Parallel Media Group plc

Financial Statements

for the year ended 31 December 2010

Registered Number 630968

PARALLEL MEDIA GROUP PLC IS A SPORTS MARKETING, MEDIA, AND EVENT MANAGEMENT COMPANY.

The Company offers executive sport and lifestyle sales and marketing services that include rights ownership, advertising, hospitality, event and media management, independent consultancy, television programming, and broadcast distribution Its portfolio contains golf, rugby, sailing, Formula 1 and Contemporary Art The Company also provides consulting services, including intellectual property creation, strategic direction, sponsorship management, event and venue management, and corporate programs It has operations in Europe and Asia

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GRAPHIC REMOVED

Cover image Lee Westwood, May 2011's World No 1 Golfer at this year's Ballantine's Championship 2011

DIRECTORS AND ADVISERS

DIRECTORS	David Ciclitira (Chairman) Serenella Ciclitira Leonard Fine Stewart Mison Ranjit Murugason
COMPANY NO	630968
SECRETARY AND REGISTERED OFFICE	Martin Doherty 3-12 Harbour Yard Chelsea Harbour London SW10 0XD
NOMINATED ADVISER AND BROKER	Northland Capital Partners Limited 60 Gresham Street London EC2 7W
AUDITOR	PKF (UK) LLP Farringdon Place 20 Farringdon Road London, EC1M 3AP
SOLICITORS	Starr & Partners LLP 21 Garlick Hill London EC4V 2AU
BANKERS	Lloyds TSB Commercial 2nd Floor, 25 St George Street London, W1S 1FS
REGISTRARS	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

GRAPHIC REMOVED Korean Eye book presented by PMG to the G20 Summit in Seoul, South Korea

CHAIRMAN'S STATEMENT

Headlines
The last twelve months have been a transformational time for PMG During this period we have

- Reduced the net liabilities of the Company by £2 27 million,
- Acquired a date from the PGA European Tour for a new Asian based tournament
- Successfully completed a profitable 2010 Ballantine s Championship

GRAPHIC REMOVED
Lee Westwood receiving the Winners Trophy at the Ballantine's Championship

2010
During 2010, long term event and sponsorship contracts in Asia have continued to form the bedrock of the business

The PMG owned Ballantine's Championship remains Korea s primary men's golf tournament and is a key date on both the PGA European Tour's calendar and on the sister Asian and Korean Tour calendars PMG has negotiated a new date on the PGA European Tour Calendar to create a golf tournament in mainland China which we plan to have operational by 2013 at the latest and is in discussion with leading golf courses to host this new event This is a multiple year agreement with the European Tour that once again provides PMG with a platform to build long term valuable sponsorship alliances

PMG has renegotiated its contract for the UBS Hong Kong Open becoming a long term commercial partner with the PGA European Tour as previously announced Although this has meant that PMG's turnover has subsequently reduced it has also meant that PMG has been able to reduce overhead costs in Hong Kong and open a new office in Seoul

In November 2010, PMG staged the Korean Ladies Masters for the third year running in association with the Ladies European Tour, where the elite players from Europe and Asia competed PMG is now proposing to build on this success with an International Asia Ladies event

Parallel Smart Media
I am pleased to announce that we have yesterday reached an agreement for the indirect acquisition of 50% of Parallel Smart Media Limited ("PSM") a joint venture with Talspace Inc for a consideration of £1 million

PSM has launched a new smart media' viewing platform, developed using Talspace's proprietorial technology, which provides a step-change in the way that sports, entertainment and lifestyle media can be delivered The new viewing platform offers consumers the ability to dynamically stream multiple live and video-on-demand HD camera feeds across a global distribution network to all major 'smart' device platforms including Apple's IOS, Android Windows and Blackberry Tablet OS ("Apps")

I firmly believe that we should embrace the opportunities for user interaction in the sporting industry, with Parallel Smart Media using golf to lead the way in allowing fans to control their own viewing experience and encouraging the technological revolution happening in the world of sport We expect PSM to contribute a significant proportion of PMG's revenues by 2012

The joint venture agreement with Talspace attributes a value of US$5m to the smart media viewing platform technology

Capital structure
In 2010, the capital structure of PMG was re-organised Previously expensive short-term debt has been repaid and a new banking relationship with Lloyds TSB has provided the Company with a fixed loan of £1 million repayable over a five year term Convertible loans were converted into ordinary shares or repaid,

CHAIRMAN'S STATEMENT (continued)

demonstrating a renewed confidence in the short term prospects for the business

Financial results

Turnover for the year is £6 7million (2009 £10 2 million) The reduction in turnover is due to a change in the operations and ownership of the Hong Kong Open Gross margins increased to 33 8% (2009 27 8%) resulting in gross profit for the year of £2 2 million (2009 £2 9 million) Administration costs increased to £2 9 million (2009 £2 2 million) largely due to the renegotiation of PMG's core contracts, the write-off of development costs and the capital restructuring resulting in a loss before interest, tax depreciation and amortisation of £0 6 million (2009 profit before interest, tax, depreciation and amortisation of £0 7 million) The loss for the financial year was £1 27 million (2009 profit £0 1 million) The loss per share is 24 1p (2009 Earnings per share 3 1p)

The net liabilities of the Group have reduced by £2 27 million, with the combination of new equity raised in 2010 and the conversion and repayment of loans

Future prospects

With the capital restructuring complete and with all core rights agreements in place 2011 promises to be an exciting time for your Company The introduction of PSM and its ground-breaking technology combined with the opening of a new office in Asia offers significant opportunities for the future

In April 2011, the Ballantine's Championship was held at the prestigious Black Stone Golf Course just outside of Seoul The tournament which was also sponsored by Hyundai, Korean Telecom, Korean Insurance Bank of America, Emirates Airline and Omega was won by the then world's number 1, Lee Westwood

I would like to take this opportunity to thank my fellow Board Members Stewart Mison, Serenella Ciclitira, Ranjit Murugason and Leonard Fine for their invaluable contribution I would also like to thank Edward Adams who recently left the Board, for his unswerving support to me personally and to the Company

With the London Olympics just over a year away our business is once again becoming fashionable Companies such as ourselves are entirely dependent on its staff This Company has a very committed and talented group of people working for it

We are all looking forward to the rest of 2011, and onto 2012 I would like to thank everyone for their invaluable continuing support It is a pleasure to build the success of PMG with them

David Ciclitira
Chairman
30 June 2011

GRAPHIC REMOVED
Snapshot of Smart Media App produced for the Prudential Indonesian Eye Art Exhibition

REPORT OF THE DIRECTORS for the year ended 31 December 2010

The directors of Parallel Media Group plc ("PMG" or the "Company and its subsidiaries") present their annual report and audited financial statements for the year ended 31 December 2010

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year ended 31 December 2010 is that of sports promotion event management, sponsorship sales, media distribution, and sports sponsorship advisory services

BUSINESS REVIEW

In the year ended 31 December 2010, PMG as promotor successfully staged two events (Ballantine s Championship and Korean Ladies Masters) and earned sales commissions and consultancy revenues on sponsorship arrangements in Asia and Europe

PMG has continued in its role as the commercial representative to the Ladies European Tour selling television rights on their behalf PMG is also the promoter of the Kazakhstan Open and provides consultancy services for key brands in relation to their commercial activities in sport

The Summary of Financial Results for the year ended 31 December 2010 is included in the Chairman's Statement on page 4

