DCD MEDIA PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

Company number 03393610

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DCD Media Plc

("DCD Media" or the "Company")

Audited results for the year ended 31 December 2012

DCD Media and its subsidiaries, the independent TV production and distribution group (the "Group"), today report results for the year ended 31 December 2012.

Financial Summary

Continuing operations:

• Revenue	£16.1m (2011: £19.4m)
• Gross profit	£4.8m (2011: £6.3m)
• Operating loss	£(1.9m) (2011: (£5.7m))

Discontinued operations:

• Revenue	£0.1m (2011: £8.4m)
• Gross profit	£0.1m (2011: £1.2m)
• Operating profit/(loss)	£0.7m (2011: (£2.3m))

Group results:

• Unadjusted operating loss	£(1.2m) (2011: (£8.0m))
• Adjusted EBITDA	£0.8m (2011: £0.4m)
• Adjusted profit/(loss) before tax	£0.6m (2011: (£0.1m))

Note that the 2011 comparatives above have been restated as a result of various prior year adjustments that are explained in note 2 to the consolidated financial statements.

Please refer to the table within the Performance section below for an explanation of the profit adjustments.

Business highlights

- **Change of ownership and management following a restructure of convertible loan notes and conversion to equity**
- **Greatly improved balance sheet with substantial reduction in loans**
- **Investments being made in strategic growth areas by major shareholders**
- **Indications that the strategy of refocusing on developing the vertically integrated model is beginning to show signs of improvement in performance**

David Craven, Executive Chairman and Chief Executive Officer, commented: "We are pleased we have delivered an EBITDA positive performance and a considerable improvement on last year. The performance review of the year should be understood against a backdrop of significant corporate and executive change to the Group, essential to its survival and future development.

"Having undertaken a major review of business and implemented changes both at Executive and Board level, DCD Media is poised to take advantage of a supportive shareholder base keen to invest in the development of this exciting business."

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Executive Chairman's review

The financial year to 31 December 2012 was one of transition and achievement for the Group. With major shareholders freeing the Group from the onerous burden of unmanageable debt, DCD Media now has a stronger and more stable balance sheet. With a continued desire from the major shareholders to significantly enhance the prospects for growth through further investment, the key creative business winners in the Group now have the capacity to act on the many development opportunities being presented to the Group.

Following a change of majority ownership in DCD Media, as a result of the shareholder approved debt to equity conversion last July, the Group immediately streamlined its activities with a number of personnel changes at Board and Executive level. Alongside this, operating expenses were dramatically reduced to a manageable level reflecting the reality of the current economic conditions.

The new Board charged the Executive with a detailed business and operations review of the Group, which resulted in an organisational restructure and a refocus on strategic objectives designed to grow market share in the core production activities in the UK and US.

The DCD Media businesses are now well-placed to consolidate on this work, targeting additional development opportunities both in the UK and the US. In these circumstances, at an operating level, a number of the key DCD Media businesses delivered a credible performance in the year.

As part of the consolidation process, the DCD Rights team recently relocated to the Group headquarters in Glen House, Hammersmith, to join the production teams, publishing and administration arms of the Group.

During the year, DCD Rights secured a deal with shareholder Timeweave to create a new fund for the acquisition of third-party distribution rights, positioning this key part of the business to build up a significant library of content. The first projects acquired under the deal were factual rescue series Coast Guard Florida and the third season of Coast Guard Alaska. The funding terms agreed were more favourable to the Group than previous funding arrangements in place in the last three years.

The acquisition in February 2012 of post-production house, Sequence, was a progressive step towards achieving a Group strategic goal of delivering production cost-efficiencies and synergies. Sequence continues to assert itself in the post-production marketplace, securing a number of key contracts with the UK's foremost programme makers. Key to these wins has been an investment in new equipment built around its unique platform.

Corporate highlights of the year

Debt to equity conversion

In February 2012, Timeweave acquired the majority of the outstanding convertible loan notes in the Company and subsequently converted a portion of the principal sum of its loan notes into shares representing 29.99% of the Company's issued share capital.

The remaining loan notes had a total principal outstanding of approximately £3.2 million, of which approximately £2.4m was owed to Timeweave. The principal plus accrued interest fell due on 28 November 2012 and the Group's financial resources were not sufficient to repay the outstanding balance to the note holders.

Consequently, Timeweave and Henderson Global Investors converted their remaining loan notes and interest, taking Timeweave initially to 49.99% of the Company's enlarged share capital and subsequently to 55.19% and Henderson Global Investors to 20.63%.

Board changes

The year saw a number of changes to the Board. Timeweave Directors, David Craven and Richard McGuire were appointed to the Board of DCD Media Plc on 4 July 2012.

On 29 November 2012, Sammy Nourmand resigned as a Board Director and as CEO. At the same time, David Green stepped down as Chairman of DCD Media. He remains an ex-officio Executive Director of the DCD Media Plc main Board and is charged with capitalising on the success of September Films and building a strong creative team committed to developing new landmark productions in the USA on a full-time basis.

Timeweave's CEO, David Craven, was appointed as DCD Media's new CEO and subsequently, on 15 January 2013 was appointed as Executive Chairman of the Group following the resignation of Richard McGuire.

The Group also announced that Neil McMyn and Andrew Lindley joined the Board of DCD Media as Non-Executive Directors on 21 September 2012. John Cusins and Tarik Wildman stepped down from the Board in September 2012.

Both Neil McMyn and Andrew Lindley form the Audit Committee and Remuneration Committee.

On 29 November 2012, John Sadler, FCIS was appointed as Company Secretary of the Group.

Executive Chairman's review

Strategic outlook

The major shareholders have now financially stabilised the business by relieving it of its largest debt burden. The Executive focus in the last nine months has been on providing management with the capacity to act; to further develop the business model and return the Group to growth. DCD Media's core production element is highly scalable and, with new investment, is now well placed to grow in current markets and diversify into new areas of production.

The new Board recognises the strengths of DCD Media as a large independent vertically-integrated broadcast media business. Consequently, the Group has shifted the weight of the business towards content production as well as a renewed focus on distribution and rights, to maximise revenues from the growing demand for multi-platform content.

The Group has also seen through recent investment, strong shareholder support for growth in the distribution and rights arms particularly with the acquisition of third party rights and exploitation of the Group's existing intellectual property. The Executive has also embarked on digitising its significant rights library in preparation for exploitation on digital platforms either through third party aggregators or, potentially, direct to consumers.

The Directors also report that, in accordance with the shareholder agreement and following detailed discussions with management, DCD Media acquired a further 17.6% of the shares from former directors in Glasgow-based production business, Matchlight. The Group expects to complete the acquisition of the remaining outstanding shares in 2013 from the current directors. The Matchlight business, which was formed as a 50/50 venture with DCD Media and management, is showing signs of meaningful growth.

Finally, the Board has recently established an incentive plan for key management and employees across the Group. The options granted in 2013 have an exercise price of 2.5 pence and vest in equal annual tranches over a four year period running from 2014 to 2017 subject to share price hurdle rates.

Review of divisions for the year to 31 December 2012

Production

The Production division comprises the factual brands Prospect, Prospect Cymru/Wales and September Films UK, as well as looking after the interests and integration of Rize USA and Matchlight, all in the United Kingdom and the reality television, entertainment and formats production company September Films USA in America. The division oversees the output in several genres including Entertainment, Factual and Lifestyle programming in which the brands have a strong track record.

Prospect won two awards and two nominations at BAFTA Wales 2012: 'Shirley' was awarded Best TV Drama and nominated for Best Sound; and 'Passion in Port Talbot' was awarded for Best Director, Factual (Rupert Edwards) and nominated for Best Single Documentary. These accolades followed several awards and nominations including BAFTA TV, Royal Television Society, and Irish Film and Television Awards.

Other factual highlights included 'The Tallest Tower: Building The Shard' broadcast on Channel 4, and 'The Hunt for Britain's Metal Thieves' which transmitted in February 2013 achieving a slot winning audience of 2.6 million viewers on BBC One.

Matchlight
Since its launch in 2009 as a joint venture with DCD Media, the Glasgow based factual producer Matchlight has confirmed its position as one of Scotland's leading production companies. This reputation was further cemented in 2012 with a prestigious Scottish BAFTA for Best Factual Series, won for its BBC Two documentary 'Afghanistan: The Great Game, a Personal View by Rory Stewart'.

This year Matchlight was commissioned to make documentary, history, arts, current affairs and popular factual programmes for all major UK channels including BBC One, ITV1, BBC Two, BBC Three, BBC Four, Channel 4, Channel 5, and BBC Scotland, and added further high profile personalities to its roster including Russell Brand, Lenny Henry, Embarrassing Bodies' Dr. Christian Jessen, and The Real Hustle's Alexis Conran.

Highlights included acclaimed series and one-offs 'Russell Brand: From Addiction to Recovery' for BBC Three/BBC One; 'She Wolves: England's Early Queens' presented by Helen Castor for BBC Two, which made The Radio Times Top 40 TV Shows of 2012, and was one of only two history programmes on the annual list; 'Perspectives: Lenny Henry- Finding Shakespeare', Matchlight's first commission for ITV1; and a second series of 'Dangerous Drivers' School' which transmitted post year end on Channel 5, all of which were sold internationally by DCD Rights.

In 2012, Matchlight also commenced production on new series for BBC Two and BBC Four presented by Amanda Vickery and Helen Castor – these will be transmitted in 2013/14.

Executive Chairman's review

Rize USA
Rize USA ("Rize") was launched at the end of 2011 as a co-venture between Founder/Creative Director Sheldon Lazarus and DCD Media. The factual and reality producer with offices in London and Los Angeles had a strong first year winning over £2.5 million worth of orders from major UK and US broadcasters, and generating valuable IP which was exploited worldwide by the Group's distributor DCD Rights.

Series were secured on both sides of the Atlantic including the six-part real life teen mums series 'High School Moms' for TLC and Discovery Fit & Health (US), aired in autumn 2012, and the four-part primetime wedding series 'A Very British Wedding' which was broadcast post year end on BBC Two.

Rize's performance was underpinned by a solid flow of current affairs and documentary productions for Channel 4, including the critically acclaimed 'The Curious Case of the Clark Brothers' for 'Cutting Edge', 'My Social Network Stalker' for 'True Stories', 'The Girl Who Became Three Boys', and 'The Twins Who Share a Body' for 'Bodyshock', and 'Accused: The 74-Stone Babysitter'. Rize also produced the internationally publicised special 'Bubble Skin Man' for major cable network TLC.

Rize has gained exclusive access to breaking news stories enabling it to secure TV rights to highly sought-after stories for a string of new productions to be aired in 2013.

September Films USA
Reality television, entertainment and formats production company September Films USA was the main driver of the Group's performance in the US market. The LA-based company secured further seasons of its hit reality shows including a sixth season of 'Billy The Exterminator' for A&E which aired in 2012, as well as a ninth season of the long-running wedding series 'Bridezillas' which transmitted on WE tv for 23 weeks during the second half of the year. The success of Season 9 led to the commission of the show's 10th Anniversary Season at the end of 2012. The 'Bridezillas' franchise now totals over 200 hours sold internationally by DCD Rights and it has consistently been one of the distributor's top selling shows with acquisitions in over 50 territories.

Following the strategic analysis of the business in autumn 2012, DCD Media repositioned its resources to address the significant revenue and growth potential of the North American TV production market. September Films' founder David Green relinquished his corporate Group role to concentrate on capitalizing on the success of the company's stateside operations and building a strong creative team committed to developing new landmark productions in the USA, growing its output across all non-fiction genres.

As a result, September Films USA expanded its creative team with the appointment of senior development executives, and the company now has several promising projects in the pipeline for 2013/14 which are the subject of paid development deals by four different US broadcasters.

Finally US production also generated new business opportunities for other DCD Media producers during the year, notably for Prospect which secured its first US documentary commission for Discovery US.

Rights and Licensing

DCD Rights
DCD Rights had a strong year with blue chip high-end factual programming, award winning drama and top international music acts - three key genres that the company has increasingly emphasized during the year under review.

As mentioned, the division signed a ground-breaking investment deal with Timeweave, to partner on acquisition of new third party distribution rights and further its ambitions toward a rapid expansion of the catalogue over the coming years. The first new series acquired through this fund were 'Coast Guard Florida' and a third season of 'Coast Guard Alaska' which delivered a total of 26 hours of new original programming, launched at the MIPCOM International TV sales market 2012.

