accordance with s.612 of the Companies Act 2006);
- **Retained earnings** represents retained profits and losses.
- **Non controlling interest** represents net assets owed to non-controlling interests.

Deferred taxation
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base, except for differences arising on:
- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit, and;
- investments in subsidiaries and jointly controlled entities where the group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:
- the same taxable group company; or
- different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Foreign currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the settlement and retranslation of monetary items are taken to the income statement.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at the exchange rate ruling at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve, but the differences are not considered to be material and there is no translation reserve at 31 December 2010.

Financial instruments
Financial assets and financial liabilities are initially recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument at their fair value and thereafter at amortised cost.

Notes to the financial statements for the period ended 31 December 2010

1 Principal accounting policies (continued)

Trade Receivables
Trade receivables are recorded at their amortised cost less any provision for doubtful debts. Trade receivables due in more than one year are discounted to their present value.
Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are reported in a separate allowance account with the loss being recognised within administrative expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Convertible Loans
Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense of the liability component is calculated by applying the effective interest rate to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Bank Borrowings
Bank borrowings and the Group's perpetual preference shares are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. Finance charges are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade Payables
Trade payables are stated at their amortised cost.

Equity Instruments
Equity instruments issued by the Group are recorded as the proceeds received, net of direct costs.

Retirement benefits
The Group operates pension schemes for the benefit of a number of its directors. The schemes are defined contribution schemes and the contributions are charged against profits as they accrue.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes.

Critical judgements in applying the Group's accounting policies
In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Notes to the financial statements for the period ended 31 December 2010

2 Critical accounting judgements and key sources of estimation uncertainty

Valuation of identifiable assets created during the period
Note 12 details the values attributed to intangible assets acquired and/or created by the Group. In assessing the recoverable value of the product, management have compared carrying value of the asset to discounted future cashflows. Where future cashflows do not exceed carrying value an impairment charge has been recorded.

An impairment review takes place against each critical asset class prior to reporting half year and full year financial results.

Sale and leaseback
As explained in note 23 the Group enters into sale and leaseback arrangements to finance programme production. The obligations to the lessee are matched by deposits held with financial institutions. The Group is not able to control the deposit accounts, nor is it able to withhold payments to the investor from the accounts. Accordingly, the Group has determined that, under IAS39 'Financial instruments: Recognition and Measurement', each sale and leaseback transaction entered into by the Group has, from inception, failed to meet the definition of an asset and liability and has therefore not been recognised in these financial statements. The Group has applied guidance from SIC27 'Evaluating the substance of transactions involving the legal form of a Lease'.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

Recoverability of programmes in the course of production
During the period, management reviewed the recoverability of its programmes in the course of production which are included in its balance sheet. The projects continue to progress satisfactorily and management continue to believe that the anticipated revenues will enable the carrying amount to be recovered in full.

Impairment of goodwill
Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the balance sheet date was £7.6m. Details relating to the allocation of goodwill to cash-generating units and potential impairment calculations are given in note 12 below.

Impairment of programme rights
Determining whether programme rights are impaired requires an estimation of the value in use of the cash-generating unit to which the rights have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of programme rights at the balance sheet date was £1.9m. Details relating to the allocation of goodwill and impairment review calculations are given in note 12 below.

3 Segment information

The Group adopted IFRS 8 Operating segments during the period. This has changed the segments disclosed in the financial statements. In previous annual financial statements, segments were identified by reference to the dominant source and nature of the Groups risks and returns. Under IFRS 8 the accounting policy for identifying segments is now based on the internal management reporting information that is regularly reviewed by the senior management team.

The group has four main reportable segments:

- *Factual Television Production* - This division is involved in the production of factual based television content from the aggregate of the following reporting lines: Prospect Pictures, West Park Pictures & DCD Factual brands.
- *Entertainment Television Production* – This division is involved in the production of entertainment based television content. This includes productions by September Films and Matchlight Ltd,
- *Event Management* – This division organises and manages events, primarily music concerts through Done & Dusted.
- *Rights and Licensing* – This division is involved with the sale of distribution rights, DVDs, music and publishing deals through the aggregate of the following reporting lines: DCD Rights, DC DVD, DCD Music & DCD Publishing.

Notes to the financial statements for the period ended 31 December 2010

3 Segment information (continued)

- *Other* – This division is involved in the collection of distribution rights of some historic programmes. The results and assets of this division are not material to the group.

The Group's reportable segments are strategic business divisions that offer different products to different markets, while its Central division is its head office function which manages other business which cannot be reported within the other reportable segments. They are managed separately because each business required different management and marketing strategies.

Uniform accounting policies are applied across the entire Group. These are described in note 1 of the financial statements (above).

The Group evaluates performance of the basis of profit or loss from operations but excluding exceptional items such as goodwill impairments. The board considers the most important KPIs within its business segments to be Revenue and segmental profit.

Inter-segmental trading occurs between the Rights & Licensing division and the production divisions where sales are made of distribution rights. Royalties and commissions paid are governed by an umbrella agreement covering the Group that applies an appropriate rate that is acceptable to the local tax authorities.

Segment assets include all trading assets held and used by the segments for their day to day operations. Goodwill and trade-names are not included within segmental assets as management views these assets as owned by the Group. Segment liabilities include all trading liabilities incurred by the segments. Loans & borrowings incurred by the Group are not allocated to segments; neither are deferred tax liabilities incurred by the Group. Details of these balances are provided in the reconciliations below:

2010 Segmental Analysis

	Factual 2010	**Entertainment 2010**	**Event Management 2010**	**Rights & Licensing 2010**	**Other 2010**	**Total 2010**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Revenue						
Total revenue	8,449	16,266	15,920	9,513	43	50,188
Inter-segmental revenue				(1,829)		(1,829)
Group revenue	8,449	16,262	15,920	7,684	43	48,359
Amortisation of programme rights	(1,551)	(6,938)	-	(246)	-	(8,735)
Impairment of programme rights	(275)	(230)	(36)	(628)	(253)	(1,422)
Finance income	1	2	1	1	-	5
Finance costs	-	(2)	(3)	(2)	-	(788)
Other income	6	1	47	-	-	54
Exceptional gain on refinancing						3,559
Segmental PBT	(1,479)	2,133	(251)	(2,544)	(156)	(2,299)
Exceptional gain on refinancing						3,559
Net Central finance costs						(781)
Central profit/(loss)						500
Impairment of goodwill & trade names (note 12)						(9,417)
Loss before taxation						(8,439)