Summary of Financial Results

Turnover for the year is £6 7 million (2009 £10 2 million) The reduction in turnover is due to a change in the operations and ownership of the Hong Kong Open Gross margins increased to 33 8% (2009 27 8%) resulting in gross profit for the year of £2 2 million (2009 £2 9 million) Administration costs increased to £2 9 million (2009 £2 2 million) largely due to the renegotiation of PMG's core contracts the write-off of development costs and the capital restructuring resulting in a loss before interest, tax, depreciation and amortisation of £0 6 million (2009 profit before interest, tax, depreciation and amortisation of £0 7 million) The loss for the financial year was £1 27 million (2009 profit £0 1 million) The loss per share is 24 1p (2009 earnings per share 3 1p) The net liabilities of the Group have reduced by £2 27 million, with the combination of new equity raised and the conversion and repayment of loans

Basis of Preparation, Forecasts and Assumptions

The directors have prepared trading and cash flow forecasts for the Group for the period to 31 December 2012 The forecasts incorporate trading assumptions, including increased sponsorship from existing tournaments and new sponsorship revenues, and the completion of the acquisition of Parallel Smart Media ("PSM") rights from Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited The forecasts also include assumptions on raising a minimum of £1 million of new funding from a combination of debt and equity investors The Company is in advanced discussions with both debt and equity providers to secure this funding, which will enable the exploitation of the PSM rights acquired and provide the necessary working capital for the survival and growth of the business Both the acquisitions of Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited and any proposed equity funding will require the consent of shareholders in general meeting

The directors believe these forecasts to be realistic, are confident that the necessary funding will be obtained, and that the necessary resolutions to allow the acquisitions and funding will be passed by shareholders at a general meeting Consequently the Directors have prepared the financial statements on the going concern basis, which assumes that the Group and Company will continue in operational existence for the foreseeable future However, the above circumstances represent an uncertainty which may cast significant doubt about the Group's and the Companys ability to continue as a going concern

PRINCIPAL UNCERTAINTIES

Revenue Risk

PMG derives the majority of revenues from business in Asia with both events and sponsorship sales in the region Sponsorship sales rely on international brands seeking to expand their presence in the Asian markets Downturn in Asian sponsorship could negatively impact PMG results PMG is working to mitigate this risk through the development of long-term sponsorship contracts

Event Cancellation Risk

A large proportion of PMG revenues and costs are derived from the staging of international golf events in the Asia region To mitigate the impact of event cancellation, PMG insures against this risk

DIVIDEND

No dividend is recommended in respect of the year ended 31 December 2010 (31 December 2009 £nil)

DIRECTORS

The Directors during the year were as follows

REPORT OF THE DIRECTORS (continued)

Director	Period of office
David Ciclitira	Director for the full year ended 31 December 2010
Leonard Fine	Non-Executive Director for the full year ended 31 December 2010
Stewart Mison	Executive Director appointed 29 June 2010
Serenella Ciclitira	Non-Executive Director appointed 29 June 2010
Ranjit Murugason	Non-Executive Director appointed 29 November 2010
Edward Adams	Non-Executive Director resigned 29 November 2010

Directors' interests in shares and options
The beneficial interests in the ordinary share capital of the Company of the directors in office at 31 December 2010 were as follows

	31 December 2010		31 December 2009	
	Ordinary shares of 2 2p		Ordinary Shares of 0 1p	
Director	Fully Paid	Options	Fully Paid	Options
David Ciclitira	**6,536,704**	**44,935**	64,664,000	9,885,750
Leonard Fine	**133,750**	**11,907**	-	2 619,750
Edward Adams (resigned 29 November 2010)	**145,000**	**11,907**	5,010,565	2,619 750
Stewart Mison	**612,500**	-	-	-
Serenella Ciclitira	-	-	-	-
Ranjit Murugason	**806,725**	-	-	-

The ordinary shares were consolidated during the year David Ciclitira (or holders of shares in which he is beneficially interested) (the "David Ciclitira Concert Party") have not sold shares during the year, but have exercised rights to convert loans into ordinary share capital Further details on the directors beneficial interests in the share options are given in note 25 of the financial statements

The shares or beneficial interest in the shares held by D Ciclitira are as follows

Holder	No of 2 2p shares 31 December 2010	No of 0 1p shares 31 December 2009	Reference
D Ciclitira	**290,172**	39,088,000	held by D Ciclitira directly
Walbrook Trustees (Jersey Ltd)	**4,956,788**	2 236,000	held by a discretionary trust, of which D Ciclitira is a potential beneficiary
Luna Trading Ltd	**1,289,744**	7,472,000	a company held by a discretionary trust, of which D Ciclitira is a potential beneficiary
Elysian Group Ltd	-	15,868,000	a company under the control of D Ciclitira
	6,536,704	64,664 000	

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

It is Group policy that appropriate terms and conditions for its transactions be agreed with its suppliers and that payment should be made in accordance with those terms and conditions, provided that the supplier has also complied with them The Group does not follow any code or standard on payment practice The number of creditor days of the Group outstanding at 31 December 2010 was 64 days (at 31 December 2009 62 days)

FINANCIAL INSTRUMENTS

Although PMG is based in the UK, a considerable portion of revenue and costs are denominated in US dollars Euros and Korean Won As a result, the Group's consolidated financial statements (presented in Sterling) can be affected by currency movements The Group s financial risk management objective is to minimise the exposure to such foreign currency risks PMG's policy is to match US dollar and Euro revenue and costs as closely as is practicable

The Group is exposed to interest rate risk from movements in the bank base rate, as this is the rate at which medium term loans charge interest

The Group is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures The Group's customers are predominantly comprised of large multi-national luxury brands The sponsorship & consulting revenues are secured by contracts for the provision of services Title sponsors pay contracted stage payments in regular intervals

REPORT OF THE DIRECTORS (continued)

throughout the year Secondary sponsors pay contracted sponsorship fees usually 60 days prior to the event The Group aims to ensure that the majority of sponsorship is paid prior to the provision of the service or event

The Group and Company's surplus liquid resources were maintained on short-term interest bearing deposits The Group plans to continue to meet operating and other commitments as they fall due Liquidity risk is managed through cashflow forecasts and regular planning

SUBSTANTIAL SHAREHOLDINGS

The following investors notified the directors that they hold or are beneficially interested in 3% or more of the Company's ordinary share capital

David Ciclitira Concert Party	6,536,704	42 34%
Chris Salter	1,656,907	10 73%
Herald Investment	1,500,000	9 72%
Ranjit Murugason	806,725	5 23%
Pierce Casey	713,807	4 62%
Smith & Williamson Nominees	669,563	4 34%
Stewart Mison	612,500	3 97%
Patrick Delaney	467,099	3 03%
Other shareholders	2,474,132	16 02%
	15,437,437	100%

DIRECTORS LIABILITY INSURANCE

During the year directors' and officers' liability insurance was maintained for directors and other officers of the Company as permitted by the Companies Act 2006

AIM COMPLIANCE

In accordance with AIM Rule 31 the Company is required to have in place sufficient procedures resources and controls to enable its compliance with the AIM Rules In order to ensure that these obligations are met, matters of compliance are managed through regular Board meetings and advice is sought from the Group's nominated adviser (Nomad) The Directors are satisfied that the Company's obligations under AIM Rule 31 have been met during the period under review

PROVISION OF INFORMATION TO AUDITORS

In the case of each of the directors who are directors of the Company at the date when this report is approved

- So far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware, and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information

Auditor

PKF (UK) LLP have indicated their willingness to continue in office A resolution will be submitted to the Annual General Meeting to propose their re-appointment

POST BALANCE SHEET EVENTS

Acquisition of Parallel Media (New Media) Limited and Parallel Media (Africa) Limited by PMG

On 29 June 2011, Luna Trading and Stewart Mison, have agreed to sell and PMG has agreed to buy Parallel Media (Korea) Limited and Parallel Media (Africa) Limited for a total consideration of £1,010,947