High-end music programming continued to generate worldwide sales including new Iron Maiden Live concert 'EN VIVO', while Australian drama enjoyed strong demand across the world markets including multi award winning series, 'The Slap', which received both Emmy and BAFTA nominations and starred Oscar winners, Sophie Okonedo and Melissa George. Satirical legal drama, 'Rake', extended to Season 2, Brian Cox starred in crime series 'The Straits', and further comedies and dramas, 'The Strange Calls', 'A Moody Christmas', 'Devil's Dust' all won multiple awards. In addition to US cable and other US TV sales, several dramas were acquired as US formats and major multiple international channel deals were signed with broadcasters including notably with AMC/Sundance Channel Global.

In the factual genre, DCD Rights signed 200 hours of sales at the beginning of the year when it launched its largest ever slate of new factual entertainment shows at the MIPTV market. Factual programming continued to perform well throughout the year and, in particular the 'Coast Guard' franchise mentioned above, enabling the company to capitalise on further seasons for 2013. Importantly, sales highlights from Group producers included multiple sales for 'She Wolves: England's Early Queens' and two seasons of 'Dangerous Drivers' School', from Matchlight. Finally DCD Rights started to distribute programming from Rize, sales of which will be reflected in 2013.

Executive Chairman’s review

DCD Publishing

In 2012, the licensing arm of DCD Media which exploits DCD-owned and third party brands and intellectual property, refocused as an agency specialising in brand development in all areas including: television; book publishing; consumer products; brand endorsements; public appearances and DVD.

The division launched programmes of licensed consumer products for talent including notably ‘The Duchess of Northumberland’ and ‘Zalza’ - Russell Grant and Flavia Cacace’s fitness/dance concept.

It significantly broadened its talent division signing representation deals with Japanese Chef Yuki Gomi, visual artist Alison Jackson, Strictly Come Dancing dancers Flavia Cacace and Vincent Simone, journalist Kate Spicer and boxing legend Glenn McCrory, as well as ITV children's property Dino Dan.

Highlights included Yuki Gomi’s book publishing deal with Penguin for ‘Sushi at Home’ along with a brand ambassador deal with Kai for their range of high-end cooking knives. Donny Osmond was licensed to Danilo, the UK’s leader in the official calendar market. A number of lyric merchandising deals were signed with retail manufacturers including AJ Carter which signed a license with EMI Publishing to produce a range of lyrical babywear, and Bluw Toys which licensed several iconic Lennon and McCartney tracks from the Sony ATV catalogue and also licensed the EMI publishing song ‘We’re in the Money’. DCD Publishing represents major music publishers Universal, EMI, Chrysalis, peermusic, Carlin, Sony/ATV for music merchandising, with access to over six million songs.

The in-house DVD label, now renamed DCD Publishing, released over 30 new titles including award winning ‘Terry Pratchett: Living with Alzheimer’s’, ‘Tony Robinson Down Under’ as well as Matchlight’s ‘The Many Lovers of Jane Austen’ and ‘She Wolves : England’s Early Queens’.

2013 started well, with a major Zalza DVD deal for QVC, and the signing of several new talents about to sign major publishing deals.

Post-Production - Sequence Post

The London based post-production house was acquired by DCD Media in February 2012 in a strategic move to add a profitable activity that complements the Group’s range of TV production businesses.

In addition to working for high profile third party clients across all television, film and commercial genres, Sequence Post now provides an effective in-house post department capable of servicing each of its production companies with the highest level of post and channel delivery.

Benefiting from the Group’s business infrastructure, Sequence Post had its busiest year ever gaining new business and expanding their client base, producing work for companies including ITV Studios, BBC, IMG, Arrow Media, Fresh One, JJ Stereo, Dunlop Goodrich and Waddell Media across projects including ‘Guinness Totally Bonkers World Records’ ‘Cheryl: Access All Areas’, ‘Girls Aloud Ten The Hits Tour’, ‘Hollyoaks Later’, ‘Top Gear’ commercials, ‘Sochi Winter Olympics’ promos and ‘James Bond Skyfall’ end titles.

Pioneer of Apple based work-flows and specialist in creative post-production, Sequence Post continued its expansion strategy post period with the launch of the first totally file based, video deck free, HD post house in the UK, allowing clients to switch easily between all mainstream non-linear editing platforms and video formats.

The outlook for 2013 is positive as the UK braces itself for an influx of drama shooting and an anticipated upsurge in business for UK facilities following the new UK tax breaks schemes for foreign drama productions.

Performance

At a turnover level, the Group delivered £16.1m in revenue compared to a restated comparative of £19.4m in 2011, largely as a result of reduced production activity from the UK production arm.

The Group made an operating loss for the year of £1.2m (2011: £8.0m), which is stated after impairment and amortisation of intangible assets, including goodwill and trade names.

Adjusted EBITDA and Adjusted PBT are the key performance measures that are used by the Board, as they more fairly reflect the underlying business performance by excluding the significant non-cash impacts of goodwill, trade name and programme rights amortisation and impairments.

The headline Adjusted EBITDA in the year ended 31 December 2012 was £0.8m (2011: £0.4m), which included an accounting profit on sale of Digital Classics Distribution Ltd and Digital Classics Distribution Rights Ltd in the 2012. Adjusted EBITDA on continuing operations was £0.1m in 2012 compared to £0.2m in 2011.

Adjusted PBT for the Group was £0.6m in 2012 against an adjusted loss of £0.1m for the year to 31 December 2011. On a continuing basis the Group made an adjusted PBT loss of £0.1m, an improvement against a loss of £0.3m in 2011.

Executive Chairman's review

Performance during the year was as expected but impacted by a number elements including:-

- Underperformance of the UK production business to deliver revenues
- Unmanageable cost structure unsupported by the lower revenues
- A major restructure of Executive and Board teams led by the restructure of the loan burden
- Re-organisation and restructuring costs within the Group as part of the strategy to refocus on the core element of the business of television programming.

The following table represents the reconciliation between the operating loss per the consolidated income statement of and adjusted Profit Before Tax (PBT) and adjusted Earnings Before Interest Tax Depreciation and Amortisation (EBITDA):

	Year ended 31 December 2012 £m	**Year ended 31 December 2011 £m**
Operating loss per statutory accounts (continuing operations)	(1.9)	(5.7)
Add: Discontinued operations (note 11)	0.7	(2.3)
Operating loss per statutory accounts	**(1.2)**	**(8.0)**
Add Amortisation of programme rights (note 13)	4.7	6.6
Add: Impairment of programme rights (note 13)	0.8	1.1
Add: Amortisation of trade names (note 13)	0.5	1.0
Add: Impairment of goodwill and related intangibles (note 13)	0.7	5.1
Less: Capitalised programme rights intangibles (note 13)	(5.0)	(6.7)
Add: Depreciation (note 14)	0.0	0.1
EBITDA	**0.5**	**(0.8)**
Add: Restructuring costs (legal and statutory) (note 6)	0.3	0.1
Add: Discontinued US operations costs	-	0.5
Add: Staff cost normalisation	-	0.6
Adjusted EBITDA	**0.8**	**0.4**
Continuing adjusted EBITDA	*0.1*	*0.2*
Discontinued adjusted EBITDA	*0.7*	*0.2*
Less: Net financial expense (notes 8 & 9)	(0.2)	(0.4)
Less: Depreciation	(0.0)	(0.1)
Adjusted PBT	**0.6**	**(0.1)**
Continuing adjusted PBT	*(0.1)*	*(0.3)*
Discontinued adjusted PBT	*0.7*	*0.2*

Intangible assets
The Group's consolidated income statement and consolidated statement of financial position has again this year been impacted by the amortisation and impairment of intangible assets, see note 13.

The Group has seen amortisation and impairment of goodwill and trade names for the year of £1.2m (2011: £6.1m) and a net amortisation and impairment of programme rights of £5.5m (2011: £7.7m).

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

September Films
September Holdings, an operating unit within the production cash generating unit (CGU) had its performance impaired in the first half of the year due to delayed investment in programme development in the prior year. In the second half of the year, the business started to rebuild its development and commissioning pipeline and management now consider the forecast cash flows and profitability of the business support the current carrying value of the goodwill. An impairment of £0.7m was therefore applied to the goodwill, leaving a carrying value of £3.1m (2011: £3.9m).

Trade names
Trade names are amortised over ten years on a straight line basis and a non cash expense of £0.5m was expensed in the year relating to trade names. The carrying value of trade names after the amortisation was £2.1m (2011: £2.5m).

Restructuring costs

Restructuring costs of £0.3m have been disclosed in the consolidated statement of comprehensive income. Restructuring costs relate to redundancy payments, legal and professional costs relating to the conversion of the loan notes and other refinancing and legal and professional costs that arose from the disposal of Digital Classics Distribution Ltd and Digital Classics Distribution Rights Ltd.

Earnings per share

Basic loss per share in the year was 0.51p (year ended 31 December 2011: 9.45p loss per share) and was calculated on the loss after taxation of £1.3m (year ended 31 December 2011: loss £7.1m) divided by the weighted average number of shares in issue during the year being 257,430,103 (2011: 75,354,034). The number of shares has increased due to conversions of debt to equity in the year, detailed in note 22.

Balance sheet

The Board has been determined to understand the key underlying businesses and their financial and operating policies, reporting systems and controls. The streamlining of processes and generation of operating efficiencies has also covered financial aspects of each core segment and in doing so has reviewed the Group's principal accounting policies in detail, resulting in prior year adjustments to comparative information as previously reported where, in the Board's opinion, income recognition policies had not been fully adhered to in the past and the carrying value of certain assets had not been appropriately reported.

The impact of the adjustments to the prior periods is considerable. However, the Board is satisfied that the financial position at 31 December 2012 is robust and presents a sound base for the future.

The Group's net cash balances have substantially reduced to £3.1m at 31 December 2012 from £5.8m at 31 December 2011 as a result of repaying loans funding losses in the Group, settling historic Group liabilities and investing in productions throughout the year.

A substantial part of the Group cash balances represents working capital commitment in relation to its programme making and is not considered free cash.

Current liabilities have been reduced, partly as a result of conversion of the loan notes (£4.3m) and a reduction in accruals and deferred income (£3.6m) as a result of fewer productions spanning the year end at 31 December 2012.

During the year repayments of £0.2m against bank debt were made.

The Group has an available gross overdraft facility of £0.8m and a net facility of £0.55m.

Shareholders' equity

Retained earnings as at 31 December 2012 were £(54.8m) (2011: £(53.4m)) and total shareholders' equity at that date was £6.2m (2011: £3.4m).

Amounts attributable to non-controlling interests

At the year end, the Group held a 67.6% stake in Matchlight Ltd and 80% stake in Rize Television Ltd. The Group has recognised a loss of £0.006m (2011: profit of £0.04m) attributable to non controlling interests in the statement of comprehensive reserves and an amount of (£0.005m) (2011: £0.001m) as equity representing the non controlling interest of the Group as at the year end.

Current trading

At a production level, the Group has had a slow start to 2013 against budget, with several promising commissions taking longer than anticipated to materialise.

However, we are encouraged by the higher than normal volume of recently agreed paid-for funding agreements whereby broadcaster 'seed funding' is passed to the creative teams who deliver pilot or 'taster' content for commissioning editors to make a decision on commissions. The development pipeline for these funding agreements has never been so strong for DCD Media.

Notwithstanding the positive pipeline, cash reserves remain tight. The Directors have reviewed future cash requirements and, allowing for slower production income and the continued settlement of historic creditors, believe the Group needs additional funding of approximately £1.0m. Having considered the available options, it was determined that the Company issue a further £1.0m of principal convertible loan notes to the major shareholders. The new loan note instrument was signed on 31 May 2013 and has a maturity date of 30 May 2015. The convertible element of the loan notes is subject to shareholder approval of, inter alia, the authorisation to issue sufficient shares to satisfy the conversion rights, which will be put to shareholders in the upcoming AGM. The notes accrue interest at 10% per annum from the date of issue unless the authorities are not approved in which case interest increases to 20% per annum, back dated to date of issue. The new notes will be convertible at 0.5 pence per share, however, assuming that the proposed capital reorganisation (as described below) is approved by the shareholders at the AGM, the adjusted conversion price for notes shall be £5.00 per share.

As part of the issue of new loan notes, the Directors intend to undertake a restructure of the share capital of the Company. The Companies Act 2006 prevents any company from issuing any share at a price which is less than its nominal value. Accordingly, in order to enable the Company to proceed with any conversion of the new convertible loan notes at 0.5 pence when the current nominal value of its ordinary shares is 1.0 pence, the Company proposes to divide each existing ordinary share into one new ordinary share of 0.5 pence each and one new deferred share.