Notes to the financial statements for the period ended 31 December 2010

3 Segment information (continued)

	Factual 2010 £000	Entertainment 2010 £000	Event Management 2010 £000	Rights & Licensing 2010 £000	Other 2010 £000	Total 2010 £000
Additions to non-current assets	1,247	8,091	-	-	-	9,338
Reportable segment assets	959	4,101	3,149	5,910	48	14,167
Central assets						222
Goodwill						7,568
Trade-names						5,824
Total group assets						27,781
Reportable segment liabilities	780	1,845	2,352	4,391	72	9, 440
Central liabilities						1,000
Loans & borrowings						5,861
Provisions						76
Deferred tax liabilities						1,636
Total group liabilities						18,013

2009 Segmental Analysis

	Factual 2009 £000	Entertainment 2009 £000	Event Management 2009 £000	Rights & Licensing 2009 £000	Other 2009 £000	Total 2009 £000
Revenue						
Total revenue	7,812	10,411	9,841	7,285	420	35,769
Inter-segmental revenue				(1,252)		(1,252)
Group revenue	7,812	10,411	9,841	6,033	420	34,516
Amortisation of programme rights	(3,011)	(3,578)	-	(183)	(45)	(6,816)
Impairment of programme rights	-	-	-	-	-	-
Finance income	7	12	15	2	-	36
Finance costs	-	-	(14)	-	(2)	(16)
Other income	-	-	-	-	-	-
Segmental PBT	1,127	120	1,806	914	62	4,029
Central costs						(1,924)
Amortisation & Impairment of goodwill & trade-names						(988)
Net central finance costs						666
Loss before taxation						451

Notes to the financial statements for the period ended 31 December 2010

3 Segment information (continued)

	Factual 2009 £000	Entertainment 2009 £000	Event Management 2009 £000	Rights & Licensing 2009 £000	Other 2009 £000	Total 2009 £000
Additions to non-current assets	2,625	3,608	-	-	-	6,233
Reportable segment assets	1,633	3,448	1,374	6,358	340	13,153
Goodwill						16,249
Trade-names						8,636
Central liabilities offsettable against segmental assets						(730)
Total group assets						37,308
Reportable segment liabilities	1,214	1,534	912	4,244	185	8,089
Central liabilities						1,182
Loans & borrowings						9,323
Provisions						84
Deferred tax liabilities						2,227
Total group liabilities						20,905

4 Revenue

The Group's headquarters is based in the United Kingdom. It also has offices in New York and Los Angeles to conduct any business in the United States. Outside the United Kingdom, sales are generally denominated in US dollars.

Revenue, which excludes value added tax and transactions between Group companies, represents the sale of television production services, event management services, commissions on television and film distribution rights and the sale of television and film distribution rights on behalf of third party producers.

The following table provides an analysis of the Group's revenue by geographical market, irrespective of the origin of the goods or services:

	18 month period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
United Kingdom	22,726	18,073
Rest of Europe	4,760	2,460
North and South America, including Canada	15,164	12,201
Rest of the World	5,709	1,782
	48,359	**34,516**

Notes to the financial statements for the period ended 31 December 2010

5 Expenses by nature

	18 month period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Auditors' remuneration:		
Fees payable to the company's auditor:		
For the audit of the company's annual accounts	10	12
For the audit of other group companies	65	78
For provision of accounting advice	7	-
Operating lease rentals:		
Plant and machinery	211	220
Other	543	530
(Profit)/loss on foreign exchange fluctuations	(65)	(118)
Depreciation, amortisation and impairment:		
Intangible assets - programme amortisation in cost of sales	8,735	6,200
Intangible assets - programme impairment in cost of sales	1,422	-
Intangible assets - goodwill and related intangibles in administrative expenses (note 12)	10,899	988
Property, plant and equipment	79	74
Staff costs (note 5)	7,842	5,822
Re-organization and restructuring costs (see below)	530	94

The restructuring costs relate to redundancy costs within the group in relation to restructrung and include legal costs and compensation to individuals for loss of office.

6 Directors and employees

Staff costs during the period, including directors, were as follows:

	18 month period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Wages and salaries	6,891	5,153
Social security costs	890	633
Other pension costs	61	36
	7,842	**5,822**

Other pension costs include contributions totalling £21,799 (2009: £36,288) to money purchase pension schemes in respect of three employees. There are no defined benefit schemes in operation.

The average number of employees of the Group during the period were as follows:

	18 month period ended 31 December 2010 No.	Year ended 30 June 2009 No.
Sales and distribution	9	10
Production	31	30
Directors and administration	31	36
	71	**76**

Notes to the financial statements for the period ended 31 December 2010

6 Directors and employees

Remuneration in respect of the directors, who are the key management personnel of the Group was as follows for the eighteen month period versus the comparative figures for twelve months:

	Emoluments £'000	Pension Contributions £'000	Money value of non-cash benefits received £'000	2010 Total £'000
D Elstein (resigned 12 October 2010)	64	-	-	64
T Wildman	30	-	-	30
S Pizey (resigned 7 December 2010)	177	7		184
D Green	302	-	-	302
J McIntosh	192	21		213
2010	**765**	**28**	**-**	**765**

	Emoluments £'000	Pension Contributions £'000	Money value of non-cash benefits received £'000	2009 Total £'000
D Elstein (resigned 12 October 2010)	55	-	-	55
C Hunt (resigned 20 November 2008)	105	8	8	121
M Barton (resigned 20 November 2008)	12	-	-	12
T Wildman	20			20
S Pizey (resigned 7 December 2010)	118	4		122
D Green	150	-	-	150
J McIntosh	121	-		121
J Hytner (resigned 10 April 2009)	5	-	-	5
2009	**586**	**12**	**8**	**606**

Share options of Ordinary 10 pence shares held by directors or their related parties during the period were as follows:

	At 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2010	Exercise price (pence)	Date from which exercisable	Expiry date
J McIntosh	30,120	-	-	30,120	-	83p - 99p	15.12.06	14.12.09

7 Finance income

	18 month period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Interest on short term bank deposits	5	62
	5	**62**

Notes to the financial statements for the period ended 31 December 2010

8 Finance costs

	18 month period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Bank overdraft	40	14
Convertible loan interest charge	496	524
Convertible loan equity interest charge	123	82
Bank loan	129	3
	788	**623**

As explained in note 19, the convertible loan note issued on 7 August 2007 was accounted for as a compound instrument under IFRS 32.

As a result, there has been an interest charge in the period of £123,000 to equalise the equity element of the loan credited to reserves. The loan reached full maturity in the period. An element of the loan was refinanced as per note 17, the redemption rate of the remaining loan notes was extended to 31 December 2012.