The above transaction is conditional on the passing of a ordinary resolution in a vote of shareholders at a General Meeting Full details of Post Balance Sheet events are contained in note 30 of the Financial Statements

On behalf of the Board

David Ciclitira
Chairman
30 June 2011

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' 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, as required by the AIM Rules of the London Stock Exchange, elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards 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 Company and the Group 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 judgments and accounting estimates that are reasonable and prudent
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

REPORT OF THE INDEPENDENT AUDITOR

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PARALLEL MEDIA PLC
We have audited the financial statements of Parallel Media Group plc for the year ended 31 December 2010 which comprise the consolidated income statement, the Group statement of comprehensive income, the Group and parent company statements of financial position the Group and parent company statements of changes in equity, the Group and parent company statements of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor
As explained more fully in the directors' responsibilities statement, 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

Scope of the audit
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 the 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 annual report 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 on financial statements
In our opinion

- the financial statements give a true and fair view of the state of the Group s and the parent company's affairs as at 31 December 2010 and of the Group's loss for the 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 IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006 and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern The Group had net liabilities of £0 6 million at 31 December 2010 and is currently involved in negotiations to obtain additional funding for the Group which if concluded successfully will require approval by shareholders in general meeting In addition trading forecasts are dependent, inter alia, upon the completion of the acquisition of two companies which also requires the consent of shareholders in general meeting These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group s and the Company s ability to continue as a going concern The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern

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

Jason Homewood (Senior statutory auditor)
for and on behalf of PKF (UK) LLP,
Statutory auditor
London, UK

30 June 2011

CONSOLIDATED INCOME STATEMENT for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Continuing operations			
Revenue		6,651	10 240
Cost of sales	5	(4,406)	(7,390)
Gross profit		2,245	2 850
Administrative expenses		(2,945)	(2,195)
Administrative expenses - Foreign exchange		77	46
(Loss)/profit before interest, tax, depreciation and amortisation		(623)	700
Depreciation of fixed assets		(7)	(9)
Amortisation of intangibles		(155)	(207)
Operating (loss)/profit	6	(785)	485
Finance costs - non recurring	9	(86)	-
Finance costs	9	(398)	(421)
Investment income		-	2
(Loss)/profit on ordinary activities before tax		(1,269)	65
Taxation	11	-	-
(Loss)/profit for the year		(1,269)	65
Attributable to			
Non-controlling interests		-	-
Equity holders of the parent		(1,269)	65
(Loss)/profit for the financial year		(1,269)	65
(Loss)/earnings per share			
- basic	12	(24 1p)	3 1p
- diluted	12	(24 1p)	3 1p

The notes on pages 17 to 39 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 December 2010

	GROUP 2010 £'000	2009 £'000
(Loss)/profit for the year	(1,269)	65
Other comprehensive income		
Exchange difference on translation of foreign operations	(34)	72
Tax effect of changes in total comprehensive income	-	-
Total comprehensive (expense)/income for the year	(1,303)	137
Total comprehensive (expense)/income attributable to		
Equity holders of the parent	(1,301)	126
Non-controlling interest	(2)	11
	(1,303)	137

The notes on pages 17 to 39 form part of these financial statements

STATEMENT OF FINANCIAL POSITION as at 31 December 2010

Registered Number 630968		GROUP		COMPANY	
		2010	2009	2010	2009
	Note	£'000	£'000	£'000	£'000
Non-current assets					
Property, plant & equipment	13	6	13	6	13
Intangible assets - Tournament rights	14	2,138	2 273	2,138	2,273
Intangible assets - Development costs	14	306	254	306	254
Investments	15	12	12	1,100	1,100
Total non-current assets		2,462	2,552	3,550	3 640
Current assets					
Trade and other receivables	16	1,388	1,351	1,045	1,196
Cash and cash equivalents	17	142	322	139	309
Total current assets		1,530	1 673	1,184	1,505
Current liabilities					
Financial liabilities - Borrowings	18	104	983	104	983
Financial liabilities - Convertible loans	19	39	2,427	39	2,427
Deferred income	20	958	1,041	-	-
Trade and other payables	20	2,598	2,399	2,874	3 004
Total current liabilities		3,699	6,850	3,016	6 414
Net current liabilities		(2,169)	(5,177)	(1,832)	(4,909)
Non current liabilities					
Financial liabilities - Borrowings	21	896	248	896	248
Net liabilities		(603)	(2,873)	821	(1,517)
Equity					
Share capital	24	3,362	3,070	3,362	3,070
Share premium		5,429	2,091	5,429	2,091
Equity element of convertible loans		-	57	-	57
Other reserves		557	557	557	557
Capital redemption reserve		5,034	5,034	5,034	5,034
Foreign exchange reserve		(12)	20	-	-
Retained earnings		(14,835)	(13 566)	(13,561)	(12,326)
Equity attributable to equity holders of the parent		(465)	(2,737)	821	(1,517)
Non-controlling interests		(138)	(136)	-	-
		(603)	(2,873)	821	(1,517)

The financial statements were approved and authorised for issue by the Board of directors on 30 June 2011 and were signed on its behalf by

David Ciclitira
Chairman

The notes on pages 17 to 39 form part of these financial statements

STATEMENTS OF CHANGES IN EQUITY for the year ended 31 December 2010

The table below shows the statement of changes in equity for the year ended 31 December 2010

	Ordinary Share Capital	Share Premium	Equity reserve	Other reserves	Capital redemption	Forex reserve	Retained earnings	Sub total	Non controlling interests	Total
Group										
At 31 December 2009	3,070	2,091	57	557	5,034	20	(13,566)	(2,737)	(136)	(2,873)
Loss for the year	-	-	-	-	-	-	(1,269)	(1,269)	-	(1,269)
Foreign exchange	-	-	-	-	-	(32)	-	(32)	(2)	(34)
Total comprehensive income	-	-	-	-	-	(32)	(1,269)	(1,301)	(2)	(1,303)
Issued share capital	292	3,338	-	-	-	-	-	3,630	-	3,630
Conversion of loans	-	-	(57)	-	-	-	-	(57)	-	(57)
At 31 December 2010	3,362	5,429	-	557	5,034	(12)	(14,835)	(465)	(138)	(603)
Company										
At 31 December 2009	3,070	2,091	57	557	5,034	-	(12,326)	(1,517)	-	(1,517)
Loss for the year	-	-	-	-	-	-	(1,235)	(1,235)	-	(1,235)
Issued share capital	292	3,338	-	-	-	-	-	3,630	-	3,630
Conversion of loans	-	-	(57)	-	-	-	-	(57)	-	(57)
At 31 December 2010	3,362	5,429	-	557	5,034	-	(13,561)	821	-	821

The table below shows the statement of changes in equity for the year ended 31 December 2009

	Ordinary Share Capital	Share Premium	Equity reserve	Other reserves	Capital redemption	Forex reserve	Retained earnings	Sub total	Non controlling interests	Total
Group										
At 31 December 2008	3,070	2,091	57	557	5,034	(41)	(13,631)	(2,863)	(147)	(3,010)
Profit for the year	-	-	-	-	-	-	65	65	-	65
Foreign exchange	-	-	-	-	-	61	-	61	11	72
Total comprehensive income	-	-	-	-	-	61	65	126	11	137
At 31 December 2009	3,070	2,091	57	557	5,034	20	(13,566)	(2 737)	(136)	(2 873)
Company										
At 31 December 2008	3,070	2,091	57	557	5 034	-	(12 221)	(1 412)	-	(1,412)
Loss for the year	-	-	-	-	-	-	(105)	(105)	-	(105)
At 31 December 2009	3,070	2,091	57	557	5 034	-	(12 326)	(1 517)	-	(1,517)