In addition to the share split, the Company is intending a share consolidation as part of the wider capital reorganisation. The Company currently has approximately 1,130 shareholders of whom over 76% hold fewer than 1,000 ordinary shares. The Board is aware that it can be difficult for shareholders to sell very small shareholdings and that dealing charges might make selling such small shareholdings uneconomic. Furthermore, maintaining a large share register of very small shareholdings can be expensive for the Group and is considered by the Board not to be in the best interests of shareholders as a whole. The Board is, therefore, of the view that it would benefit the Group and shareholders to reduce the number of ordinary shares in issue and, accordingly, is proposing to consolidate every 1,000 0.5 pence ordinary shares into one consolidated new ordinary share of £5.00 each. It is expected that this reorganisation will reduce the number of shareholders to approximately 260. Details of this reorganisation are provided in the notice of AGM.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above. The financial position of the Group, its cash position and borrowings are set out in the Performance section of the statement. In addition note 21 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 and the use of an overdraft facility of £0.55m, with other activities funded from a combination of equity and short and medium term debt instruments. Following discussions with the Group's principal bankers, Coutts & Co ("Coutts"), the overdraft facility has recently been extended until 11 May 2014.

In August 2012, DCD Media entered into a new loan facility with Coutts. The facility was for £1.2m, incurs interest at LIBOR plus 3.5% and is scheduled to be repaid in quarterly instalments to 30 November 2014, but is repayable on demand. In the period to 31 December 2012 the Group repaid £0.24m of this loan, leaving a balance of £0.96m at 31 December 2012. The Group continues to make its quarterly payments, having paid a further £0.24m of this term loan since year end.

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 a period in excess of 12 months from the date of approval of these financial statements.

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. The forecasts show that the Group will continue to utilise its term loan and overdraft facility provided by its principal bankers for the foreseeable future.

As noted above, the forecasts also show a potential funding requirement of approximately £1.0m, which has been satisfied by the issue of additional convertible loan notes to the major shareholders (subject to shareholder approval of certain matters at the AGM).

The Directors' forecasts and projections, which make allowance for potential changes in its trading performance, show that, with the ongoing support of its shareholders, lenders and its bank, the Group can continue to generate cash to meet its obligations as they fall due.

Through the recent negotiations with its shareholders and its principal bankers, the Directors 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.

D Craven
Executive Chairman and Chief Executive Officer

31 May 2013

Report of the Directors for the year ended 31 December 2012

The Directors present their report together with the audited financial statements for the year ended 31 December 2012.

Principal activities

The main activities of the Group continued to be content production, distribution and rights exploitation. During the year the Group added post-production to its suite of production related activities. The main activity of the Company continued to be that of a holding company, providing support services to its subsidiaries.

Business review

A detailed review of the Group's business including key performance indicators and likely future developments is contained in the Executive Chairman's Review on pages 2 to 8, which should be read in conjunction with this report.

Results

The Group's loss before taxation for the year ended 31 December 2012 was £1.4m (2011: £8.4m). The loss for the year post-taxation was £1.3m (2011: £7.1m) and has been carried forward in reserves.

The Directors do not propose to recommend the payment of a dividend (2011: £nil).

Risks and uncertainties

General commercial risks
The Group's management aims to minimise risk of over-reliance on individual business segments, members of staff, productions or customers 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. As the Group operates in overseas markets it is also subject to exposures on transactions undertaken in foreign currencies.

Production and distribution revenue
Revenue is subject to fluctuations throughout the year. As the business develops, a broad range of activities is expected to smooth out these fluctuations.

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 the short-term cash flows on productions can sometimes be negative initially. This is due to costs incurred before contracted payments 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 other 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 cash and cash equivalents net of overdraft at the end of the period was £3.1m (31 December 2011: £5.8m) including certain production related cash held to maintain the Group policy. The Group debt consists primarily overdraft and conventional bank debt. Details of interest payable, funding and risk mitigation are disclosed in notes 9, 19 and 21 to the consolidated financial statements.

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.

Exchange rate risk
The Group's exposure to exchange rate fluctuations has historically been small based on its revenue and cost base. Dependent on the extent to which the Group's international revenue grows an appropriate hedging strategy will be introduced.

Report of the Directors for the year ended 31 December 2012

Directors and their interests

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

	At 31 December 2012			At 31 December 2011		
	Ordinary shares of 1p each	**Deferred shares of 0.9p each**	**Deferred shares of 9p each**	**Ordinary shares of 1p each**	**Deferred shares of 0.9p each**	**Deferred shares of 9p each**
D Green	24,246,614	-	24,246,614	24,246,614	-	24,246,614
D Craven(1)	-	-	-	-	-	-
N McMyn(2)	-	-	-	-	-	-
A Lindley(3)	-	-	-	-	-	-
R McGuire(4)	-	-	-	-	-	-
S Nourmand(5)	-	-	-	452,972	-	-
T Wildman (6)	-	-	-	29,285	645,157	-
J Cusins(7)	-	-	-	2,000,000	-	-

1. D Craven (appointed on 4 July 2012)
2. N McMyn (appointed on 21 September 2012)
3. A Lindley (appointed on 21 September 2012)
4. R McGuire (appointed on 4 July 2012 and resigned on 15 January 2013)
5. S Nourmand (resigned on 29 November 2012)
6. T Wildman (resigned on 28 September 2012)
7. J Cusins (resigned on 28 September 2012)

Mr Lindley and Mr McMyn are Non-Executive Directors. Biographies of all the Company's Directors can be found on page 14.

Other than as disclosed in note 25 to the consolidated 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 year.

Substantial shareholdings

The Company has been notified, as at 28 May 2013, of the following material interests in the voting rights of the Company under the provisions of the Disclosure and Transparency Rules:

Name	No. of 1p ordinary shares	%
Timeweave Ltd*	104,642,550	25.26%
Colter Ltd*	124,000,000	29.93%
Henderson Global Investors Ltd	85,449,696	20.63%
D Green (Director)	24,246,614	5.85%

*Timeweave Ltd and Colter Ltd are under the common ownership (see note 30).

Share capital

Details of share capital are disclosed in note 22 to the consolidated 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.

Report of the Directors for the year ended 31 December 2012

Financial instruments

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

Corporate governance

Statement of compliance

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 UK Corporate Governance Code issued by the Financial Reporting Council ("the Combined Code").

DCD Media Plc's shares are quoted on AIM, a market operated by the London Stock Exchange Plc and as such there is no requirement to publish a detailed Corporate Governance Statement nor comply with all the requirements of the Combined Code. However, the Directors are committed to ensuring appropriate standards of Corporate Governance are maintained by the Group and this statement sets out how the Board has applied the principles of good Corporate Governance in its management of the business in the year ended 31 December 2012.

The Board recognises its collective responsibility for the long term success of the Group. It assesses business opportunities and seeks to ensure that appropriate controls are in place to assess and manage risk.

During a normal year there is a minimum of eight scheduled Board meetings with other meetings being arranged at shorter notice as necessary. During 2012, there were eight scheduled meetings. Meetings of the Board were attended by all Directors who were appointed at the time of the meeting. The Board agenda is set by the Chairman in consultation with the other Directors and Company Secretary.

The Board has a formal schedule of matters reserved to it for decision which is reviewed on an annual basis.

Under the provisions of the Company's Articles of Association all Directors are required to offer themselves for re-election at least once every three years. In addition, under the Articles, any Director appointed during the year will stand for election at the next annual general meeting, ensuring that each Board member faces re-election at regular intervals.

The Directors are entitled to take independent professional advice at the expense of the Company and all have access to the advice and services of the Company Secretary.

Board committees

The Board has established an Audit, Nomination and Remuneration Committee. All are formally constituted with written terms of reference. The terms of reference are available on request from the Company Secretary.

Relations with shareholders

The Company communicates with its shareholders through the Annual and Interim Reports and maintains an on-going dialogue with its principal institutional investors from time to time. The Board welcomes all shareholders at the annual general meeting where they are able to put questions to the Board. This assists in ensuring that the members of the Board, in particular the Non-Executive Directors, develop a balanced understanding of the views of major investors of the Company.

The Group uses the website www.dcdmedia.co.uk to communicate with its shareholders.

Internal control

The Board has overall responsibility for ensuring that the Group maintains a sound system of internal control to provide it with reasonable assurance that all information used within the business and for external publication is adequate, including financial, operational and compliance control and risk management.

It should be recognised that any system of control can provide only reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate those risks that may affect the Group achieving its business objectives.

Going concern

For the reasons set out in the Executive Chairman's Review, the Directors consider it is appropriate to continue to adopt the going concern basis in preparing the annual report and financial statements.

Report of the Directors for the year ended 31 December 2012

Statement of Directors' responsibilities

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, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

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 IFRSs as adopted by the European Union and applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Group and parent company financial statements respectively; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Supplier payment policy

The Company and Group's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by the terms of the payment.

Share capital

Details of the Company's share capital and changes to the share capital are shown in note 22 to the Consolidated Financial Statements.

Resolutions at the Annual General Meeting

The Company's AGM will be held on 28 June 2013. Accompanying this Report is the Notice of AGM which sets out the resolutions to be considered and approved at the meeting together with some explanatory notes. The resolutions cover such routine matters as the renewal of authority to allot shares, to disapply pre-emption rights and to purchase own shares. In addition, the Notice of AGM also describes the resolutions that are required to authorise the Board to issue shares related to the new convertible loan notes and the proposed capital reorganisation.

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 (www.dcdmedia.co.uk) 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 on-going integrity of the financial statements contained therein.

Charitable and political donations

Group donations to charities worldwide were £nil (2011: £nil). No donations were made to any political party in either year.

Auditors

For the year ended 31 December 2012, the Board undertook a review of the external audit services provided to the Company. Following this review, it was agreed that BDO LLP would resign as auditor and that SRLV would be appointed as auditor to the Group with effect from 1 February 2013 to audit the Group’s financial statements for the year ended 31 December 2012. Accordingly, having been appointed as auditor in the period since the Company’s AGM in 2012, a resolution will be proposed to appoint SRLV as the Company’s auditor at the AGM to be held on 28 June 2013.

Disclosure of information to the Auditors
In the case of each of the persons who are Directors at the time when the annual report is approved, the following applies:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- that Director has taken all the steps that they ought to have taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors’ Report approved by the Board on 31 May 2013 and signed on its behalf by:

D Craven
Executive Chairman and Chief Executive Officer

31 May 2013

Board of Directors

David Craven (Executive Chairman & CEO)

David Craven was appointed CEO of DCD Media in October 2012 and Executive Chairman in January 2013. He is also CEO and Director of Timeweave Ltd - which he joined in April 2011. David brings significant sector-specific and broad commercial experience to the Group, having held senior roles with News Corporation, UPC Media and Trinity Newspapers. He was also joint MD of the Tote for six years and was closely involved in its privatisation, and has held senior executive roles at UK Betting Plc and Wembley Plc. David was also a co-founder of broadband and interactive TV media group, UPC Chello, and is a co-founder of the Gaming Media Group.

David Green (Executive Director)

David Green joined the Group in 2007 when London and LA-based TV and film production company September Films, of which he was Chairman and Founder, was acquired by DCD Media. He took on the role of Group Chief Creative Officer before becoming CEO in 2009 and Executive Chairman in 2012. In November 2012, he relinquished his corporate role to concentrate on addressing the significant revenue and growth potential of the US TV production market.
Oxford educated and a veteran of the UK and US film and TV industries, David's feature film directing credits include 'Buster' and 'Wings of the Apache', and he has produced over 2,000 hours of primetime TV programming including landmark series 'Hollywood Women' and 'Bridezillas' - both of which he created.

Andrew Lindley (Non-Executive Director)

Andrew Lindley joined the Board of DCD Media in September 2012. He is a practicing solicitor and holds other non-executive roles with Turf TV and Lottoland.com as well as being a consultant with Axiom. Andrew was Director of the Tote for the six years up to its sale in 2011 and before that spent five years at Northern Foods Plc, where he focused on M&A and complex contracts.

Neil McMyn (Non-Executive Director)

Neil McMyn is a chartered accountant and Chief Financial Officer of Tavistock Europe, an international private investment organisation. Previously Neil spent nine years with Arthur Andersen Corporate Finance in Edinburgh and six years in advisory and funds management roles at Westpac Institutional Bank in Sydney. He became a Non-Executive Director of DCD Media in September 2012.