9 Taxation on ordinary activities

Recognised in the income statement:

	18 month period ended 31 December 2010 £'000	Year ended 30 June 2009 £'000
Current tax (expense)/credit:		
UK corporation tax		-
US federal and state income taxes	(29)	-
Withholding tax suffered	(4)	(49)
Adjustment in respect of the previous years		-
Current period (expense)/credit	**(33)**	**(49)**
Deferred tax (expense)/credit:		
Reversal of temporary differences under IFRS	577	278
Total tax in income statement	**544**	**229**

Tax charge represents:

	2010 £'000	**2009 £'000**
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(2,363)	126
Effects of:		
Expenses not deductible for tax purposes	2,907	551
Provisions deductible on paid basis	53	(132)
Net losses in period carried forward/(brought forward losses utilised)	36	(777)
Depreciation in excess of capital allowances	16	15
Rate differential on foreign taxes	(109)	(61)
Overseas withholding tax suffered	4	49
Adjustment in respect of prior year		-
Total tax charge	544	**(229)**

A deferred tax asset of approximately £4.2m (2009: £3.2ml) arising principally from losses in the company has not been recognised. The directors believe that it is prudent not to recognise the deferred tax asset within the financial statements.

10 Dividends

No dividends have been paid or proposed in the period (2009: £nil).

Notes to the financial statements for the period ended 31 December 2010

11 Earnings per share

The calculation of the basic profit/(loss) per share is based on the profit/(loss) attributable to ordinary shareholders divided by the average number of shares in issue during the period. The calculation of diluted (loss)/profit per share is based on the basic (loss)/profit per share, adjusted to allow for the issue of shares and the post tax effect of dividends and interest, on the assumed conversion of all other dilutive options and other potential ordinary shares.

	Loss £'000	Weighted average number of shares	2010 Per share amount pence	Profit £'000	Weighted average number of shares 000's	2009 Per Share amount pence
Basic loss per share						
Profit/(loss) attributable to ordinary shareholders	(7,895)	59,019,293	(13.38)	679	53,368,503	1.27
Diluted loss per share						
Profit/(loss) attributable to ordinary shareholders	(7,895)	59,019,293	(13.38)	679	87,962,917	0.77

If convertible loan balances held at the period end were converted at 18 pence the number of shares issued would be 17,326,013. The consequence of this transaction has not been considered for 2010 figures as the effect would be anti-dilutive.

12 Goodwill and intangible assets

	Goodwill £'000	Trade Names £'000	Programme Rights £'000	Total £'000
Cost				
At 1 July 2008	34,467	9,882	25,372	69,882
Additions	-	-	6,233	6,233
Created on business combinations	-	-	-	-
Disposals	-	-	-	-
At 30 June 2009	**34,467**	**9,882**	**31,605**	**76,115**
At 1 July 2009	34,467	9,882	31,605	76,115
Additions		-	8,092	8,092
Created on business combinations (note 31)	136	-	-	136
Disposals	-	-	-	-
At 31 December 2010	**34,603**	**9,882**	**39,697**	**84, 343**
Amortisation and impairment				
At 1 July 2008	18,218	988	21,418	40,785
Amortisation provided in year in cost of sales	-	-	6,178	6,178
Amortisation provided in year administrative expenses	-	988	-	988
Disposed in year	-	-	-	-
At 30 June 2009	**18,218**	**1,976**	**27,596**	**47,951**
At 1 July 2009	18,218	1,976	27,596	47,951
Amortisation provided in period in cost of sales	-	-	8,735	8,735
Impairment provided in period in cost of sales		-	1,422	1,422
Amortisation provided in period administrative expenses	-	1,482	-	1,482
Impairment provided in period in administrative expenses	8,817	600		9,417
Disposed in period	-	-	-	-
At 31 December 2010	**27,035**	**4,058**	**37,753**	**69,007**
Net book value				
At 31 December 2010	**7,568**	**5,824**	**1,944**	**15,336**
At 30 June 2009	16,249	7,906	4,009	28,164

Notes to the financial statements for the period ended 31 December 2010

12 Goodwill and intangible assets (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units (CGUs) that are expected to benefit from that business combination.
The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected profitability of the CGUs over the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks inherent in the CGUs.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management and extrapolates them. The cash flows are forecast to the period ending 31 December 2011. The growth rates applied from the end of the period covered by approved budgets into future cash flows for each CGU vary between 0% and 5% based on management's estimate of likely growth. Expected profitability is based on past results and expectations of future changes in the market.

The rate used to discount the forecast cash flows is 12% for all CGUs. Whilst a rate of 9% was used in the prior periods; management felt it would be prudent to increase the discount rate on the basis of continuing uncertainty in the media market.

If the discount rates used were reduced by 3% to 9%, it is estimated that the recoverable amount of goodwill would have increased by approximately £1.3m. If the discount rates were increased to 15%, it is estimated that the recoverable amount of goodwill would be impaired by approximately £1.1m.

Details of goodwill allocated to cash generating units for which the amount of goodwill so allocated is as follows:

	Segment (note 3)	Goodwill carrying amount 31 December 2010 £'000	30 June 2009 £'000
Cash generating units (CGU):			
DCD Rights Limited	Rights & Licensing	620	624
Done and Dusted Group Limited	Event Management	1,453	2,977
September Holdings Limited	Entertainment	5,359	5,359
Prospect Pictures Limited	Factual	-	4,926
West Park Pictures Limited	Factual	-	2,363
Matchlight Limited	Factual	136	-
		7,572	**16,249**

Management has assessed the value of the event management unit which contains no intellectual property, and has considered the risk associated with change of circumstance in the evolving niche market for event management and opportunity for future potential cashflows; and replacing its key staff in the event of failure to retain their service. This had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of £1.524m.

During the period key creative executives left West Park Pictures Limited . This event was seen by management as an indicator of impairment against the trade name in addition to the annual requirement for an impairment review of goodwill. This departure had an adverse impact on the projected value in use of the operation concerned resulting in an impairment of £2.963m. The impairment charge has eliminated goodwill to nil and reduced the carrying value of the trade-name to £0.6m. Management will continue to trade with the West Park brand name moving forward.

During the period key creative executives left Prospect Picture Limited and the business was also restructured as part of the overall re-organisation of the Group. This event was seen by management as an indicator of impairment against the trade name in addition to the annual requirement for an impairment review of goodwill. This impairment review against the aggregated intangible assets has resulted in an impairment of £4.926m. Projected value in use justifies the carrying value of the trade name at the financial year end of £2.501m. Management will continue to trade with the Prospect brand moving forward.

Notes to the financial statements for the period ended 31 December 2010

The carrying value of goodwill in the September CGUs is exceeded by a recoverable amount of £3.6m. The carrying value of goodwill in the DCD Rights CGU is exceeded by a recoverable amount of £1.2m.