The Equity Reserve is the difference between the net issue proceeds and the liability component of convertible loans at the time of issue, which is accounted for as an equity instrument

Other Reserves are non-distributable created in 2001

The Capital Redemption reserve is a non-distributable reserve created in 2001, following the redemption or purchase of the Company's own shares

The Foreign Exchange translation reserve comprises foreign exchange differences arising from the translation of the financial statements of subsidiaries that do not have a sterling functional currency

The notes on pages 17 to 39 form part of these financial statements

STATEMENT OF CASHFLOWS for the year ended 31 December 2010

	GROUP		COMPANY	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Cash flows from operating activity				
Operating (loss)/profit	(785)	485	(753)	91
Depreciation	7	9	7	9
Amortisation of intangibles - Tournament rights	136	136	136	136
Amortisation of intangibles - Development costs	19	71	19	71
(Increase)/decrease in receivables	(104)	(499)	(297)	498
Increase/(decrease) in payables	305	149	443	(389)
Foreign exchange on non-operating activities	(23)	11	(23)	11
Increase in translation reserve	(35)	74	–	–
Cash (used in)/generated from operations	(480)	436	(468)	427
Cash flow from investing activities				
Acquisition of development costs	(71)	(166)	(71)	(166)
Sale of other investments	–	4	–	4
Interest received	1	2	1	2
Net cash (used in) investing activities	(70)	(160)	(70)	(160)
Cash flow from financing activities				
Proceeds from/(repayments of) Bank facility	(247)	131	(247)	131
Cash received from convertible loans	–	14	–	14
Convertible loans repaid	(494)	(158)	(494)	(158)
Cash proceeds from issue of new shares	950	–	950	–
Loan received	1,200	45	1,200	45
Loans repaid	(783)	(315)	(783)	(315)
Interest paid	(228)	(293)	(230)	(293)
Net cash generated from/(used in) financing activities	398	(576)	396	(576)
Cash and cash equivalents at beginning of the year	322	728	309	724
Net decrease in cash and cash equivalents	(152)	(300)	(142)	(309)
Exchange losses on cash and cash equivalents	(28)	(106)	(28)	(106)
Cash and cash equivalents at end of the year	142	322	139	309

The notes on pages 17 to 39 form part of these financial statements

GRAPHIC REMOVED
A competitor tees of the 9th hole at Zhailjau Golf Resort during the 2010 Kazakhstan Open

GRAPHIC REMOVED
Dustin Johnson at this year's Ballantine's Championship 2011

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2010

1 BASIS OF PREPARATION

These financial statements have been prepared on the historical cost basis and in accordance with IFRS as adopted by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements which are disclosed in note 3 The area involving a high degree of judgement or complexity is the valuation of intangible assets with a carrying value of £2 4 million The intangible assets represent rights to operate golf events on dates in the European Tour Calendar and are included in the financial statements at cost of acquisition less amortisation Management are required to assess potential impairment and confirm the appropriateness of the useful life and amortisation period which may materially impact results for the year

Convertible loans during the year were calculated in accordance with IAS 32 requiring the separate recognition of debt and equity elements The fair value of extension premiums settled by the issue of ordinary shares has been recognised in the Income Statement

A separate Income Statement for the parent company has not been presented as permitted by section 408 of the Companies Act 2006

The directors have prepared trading and cash flow forecasts for the Group for the period to 31 December 2012 The forecasts incorporate trading assumptions, including increased sponsorship from existing tournaments and new sponsorship revenues, and the completion of the acquisition of Parallel Smart Media ("PSM") rights from Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited The forecasts also include assumptions on raising a minimum of £1 million of new funding from a combination of debt and equity investors The Company is in advanced discussions with both debt and equity providers to secure this funding which will enable the exploitation of the PSM rights acquired and provide the necessary working capital for the survival and growth of the business Both the acquisitions of Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited and any proposed equity funding will require the consent of shareholders in general meeting

The directors believe these forecasts to be realistic, are confident that the necessary funding will be obtained, and that the necessary resolutions to allow the acquisitions and funding will be passed by shareholders at a general meeting Consequently, the Directors have prepared the financial statements on the going concern basis, which assumes that the Group and Company will continue in operational existence for the foreseeable future However the above circumstances represent an uncertainty which may cast significant doubt about the Group's and the Company's ability to continue as a going concern

1 1 Adoption of standards effective in 2010

The financial statements are prepared in accordance with International Financial Reporting Standards and Interpretations as adopted by the EU in force at the reporting date

IAS 27 Consolidated and separate financial statements has been applied by the Group from 1 January 2010 This standard includes guidance on accounting for changes in non-controlling interests (previously "minority interests") where there is no effect on control This application has had no material impact on PMG results for the financial period, but has required some presentational changes

1 2 Standards and interpretations issued but not yet applied

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application have not been applied by the Group in these financial statements Application of these Standards and Interpretations is not expected to have a material effect on the financial statements in the future The standards and interpretations that have been issued, but are not yet effective are

- IFRS 7 Financial Instruments Disclosure
- IAS 32 Financial Instruments Presentation
- IFRS 9 Financial Instruments Recognition and measurement
- IAS 24 Related party disclosures
- IFRS 1 First time adoption of IFRS
- IFRIC 14 Prepayments to a minimum funding requirement
- IFRIC 19 Extinguishing financial liabilities with equity instruments

In addition to the above standards, The London Stock Exchange issued amended AIM Rules An amendment to AIM Rule 19 requires entities with years ending on or after 31 March 2010 to disclose details of each director's remuneration in the annual accounts This ruling has been applied in these financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 ACCOUNTING POLICIES

2 1 Consolidation and investments

The consolidated financial statements incorporate the results of the Company and all of its subsidiary undertakings as at 31 December 2010 using the purchase method of accounting Under the purchase method the results of subsidiary undertakings are included from the date of acquisition On disposal the results are included up to the date of disposal Inter-company balances transactions, and unrealised gains/losses are eliminated on consolidation

2 2 Intangible Assets – Tournament rights

The rights to promote European Tour golf events were acquired in September 2006 and included in the statement of financial position as intangible assets in the audited financial statements for the year ended 31 December 2006 at fair value These assets are amortised over their expected life of 20 years Intangible assets acquired are held at cost less amortisation and are reviewed on an annual basis for impairment

2 3 Intangible Assets - Development costs

Development costs are included in the statement of financial position at cost less any impairment provision Development costs are only recognised where it can be demonstrated that the project is technically feasible, where there is a clear intention to complete the project, that there is ability to use or sell the asset and that there is a high probability of future economic benefits and expenditure can be measured reliably

2 4 Property, Plant & Equipment

Depreciation is provided on office equipment fixtures & fittings so as to write them off over their anticipated useful lives Office equipment, fixtures & fittings are depreciated at 20% on a straight line basis

The carrying amounts of property, plant and equipment are reviewed for amendments to the residual value and useful economic life This is performed annually or sooner, if there is an indication that they may be impaired

2 5 Impairment of assets

The carrying amounts of the Group's assets other than inventories, are reviewed at each statement of financial position date to determine whether there is any indication of impairment If any such indication exists the asset's recoverable amount is estimated The recoverable amount of assets is the greater of their net selling price and value in use

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation, if no impairment loss had been recognised

2 6 Financial instruments

The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset a financial liability or an equity instrument in accordance with the substance of the contractual arrangement

Financial instruments are recognised on trade date when the Group becomes a party to the contractual provisions of the instrument Financial instruments are recognised initially at fair value plus, in the case of a financial instrument not at fair value through profit and loss transactions costs that are directly attributable to the acquisition or issue of the financial instrument

Financial instruments are derecognised on trade date when the Group is no longer a party to the contractual provisions of the instrument