Independent auditor's report to the members of DCD Media Plc

We have audited the Group and parent company financial statements (the ''financial statements'') of DCD Media Plc for the year ended 31 December 2012 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity, the notes to the consolidated financial statements, the parent company balance sheet and the notes to the parent company financial statements. 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 the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' responsibilities set out on page 12, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2012 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Richard Gilbert (Senior Statutory Auditor)
for and on behalf of SRLV
Chartered Accountants and Statutory Auditor
89 New Bond Street
London
W1S 1DA

31 May 2013

Consolidated income statement for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Revenue	5	**16,084**	**19,370**
Cost of sales		(10,455)	(11,920)
Impairment of programme rights	6,13	(782)	(1,106)
		(11,237)	(13,026)
Gross profit		**4,847**	**6,344**
Selling and distribution expenses		**(24)**	**(44)**
Administrative expenses:			
- Other administrative expenses		(5,309)	(7,630)
- Impairment of goodwill and trade names	6,13	(740)	(3,366)
- Amortisation of trade names	6,13	(462)	(988)
- Restructuring costs	6	(339)	(105)
		(6,850)	**(12,089)**
Other income		130	79
Operating loss		**(1,897)**	**(5,710)**
Finance income	8	2	2
Finance costs	9	(245)	(381)
Loss before taxation		**(2,140)**	**(6,089)**
Taxation	10	106	1,293
Loss after taxation from continuing operations		**(2,034)**	**(4,796)**
Profit/(loss) on discontinued operations net of tax	11	715	(2,326)
Loss for the financial year		**(1,319)**	**(7,122)**
(Loss)/profit attributable to:			
Owners of the parent		(1,313)	(7,162)
Non controlling interest		(6)	40
		(1,319)	**(7,122)**

Earnings per share attributable to the equity holders of the Company during the year (expressed as pence per share)

	Note	2012	2011
Basic loss per share from continuing operations	12	**(0.79p)**	**(6.36p)**
Basic profit/(loss) per share from discontinued operations	11	**0.28p**	**(3.09p)**
Total basic loss per share	12	**(0.51p)**	**(9.45p)**
Diluted loss per share from continuing operations	12	**(0.79p)**	**(6.36p)**
Diluted profit/(loss)per share from discontinued operations	11	**0.28p**	**(3.09p)**
Total diluted loss per share	12	**(0.51p)**	**(9.45p)**

The notes on pages 21 to 48 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income for the year ended 31 December 2012

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Loss for the financial year		**(1,319)**	**(7,122)**
Prior year adjustments	2	(41)	-
Loss reported since the prior year		(1,360)	(7,122)
Other comprehensive expenses			
Exchange losses arising on translation of foreign operations		(79)	(122)
Total other comprehensive expenses		(79)	(122)
Total comprehensive expense		**(1,439)**	**(7,244)**
Total comprehensive expense attributable to:			
Owners of the parent		(1,433)	(7,284)
Non controlling interest		(6)	40
		(1,439)	**(7,244)**

Consolidated statement of financial position as at 31 December 2012

Company number 03393610

	Note	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Non-current assets			
Goodwill	13	3,894	4,634
Other intangible assets	13	2,653	3,583
Property, plant and equipment	14	149	78
Trade and other receivables	16	263	-
		6,959	**8,295**
Current assets			
Inventories and work in progress	15	73	186
Trade and other receivables	16	4,735	5,483
Cash and cash equivalents		3,728	6,386
Assets held for sale	17	-	83
		8,536	**12,138**
Current liabilities			
Bank overdrafts	19	(634)	(615)
Secured convertible loan	19,21	-	(4,314)
Bank and other loans	19,21	(984)	(1,154)
Trade and other payables	18	(6,608)	(9,768)
Taxation and social security	18	(422)	(540)
Obligations under finance leases	19	(10)	(17)
		(8,658)	**(16,408)**
Non-current liabilities			
Secured convertible loan	19,21	(49)	-
Other loans	19	(54)	-
Obligations under finance leases	19	(27)	(24)
Deferred tax liabilities	20	(483)	(622)
		(613)	**(646)**
Net assets		**6,224**	**3,379**
Equity			
Equity attributable to owners of the parent			
Share capital	22	10,145	7,393
Share premium account		51,118	49,391
Equity element of convertible loan		1	154
Translation reserve		(201)	(122)
Own shares held		(83)	-
Retained earnings		(54,751)	(53,438)
Equity attributable to owners of the parent		**6,229**	**3,378**
Non controlling interest		(5)	1
Total equity		**6,224**	**3,379**

The notes on pages 21 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 31 May 2013

DCM Craven
Director

Consolidated statement of cash flows for the year ended 31 December 2012

Cash flow from operating activities including discontinued operations		Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Net loss before taxation		**(1,421)**	**(8,149)**
Adjustments for:			
Depreciation of tangible assets	14	37	56
Amortisation and impairment of intangible assets	13	6,702	13,464
Profit on disposal of property, plant and equipment	6	-	53
Net bank and other interest charges	8,9	243	390
Profit on disposal of undertakings		(715)	
Net exchange differences on translating foreign operations		(79)	(123)
Decrease in provision		-	(76)
Net cash flows before changes in working capital		**4,767**	**5,615**
Decrease in inventories	15	113	90
Decrease in trade and other receivables	16	50	2,468
Decrease in trade and other payables	18	(2,430)	(190)
Cash from operations		**2,500**	**7,983**
Interest received		2	2
Interest paid		(66)	(112)
Income taxes received		150	145
Net cash flows from operating activities		**2,586**	**8,018**
Investing activities			
Purchase of property, plant and equipment	14	(110)	(83)
Purchase of intangible assets	13	(5,032)	(6,423)
Net cash flows used in investing activities		**(5,142)**	**(6,506)**
Financing activities			
Issue of ordinary share capital		-	703
New finance leases received		-	46
Repayment of finance leases		(5)	(16)
Repayment of loan		(894)	(846)
New loans raised		778	975
Net cash flows from financing activities		**(121)**	**862**
Net (decrease)/increase in cash		**(2,677)**	**2,374**
Cash and cash equivalents at beginning of year		5,771	3,397
Cash and cash equivalents at end of year	28	**3,094**	**5,771**

Consolidated statement of changes in equity for the year ended 31 December 2012

	Share capital £'000	Share premium £'000	Equity element of convertible loan £'000	Merger reserve £'000	Translation reserve £'000	Own shares held £'000	Retained earnings £'000	Equity attributable to owners of the parent £'000	Amounts attributable to non-controlling interest £'000	Total equity £'000
Balance at 31 December 2010 (as previously reported)	**6,602**	**49,451**	**120**	**6,356**			**(52,722)**	**9,807**	**(39)**	**9,768**
Removal of merger reserve (note 1)	-	-	-	(6,356)		-	6,356	**-**	**-**	**-**
Prior period adjustments (note 2)	-	-	-	-	-	-	90	**90**	**-**	**90**
Balance at 31 December 2010 (restated)	**6,602**	**49,451**	**120**	**-**		**-**	**(46,276)**	**9,897**	**(39)**	**9,858**
(Loss)/profit and total comprehensive income for the year	-	-	-	-	-	-	(7,162)	**(7,162)**	40	**(7,122)**
Convertible loan note issued	-	-	35	-	-	-	-	**35**	-	**35**
Shares issued	775	(72)	-	-	-	-	-	**703**	-	**703**
Shares issued on conversion of loan	16	12	(1)	-	-	-	-	**27**	-	**27**
Exchange differences on translating foreign operations	-	-	-	-	(122)	-	-	**(122)**		**(122)**
Balance at 31 December 2011	**7,393**	**49,391**	**154**	**-**	**(122)**	**-**	**(53,438)**	**3,378**	**1**	**3,379**
Loss and total comprehensive income for the year	-	-	-	-	-	-	(1,313)	**(1,313)**	(6)	**(1,319)**
Shares issued on conversion of loan	2,752	1,727	(153)	-	-	-	-	**4,326**	-	**4,326**
Shares allocated to employee benefit trust (note 3)	-	-	-	-	-	(83)	-	**(83)**	-	**(83)**
Exchange differences on translating foreign operations	-	-	-	-	(79)	-	-	**(79)**	-	**(79)**
Balance at 31 December 2012	**10,145**	**51,118**	**1**	**-**	**(201)**	**(83)**	**(54,751)**	**6,229**	**(5)**	**6,224**

Note 1 – The merger reserve was eliminated when the original investment in DC Distribution (Two) Ltd was rebased to eliminate goodwill which had been amortised to zero in 2007.
Note 2 – A review of the application of the Group's income recognition and other policies was performed in 2012 resulting in an adjustment of £90k to 2011 opening retained earnings. See note 2 in the financial statements for more information.
Note 3 – During the year, 7,218,750 shares that had been held by the Directors of Done and Dusted Ltd were handed over to an employee benefit trust.

Notes to the consolidated financial statements for the year ended 31 December 2012

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 Glen House, 22 Glenthorne Road, London, W6 0NG, 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 date of 31 December 2012.

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 years 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.

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 Executive Chairman's review. 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.

The Group's day-to-day operations are funded from cash generated from trading and the use of an overdraft facility of £0.55m, with other activities funded from a combination of equity and short and medium term debt instruments.

The Group's overdraft facility has recently been extended by its principal bankers until 11 May 2014. In August 2012 DCD Media entered into a new loan facility with Coutts & Co bank. The facility was for £1.2m, incurs interest at LIBOR plus 3.5% and is repayable in quarterly instalments to 30 November 2014. In the period to 31 December 2012 the Group repaid £0.24m of this loan, leaving a balance of £0.96m at 31 December 2012. The Group continues to make its quarterly payments, having paid a further £0.24m of this term loan since year end. 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.

At 31 December 2011 the Group had £4.3m of convertible debt. Through a series of conversion during the year, this has been reduced to £0.049m at year end, which is due for repayment after the Coutts loan has been fully repaid.

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 and allow for slower production income and the continued settlement of historic creditors.

Based on these projections, the Directors believe the Group needs additional funding of approximately £1.0m. Having considered the available options, it was determined that the Company issue a further £1.0m of principal convertible loan notes to the major shareholders. The new loan note instrument was signed on 31 May 2013 and has a maturity date of 30 May 2015. The convertible element of the loan notes is subject to shareholder approval of, inter alia, the authorisation to issue sufficient shares to satisfy the conversion rights, which will be put to shareholders in the upcoming AGM. The notes accrue interest at 10% per annum from the date of issue unless the authorities are not approved in which case interest increases to 20% per annum, back dated to date of issue. The new notes will be convertible at 0.5 pence per share, however, assuming that the proposed capital reorganisation is approved by the shareholders at the AGM, the adjusted conversion price for notes shall be £5.00 per share.

The Directors' forecasts and projections, which make allowance for reasonably possible changes in its trading performance, show that, with the ongoing support of its lenders and its bank, the Group can continue to generate cash to meet their obligations as they fall due.

Through the recent negotiations with its shareholders, its loan note holders 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.

The financial statements do not include the adjustments that would result if the Group or Company was unable to continue as a going concern.

1 Principal accounting policies (continued)

Changes in accounting policies

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 January 2012 are expected to have a material effect on the Group's future financial statements.

Revenue and attributable profit

Production revenue represents amounts receivable from producing programme/production content, and is recognised over the period of the production in accordance with the milestones within the underlying signed contract. Profit attributable to the period is calculated by capitalising all appropriate costs up to the stage of production completion, and amortising production costs in the proportion that the revenue recognised in the year bears to estimated total revenue from the programme. The carrying value of programme costs in the statement of financial position is subject to an annual impairment review.

Event management revenue arises where the Group produced and filmed events in the period. Event management revenue is recognised in accordance with the milestones agreed within the underlying signed contract. Associated costs are recognised in-line with the agreed budgets aligned to the contractual milestones.

Where productions are in progress at the year end and where billing is in advance of the completed work per the contract, the excess is classified as deferred income and is shown within trade and other 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 statement of comprehensive income 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 year.

All revenue excludes value added tax.

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2012. 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.

At the beginning of the year, the Group held an investment of 19.9% in Classical TV Ltd. This interest was not accounted for as a subsidiary nor associate as the Group did not have sufficient control or influence to do so. The investment had a carrying value of nil and was sold in the year.

Non-controlling interests

For business combinations completed prior to 1 July 2009, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 July 2009 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

From 1 July 2009, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in

1 Principal accounting policies (continued)

Non-controlling interests (continued)

such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of the amendment has not been restated.

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 July 2009, the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. For business combinations completed prior to 1 July 2009, 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 July 2009, 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, re-measured 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.

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	25% on cost
Office and technical equipment	25%-33% on cost

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate.

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 statement of comprehensive income, following a periodic impairment review, on a straight line basis over their useful economic lives, such periods not to exceed 10 years.

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 statement of comprehensive income. Amortisation of programme costs is charged in the ratio that actual revenue recognised in the current year bears to estimated ultimate revenue. At each statement of financial position 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 is not expected to exceed 7 years.