Management performed an impairment review of intangible programme rights held by the business. The valuations of programme rights are based on the recoverable amounts from their value in use using a discount factor of 12%. The forecasts are based on historic sales of the programmes, and future sales are forecast over a seven year period on a reducing basis. Seven years is used for the forecasts because the programme rights are held for periods longer than five years, but not more than ten years. If the discount rate was increased by 3% to 15% the carrying values would decreased by £0.021m. If the discount rate was decreased by 3% to 9% the carrying value of assets would increase by £0.011m.

Current estimates of useful economic lives of intangible assets are as follows:

Goodwill	Indefinite
Trade names	10 years
Programme Rights	3-5 years

13 Property, plant and equipment

	Short leasehold property improvements £'000	Office and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2008	157	908	44	1,109
Additions	-	10	-	10
On acquisition of subsidiaries	-	-	-	-
Disposals	-	-	-	-
At 30 June 2009	**157**	**918**	**44**	**1,119**
At 1 July 2009	157	918	44	1,119
Additions	-	45	-	45
On acquisition of subsidiaries	-	24	-	24
Disposals	-	(6)	-	(6)
At 31 December 2010	**157**	**981**	**44**	**1,182**
Depreciation				
At 1 July 2008	157	771	3	931
Provided in year	-	60	14	74
Disposed in year	-	-	-	-
At 30 June 2009	**157**	**831**	**17**	**1,005**
At 1 July 2009	157	831	17	1,005
Provided in period	-	63	16	79
Disposed in period	-	(6)	-	(6)
At 30 December 2010	**157**	**902**	**33**	**1,078**
Net book value				
At 31 December 2010	**-**	**93**	**11**	**104**
At 30 June 2009	-	87	27	114

The net book value of property, plant and equipment includes an amount of £29,247 (2009: £44,000) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the period was £14,753 (2009: £9,835).

Notes to the financial statements for the period ended 31 December 2010

14 Inventories

	31 December 2010 £'000	30 June 2009 £'000
Pre-production costs	114	152
Finished stocks	162	58
	276	**210**

15 Trade and other receivables

	31 December 2010 £'000	30 June 2009 £'000
Trade receivables	5,437	4,022
Less: provision for impairment of trade receivables	(110)	(88)
Trade receivables – net	5,327	3,934
Taxation and social security	215	-
Other receivables	908	255
Prepayments and accrued income	1,480	2,786
Total trade and other recievables	**7,930**	**6,975**
Total financial assets other than cash and cash equivalents classified as loans and receivables	**6,235**	**4,189**

The average credit period taken on sales of goods is 60 days (2009: 79 days). No interest is charged on receivables within the agreed credit terms. Thereafter, interest may be charged.

An allowance for impairment is made where there is an identified event which, based on previous experience, is evidence of a reduction in the recoverability of the outstanding amount. The Group provides, in full, for any debts it believes have become non recoverable. The figures shown above are after deducting a specific provision for bad and doubtful debts of £110k (2009: £88k). No amounts are included within trade and other are expected to be recovered in more than one year (2009: £nil). The increase in the bad debt provision is related to further debts being identified where the directors deem recovery of amounts owed to be unlikely. The directors have reviewed their customer portfolio and marketplace and do not consider the risk of bad debt to be material to the business.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable set out above.

The ageing of trade receivables that have not been provided for are:

	31 December 2010 £'000	30 June 2009 £'000
Not due yet		
0-29 days	3,239	2,251
Overdue		
30-59 days	1,175	803
60-89 days	203	382
90-119 days	499	325
120+ days	211	174
	5,327	**3,934**

Notes to the financial statements for the period ended 31 December 2010

16 Trade and other payables

	31 December 2010 £'000	30 June 2009 £'000
Trade payables	2,424	1,408
Other payables	2,043	1,171
Accruals and deferred income	5,093	5,279
Taxation & Social Security	869	1,050
Total trade and other payables	**10,429**	**8,908**
Total financial liabilities, excluding loans and borrowings, classified as financial liability measure at amortised cost	**4,467**	**2,579**

17 Interest bearing loans and borrowings - due within one year

	31 December 2010 £'000	30 June 2009 £'000
Bank overdrafts (unsecured)	738	-
Bank loan	1,000	-
Secured convertible loan	-	9,686
Obligations under finance leases	11	-
	1,749	**9,686**

On the 30 November the Group announced that the primary holder of convertible loan notes, Highbridge Capital LLC agreed to cancel approximately £6.9m of convertible loan notes in exchange for 7,631,048 of new ordinary shares in the Company and satisfied by a further payment of £2.5m of cash. The remaining convertible loan debt is redeemable by November 2012 if not previously converted at a fixed price of 18p.

The consideration paid on redemption of the debt instruments is allocated to liability and equity using the same method as used upon originally valuing the instruments. The directors have performed a valuation exercise in respect of the consideration. The fair value of the consideration has been allocated against the liability component of the convertible instruments, realising an exceptional gain on early redemption of £3,559,737. This has been recognised in the statement of comprehensive income.

18 Provision

	Restructuring Provision £'000
1 July 2009	84
Amounts released against provision during the period	(84)
Increase in provision in the period	76
31 December 2010	**76**

The provision brought forward related to restructuring costs relating to closure of office space in central London. Related redundancies and associated legal costs. All related costs were received in the current period and as such the provision was utilised and any over provision was released.

The increase of provision in the period relates to further non-recurring premises re-organisation committed in the current period. It is expected that these costs will be incurred in the financial year ending 31 December 2011.

Notes to the financial statements for the period ended 31 December 2010

19 Interest bearing loans and borrowings - due after more than one year

	31 December 2010 £'000	30 June 2009 £'000
Secured convertible loan	3,123	-
Bank loan	1,000	-
Obligations under finance leases	-	14
	4,123	**14**

The convertible loan as at 30 June 2008 was accounted for as a compound instrument, and a calculation has been made to separate the equity element from the liability element of the loan. A discount rate of 12% has been applied to the future interest payments and repayment of the loan. This has resulted in a reduction of the liability by crediting an equity element of £328,000 to reserves. However, there is an interest charge in the income statement up to maturity of the loan to equalise this reduction in the liability so that by maturity the full liability is reflected in the balance sheet. The interest charge in the income statement is £123,000 (2008: £82,000).

A proportion of the convertible loan instrument was redeemed in the period. See note 17.

20 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2010 £'000	30 June 2009 £'000	31 December 2010 £'000	30 June 2009 £'000	31 December 2010 £'000	30 June 2009 £'000
Intangible assets	-	-	1,636	2,213	1,636	2,213
Tax value of carry-forward losses	-	-	-	-	-	-
Net tax (assets)/liabilities	**-**	**-**	**1,636**	**2,213**	**1,636**	**2,213**

A deferred tax asset of £4.2 million, arising principally from losses in the group of £15.6m, has not been recognised (2009: £3.2 million & 11.4m). These losses can be offset against future trading profits generated. The directors believe at this stage that it is prudent not to recognise the deferred tax asset within the financial statements.