2 6 1 Available-for-sale financial assets

Available-for-sale financial assets comprise equity investments Subsequent to initial recognition available-for-sale financial assets are stated at fair value Movements in fair values are taken directly to equity with the exception of impairment losses which are recognised in profit or loss Fair values are based on prices quoted in an active market if such a market is available If an active market is not available the Group establishes the fair value of financial instruments by using a valuation technique, usually discounted cash flow analysis When an investment is disposed, any cumulative gains and losses previously recognised in equity are recognised in profit or loss Dividends are recognised in profit or loss when the right to receive payments is established

2 6 2 Trade receivables

Trade receivables are stated at their amortised cost Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 Accounting policies (continued)

2 6 3 Cash and cash equivalents

Cash equivalents comprise short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value

2 6 4 Trade payables

Trade payables are stated at their amortised cost

2 6 5 Interest-bearing borrowings (other than Compound financial instruments)

Interest-bearing borrowings are stated at amortised cost using the effective interest method The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability

2 7 Share based payments

Options are measured at fair value at grant date using the Black-Scholes model The fair value is expensed on a straight line basis over the vesting period, based on an estimate of the number of options that will eventually vest Cash settled share based payment transactions results in the recognition of a liability at its current fair value

2 8 Revenue recognition

Revenue includes sponsorship, management fees, sales & consulting fees, and income from sales of broadcasting rights Revenue is recognised when the Group has earned the right to receive consideration for its performance, measured on the following basis

(i) Management fees and other fees earned – on rendering of services to third parties
(ii) Income from sale of sponsorship and commercial rights – on a straight line basis in accordance with the terms of the agreement
(iii) Income from sale of broadcasting rights – on delivery of the programmes to broadcasters in accordance with the terms of the agreement

2 9 Barter transactions

When services are rendered in exchange for dissimilar goods or services, the revenue generated for the services rendered is measured at the fair value of the goods or services received adjusted for the amount of any cash or cash equivalents transferred

2 10 Leases

Rentals under operating leases are charged to the Income Statement on a straight line basis over the lease term

2 11 Deferred taxation

Deferred tax is provided in full using the balance sheet liability method Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the statement of financial position

The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the statement of financial position date

The Group does not recognise deferred tax liabilities, or deferred tax assets, on temporary differences associated with investments in subsidiaries as it is not considered probable that the temporary differences will reverse in the foreseeable future

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised The carrying amount of the deferred tax assets are reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered

2 12 Segmental reporting

A segment is a distinguishable component of the Group that is engaged either in Event Promotion or Sales and Consultancy which are subject to risks and rewards that are different from one another Disclosure of segment results is provided in note 4 of the financial statements

2 13 Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date Transactions in foreign currencies are translated at the rate ruling at the date of the transaction Differences on exchange arising on translation of subsidiaries are charged directly to equity All other exchange differences have been charged to the Income Statement

NOTES TO THE FINANCIAL STATEMENTS (continued)

2 *Accounting policies (continued)*

2 14 Compound financial instruments – Convertible loans

Compound financial instruments comprise both liability and equity components At issue date, the fair value of the liability component is estimated by discounting its future cash flows at an interest rate that would have been payable on a similar debt instrument without any equity conversion option The liability component is accounted for as a financial liability

The difference between the net issue proceeds and the liability component, at the time of issue, is the residual or equity component, which is accounted for as an equity instrument Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components of the instrument in proportion to the allocation of the proceeds The interest expense on the liability component is calculated by applying the effective interest rate for the liability component of the instrument

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows

3 1 **Intangible Assets** Tournament rights are the rights to promote European Tour golf events acquired in a market transaction in September 2006 These assets are carried at cost less amortisation Amortisation is calculated to write-off the assets over their expected useful life of 20 years Management use a combination of discounted cash flow and valuation multiples to assess the value of the assets at each reporting date If the assets are deemed to be impaired, the amount of this impairment is taken directly to the income statement

3 2 **Development Costs** Development costs are incurred in the creation of new media assets and propositions, the benefits of which are expected to be derived in future years Development costs are written-off over the expected useful life of the asset The development assets are assessed for impairment annually

4 SEGMENT REPORTING

Operating Segments

The Group is organised into two main segments Event Promotion and Consultancy & Sales

- **Parallel Sports** is the new Event Promotion brand and operates professional golf tournaments in Asia which are sanctioned by The European Tour and Ladies European Tour

The Sales and Consultancy division is comprised of three units

- **Parallel Thinking** is the sales and consultancy brand based in London and works with major international brands and federations on sports related marketing opportunities and projects

- **Parallel Media Korea** has been established to provide a greater focus on the development of new opportunities in the Korean market, providing sales and marketing presence in Korea which enhances existing sports properties and provides a platform for the creation of new properties

- **Parallel Television** is responsible for the worldwide distribution of TV rights

Segment results for the year

Operating Segments	**Event Promotion**		**Sales & Consultancy**		**Consolidated**	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	**5,350**	9,355	**1,301**	885	**6,651**	10,240
Segment result	**1,020**	1,155	**1,249**	809	**2,269**	1 964
Unallocated corporate expenses					**(3,054)**	(1,479)
Operating (loss)/profit					**(785)**	485
Finance costs					**(484)**	(421)
Investment income					**-**	2
(Loss)/profit for the year					**(1,269)**	65

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 Segment reporting (continued)

Revenue by major customers

Operating Segments	Event Promotion		Sales & Consultancy		Consolidated	
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Client 1	4,429	4,230	–	–	4,429	4 230
Client 2	–	3,169	–	–	–	3,169
Other clients	1,268	1,956	954	885	2,222	2 841
Total by client and segment	5,697	9 355	954	885	6,651	10,240

Geographic analysis

Operating Segments	Revenues		Non-current Assets	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
South Korea	5,697	5,397	506	605
Hong Kong	–	3,957	1,569	1,669
China	–	281	–	–
UK	954	605	386	278
Total by geography	6,651	10 240	2,462	2 552

Segment assets and liabilities

Operating Segments	Event Promotion		Sales & Consultancy		Consolidated	
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	2,339	2 560	850	290	3,189	2,850
Unallocated corporate assets					803	1,375
Consolidated total assets					3,992	4,225
Segment liabilities	(2,077)	(2,276)	(69)	(70)	(2,146)	(2,346)
Unallocated corporate liabilities					(2,449)	(4,752)
Consolidated total liabilities					(4,658)	(7,098)
Net liabilities					(603)	(2,873)

Other Segment Information for the year

Operating Segments	Event Promotion		Sales & Consultancy		Consolidated	
	2010	2009	2010	2009	2010	2009
	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation of tangible assets	(1)	(1)	(6)	(8)	(7)	(9)
Capital expenditure on intangible assets	–	–	164	164	164	164
Amortisation of intangible assets	–	–	(19)	(71)	(19)	(71)
Non-cash expenses other than depreciation	(136)	(136)	–	–	(136)	(136)
Impairment losses recognised in segment results	–	–	–	(8)	–	(8)

NOTES TO THE FINANCIAL STATEMENTS (continued)

5 COST OF SALES

The Group's Cost of Sales comprises

	2010 £'000	2009 £'000
Prize purse and sanction fees	2,240	3 951
Commissions payable	106	46
Direct delivery costs	2,060	3,393
Cost of sales	4,406	7,390

6 OPERATING (LOSS)/PROFIT

	2010 £'000	2009 £'000
This is stated after charging		
Depreciation	7	9
Amortisation	155	207
Operating lease rentals – Land & buildings	29	29
Gain on foreign exchange	(77)	(46)