Purchased programme rights are stated at the lower of cost, less accumulated amortisation, or recoverable amount. Purchased programme rights are amortised over a period in-line with expected useful life, not exceeding 7 years.

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

1 Principal accounting policies (continued)

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 statement of comprehensive income 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 statement of comprehensive income on a straight line basis over the period of the lease.

Inventories

Inventories comprise pre-production costs incurred in respect of programmes deemed probable to be commissioned, 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.

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 statement of financial position 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 statement of financial position. Overdrafts are included in cash and cash equivalents for the purpose of the cash flow statement.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale when:

- they are available for immediate sale;
- management is committed to a plan to sell;
- it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- an active programme to locate a buyer has been initiated;
- the asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- a sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

1 Principal accounting policies (continued)

Discontinued operations

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

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;
- **Translation reserve** represents the exchange rate differences on the translation of subsidiaries from a functional currency to Sterling at the year end;
- **Own shares held** represents shares in employee benefit trust;
- **Retained earnings** represents retained profits and losses; and
- **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 statement of financial position 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 statement of financial position 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 statement of financial position date. Exchange differences arising on the settlement and retranslation of monetary items are taken to the statement of comprehensive income.

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 statement of financial position date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising are classified as equity and transferred to the Group’s retained earnings reserve.

1 Principal accounting policies (continued)

Financial instruments

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

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 statement of comprehensive income. 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 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 year 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 year 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 contributes to the personal pension plans for the benefit of a number of its employees. Contributions are charged against profits as they accrue.

2 Prior year adjustments

In certain cases, the Directors have reanalysed corresponding amounts to make their disclosure more meaningful.

Following a review of the application of the Group's income recognition policies, the Directors have recognised the appropriate treatment of amounts recognised in turnover and cost of sales relating to production revenue and production costs during the previous years. Comparatives have been restated accordingly. The effect of this adjustment is to decrease the value of turnover by £2,214k (2010: decrease by £49k), decrease the value of cost of sales by £1,660k (2010: decrease by £856k), increase the value of accrued income brought forward by £134k (2010: increase by £190k), decrease the value of accrued costs brought forward by £119k (2010: decrease by £617k) and to increase profit and loss reserves brought forward by £253k (2010: increase by £807k).

The Directors also applied the Group's policy on programme rights to Matchlight in 2012, and restated the prior year comparatives. This resulted in £896k of production cost being capitalised in the prior year, offset by an amortisation of £772k. The net result of £124k increased profit and loss reserves and intangible assets in 2011.

2 Prior year adjustments (continued)

The Directors reviewed the timing of the recognition of tax credits recoverable in the US. This resulted in the tax credit for a year being booked as recoverable in that year. The credit had previously been recognised when received. This resulted in an increase to the overall taxation credit in the income statement of £121k and a similar increase to current assets.

A review of opening consolidation entries was also performed. As a result, retained earnings in 2010 and 2011 were decreased by £717k. Intangible assets were reduced by £81k, other assets by £42k, prepayments by £23k and accruals and deferred income increased by £863k. A review of 2011 consolidation entries revealed that administration costs were overstated by £353k.

In addition, a further £115k was added to the impairment of programme rights in 2011.

The impact of these adjustments in on the net assets allocable to the non-controlling interests in 2011 was a reduction of £60k (2010:nil).

In total, as a consequence of the adjustments noted above, 2011 retained earnings were reduced by £41k and 2010 retained earnings increased by £90k.

In order to reconcile previously stated figures, it is also necessary to adjust turnover by £259k and cost of sales by £169k to account for the restatement of activities that were classified as being discontinued in 2012.

3 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 year 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).

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 statement of financial position 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.

Revenue recognition
Production revenue represents amounts receivable from producing programme/production content, and is recognised over the period of the production in accordance with the milestones within the underlying signed contract.

Recoverability of programmes in the course of production
During the year, management reviewed the recoverability of its programmes in the course of production which are included in its statement of financial position. 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.

Carrying value of goodwill and trade names
Determining whether goodwill and trade names are 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 and trade names at the statement of financial position date was £6.0m. Details relating to the allocation of goodwill to cash-generating units and potential impairment calculations are given in note 13.

3 Critical accounting judgements and key sources of estimation uncertainty (continued)

Carrying value 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 statement of financial position date was £0.6m. Details of the impairment review calculations are given in note 13.

4 Segment information

Under IFRS 8 the accounting policy for identifying segments is based on the internal management reporting information that is regularly reviewed by the senior management team.

The Group has three main reportable segments:

- ***Production*** - This division is involved in the production of television content.
- ***Post-Production*** – This division is involved in post-production and contains Sequence Post.
- ***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, DCD DVD, DCD Music and DCD Publishing.

In 2012, the Group revised its reporting structure to the divisions noted above. 2011 comparatives have been restated to align the prior year results with the revised structure.

The Group's reportable segments are strategic business divisions that offer different products to different markets, while its Other 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 requires different management and marketing strategies.

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

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 and 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 and borrowings and deferred tax liabilities incurred by the Group are not allocated to segments. Details of these balances are provided in the reconciliations below:

4 Segment information (continued)

2012 Segmental Analysis – income statement

	Production	Rights and Licensing	Post Production	Other	Total 2012
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Total revenue	11,983	4,021	508	285	**16,797**
Inter-segmental revenue	-	(644)	-	-	**(644)**
Total revenue from external customers	11,983	3,377	508	285	**16,153**
Discontinued operations	-	(69)	-	-	**(69)**
Group's revenue per consolidated statement of comprehensive income	**11,983**	**3,308**	**508**	**285**	**16,084**
Operating (loss)/profit before tax – continuing operations	**(2,473)**	**(495)**	**(264)**	**1,335**	**(1,897)**
Operating (loss)/profit before tax - discontinued operations	**(77)**	**760**	**-**	**36**	**719**
Operating (loss)/profit before tax	**(2,550)**	**265**	**(264)**	**1,371**	**(1,178)**
Capitalisation of programme rights	(5,031)	-	-	-	**(5,031)**
Amortisation of programme rights	4,712	-	-	5	**4,717**
Impairment of programme rights	658	58	-	66	**782**
Amortisation of goodwill and trade names	462	-	-	-	**462**
Impairment of goodwill and trade names	740	-	-	-	**740**
Depreciation	20	9	7	1	**37**
Segmental EBITDA	**(989)**	**332**	**(257)**	**1,443**	**529**
Restructuring costs	-	-	-	339	**339**
Segmental adjusted EBITDA	**(989)**	**332**	**(257)**	**1,782**	**868**
Net finance expense	(1)	(8)	-	(234)	**(243)**
Depreciation	(20)	(9)	(7)	(1)	**(37)**
Segmental adjusted (loss)/profit before tax	**(1,010)**	**315**	**(264)**	**1,547**	**588**

4 Segment information (continued)

2012 Segmental Analysis – financial position

	Production	Rights and Licensing	Post Production	Other	Total 2012
	£'000	£'000	£'000	£'000	£'000
Non-current assets	596	27	96	-	**719**
Reportable segment assets	5,038	4,167	228	90	**9,523**
Goodwill	3,270	624	-	-	**3,894**
Trade-names	2,078	-	-	-	**2,078**
Total Group assets	**10,386**	**4,791**	**228**	**90**	**15,495**
Reportable segment liabilities	3,065	3,587	188	305	**7,145**
Loans and borrowings	-	-	-	1,643	**1,643**
Deferred tax liabilities	483	-	-	-	**483**
Total Group liabilities	**3,548**	**3,587**	**188**	**1,948**	**9,271**

4 Segment information (continued)

2011 Segmental Analysis (restated) – income statement

	Production	Rights and Licensing	Post Production	Other	Total 2011
	£'000	£'000	£'000	£'000	£'000
Total revenue	15,166	5,107	-	8,362	**28,635**
Inter-segmental revenue	(18)	(872)	-	-	**(890)**
Total revenue from external customers	15,148	4,235	-	8,362	**27,745**
Discontinued operations	(122)	(137)	-	(8,116)	**(8,375)**
Group's revenue per consolidated statement of comprehensive income	**15,026**	**4,098**	**-**	**246**	**19,370**
Operating (loss)/profit before tax – continuing operations	**(4,529)**	**637**	**-**	**(1,818)**	**(5,710)**
Operating loss before tax - discontinued operations	**(177)**	**(354)**	**-**	**(1,784)**	**(2,315)**
Operating (loss)/profit before tax	**(4,706)**	**283**	**-**	**(3,602)**	**(8,025)**
Capitalisation of programme rights	(6,275)	-	-	(412)	**(6,687)**
Amortisation of programme rights	6,183	36	-	338	**6,557**
Impairment of programme rights	153	870	-	83	**1,106**
Amortisation of goodwill and trade names	988	-	-	-	**988**
Impairment of goodwill and trade names	3,781	-	-	1,370	**5,151**
Depreciation	21	14	-	21	**56**
Segmental EBITDA	**145**	**1,203**	**-**	**(2,202)**	**(854)**
Restructuring costs	47	-	-	58	**105**
Discontinued US operations	-	-	-	512	**512**
Staff normalisation	167	269	-	120	**556**
Intercompany write off	2,276	-	-	(2,276)	**-**
Segmental adjusted EBITDA	**2,635**	**1,472**	**-**	**(3,788)**	**319**
Net finance expense	(6)	(2)	-	(371)	**(379)**
Depreciation	(21)	(14)	-	(21)	**(56)**
Segmental adjusted profit/(loss) before tax	**2,608**	**1,456**	**-**	**(4,180)**	**(116)**

4 Segment information (continued)

2011 Segmental Analysis (restated) – financial position

	Production	Rights and Licensing	Post Production	Other	Total 2012
	£'000	£'000	£'000	£'000	£'000
Non-current assets	940	41	-	43	**1,024**
Reportable segment assets	6,532	4,832	-	1,812	**13,176**
Goodwill	4,010	624	-	-	**4,634**
Trade-names	2,540	-	-	-	**2,540**
Asset held for sale	-	-	-	83	**83**
Total Group assets	**13,082**	**5,456**	**-**	**1,895**	**20,433**
Reportable segment liabilities	(3,108)	(4,991)	-	(2,250)	**(10,349)**
Loans and borrowings	-	-	-	(6,083)	**(6,083)**
Deferred tax liabilities	(622)	-	-	-	**(622)**
Total Group liabilities	**(3,730)**	**(4,991)**	**-**	**(8,333)**	**(17,054)**

5 Revenue

The Group's headquarters is based in the United Kingdom. It also has offices in 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:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
United Kingdom	3,425	8,413
Rest of Europe	1,069	1,878
North and South America, including Canada	10,384	8,034
Rest of the World	1,206	1,045
	16,084	**19,370**

6 Expenses by nature

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Auditors' remuneration:		
Fees payable to the company's auditor:		
For the audit of the company's annual accounts	15	10
For the audit of other Group companies	30	55
Operating lease rentals:		
Other	540	444
Gain on foreign exchange fluctuations	4	6
Loss on disposal of property, plant and equipment	-	(53)
Depreciation, amortisation and impairment:		
Intangible assets - programme amortisation in cost of sales (note 13)	4,717	6,557
Intangible assets - programme impairment in cost of sales - continued operations (note 13)	782	954
Intangible assets - programme impairment in cost of sales - discontinued operations (note 13)		152
Intangible assets - goodwill impairment in administrative expenses (note 13)	740	1,485
Intangible assets – trade names impairment in administrative expenses – continued operations (note 13)	-	1,881
Intangible assets – trade names impairment in administrative expenses – discontinued operations (note 13)	-	415
Intangible assets - trade names amortisation in administrative expenses (note 13)	462	988
Intangible assets - assets held for sale (note 13)	-	1,370
Property, plant and equipment (note 14)	37	56
Staff costs (note 7)	2,994	5,206
Restructuring costs (see below)	339	105

In 2012, restructuring costs related to redundancies, legal and professional costs relating to the conversion of the loan notes and other refinancing and legal and professional costs that arose from the disposal of Digital Classics Distribution Ltd and Digital Classics Distribution Rights Ltd.

In 2011, restructuring costs related to the change in premise of the head office, separation costs for the departure of Done and Dusted Group Ltd from the Group and redundancy costs within the Group including legal costs and compensation to individuals for loss of office.