Movement in deferred tax during the period

	1 July 2009 £'000	Recognised in income £'000	31 December 2010 £'000
Intangible assets	2,213	(577)	1,636
Tax value of carry-forward losses	-	-	-
Tax value of temporary difference	**2,213**	**(577)**	**1,636**

21 Financial instruments and risk management

Financial risk factors
The Group's financial instruments comprise cash, including short term deposits, trade and other receivables and trade and other payables that arise directly from its operations, and loan notes. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and currency risk. The Board has reviewed and agreed policies for managing each of these risks and they are summarised below. The Group has no financial assets other than trade receivables and cash at bank. The Balance Sheet values for the financial assets and liabilities are not materially different from their fair values.

Notes to the financial statements for the period ended 31 December 2010

21 Financial instruments and risk management (continued)

Interest rate risk
The Group finances its operations at present through funds raised on share placings, convertible loan notes and production loan facilities provided by banks. The Group manages its exposure to interest rate fluctuations by mixing the duration of its deposits and borrowings to reduce the impact of interest rate fluctuations. Production loan facilities are short term and secured on the licence fee payable by the commissioning broadcaster at various stages of the production, which minimises the impact of any variation in interest rates. The interest rate on the convertible loans referred to in notes 21 is variable and is based on six month sterling LIBOR.

Liquidity risk
The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Some liquidity risk arises from the nature of production income, which does not always arise in an even manner, and the group's policy is to ensure there are sufficient cash reserves to meet liabilities during such periods.

Liquidity risk also arises from the interest charges and repayment terms of the convertible loans, which the Group seeks to manage by means of periodic charges to each Group entity. These are incorporated into rolling 12 month Group cash flow forecasts, which are reviewed by the board monthly, and the cash flows are monitored at Group level by weekly cash reports from each operating entity. Short term flexibility is provided through the availability of bank overdraft facilities. Liquidity risk is referred to in the Chairman's statement and in the note on basis of accounting policies.

Credit risk
The Group’s principal financial assets are bank balances, cash and trade and other receivables. The Group’s credit risk is primarily attributable to its trade receivables. The group operates to ensure that the payment terms of customers are matched to the group's own contractual obligations in terms of delivery of programmes and rights. The principal source of group income is commissioning broadcasters, who are not considered to be a significant credit risk because of their size and financial resources. Other Group income is derived from distribution sales worldwide, and credit risk is assessed in relation to knowledge of the customer or by credit references; to minimise credit risk contractual terms may require that payment is made before delivery of materials.

Currency risk
The Group operates in overseas markets and is subject to exposures on transactions undertaken during the period. The group's exposure to exchange rate fluctuations is small based on its revenue and cost base and its policy is not to hedge against foreign currency transactions.

The sterling equivalent of the Group's assets and liabilities denominated in foreign currencies at the Balance Sheet dates was as follows:

	Assets		**Liabilities**	
	31 December 2010 £'000	**30 June 2009 £'000**	**31 December 2010 £'000**	**30 June 2009 £'000**
US dollar	4,786	1,694	(1,904)	(445)
Euros	588	466	(441)	(28)
Other	464	184	(348)	-
Net assets	**5,838**	**2,344**	**(2,693)**	**(473)**

Whilst the main currency that the Group is exposed to is US dollar, a 10% movement in its rate would not have a material impact on its reported results.

Interest rate and liquidity risk
Interest rate sensitivity
The sensitivity analysis has been based on the average exposure to floating rate debt during the period. It has been assumed that floating interest rates were 200 basis point higher than those actually incurred.

The effect of such a change would be to increase the loss before tax for the period by £67,000 (2009: loss of £197,000).

Capital risk management
The capital structure of the Group consists of convertible loan note loan financing, bank loan financing and the shareholders’ equity comprising issued share capital and reserves.

Notes to the financial statements for the period ended 31 December 2010

21 Financial instruments and risk management (continued)

The capital structure of the Group is reviewed on an ongoing basis with reference to the costs applicable to each element of capital, future requirements of the Group, flexibility of capital to be drawn down and availability of further capital should it be required. Management prepare cashflow projections to plan for repayment of loan facilities used. These projections are reviewed on a regular basis to check that the group will be able to settle liabilities as they fall due.

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholdes, and;
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Liquidity and interest risk tables
The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted contractual maturities of the financial liabilities (including interest that will accrue to maturity). The discount column reflects the adjustments necessary to reconcile to the carrying amounts of the financial liabilities.

31 December 2010	**Weighted average effective interest rate**	**Less than 1 month or on demand**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Disco unt**	**Total**
	%	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed rate								
Finance lease obligations	18.5%	1	1	6	24		(5)	27
Trade payables	0%	2,424						2,424
Floating rate								
Bank overdrafts	3.5%	728						728
Non-convertible loans	3.5%		250	750	1,000			2,000
Convertible loans	7.7%				2,959			2,959
Interest on convertible loans	7.7%				164			164

30 June 2009	**Weighted average effective interest rate**	**Less than 1 month or on demand**	**1-3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Disco unt**	**Total**
	%	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Fixed rate								
Finance lease obligations	18.5%	1	1	6	25	-	(5)	28
Trade payables	0%	1,255	-	-	-	-	-	1,255
Floating rate							-	
Bank overdrafts	3.5%	-	-	-	-	-	-	-
Convertible loans	7.7%	-	-	9,935	-	-	-	9,935
Interest on convertible loans	7.7%	-	191	574	-	-	-	765

Refer to note 17 for explanation of the reduction of the convertible loan note.

Notes to the financial statements for the period ended 31 December 2010

22 Share capital

	31 December 2010 £'000	30 June 2009 £'000
Authorised		
100,000,000 (2009: 100,000,000) ordinary shares of 10p (2009: 10p) each	10,000	10,000
50,933,729 (2009: 50,933,729) deferred shares of 0.9p each	458	458
	10,458	**10,458**
Allotted, called up and fully paid		
61,441,265 (2009: 53,480,503) ordinary shares of 10p (2009: 10p) each	6,144	5,348
50,933,729 (2009: 50,933,729) deferred shares of 0.9p each	458	458
	6,602	**5,806**

The deferred shares are not entitled to receive a dividend or other distribution, to attend or vote at any General Meeting and on return of capital on a winding up, shall only be entitled to receive the amount paid up on the shares after holders of the ordinary shares have received £100,000 for each ordinary share.

On 30 November 2009, 7,631,048 were issued to holders of convertible debt instruments as part of the early settlement of the convertible loan instruments. The issue of these shares have been accounted for at fair value resulting in £1,087,424 of shares being issued.

On 16 November 2010, a small portion of convertible debt was converted to equity at 18p per share resulting in 59,769 shares being issued for a consideration of £10,758.