7 AUDITOR'S REMUNERATION

	2010 £'000	2009 £'000
Fees payable to the Companys auditor for the audit of the Company's annual accounts	30	25
Fees payable to the Company's auditor and associates in respect of the auditing of accounts of subsidiaries and associates of the Company pursuant to legislation	5	5
Services relating to taxation and subsidiaries	5	6
	40	36

8 EMPLOYEES

	2010 Number	2009 Number
Group		
The average number of employees (including directors) during the year was		
Administration	14	18

	£'000	£'000
The aggregate payroll costs including directors were		
Wages, salaries and fees	1,294	1 009
Social security costs	38	34
Compensation for loss of office	–	35
	1,332	1,077

NOTES TO THE FINANCIAL STATEMENTS (continued)

9 FINANCE COSTS

	2010 £'000	2009 £'000
On fair value of convertible extension premium and 2012 interest	86	-
Finance costs – non recurring	**86**	-
On bank overdrafts	12	9
On convertible loans	85	138
Interest on related party loans	21	-
On loans guarantee from related parties	54	99
On other loans	226	175
Finance costs	**398**	421

10 REMUNERATION OF DIRECTORS

Directors' remuneration, including non executive directors during the year was as follows

	2010 £'000	2009 £'000
Group & Company		
David Ciclitira (Chairman)	221	221
Edward Adams (Non-Executive – resigned 29 November 2010)	30	30
Leonard Fine (Non-Executive)	30	30
Stewart Mison (Managing Director)	88	-
Serenella Ciclitira (Non-Executive)	15	-
Ranjit Murugason (Non-Executive)	-	-
Total emoluments	**384**	281

11 TAX

	2010 £'000	2009 £'000
UK Corporation tax in respect of current year		
Current taxation	-	-
Total tax charge for the year	-	-
(Loss)/profit on ordinary activities before tax	(1,269)	65
The tax assessed for the year is lower from the standard UK corporation tax rate of 28% due to the following factors		
(Loss)/profit on ordinary activities at the standard rate of corporation tax of 28% (2009 28%)	(355)	18
Effect of		
Expenses not deductible for tax purposes	7	5
Tax losses utilised in year - not recognised through deferred tax	(7)	(23)
Tax losses carried forward - deferred tax not recognised	(355)	-
Total tax charge for the year	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

12 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit or loss attributable to equity shareholders by the weighted average number of shares in issue during the year In calculating the diluted earnings per share, outstanding share options, warrants and convertible loans are taken into account where the impact of these is dilutive

	2010	Restated for consolidation 2009
(i) Basic		
(Loss)/profit for the financial year (£ 000)	**(1,269)**	65
Weighted average number of shares in issue	**5,257,672**	2,123,057
(Loss)/earnings per share	**(24 1p)**	3 1p
(ii) Diluted		
(Loss)/profit for the financial year (£'000)	**(1,269)**	65
Add back interest charged on convertible loans where the impact of these loans is dilutive (£'000)	**57**	138
Diluted (loss)/profit (£'000)	**(1,212)**	203
Weighted average number of shares in issue	**5,257,672**	2,123,057
Weighted average of potential dilutive effect of ordinary shares issuable under Convertible loan agreements	**-**	2,032,161 *
	5,257,672	4,155,218 * *
Fully diluted (loss)/earnings per share	**(24 1p)*** **	3 1p

*Ordinary shares issuable under outstanding convertible loan agreements share options and warrants are anti-dilutive

* *The potential dilutive effect in 2009 relates to ordinary shares that were issuable under Convertible loan agreements and Bonus shares as approved by shareholders on 24 October 2008 All other share issues under convertible agreements, share options and warrants were non-dilutive

* * *The fully diluted loss per share is the same as the basic loss per share as the effect of potential shares are anti-dilutive

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 PROPERTY, PLANT & EQUIPMENT

The useful lives of each class of fixed assets are reviewed annually to assess impairment Where the asset is found to be impaired an appropriate charge is taken to the Income Statement

	Group		Company	
	Office Equipment 31 December 2010 £'000	Office Equipment 31 December 2009 £'000	Office Equipment 31 December 2010 £'000	Office Equipment 31 December 2009 £'000
Cost				
Cost at start of year	**246**	246	**45**	45
Additions in year	**–**	–	**–**	–
Cost at end of year	**246**	246	**45**	45
Depreciation				
Cumulative depreciation at start of year	**233**	224	**32**	23
Charge for year	**7**	9	**7**	9
Cumulative depreciation at end of year	**240**	233	**39**	32
Net book value at end of year	**6**	13	**6**	13
Net book value at start of year	**13**	22	**13**	22

14 INTANGIBLE ASSETS

Tournament Rights

Tournament rights are the rights to promote European Tour golf events acquired in a market transaction in September 2006 These assets are carried at cost less amortisation Amortisation is calculated to write-off the assets over their expected useful life of 20 years

	2010 £'000	2009 £'000
Group and Company		
Cost		
Cost at start of year	**2,713**	2,713
Additions in the year	**–**	–
Cost at end of year	**2,713**	2 713
Amortisation		
Cumulative amortisation at start of year	**440**	304
Amortisation for the year	**135**	136
Cumulative amortisation at end of year	**575**	440
Net book value at end of year	**2,138**	2 273
Net book value at start of year	**2,273**	2,409

NOTES TO THE FINANCIAL STATEMENTS (continued)

14 Intangible assets (continued)

Development Costs

Development costs are incurred in the creation of new media assets and propositions, the benefits of which are expected to be derived in future years Development costs are written-off over the expected useful life of the asset The development assets are assessed for impairment annually

	2010 £'000	2009 £'000
Group and Company		
Cost		
Cost at start of year	325	161
Additions in the year	71	164
Cost at end of year	**396**	325
Amortisation		
Cumulative amortisation at start of year	71	–
Amortisation for the year	19	71
Cumulative amortisation at end of the year	90	71
Net book value at end of year	**306**	254
Net book value at start of year	254	161

All research costs are expensed as incurred Similarly, sales and marketing costs of exploiting assets are expensed through the Income statement as incurred

15 NON-CURRENT ASSETS – INVESTMENTS

	Group		Company	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Investment in Subsidiaries	–	–	1,100	1,100
Other investments available for sale	12	12	–	–
	12	12	1,100	1,100

	Company £'000
Subsidiaries	
Investments in subsidiaries are stated at cost less impairment	
At 1 January 2010	1,100
Provision charged in the year	-
At 31 December 2010	1,100

	Group £'000	Company £'000
Other investments available for sale		
At 1 January 2010	12	–
At 31 December 2010	12	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade receivables	909	825	695	517
Other receivables	205	257	160	457
Prepayments and accrued income	274	269	190	382
	1,388	1,351	1,045	1,196

At 31 December 2010 all amounts included under trade receivables are due within one year Group and Company trade receivables include £0 68 million due from related parties (2009 £0 27 million) (See note 27 for more details)

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Sterling Bank Accounts	(24)	(28)	(24)	(28)
Euro Bank Accounts	139	115	139	115
Dollar Bank Accounts	27	217	24	215
Cash balances	–	18	–	7
	142	322	139	309

18 FINANCIAL LIABILITIES – BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank facility	104	128	104	128
Medium Term Lending	–	855	–	855
	104	983	104	983

The bank facility totalling £1 million (of which £104,000 is repayable within one year) is secured by a personal guarantee provided by David Ciclitira, Serenella Ciclitira and Luna Trading Medium Term lending was repaid in full during the year

19 FINANCIAL LIABILITIES – CONVERTIBLE LOANS

The value of the convertible loans at the balance sheet date has been determined in accordance with IAS 32 as described under Accounting Policies, Note 1 This requires the separate recognition of the debt and equity components of the amounts received, with equity components shown directly in equity reserves