7 Directors and employees

Staff costs during the year, including Directors, were as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Wages and salaries	2,792	4,698
Social security costs	187	490
Other pension costs (note 26)	15	18
	2,994	**5,206**

7 Directors and employees (continued)

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

	Year ended 31 December 2012 No.	Year ended 31 December 2011 No.
Sales and distribution	11	9
Production	30	29
Post-production	6	-
Directors and administration	15	24
	62	**62**

Remuneration in respect of the Directors, who are the key management personnel of the Group was as follows for the year:

	Emoluments £'000	Pension Contributions £'000	Money value of non-cash benefits received £'000	2012 Total £'000
D Green	(67)	-	7	**(60)**
S Nourmand (resigned 29 November 2012)	204	8	15	**227**
T Wildman (resigned 28 September 2012)	27	-	-	**27**
J Cusins (resigned 28 September 2012)	26	-	-	**26**
D Craven (appointed 4 July 2012)	25	-	1	**26**
R McGuire (appointed 4 July 2012, resigned 15 January 2013)	-	-	-	**-**
N McMyn (appointed 21 September 2012)	-	-	-	**-**
A Lindley (appointed 21 September 2012)	-	-	-	**-**
2012	**215**	**8**	**23**	**246**

In 2012, two directors waived their deferred emoluments.

	Emoluments £'000	Pension Contributions £'000	Money value of non-cash benefits received £'000	2011 Total £'000
J Cusins (appointed 17 November 2011)	5	-	-	**5**
D Green	301	-	-	**301**
J McIntosh (resigned 28 July 2011)	165	-	-	**165**
S Nourmand (appointed 16 November 2011)	252	5	-	**257**
T Wildman	40	-	-	**40**
2011	**763**	**5**	**-**	**768**

Employee Benefit Trust

During the year, 7,218,750 shares, that had been held by the directors of Done and Dusted Ltd (see note 11), were transferred into an employee benefit trust.

8 Finance income

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Interest on short term bank deposits	**2**	**2**

9 Finance costs

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Bank overdraft	17	27
Convertible loan interest charge	179	282
Bank loan	38	70
Other interest charges	11	2
	245	**381**

10 Taxation on ordinary activities

Recognised in the statement of comprehensive income:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Current tax (expense)/credit:		
Continuing operations		
UK corporation tax	-	-
US federal and state income taxes	(33)	280
Withholding tax suffered	-	(1)
Discontinued operations		
US federal and state income taxes	(4)	(11)
Current year (expense)/credit	**(37)**	**268**
Deferred tax credit:		
Reversal of temporary differences under IFRS	139	1,014
Total tax in statement of comprehensive income	**102**	**1,282**

Tax credit represents:	2012 £'000	2011 £'000
Loss on ordinary activities – continuing operations	(2,140)	(6,089)
Profit/(loss) on ordinary activities – discontinued operations	719	(2,315)
	(1,421)	(8,404)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.50% (2011: 26.49%)	(348)	(2,226)
Effects of:		
Expenses not deductible for tax purposes (amortisation and impairment of intangibles)	484	2,909
Expenses not deductible for tax purposes (other)	(45)	11
Net losses in year(brought forward losses utilised)/carried forward	(21)	101
Depreciation in excess of capital allowances	12	8
Rate differential on foreign taxes	20	480
Overseas withholding tax suffered	-	(1)
Total tax credit	**102**	**1,282**

A deferred tax asset of approximately £4.2m (2011: £3.1m) 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.

The asset has been calculated the asset value based upon the 2013 tax rate of 23%. If the brought forward losses were not utilised until 2014 a tax rate of 21% would be applicable, resulting in a deferred tax asset of £3.8m, a reduction of £0.4m.

11 Discontinued operations

In June 2011, the Board took the decision to part company with key management at one of its subsidiaries, Done and Dusted Group Ltd ("Done and Dusted"). This decision was to allow the Company to focus on its key markets, that of television production and distribution. Done and Dusted remained within the Group, however trade names were passed to key management in consideration of key management returning their shares in the Company. The return of ordinary shares in the Company had not completed by the signing date of the prior year financial statements. Operations within Done and Dusted ceased from 1 January 2012.

In March 2012, West Park Pictures Ltd was placed into administration. In previous periods, several key creative executives had left and in 2011, management made the decision to not invest in the West Park brand any longer. This event meant that no further value in use was identified in the trade name and it was impaired to a value of £nil.

In October 2012, the Group disposed of two subsidiaries, Digital Classics Distribution Ltd and Digital Classics Distribution Rights Ltd in satisfaction of its liabilities and obligations to Classical Television Ltd.

	31 December 2012 £'000	**31 December 2011 £'000**
Asset held for sale (note 17)	-	83

Result of discontinued operations	**Year ended 31 December 2012 £'000**	**Year ended 31 December 2011 £'000**
Revenue	69	8,375
Expenses other than finance costs	650	(8,894)
Finance costs	-	(11)
Impairment of goodwill	-	(1,370)
Impairment of trade names	-	(415)
Profit/(loss) from discontinued operations before tax	719	(2,315)
Tax expense	(4)	(11)
Profit/(loss) from discontinued operations after tax	**715**	**(2,326)**
Basic earnings/(loss) per share (pence)	**0.28p**	**(3.09p)**
Diluted earnings/(loss) per share (pence)	**0.28p**	**(3.09p)**

As mentioned in note 12 below, diluted earnings per share has not been considered for either the 2012 or 2011 figures as, due to the overall loss position of the group, this effect would be anti-dilutive.

Statement of cash flows

The statement of cash flows includes the following amounts related to discontinued operations:

	Year ended 31 December 2012 £'000	**Year ended 31 December 2011 £'000**
Cash flow from operating activities	**(1,351)**	**61**
Cash flow from investing activities	**-**	**(320)**
Cash flow from financing activities	**-**	**(11)**
Net cash flow from discontinued operations	**(1,351)**	**(270)**

12 Earnings per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss 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.

12 Earnings per share (continued)

	Loss £'000	Weighted average number of shares	2012 Per share amount pence	Loss £'000	Weighted average number of shares	2011 Per share amount pence
Basic and diluted loss per share						
Loss attributable to ordinary shareholders	(1,319)	257,430,103	(0.51)	(7,122)	75,354,034	(9.45)

If convertible loan balances held at the year-end were converted at their respective conversion prices of 1 pence, and the share options were converted at their conversion price 10 pence, the number of shares issued would be 257,644,988 (2011: 204,848,375 shares if all the convertible loan balances held at the prior year end had been converted at their respective conversion prices of 18 pence and 1 pence, and the share options had been converted at their respective conversion prices of 1 pence and 10 pence).

The consequence of this transaction has not been considered for either the 2012 or 2011 figures as the effect would be anti-dilutive.

13 Goodwill and intangible assets

	Goodwill £'000	Trade Names £'000	Programme Rights £'000	Total £'000
Cost				
At 1 January 2011 (as previously reported)	34,603	9,882	39,697	84,182
Prior year adjustment	(2,893)	-	(3,014)	(5,907)
At 1 January 2011 (restated)	31,710	9,882	36,683	78,275
Additions	-	-	6,687	6,687
Transfer of goodwill to assets held for sale (note 11, 17)	(11,959)	-	-	(11,959)
Disposals	-	(1,846)	(2,840)	(4,686)
At 31 December 2011	**19,751**	**8,036**	**40,530**	**68,317**
At 1 January 2012	19,751	8,036	40,530	68,317
Additions	-	-	5,031	5,031
Disposals	(2,363)	-	(10,028)	(12,391)
At 31 December 2012	**17,388**	**8,036**	**35,533**	**60,957**
Amortisation and impairment				
At 1 January 2011 (as previously reported)	27,035	4,058	37,753	68,846
Prior year adjustment	(2,897)	-	(3,089)	(5,986)
At 1 January 2011 (restated)	24,138	4,058	34,664	62,860
Amortisation provided in year in cost of sales	-	-	6,557	6,557
Impairment provided in year in cost of sales - continued operations	-	-	1,106	1,106
Amortisation provided in year in administrative expenses	-	988	-	988
Impairment provided in year in administrative expenses – continued operations	1,485	1,881	-	3,366
Impairment provided in year in administrative expenses – discontinued operations	1,370	415	-	1,785
Disposals	-	(1,846)	(2,840)	(4,686)
Transfer of accumulated amortisation	(11,876)	-	-	(11,876)
At 31 December 2011	**15,117**	**5,496**	**39,487**	**60,100**
At 1 January 2012	15,117	5,496	39,487	60,100
Amortisation provided in year in cost of sales	-	-	4,717	4,717
Impairment provided in year in cost of sales	-	-	782	782
Amortisation provided in year in administrative expenses	-	462	-	462
Impairment provided in year in administrative expenses	740	-	-	740
Disposals	(2,363)	-	(10,028)	(12,391)
At 31 December 2012	**13,494**	**5,958**	**34,958**	**54,410**
Net book value				
At 31 December 2012	**3,894**	**2,078**	**575**	**6,547**
At 31 December 2011 (restated)	4,634	2,540	1,043	8,217

13 Goodwill and intangible assets (continued)

Goodwill and trade names

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.

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

	Segment (note 4)	Goodwill carrying amount 31 December 2012 £'000	Goodwill carrying amount 31 December 2011 £'000
Cash generating units (CGU):			
DCD Rights Ltd	Rights and Licensing	624	624
September Holdings Ltd	Production	3,134	3,874
Matchlight Ltd	Production	136	136
		3,894	**4,634**

	Segment (note 4)	Trade name carrying amount 31 December 2012 £'000	Trade name carrying amount 31 December 2011 £'000
Cash generating units (CGU):			
September Holdings Ltd	Production	1,885	2,304
Prospect Pictures Ltd	Production	193	236
		2,078	**2,540**

Goodwill and trade names are allocated to CGUs for the purpose of the impairment review. 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 future seven years. 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 Board performs an annual impairment review of all intangible assets, including goodwill and trade names. The recoverable amounts of all the above CGUs have been determined from value in use calculations. Detailed budgets and forecasts cover a two year period to December 2014. The forecasts are then extrapolated for a further three years using growth rates noted below and then a further two years to December 2019 with no growth. The Board uses this seven year period of projection as it believes it is reasonably aligned with the expected lifespan of a TV production. The impairments arising from this value in use calculation are recorded below.

Goodwill	Segment (note 4)	Impairment charge 31 December 2012 £'000	Impairment charge 31 December 2011 £'000
Cash generating units (CGU):			
Done and Dusted Group Ltd	Other	-	1,370
September Holdings Ltd	Production	740	1,485
		740	**2,855**

13 Goodwill and intangible assets (continued)

Trade names	Segment (note 4)	Amortisation charge 31 December 2012 £'000	Amortisation charge 31 December 2011 £'000	Impairment charge 31 December 2012 £'000	Impairment charge 31 December 2011 £'000
Cash generating units (CGU):					
September Holdings Ltd	Production	419	419	-	-
Prospect Pictures Ltd	Production	43	385	-	1,881
West Park Pictures Ltd	Production	-	184	-	415
		462	**988**	**-**	**2,296**

In 2011, the directors of Done and Dusted Group Ltd chose to leave the Group. The board considered the value in use of the goodwill being an estimate of amounts recoverable as proceeds from the return of certain DCD Media Plc shares to the Group from the directors. This charge was £1.37m. As a result the goodwill in relation to Done and Dusted Group Ltd of £1.45m was impaired to a carrying value of £0.08m equating to the fair value of DCD Media Plc shares held by the exiting key management of Done and Dusted Group Ltd which were contractually returnable to DCD Media Plc as part of exit contract which became effective on 1 January 2012. During 2012, these shares were transferred to an employee benefit trust and transferred to reserves.

In 2011, management made the decision to not invest in the West Park brand any longer. This event meant that no further value in use was identified in the trade name and it was impaired to a value of nil. The CGU was wound down and closed in 2012.

During 2011 key executives left Prospect Pictures Ltd and the decision was taken to restructure the operations of the division. The effect of this restructuring led to an impairment of £1.88m in 2011. The Group continues, however, to trade this division.

Management has assessed the value of September Films Holdings and has considered the risk associated with the refocusing of the business and re-assessed future cash flows based on revised cash flows. At the half year, this had an adverse impact on the projected value in use of the operation concerned and consequently resulted in an impairment to goodwill of £0.74m, which was retained at the year end.

The key assumptions used for value in use calculations are the discount factor and growth rates applied to the forecasts.

The rate used to discount the forecast cash flows is 12.5% for all CGUs. If the discount rates used were increased by 3% to 15.5%, it is estimated that the recoverable amount of goodwill would have impaired by approximately £0.17m. If the discount rates were decreased to 9.5%, it is estimated that the recoverable amount of goodwill would be increased by approximately £0.70m.

Varying growth rates are applied dependent upon the historical growth of the CGU. These growth rates are only applied for the five years subsequent to the initial period of formally approved budgets.