On 29 November 2010, a small portion of convertible debt was converted to equity at 18p per share resulting in 269,945 shares being issued for a consideration of £48,590.

23 Contingent liabilities – sale and leaseback agreements

One subsidiary company has a liability to pay annual rentals under a sale and leaseback agreement relating to television programme rights until 2015. This obligation has not been recognised in the financial statements because at 31 December 2010 an amount of £522,034 (30 June 2009: £519,003) is held in a bank deposit account which may only be used to settle those rental obligations. The deposit is held with the same bank to whom the rentals are paid, and full set-off is applicable in the event of the failure of the bank.

Other subsidiary companies have entered into sale and leaseback agreements relating to television programme rights where the obligations to pay rentals are guaranteed by amounts payable from bank deposits. These obligations have not been recognised in the financial statements because the contingent liability would only crystallise upon the failure of the bank holding the deposit. Further:

(a) the Group is not able to control the deposit account in pursuit of its own objectives and any payments under the lease are due out of this restricted account. The Group has neither control over the bank balance nor over any interest earned thereon.
(b) the risk of reimbursing the amount of fee receivable by the Group in respect of tax losses transferred and the risk of paying an amount due under the guarantee in case of collapse of the bank holding the deposit are remote; and
(c) other than the initial cash flows at inception of the arrangement, the only cash flows expected under this arrangement are the lease payments satisfied solely from funds withdrawn from the separate account established for this arrangement.

Given the above, the asset and the liability in respect of the sale and leaseback transactions do not represent an asset and a liability of the Group and according to SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease", and have not been recognised in these financial statements.

Notes to the financial statements for the period ended 31 December 2010

24 Contingent liabilities – sale and leaseback agreements (continued)

The liabilities from these agreements are as follows:

	Due within 1 year £'000	Due within 2 to 5 years £'000	Due after 5 years £'000	Total £'000
As at 31 December 2010	**1,207**	**7,039**	**2,576**	**10,822**
As at 30 June 2009	**1,149**	**5,935**	**8,140**	**15,225**

25 Capital commitments

There were no capital commitments at 31 December 2010 or 30 June 2009.

26 Share based payments

The Company operates two equity-settled share based remuneration schemes for employees: a long term incentive scheme and an unapproved scheme for non-executive directors and certain senior management. The options are awarded by the Board and are governed by written rules.

No share options were granted during the period.

Share options of Ordinary 10 pence shares held by directors or their related parties during the period were as follows:

	At 1 July 2009	Granted during the period	Exercised during the period	Lapsed during the period	At 31 December 2010	Exercise price (pence)	Date from which exercisable	Expiry date
J McIntosh	30,120	-	-	30,120	-	83p - 99p	15.12.06	14.12.09

27 Transactions with directors and other related parties

Loans from directors
At 31 December 2010 there were 3 loans due to directors. They were as follows John McIntosh £22,805 (2009: £nil), David Green £139,280 (2009: £nil) and Tarik Wildman £25,000 (2009: £nil). All loans due relate to deferred emoluments and expenses for services performed as directors within DCD Media Plc.

Other transactions
During the period the following amounts were received from/(paid to) companies in which the directors have an interest:

	Director	Amount received/(paid) 2010 £'000	2009 £'000	Description
Kazoo Communications Limited	S Pizey (resigned 7 December 2010)	5	(3)	Office charges

The balances outstanding at the period end were as follows:

		Amount receivable/(payable) 2010 £'000	2009 £'000	
Kazoo Communications Limited	S Pizey	-	(3)	Net trading balance

28 Retirement benefit schemes

The group operates defined contribution pension schemes for the benefit of three employees. The assets of the scheme are administered by trustees in funds independent from those of the group.

The total cost charged to income of £nil (2009: £36,183) represents contributions payable to the schemes by the Group according to the rules of the schemes.

Notes to the financial statements for the period ended 31 December 2010

29 Operating lease rental commitments

At 31 December 2010 the Group had operating lease rental commitments as follows:

	31 December 2010 £'000	30 June 2009 £'000
Leases expiring within one year:		
Land and buildings	197	10
Motor Vehicles	9	-
Other	2	-
	208	10
Leases expiring after more than one year but less than five years:		
Land and buildings	-	520
Office refurbishment and equipment	-	101
Motor vehicles	-	10
	-	**631**
	208	**641**

30 Notes supporting the cash flow statement

Cash and cash equivalents for the purposes of the cash flow statement comprises:

	31 December 2010 £'000	30 June 2009 £'000
Cash available on demand	4,135	1,845
Overdraft	(738)	-
	3,397	**1,845**

31 Acquisitions – Matchlight Limited

On 9 July 2009 the Group acquired a controlling interest of the voting equity instruments of Matchlight Ltd, a company whose principal activity is the development and production of television programmes primarily intended for exploitation on television. The principle reason for acquiring this controlling interest was to increase the Group's exposure to markets and opportunities across the UK. The Group also hopes to utilise expertise and know-how acquired in the development of new opportunities.

The Group owns 50% of the Matchlight Ltd's called up and allotted share capital but have the casting vote.

Details of the fair value of identifiable assets and liabilities acquired, purchased consideration and goodwill are as follows:

	Book value £000	Adjustment £000	Fair value £000
Property, plant & equipment	28	-	28
Receivables	188	-	188
Cash	71	-	71
Payables	(59)	-	(59)
Total net assets	228		228

Notes to the financial statements for the period ended 31 December 2010

31 Acquisitions – Matchlight Limited

Calculation of Goodwill

	£'000
Fair value of non recoupable loan capital paid	250
Book value of non-controlling interests	114
	364
Fair value of assets	228
Goodwill (note 12)	136

The main factors leading to the recognition of goodwill are:

- Expertise and know-how acquired for which the Group is prepared to pay a premium

The goodwill recognised will not be deductable for tax purposes.

Since the acquisition date, Matchlight Ltd has contributed £2,297,604 to Group revenues and a loss of £306,646 to Group loss. The results have been consolidated from the 1 July 2009 as management do not believe this would generate materially different results than if consolidation was from 9 July 2009.

32 Post balance sheet events

The Group has identified that it is likely to require further short-term funding, in the order of £1m, and the Board is exploring options to secure such additional funding, either in the form of debt or equity. The Board is in discussions with the Group's larger shareholders in this regard and, in particular, has received a strong indication of support from its senior shareholders. Such additional funding is subject to, inter alia, finalisation of terms which the Directors believe will be concluded in the near future on appropriate terms for the Group..