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Convertible loans due in less than one year	39	2,427	39	2,427

As at 31 December 2010, the convertible loans are convertible and/or repayable on demand All other convertible loans together with accrued interest were converted and/or repaid during the year

NOTES TO THE FINANCIAL STATEMENTS (continued)

20 TRADE AND OTHER PAYABLES AND DEFERRED INCOME

	Group		Company	
	2010	2009	2010	2009
TRADE AND OTHER PAYABLES	£'000	£'000	£'000	£'000
Trade payables	**1,961**	1,494	**833**	688
Amounts owed to subsidiary entities	–	–	**1,462**	1,747
Other payables	**189**	264	**250**	114
Other tax and social security	**81**	66	**82**	63
Accruals	**367**	575	**247**	392
Trade and other payables	**2,598**	2,399	**2,874**	3,004

Other payables in both Group and Company statements include amounts due to Luna Trading totalling £113,868 (2009 £296,000) which has an option to convert and or is repayable on or before 31 December 2011

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Deferred income	**958**	1 041	–	–

Deferred income of £958,000 is income received in advance as at 31 December 2010 which will be recognised as revenue in 2011 when services are rendered

21 NON-CURRENT LIABILITIES – FINANCIAL BORROWINGS

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Bank facility	**896**	119	**896**	119
Other loans (1 to 2 years)	–	129	–	129
	896	248	**896**	248

Lloyds Bank has provided a loan totalling £1 million (of which £104,000 is included in current liabilities and £896,000 is included in non-current liabilities above) The loan is repayable in 48 consecutive monthly instalments representing principle and interest commencing on the date which is 12 months after the date the loan was borrowed (i e a effective term of five years with a one year repayment holiday) The loan carries interest payable at 3% over base rate The loan may be repaid early at the discretion of the Company The loan is secured by personal guarantees provided by the David Ciclitira concert party

22 FINANCIAL INSTRUMENTS

The Group and Company operations expose it to a number of financial risks The directors aim to protect the Group and Company against the potential adverse effects of these financial risks

Financial Assets

Financial assets include cash and trade and other receivables (excluding prepayments) which are classified as "loans and receivables", and equity investments which are classified as 'available for sale" (excluding investments in subsidiaries) These amounts have been shown separately on the face of the statement of financial position Funds not immediately required for the Group and Company's operations are invested in bank deposits It is the directors' opinion that the carrying value of cash, trade receivables and investments approximate to their fair value

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Financial instruments (continued)

Financial Liabilities

Financial liabilities include current and non-current borrowings, convertible loans and trade and other payables (excluding tax & social security, and deferred income) All amounts are carried at amortised cost These amounts have been disclosed in the notes to the statement of financial position It is the directors' opinion that the carrying value of financial liabilities approximate to their fair value

Liquidity Risk

The Group and Company's surplus liquid resources were maintained on short-term interest bearing deposits The Group and Company plan to continue to meet operating and other loan commitments as they fall due Liquidity risk is managed through cashflow forecasts and regular planning

Remaining Contractual Maturities year ended 31 December 2010

Group	Within 3 months	> 3 months < 1 year	> 1 year < 5 years	Total carrying amount
Bank loans & borrowings	–	104	896	**1,000**
Convertible loans	–	39	–	**39**
Trade & other payables (excluding tax and deferred income)	2,517	–	–	**2,517**
	2,517	**143**	**896**	**3,556**

Company	Within 3 months	> 3 months < 1 year	> 1 year < 5 years	Total carrying amount
Bank loans & borrowings	–	104	896	**1,000**
Convertible loans	–	39	–	**39**
Trade & other payables (excluding tax and deferred income)	2,792	–	–	**2,792**
	2,792	**143**	**896**	**3,831**

Set out below are liquidity risk comparative tables as at 31 December 2009

Remaining Contractual Maturities year ended 31 December 2009

Group	Within 3 months	> 3 months < 1 year	> 1 year < 5 years	Total carrying amount
Bank loans & borrowings	195	792	115	1,102
Convertible loans	–	2,427	–	2 427
Trade & other payables (excluding tax and deferred income)	2,333	–	–	2,333
	2,528	**3,219**	**115**	**5,862**

Company	Within 3 months	> 3 months < 1 year	> 1 year < 5 years	Total carrying amount
Bank loans & borrowings	195	792	115	1,102
Convertible loans	–	2 427	–	2,427
Trade & other payables (excluding tax and deferred income)	2 941	–	–	2 941
	3,136	**3,219**	**115**	**6,470**

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 Financial instruments (continued)

Credit Risk

Financial assets past due but not impaired as at 31 December 2010

		Not impaired but past due by the following amounts			
	Not impaired (£'000)	**>30 days**	**>60 days**	**>90 days**	**>120 days**
Group Trade & other receivables (excluding prepayments)	1,114	–	7	33	496
Company Trade & other receivables (excluding prepayments)	855	–	7	–	302

Financial assets past due but not impaired as at 31 December 2009

		Not impaired but past due by the following amounts			
	Not impaired (£'000)	**>30 days**	**>60 days**	**>90 days**	**>120 days**
Group Trade & other receivables (excluding prepayments)	1,081	–	56	33	41
Company Trade & other receivables (excluding prepayments)	813	–	190	–	41

Trade and other receivables excluding prepayments as at 31 December 2010 were £1 284,000 Assets not impaired but past due were £536,000 PMG have contra supply arrangements which are expected to enable the recovery of the unimpaired but past due amounts and/or consider these collectable Impaired trade receivables for the year ended 31 December 2010 represent specifically identified amounts which are past due and for which collection is deemed unlikely All remaining Trade and other receivables as at 31 December 2010 are collected and/or collectable and are therefore considered of low credit risk All bank deposits are maintained in the UK and are considered to be low credit risk The Group and Company's maximum exposure to credit risk during the year ended 31 December 2010 was £909,000

Allowance for credit losses (Group and Company)

	2010 £'000	2009 £'000
Allowances at start of year	53	233
Amounts written back during the year	-	(188)
Additions charged to Income Statement in year	41	8
	94	53

Market Risk

(a) Interest rate risk

Bank loans totalling £1 million are at variable interest rates and are therefore exposed to interest rate fluctuations Sensitivity For each +/- 1% change in the bank rate the profit for the year will be positively or negatively impacted by £10,000 (2009 £25,000)

(b) Foreign currency risk

Although the Company is based in the UK, a significant part of the Group's and Company's operations are overseas, primarily in Asia, and the operating or functional currency of a large part of the Asian business is in US Dollars As a result, the Company's consolidated Sterling accounts can be affected by movements in the US Dollar/Sterling exchange rate

The foreign assets and liabilities of the Group and Company are closely matched as at the year ended 31 December 2010 The table below sets out the carrying amounts of assets and liabilities for the Group in their presentational currency (i e Sterling) and a total impact for each 10% fluctuation in exchange rates Based on the carrying amounts of foreign assets and liabilities as at 31 December 2010, for each 10% fluctuation in exchange rates, net assets are expected to be impacted by +/- £103,000 (2009 £257,000) The Company (standalone) exposure to foreign currency risk is +/- £103,000 (2009 £257,000) for each 10% move in exchange rates and is similar to that of the Group

The Group and Company seek in so far as it is practical, to match foreign currency income and expense The Company has not entered into foreign exchange hedging arrangements

NOTES TO THE FINANCIAL STATEMENTS (continued)