Trade names	Discount factor 31 December 2012 %	Discount factor 31 December 2011 %	Growth rate 31 December 2012 %	Growth rate 31 December 2011 %
Cash generating units (CGU):				
DCD Rights Ltd	12.5	12	5	5
Done and Dusted Group Ltd	12.5	12	5	5
September Holdings Ltd	12.5	12	5	5
Prospect Pictures Ltd	12.5	12	5	5
Matchlight Ltd	12.5	12	5	5

Programme rights

The Board performed an impairment review of 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 12.5%. 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 15.5% the carrying values would decrease by £0.011m. If the discount rate was decreased by 3% to 9.5% the carrying value of assets would increase by £0.013m.

14 Property, plant and equipment

	Short leasehold property improvements £'000	Office and technical equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2011	157	981	44	1,182
Additions	-	36	47	83
Disposals	(157)	(154)	(44)	(355)
At 31 December 2011	**-**	**863**	**47**	**910**
At 1 January 2012	-	863	47	910
Additions	-	110	-	110
Disposals	-	(445)	(1)	(446)
At 31 December 2012	**-**	**528**	**46**	**574**
Depreciation				
At 1 January 2011	157	888	33	1,078
Provided in year	-	43	13	56
Disposed in year	(157)	(109)	(36)	(302)
At 31 December 2011	**-**	**822**	**10**	**832**
At 1 January 2012	-	822	10	832
Provided in year	-	28	9	37
Disposed in year	-	(444)	-	(444)
At 31 December 2012	**-**	**406**	**19**	**425**
Net book value				
At 31 December 2012	**-**	**122**	**27**	**149**
At 31 December 2011	-	41	37	78

The net book value of property, plant and equipment includes an amount of £26,707 (2011: £36,909) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £8,902 (2011: £13,791).

15 Inventories

	31 December 2012 £'000	31 December 2011 £'000
Pre-production costs	29	71
Finished stocks	44	115
	73	**186**

16 Trade and other receivables

	31 December 2012 £'000	31 December 2011 £'000
Trade receivables	2,067	3,486
Less: provision for impairment of trade receivables	(8)	(11)
Trade receivables – net	2,059	3,475
Taxation and social security	241	300
Other receivables	501	828
Due from related parties (note 25)	46	-
Prepayments and accrued income	1,888	880
Total trade and other receivables	**4,735**	**5,483**
Total financial assets other than cash and cash equivalents classified as loans and receivables	**2,710**	**4,303**

The average credit period taken on sales of goods is 52 days (2011: 43 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 £8,000 (2011: £11,000). The decrease in the bad debt provision is related to a reduced number of 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 2012 £'000	31 December 2011 £'000
Not due yet		
0-29 days	1,766	1,875
Overdue		
30-59 days	160	459
60-89 days	32	230
90-119 days	40	210
120+ days	324	701
	2,322	**3,475**
Trade debtors in current assets	2,059	3,475
Trade debtors in non-current assets	263	-
	2,322	**3,475**

17 Assets held for sale

	31 December 2012 £'000	31 December 2011 £'000
Intangible assets	-	83

Non-current assets are transferred to assets held for sale when it is expected that their carrying amounts will be recovered principally through disposal and a sale is considered likely. They are held at the lower of carrying amount and fair value less costs to sell.

The creation of assets held for sale arose from the transfer of goodwill relating to Done and Dusted Group Ltd. The amount held was the fair value of DCD Media Plc shares held by the exiting key management of Done and Dusted Group Ltd which were contractually returnable to DCD Media Plc as part of exit contract which became effective on 1 January 2012. During the year, these shares were transferred to an employee benefit trust and transferred to reserves.

18 Trade and other payables

	31 December 2012 £'000	31 December 2011 £'000
Trade payables	3,115	1,452
Other payables	314	1,306
Accruals and deferred income	3,078	6,642
Taxation and social security	422	540
Amount owed to related parties (note 25)	101	368
Total trade and other payables	**7,030**	**10,308**
Total financial liabilities, excluding loans and borrowings, classified as financial liability measured at amortised cost	**3,429**	**2,758**

19 Interest bearing loans and borrowings

Due within one year

	31 December 2012 £'000	31 December 2011 £'000
Bank overdrafts (secured)	634	615
Bank loan (secured)	960	1,000
Other loan	-	154
Amount owed to related parties (note 25)	24	-
Convertible debt (secured)	-	4,314
Obligations under finance leases	10	17
	1,628	**6,100**

The principal terms and the debt repayment schedule for the Group's loans and borrowings are as follows as at 31 December 2012:

	Currency	Nominal rate %	Year of maturity
Bank overdrafts (secured) *	Sterling	3.00 over Base Rate	2013
Bank loan (secured)**	Sterling	3.50 over LIBOR	2013
Amount owed to related parties (note 25)	Sterling	10.85	2015
Convertible debt (secured)	Sterling	8.22	2014
Obligations under finance leases	Sterling	18.50	2014

Bank borrowings

*The bank overdraft has been extended to 11 May 2014, but is repayable on demand.
**The bank loan is scheduled to be repaid in quarterly instalments up to November 2014, but is repayable on demand.

Bank overdrafts and bank loans are secured by a fixed charge over the Group's intangible programme rights and a floating charge over the remaining assets of the Group.

Convertible debt

Convertible debt is secured by a floating charge over the assets of the Group and is subordinate to bank overdrafts and bank borrowings.

During the year £4.5m of notes and accrued interest were converted into equity as explained in note 22. These conversions eliminated the remaining equity element of the convertibles loans. The remaining balance is due for repayment once the Coutts' loan has been fully repaid.

19 Interest bearing loans and borrowings – (continued)

Due after more than one year

	31 December 2012 £'000	31 December 2011 £'000
Convertible debt (secured)	49	-
Amount owed to related parties (note 25)	54	-
Obligations under finance leases	27	24
	130	**24**

20 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Liabilities		Net	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Intangible assets	483	622	483	622
Net tax liabilities	**483**	**622**	**483**	**622**

A deferred tax asset of £4.2m, arising principally from losses in the Group of £18.1m, has not been recognised (2011: £3.1m and £13.4m). 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 as the Directors do not believe that profits will be recognised in the near future.

Movement in deferred tax during the year:

	1 January 2012 £'000	Recognised in income £'000	31 December 2012 £'000
Intangible assets	622	(139)	483
Tax value of temporary difference	**622**	**(139)**	**483**

21 Financial risk management

Financial risk factors

The Group's financial assets and liabilities comprise cash, including short term deposits, trade and other receivables and trade and other payables that arise directly from its operations, overdrafts, bank loans and convertible debt. The main risks arising from the Group's financial assets and liabilities 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 values in the Consolidated Statement of Financial Position for the financial assets and liabilities are not materially different from their fair values.

Interest rate risk

The Group finances its operations at present through equity, bank overdraft, bank loan, convertible debt and production and other loan facilities provided by banks and other organisations. 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 note 19 is fixed at 8.22%.

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.

21 Financial risk management (continued)

Liquidity risk also arises from the interest charges and repayment terms of convertible debt, which the Group seeks to manage by means of periodic charges for central administration services and support to each Group entity. These are incorporated into rolling twelve 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.

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 year. 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 31 December 2012 and 31 December 2011 was as follows:

	Assets		Liabilities	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
US dollar	3,883	4,196	(1,786)	(1,913)
Euros	264	95	-	-
Other	-	1	-	-
Total assets/(liabilities)	**4,147**	**4,292**	**(1,786)**	**(1,913)**

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 year. 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 year by £16,600 (2011: loss of £32,300).

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.

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 cash flow 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 stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

21 Financial risk management (continued)

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.

31 December 2012	Weighted average effective interest rate %	Less than 1 month or on demand £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate							
Finance lease obligations	18.5%	1	1	8	27	-	**37**
Trade payables	0%	3,115	-	-	-	-	**3,115**
Floating rate							
Bank overdrafts	3.5%	634	-	-	-	-	**634**
Non-convertible debt	3.5%	960	-		-	-	**960**
Other debt	10.9%	2	4	18	54		**78**
Convertible debt	8.2%	-	-	-	39	-	**39**
Interest on convertible debt	8.2%	-	-	-	10	-	**10**

The non-convertible debt is scheduled to be repaid in equal quarterly instalments up to November 2014, but is repayable on demand.

31 December 2011	Weighted average effective interest rate %	Less than 1 month or on demand £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	More than 5 years £'000	Total £'000
Fixed rate							
Finance lease obligations	18.5%	1	1	12	27	-	**41**
Trade payables	0%	1,452	-	-	-	-	**1,452**
Floating rate							
Bank overdrafts	3.5%	615	-	-	-	-	**615**
Non-convertible debt	3.5%	-	404	750	-	-	**1,154**
Convertible debt	8.2%	-	-	3,778	-	-	**3,778**
Interest on convertible debt	8.2%	-	-	536	-	-	**536**

22 Share capital

	31 December 2012 £'000	31 December 2011 £'000
Allotted, called up and fully paid		
414,281,533 (2011: 139,095,283) ordinary shares of 1p each	4,143	1,391
50,933,729 (2011: 50,933,729) deferred shares of 0.9p each	458	458
61,595,283 (2011: 61,595,283) deferred shares of 9p each	5,544	5,544
	10,145	**7,393**

Pursuant to a resolution passed at the on 24 July 2012 and in accordance with the provisions of the Companies Act 2006 the Company has ceased to have authorised share capital.

22 Share capital (continued)

During the year the following conversion of convertible loan notes into 1p ordinary shares took place:

- 12 April 2012 – notes to a value of £595,750 were converted at 1p per share resulting in 59,575,000 shares being issued;
- 1 August 2012 - notes and interest to a value of £431,378 were converted at 1p per share resulting in 43,137,764 shares being issued;
- 1 August 2012 - notes and interest to a value of £2,588,026 were converted at 2p per share resulting in 129,401,286 shares being issued; and
- 31 December 2012 - notes and interest to a value of £861,444 were converted at 2p per share resulting in 43,072,200 shares being issued.

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.

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 2012 an amount of £517,472 (31 December 2011: £518,072) 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:

- 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;
- 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
- 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.

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 2012	**1,446**	**7,519**	**-**	**8,965**
As at 31 December 2011	1,295	8,194	771	10,260

24 Capital commitments

There were no capital commitments at 31 December 2012 or 31 December 2011.

25 Transactions with Directors and other related parties

Loans to Directors

At 31 December 2012 there were no loans due to Directors. At the prior year end, the amounts outstanding were as follows: David Green - £319,137 and Sammy Nourmand - £161,011. These loans related to deferred emoluments and expenses for services performed as Directors within DCD Media Plc. These directors waived their outstanding deferred emoluments in 2012.

25 Transactions with Directors and other related parties (continued)

Other transactions

During the year the following amounts were charged by companies in which the Directors have an interest or share directorships:

Company	Director	Amount charged 2012 £'000	Amount charged 2011 £'000	Description
Polygon Productions Inc	D Green	107	157	Production services at September Films USA Inc
Greed Ltd	S Nourmand	30	34	Production services at September Films USA Inc
JRC Business Consulting Services Ltd	J Cusins	26	5	Services as Director of DCD Media Plc
Wildman and Co	T Wildman	27	40	Services as Director of DCD Media Plc
Nicola Crane Administration	A Lindley	20	-	Provision of business services
Roscoe Capital Ltd	N McMyn	11	-	Provision of accounting services

The balances outstanding at the year end were as follows:

Company	Director	Amount payable 2012 £'000	Amount payable 2011 £'000	Description
Polygon Productions Inc	D Green	-	246	Net trading balance
Greed Ltd	S Nourmand	90	122	Net trading balance
Roscoe Capital Ltd	N McMyn	11	-	Provision of accounting services
		101	**368**	

Other related parties

In December 2012, a group company, Sequence Post Ltd, obtained a loan of £77,700 from Timeweave Ltd, a shareholder in DCD Media Plc, to fund the acquisition of new IT equipment. The loan and interest combined is repayable in equal instalments over three years. At the year end, £77,700 was still outstanding.

At 31 December 2012, a group company, DCD Rights Ltd, was owed £46,000 from Timeweave Ltd. As noted in the Executive Chairman's report, DCD Rights secured a deal with Timeweave to create a new fund for the acquisition of third-party distribution rights. After the year end, these amounts were invoiced to Timeweave and settled.

26 Retirement benefit schemes

The Group contributes to the personal pension plans of three employees (2011: three). Contributions in the year amounted to £14,954 (2011:£18,055).

27 Operating lease rental commitments

The Group maintains property, plant and equipment on operating leases. The terms of the property lease is tenant repairing with a break clause after five years. Other leases review period vary between one and three years.