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2010

	Note	31 December 2010 £'000	30 June 2009 £'000
Fixed assets			
Property, Plant & Equipment	4	2	7
Investments	5	12,244	26,532
		12,246	**26,539**
Current assets			
Stock	6	95	-
Debtors	7	6,553	6,714
Cash at bank and in hand		150	12
		6,798	**6,726**
Creditors: amounts falling due within one year	8	**(4,525)**	**(12,352)**
Net current assets/(liabilities)		**2,273**	**(5,626)**
Total assets less current liabilities		**14,519**	**20,913**
Creditors: amounts falling due after more than one year	9	**(4,123)**	**-**
Net assets		**10,396**	**20,913**
Capital and reserves			
Called up share capital	11	6,602	5,806
Share premium account	12	49,451	49,100
Equity element of convertible loan	12	120	328
Profit and loss account	12	(45,777)	(34,321)
Shareholders' funds		**10,396**	**20,913**

The financial statements were approved and authorised for issue by the Board of Directors on 30 April 2011.

J McIntosh
Director

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

1 Principal accounting policies

These financial statements have been prepared in accordance with the historical cost convention and applicable accounting standards, on a going concern basis under UK GAAP. The principal accounting policies have remained consistent with those adopted in the previous year.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the CEO's statement. The financial position of the Group, its cash position and borrowings are set out in the financial review section of the statement. In addition note 19 sets out the Group's objectives, policies and processes for managing its financial instruments and risk. The directors have adopted the going concern assumption in the preparation of the financial statements; please see note 1 of the Group accounts for more detail,

Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over the expected useful economic lives on the following bases:

Short leasehold property improvements	straight line over the life of the lease
Office and technical equipment	25-33% straight line

Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the income statement in the financial period to which it relates.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Leasing

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the lease

Pension costs

The company operates pension schemes for the benefit of a number of its directors. The schemes are defined contribution schemes and the contributions are charged against profits as they accrue.

Foreign currency

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any differences are taken to the income statement.

Convertible debt

The proceeds received on issue of the company's convertible debt are allocated into their liability and equity components and presented separately in the balance sheet.

The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that did not include an option to convert.

Investments

Investments held as fixed assets are stated at cost less any provision for impairment. Investments held as current assets are stated at the lower of cost or net realisable value.

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

1 Principal accounting policies (continued)

The difference between the net proceeds of the convertible debt and the amount allocated to the debt component is credited direct to equity and not subsequently remeasured. On conversion, the debt and equity elements are credited to share capital and share premium as appropriate.

Transaction costs that relate to the issue of the instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of proceeds.

2 Profit for the financial period

DCD Media plc has taken advantage of section s408 Companies Act 2006 and has not included its own income statement in these financial statements. The Company's loss for the year after tax was £11,664,863 (2009: Profit, £953,401).

3 Dividends

No dividends have been paid or proposed in the period (2009: £nil).

4 Property, plant and equipment

	Short leasehold property improvements £'000	Office and technical equipment £'000	Total £'000
Cost			
At 1 July 2009	122	564	686
Additions	-	5	5
At 31 December 2010	**122**	**569**	**691**
Depreciation			
At 1 July 2009	122	557	679
Provided in period	-	10	10
At 30 December 2010	**122**	**567**	**689**
Net book value			
At 31 December 2010	**-**	**2**	**2**
At 30 June 2009	-	7	7

5 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost or valuation	
At 1 July 2009	47,652
	-
At 31 December 2010	**47,652**
Accumulated amortisation	
At 1 July 2009	21,120
Provided in period	14,308
At 31 December 2010	**35,541**
Net book value	
At 31 December 2010	**12,224**
At 30 June 2009	26,532

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

5 Fixed asset investments (continued)

The principal operating subsidiary companies are listed below. All are 100% owned, unless noted otherwise:

Digital Classics Distribution Limited
Digital Classics DVD Limited
DCD Rights Limited
Done and Dusted Group Limited
Done and Dusted Incorporated
Done and Dusted Productions Incorporated
Done and Dusted West Coast Incorporated
September Films Limited
September Films USA Incorporated
Exterminator Limited Liability Company
Prospect Pictures Limited
West Park Pictures Limited
DCD Media USA Inc
Matchlight Ltd*

During the period DCD Drama Limited (formerly CreaTVty Limited) was purchased from NBD Holdings Limited, a connected company. DCD Drama is not part of ongoing trading operations.

Done and Dusted Group Limited, September Films Limited, Prospect Pictures Limited and West Park Pictures Limited and are involved with the production of programmes for television and other media. Digital Classics Distribution Limited and DCD Rights Limited sell programme rights worldwide to all media. Digital Classics DVD Limited produces and markets DVD's to the retail market.

Digital Classics Education Limited and Box TV Limited are not part of ongoing trading operations.Iambic Productions Limited was dissolved on 12 December 2010. The investment in Iambic Productions Limited had been previously written down to nil value.

*September Films Ltd holds a 50% equity in Matchlight, a company that produces programmes for television and other media. During the year it was adjudged by management that the group exercised control over the company; it has been consolidated in the group financial statements.

The company also holds a 19.9% trade investment in Classical TV Limited. This was granted to the company in May 2008 in exchange for services to be provided to Classical TV Limited by DCD employees. The carrying value of this asset of this investment is nil (2009: nil).

All the subsidiary companies are incorporated in England and Wales, except for:
- Done and Dusted Incorporated which is incorporated in New York, and Done and Dusted Productions Incorporated which is incorporated in California. Both of these companies are 100% owned by Done and Dusted Group Limited
- Done and Dusted West Coast Incorporated which is incorporated in California, and is 100% owned by Done and Dusted Productions Incorporated
- September Films USA Incorporated, which is incorporated in California and is 100% owned by September Films Limited
- Exterminator Limited Liability Company, which is incorporated in Louisiana and is 100% owned by September Films USA Incorporated
- DCD Media USA Incorporated, which is incorporated in California and is 100% owned by DCD Media Plc
- West Park Pictures West Limited, which is incorporated in the Republic of Ireland and is 100% owned by West Park Pictures Limited
-Matchlight Ltd, which is incorporated in Scotland and is 50% owned by September Films Ltd.

6 Stock

	31December 2010 £'000	30 June 2009 £'000
Finished products	95	-

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

7 Debtors

	31 December 2010 £'000	30 June 2009 £'000
Trade debtors	136	-
Amounts owed by group undertakings	6,163	5,633
Other debtors	43	229
Prepayments and accrued income	211	852
	6,553	**6,714**

The directors have confirmed that under normal circumstances they will not seek repayment within one year of amounts owed to the company by group undertakings at 31 December 2010.