The total future value of minimum lease payments are is due as follows:

	31 December 2012 £'000	31 December 2011 £'000
Not later than one year	377	174
Later than one year and not later than five years	500	594
Later than five years	-	-
	877	**768**

28 Notes supporting the cash flow statement

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

	31 December 2012 £'000	31 December 2011 £'000
Cash available on demand	3,728	6,386
Overdraft	(634)	(615)
	3,094	**5,771**

29 Events after the reporting date

Changes in Directorate
On 15 January 2013, the Group announced a change in the directorate. Richard McGuire stepped down from his role as non-executive Chairman. David Craven, the CEO of the Group, was appointed as Executive Chairman.

Convertible Loan Notes
Post year end, the Group's largest shareholders agreed to lend a further £1.0m in the form of new convertible loan notes, which have an interest rate of 10% and a conversion price of 0.5p subject to any adjustment as a result of, inter alia, a capital re-organisation. These notes are due for repayment on 30 May 2015 if not previously converted.

Bank Lending
The Group's overdraft facility has recently been extended by its principal bankers until 11 May 2014.

30 Ultimate parent company and ultimate controlling party

The Directors consider the family interests of Mr Joe Lewis to have ultimate control by virtue of their indirect beneficial ownership of the issued share capital of Timeweave Ltd, registered in England and Wales and Colter Ltd, a company incorporated in the Bahamas.

Parent company balance sheet as at 31 December 2012

Company number 03393610

	Note	31 December 2012 £'000	31 December 2011 £'000
Fixed assets			
Intangible assets	4	-	39
Property, plant and equipment	5	4	1
Investments	6	7,228	7,029
		7,232	**7,069**
Current assets			
Stock	7	14	96
Debtors	8	1,394	648
Cash at bank and in hand		1	29
		1,409	**773**
Creditors: amounts falling due within one year	9	**(2,253)**	**(6,693)**
Net current liabilities		**(844)**	**(5,920)**
Total assets less current liabilities		**6,388**	**1,149**
Creditors: amounts falling due after more than one year	10	**(49)**	**-**
Net assets		**6,339**	**1,149**
Capital and reserves			
Called up share capital	12	10,145	7,393
Share premium account	13	51,118	49,391
Equity element of convertible loan	13	1	154
Own shares held	13	(83)	-
Profit and loss account	13	(54,842)	(55,789)
Shareholders' funds		**6,339**	**1,149**

The financial statements were approved and authorised for issue by the Board of Directors on 31 May 2013.

DCM Craven
Director

Notes to the parent company financial statements for the year ended 31 December 2012

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 21 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.

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 made contributions to the personal pension plan of one director in the year. Contributions are charged against profits as they accrue.

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 statement of financial position 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 statement of financial position date. Deferred tax balances are not discounted.

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 statement of financial position date. Any differences are taken to the income statement.

Intangible assets - 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 year bears to estimated ultimate revenue. At each statement of financial position 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 is not expected to exceed 7 years.

Purchased programme rights are stated at the lower of cost, less accumulated amortisation, or recoverable amount. Purchased programme rights are amortised over a period in line with expected useful life, not exceeding 7 years.

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

Tangible fixed assets and depreciation

Property, plant and equipment are stated at cost net of depreciation and any provision for impairment. 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 basis:

Office and technical equipment	25-33% straight line

Financial instruments

Financial assets are recognised in the statement of financial position 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 year to which it relates.

1 Principal accounting policies (continued)

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.

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 re-measured. 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 year

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 profit for the year after tax was £947,420 (2011: loss £10,004,430).

3 Prior year adjustments

A review of the cost and accumulated impairment of investments was performed in 2012 resulting in an adjustment to 2011 opening cost, accumulated impairments, and retained earnings amounting to a net £448,000 at 1 January 2011. The impact of this review on the net book value of investments brought forward and retained profit is £8,000.

4 Intangible assets

	Programme Rights £'000
At 1 January 2012	320
Additions	-
At 31 December 2012	**320**
Amortisation and impairment	
At 1 January 2012	281
Impairment provided in year in cost of sales	39
At 31 December 2012	**320**
Net book value	
At 31 December 2012	**-**
At 31 December 2011	39

Notes to the parent company financial statements for the year ended 31 December 2012

5 Property, plant and equipment

	Office and technical equipment £'000
Cost	
At 1 January 2012	569
Additions	4
Disposals	(557)
At 31 December 2012	**16**
Depreciation	
At 1 January 2012	568
Disposals	(557)
Provided in year	1
At 31 December 2012	**12**
Net book value	
At 31 December 2012	**4**
At 31 December 2011	1

6 Fixed asset investments

	Shares in subsidiary undertakings £'000
Cost or valuation	
At 1 January 2011 (as previously reported)	47,652
Opening adjustment	(5,727)
At 1 January 2011 (restated)	**41,925**
Transfer to assets held for sale	(11,959)
At 31 December 2011	**29,966**
At 1 January 2012	29,966
Additions	200
Disposals	(4,872)
At 31 December 2012	**25,294**
Accumulated amortisation	
At 1 January 2011 (as previously reported)	35,428
Opening adjustment	(5,279)
At 1 January 2011 (restated)	**30,149**
Provided in year	4,747
Transferred to assets held for sale	(11,959)
At 31 December 2011	**22,937**

6 Fixed asset investments (continued)

Accumulated amortisation (continued)	Shares in subsidiary Undertakings £'000
At 1 January 2012	22,937
Provided in year	1
Disposals	(4,872)
At 31 December 2012	**18,066**
Net book value	
At 31 December 2012	**7,228**
At 31 December 2011	7,029

During the year, the Directors reviewed the company's investments and adjusted the opening cost and depreciation for investments that had been sold in prior periods.

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

DCD Publishing Ltd (formerly Digital Classics DVD Ltd
DCD Productions (UK) Ltd (formerly Prospect Pictures Ltd)
DCD Rights Ltd
September Films Ltd
September Films USA Incorporated
Exterminator Limited Liability Company
September Scripted Incorporated
September Scripted Productions Limited Liability Company
Prospect Pictures Ltd (formerly Prospect West Ltd)
Prospect Cymru/Wales Ltd
Sequence Post Ltd (formerly DCD Post-Production Ltd)
Matchlight Ltd*
Rize Television Ltd **

September Films Ltd, DCD Productions (UK) Ltd, Prospect Pictures Ltd, Prospect Cymru/Wales Ltd, Matchlight Ltd, September Films USA Incorporated, September Scripted Incorporated, September Scripted Productions Limited Liability Company and Rize Television Ltd are involved with the production of programmes for television and other media.

DCD Rights Ltd sell programme rights worldwide to all media. DCD Publishing Ltd produces and markets DVD's to the retail market.

Box TV Ltd, DCD Drama Ltd, DCD Media USA Incorporated, Done and Dusted Group Ltd, Done and Dusted Incorporated, Done and Dusted Productions Incorporated and Done and Dusted West Coast Incorporated are not part of ongoing trading operations.

Sequence Post Ltd is involved in post-production.

*September Films Ltd holds a 50% equity stake in Matchlight Ltd, a company that produces programmes for television and other media. In 2012, DCD Productions (UK) Ltd acquired a further 17.64% of the share capital of Matchlight for no consideration.

** The company holds an 80% equity stake in Rize Television Ltd, a production company and focuses on factual, factual entertainment and reality programming for the international market.

During the year, the Company disposed of its 19.9% trade investment in Classical TV Ltd. This had been granted to the Company in May 2008 in exchange for services to be provided to Classical TV Ltd by DCD employees. The carrying value of this asset of this investment at the point of disposal was £nil (2011: £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 Ltd;
- Done and Dusted West Coast Incorporated which is incorporated in California and is 100% owned by Done and Dusted Productions Incorporated;

6 Fixed asset investments (continued)

- September Films USA Incorporated, which is incorporated in California and is 100% owned by September Films Ltd;
- Exterminator Limited Liability Company, which is incorporated in Louisiana and is 100% owned by September Films USA Incorporated;
- September Scripted Incorporated, which is incorporated in California and is 100% owned by September Films Ltd;
- September Scripted Productions Limited Liability Company, which is incorporated in California and is 100% owned by September Scripted Incorporated;

7 Stock

	31 December 2012 £'000	31 December 2011 £'000
Finished products	14	96

8 Debtors

	31 December 2012 £'000	31 December 2011 £'000
Trade debtors	29	50
Amounts owed by group undertakings	1,272	375
Other debtors	4	17
Prepayments and accrued income	89	123
Asset held for sale	-	83
	1,394	**648**

9 Creditors: amounts falling due within one year

	31 December 2012 £'000	31 December 2011 £'000
Bank overdraft (secured)	616	615
Bank loans (secured)	960	1,000
Convertible debt (secured)	-	4,314
Trade creditors	165	178
Amounts owed to group undertakings	1	-
Taxation and social security	280	150
Other creditors	90	236
Accruals and deferred income	141	200
	2,253	**6,693**

10 Creditors: amounts falling due after more than one year

	31 December 2012 £'000	31 December 2011 £'000
Convertible debt (secured)	49	-

11 Bank and other borrowings

	31 December 2012 £'000	31 December 2011 £'000
Due within one year or on demand		
Bank loans and overdrafts - secured (a)	1,576	1,615
Convertible loan notes (b)	-	3,349
Convertible loan notes (c)	-	965
	1,576	**5,929**
Due after more than one year		
Convertible loan notes (b)	49	-
Total borrowings	**1,625**	**5,929**

a) In August 2012 DCD Media entered into a new loan facility with Coutts & Co bank. The facility was for £1.2m, incurs interest at LIBOR plus 3.5% and is repayable in quarterly instalments to 30 November 2014 or on demand. In the period to 31 December 2012 the Group repaid £0.24m of this loan, leaving a balance of £0.96m at 31 December 2012. A further £0.24m has been repaid since the year end.

The Group's day-to-day operations are funded from cash generated from trading and the use of a net overdraft facility of £0.55m. The Group's overdraft facility has recently been extended by its principal bankers until 11 May 2014. Accounts with positive balances in the overall overdraft facility are reflected in bank and cash in the current assets section of the balance sheet.

The secured bank loans and overdrafts are secured by a fixed charge over the company's intangible programme rights assets.

(b) The remaining loan notes will be redeemed following the repayment of the secured bank loan in 2014.

(c) The convertible notes of £965,000 that were issued in September 2011 were converted in the year.

12 Share capital

See Group accounts note 22.

13 Share premium account and reserves

	Share premium £'000	Equity element of convertible loan £'000	Profit and loss account £'000	Own shares held £'000	Total £'000
At 1 January 2011 (as previously reported)	49,451	120	(45,777)	-	3,794
Opening adjustment (note 3)	-	-	(8)	-	(8)
At 1 January 2011 (restated)	49,451	120	(45,785)	-	3,786
Loss for the year	-	-	(10,004)	-	(10,004)
Capitalisation of professional fees	(72)	-	-	-	(72)
Convertible loan note issued	-	35	-	-	35
Shares issued on conversion of loan	12	(1)	-	-	11
				-	
At 31 December 2011 (restated)	**49,391**	**154**	**(55,789)**	**-**	**(6,244)**
At 1 January 2012	49,391	154	(55,789)	-	(6,244)
Profit for the year	-	-	947	-	947
Shares allocated to employee benefit trust	-	-	-	(83)	(83)
Shares issued on conversion of loan	1,727	(153)	-	-	1,574
At 31 December 2012	**51,118**	**1**	**(54,842)**	**(83)**	**(3,806)**

14 Pension costs

The Company made contributions of £5,713 to the personal pension scheme of one Director for part of the year.

15 Events after the reporting date

See Group accounts note 29.

16 Transactions with Directors and other related parties

During the year the following amounts were paid to companies in which the Directors have an interest:

		Amount paid		
		2012	2011	
Company	Director	£'000	£'000	Description
JRC Business Consulting Services Ltd	J Cusins	26	5	Services as Director of DCD Media Plc
Wildman and Co	T Wildman	27	40	Services as Director of DCD Media Plc
Roscoe Capital Ltd	N McMyn	11	-	Provision of accounting services
Nicola Crane Administrative Services	A Lindley	20	-	Provision of business services

At 31 December 2012, £10,975 was due to Roscoe Capital Ltd. No balances were outstanding at the prior year end.

17 Ultimate parent company and ultimate controlling party

The Directors consider the family interests of Mr Joe Lewis to have ultimate control by virtue of their indirect beneficial ownership of the issued share capital of Timeweave Ltd, registered in England and Wales and Colter Ltd, a company incorporated in the Bahamas.

Corporate information

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