8 Creditors: amounts falling due within one year

	31 December 2010 £'000	30 June 2009 £'000
Overdraft	738	-
Bank loans	1,000	
Secured convertible loan	-	9,686
Trade creditors	864	499
Amounts owed to group undertakings	1,059	1,203
Taxation and social security	222	276
Other creditors	299	209
Accruals and deferred income	343	479
	4,525	**12,352**

Included in trade creditors other creditors and accruals are amounts owed to directors as follows: John McIntosh £22,805 (2009: £nil), David Green £139,280 (2009: £nil) and Tarik Wildman £25,000 (2009: £nil). All loans due relate to deferred emoluments and expenses for services performed as directors within DCD Media Plc.

On the 30 November the Group announced that the primary holder of convertible loan notes, Highbridge Capital LLC agreed to cancel approximately £6.9m of convertible loan notes in exchange for 7,631,048 of new ordinary shares in the Company and satisfied by a further payment of £2.5m of cash. The remaining convertible loan debt is redeemable by November 2012 if not previously converted at a fixed price of 18p.

The consideration paid on redemption of the debt instruments is allocated to liability and equity using the same method as used upon originally valuing the instruments. The directors have performed a valuation exercise in respect of the consideration. The fair value of the consideration has been allocated against the liability component of the convertible instruments, realising an exceptional gain on early redemption of £3,559,737. This has been recognised in the profit and loss account.

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

9 Creditors: amounts falling due after more than one year

	31 December 2010 £'000	30 June 2009 £'000
Bank and other borrowings	1,000	-
Secured convertible loan	3,123	-
	4,123	**-**

10 Bank and other borrowings

	31 December 2010 £'000	30 June 2009 £'000
Due within one year or on demand		
Bank loans and overdrafts		
Secured (a)	1,000	9,686
Unsecured	738	-
	1,738	**9,686**
Due after more than one year		
Bank loans		
Secured (a)	1,000	-
Unsecured	-	-
	1,000	-
Convertible loan notes (b)	3,123	-
	4,123	**-**
Total borrowings	**5,861**	**9,686**

(a) On 30 November 2009 a new senior bank loan was secured from Coutts & Co. of £3.0m. It was provided on normal commercial terms and is repayable over three years in equal quarterly instalments. The secured bank loans and overdrafts are secured by a fixed charge over the company's intangible programme rights assets.
(b) The terms of some convertible loan note were extended on 30 November 2009 and is redeemable in November 2012 if not previously converted at the fixed price of 18p per share. The difference between the carrying value at the date extension and vale over the subsequent twelve years will be accounted through the effective interest rate of the instrument.
(c) Those loan notes that were not extended were settled by early redemption. The treatment of this transaction is disclosed in note 9.

The convertible loan had been accounted for as a compound instrument, and a calculation has been made to separate the equity element from the liability element of the loan. A discount rate of 12% has been applied to the future interest payments and repayment of the loan. This has resulted in a reduction of the liability by crediting an equity element of £328,000 to reserves. However, there is an interest charge each year in the income statement up to maturity of the loan to equalise this reduction in the liability so that by maturity the full liability is reflected in the balance sheet. The interest charge in the income statement is £132,000 (2008: £82,000).

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

11 Share capital

	31 December 2010 £'000	30 June 2009 £'000
Authorised		
100,000,000 (2009: 100,000,000) ordinary shares of 10p (2009: 10p) each	10,000	10,000
50,933,729 (2009: 50,933,729) deferred shares of 0.9p each	458	458
	10,458	**10,458**
Allotted, called up and fully paid		
61,441,265 (2009: 53,480,503) ordinary shares of 10p (2009: 10p) each	6,144	5,348
50,933,729 (2009: 50,933,729) deferred shares of 0.9p each	458	458
	6,602	**5,806**

The deferred shares are not entitled to receive a dividend or other distribution, to attend or vote at any General Meeting and on return of capital on a winding up, shall only be entitled to receive the amount paid up on the shares after holders of the ordinary shares have received £100,000 for each ordinary share.

The deferred shares are not entitled to receive a dividend or other distribution, to attend or vote at any General Meeting and on return of capital on a winding up, shall only be entitled to receive the amount paid up on the shares after holders of the ordinary shares have received £100,000 for each ordinary share.

On 30 November 2009, 7,631,048 were issued to holders of convertible debt instruments as part of the early settlement of the convertible loan instruments. The issue of these shares have been accounted for at fair value resulting in £1,087,424 of shares being issued.

On 16 November 2010, a small portion of convertible debt was converted to equity at 18p per share resulting in 59,769 shares being issued for a consideration of £10,758.

On 29 November 2010, a small portion of convertible debt was converted to equity at 18p per share resulting in 269,945 shares being issued for a consideration of £48,590.

12 Share premium account and reserves

	Share premium £'000	Equity element of convertible loan £'000	Profit and loss account £'000	Total £'000
At 1 July 2008	49,077	328	(35,274)	14,131
Profit for the year	-	-	953	953
Share capital issued	23	-	-	23
At 30 June 2009	**49,100**	**328**	**(34,321)**	**15,107**
At 1 July 2009	49,100	328	(34,321)	**15,107**
Loss for the year	-	-	(11,664)	(11,664)
Equity element of convertible loan	-	(208)	208	-
Share capital issued	391	-	-	391
At 31 December 2010	**49,451**	**120**	**(45,777)**	**3,794**

13 Capital commitments

There were no capital commitments at 31 December 2010 or 30 June 2009.

NOTES TO THE COMPANY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2010

14 Share based payment
The Company operates two equity-settled share based remuneration schemes for employees: a long term incentive scheme and an unapproved scheme for non-executive directors and certain senior management. Where options are awarded by the Board they are governed by written rules.

Details of the Company's share options are detailed in note 22 to the consolidated accounts above.

15 Transactions with directors and other related parties
Details of related party transactions for the company are as disclosed for the Group in note 23 to the consolidated accounts.

The company is not exempt from disclosing transactions with its non-wholly owned subsidiaries. No transactions have occurred in the year.

16 Pension costs
The group operated defined contribution pension schemes for the benefit of one director. This scheme is no longer in operation. The assets of the scheme are administered by trustees in funds independent from those of the group.

The total cost charged to income of £nil (2009: £11,208) represents contributions payable to the schemes by the Company according to the rules of the schemes.

17 Post Balance Sheet Events

See group accounts note 32.

Corporate information

Company secretary & registered offices
John Bottomley FCIS
One America Square
Crosswall
London
EC3N 2SG

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0LA
www.capitaregistrars.com

Nominated Adviser and Broker
Evolution Securities Limited
100 Wood Street
London
EC2V 7AN
www.evosecurities.com

Auditors
BDO LLP
Fourth Floor
One Victoria Street
Bristol
BS1 6AA
www.bdo.co.uk

Bankers
Coutts & Co
440 Strand
London
WC2R 0QS
www.coutts.com

Solicitors
Taylor Wessing
5 New Street Square
London
EC4A 3TW