22 *Financial instruments (continued)*

Year ended 31 December 2010

	Carrying Amount (Sterling equivalent) £'000	$'000	€'000	HK$'000	Total carrying amount £'000	Forex Risk -10% £'000	+10% £'000
Financial Assets							
Cash	(24)	27	139	-	142	17	(17)
Trade receivables	478	309	122	-	909	43	(43)
Investments held for sale	12	-	-	-	12	-	-
Other debtors	160	44	-	-	205	4	(4)
	720	381	261	-	1,268	64	(64)
Financial Liabilities							
Borrowings <1 year	104	-	-	-	104	-	-
Convertible loan	39	-	-	-	39	-	-
Trade creditors	477	1,281	14	189	1,961	(148)	148
Other creditors	29	2	-	-	94	-	-
Accruals & provisions	246	120	-	-	367	(12)	12
Non current borrowings	896	-	-	-	896	-	-
	1,792	1,403	14	189	3,461	(160)	160
Net Impact						(96)	96

Year ended 31 December 2009

	Carrying Amount (Sterling equivalent) £'000	$'000	€'000	HK$'000	Total carrying amount £'000	Forex Risk -10% £'000	+10% £'000
Financial Assets							
Cash	(20)	224	115	-	322	34	(34)
Trade receivables	534	256	34	1	825	29	(29)
Investments held for sale	12	-	-	-	12	-	-
Other debtors	153	103	-	-	257	10	(10)
	679	583	149	1	1,416	73	(73)
Financial Liabilities							
Borrowings	128	-	855	-	983	(86)	86
Convertible loan	2,427	-	-	-	2,427	-	-
Trade creditors	413	725	-	356	1,494	(108)	108
Other creditors	268	63	-	-	330	(6)	6
Accruals & provisions	224	351	-	-	575	(35)	35
Non current borrowings	248	-	-	-	248	-	-
	3 708	1 139	855	356	6,058	(235)	235
Net Impact						(162)	162

23 DEFERRED TAXATION

The actual and potential liability to deferred tax is nil Due to the availability of tax losses, subject to agreement with the HM Revenue and Customs, there is an estimated deferred tax asset of £4,073 926 which has not been recognised in these accounts (31 December 2009 £3 873,000) The deferred tax asset is based on gross losses of £14,331,478 (2009 £13 348,478) No deferred tax asset has been recognised due to the uncertainty over making sufficient profits in the future

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 SHARE CAPITAL

The Authorised Share Capital is set out in the table below

	2010 £'000	2009 £'000
Authorised share capital		
69 737,713,750 ordinary shares of 0 01p	-	6 974
316 989,608 ordinary shares of 2 2p	6,974	-
199,831 545 deferred ordinary shares of 0 5p each	999	999
103 260 deferred B shares of £19 60	2,024	2,024
	9,997	9 997

The Issued Share Capital is set out in the table below

	2010 £'000	2009 £'000
Issued and fully paid as at 31 December 2010		
15,437,437 ordinary shares of 2 2p	339	-
467,072,593 ordinary shares of 0 01p	-	47
199 831 545 deferred ordinary shares of 0 5p each	999	999
103,260 deferred B shares of £19 60	2,024	2,024
	3,362	3,070

Reconciliation of the number of shares outstanding is	2010 Number	2009 Number
Ordinary shares of 0 01p each in issue at start of year	**467,072,593**	467 072 593
Ordinary shares of 0 01p each issued during the period	**598,951,267**	-
Ordinary shares of 0 01p each at consolidation	**1,066,023,860**	-
Ordinary shares of 0 01p each in issue at end of year	-	467,072 593

Consolidation of ordinary shares at 220 1	Number	Number
Ordinary shares of 2 2p following consolidation	**4,845,563**	-
Ordinary shares of 2 2p each issued during the period	**10,591,874**	-
Ordinary shares of 2 2p each in issue at end of year	**15,437,437**	-

Issued and fully paid deferred shares	Number	Number
Deferred shares of 0 5p each in issue	**199,831,545**	199 831 545
Deferred B shares of £19 60	**103,260**	103,260

NOTES TO THE FINANCIAL STATEMENTS (continued)

24 Called up share capital (continued)

(i) Ordinary shares

During the year ordinary shares were issued as follows

	Issue price	2010 (Number)	Consideration
Ordinary shares of 0 01p each issued during the year			
30 June 2010	0 25p	**531,751,071**	Being £1 329 378 equivalent, issued in settlement of 2008 convertible extension premiums and convertible loan interest to 30 June 2010
6 August 2010	0 25p	**67,200,000**	Being £168,000 equivalent issued in settlement of 2008 convertible extension premiums at the placing price
10 August 2010	0 25p	**196**	49p to effect consolidation
Total shares of 0 01p each issued during the year		**598,951,267**	
Ordinary shares of 2 2p each issued during the year			
1 September 2010	55p	**1,327,903**	Being £730,347 settlement of creditors, convertible loan extension premiums and interest to December 2012 at the issue price
9 November 2010	40p	**9,263,971**	Being £3 705,589 settlement of creditors, conversion of convertible loans and placement of new shares at the issue price
Total shares of 2 2p each issued during the year		**10,591,874**	

The issued share capital at 1 January 2010 was 467 072 593 ordinary shares of 0 01p each During the year (and prior to 31 August 2010) the Company issued 598 951 267 ordinary shares of 0 01p totalling 1,066,023,860

On 31 August 2010 1 066 023 860 ordinary shares of 0 01p each in the capital of the Company were consolidated into 4,845 563 New Ordinary Shares of 2 2p each on the basis of one ordinary share of 2 2p for every 220 Ordinary shares of 0 01p each in issue at the consolidation date

Following consolidation, on 1 September and 9 November 2010, a total of 10,591,874 ordinary shares of 2 2p were issued The issued ordinary share capital of the Company as at 31 December 2010 was 15,437,437

(ii) Deferred shares

The deferred shares do not entitle their holders to receive any dividend or other distribution, they do not entitle their holders to receive notice of or to attend, speak or vote at any General Meeting of the Company, and they do not entitle their holders on a return of assets on a winding-up of the Company or otherwise only to the repayment of the capital paid up on such Deferred Shares and only after repayment of the capital paid up on each Ordinary Share in the capital of the Company and the payment of a further £100,000 on each such Ordinary Share (£1 000 000 in the case of each deferred B share)

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 SHARE BASED PAYMENTS

At 1 January 2010, there were options and warrants in issue in respect of 46 869 000 ordinary shares of 0 01p On 31 August 2010 on consolidation of the ordinary shares, options and warrants were similarly consolidated with options and warrants for one New Ordinary Shares of 2 2p each on the basis of one ordinary share of 2 2p for every 220 Ordinary shares of 0 01p each in issue at the consolidation date

Share Options and warrants outstanding at the year ended 31st December 2010 had a weighted average exercise price of 45p and a weighted average remaining contract life of 2 7 years No options were exercised during the year

	Year ended 31 December 2010		Year ended 31 December 2009	
	Number of options & warrants	Weighted average exercise price (pence)	Number of options & warrants	Weighted average exercise price (pence)
Outstanding at start of year	**46,869**	**0 46p**	46,869	0 46p
Share warrants and options following consolidation and repricing during the year	**213**	**51p**	–	–
Share options & warrants granted during the year	**232**	**40p**	–	–
Outstanding at the end of the year	**445**	**45p**	46 869	0 46p
Exercisable at the end of the year	**445**	**45p**	46,869	0 46p

The weighted average vesting period is estimated at 2 7 years There is no charge to the Income Statement for the twelve months to 31 December 2010 (31 December 2009 £nil) for share based payments as reported under IFRS 2 The options and warrants are underwritten at 31 December 2010 and are not expected to vest or be exercised There is therefore no charge fo the year

Share Option Scheme

The Group operates approved and unapproved share option schemes No new share options were issued during the year The following share options were outstanding at 31 December 2010

Scheme	Latest exercise date	Exercise price (pence)	Options as at 31 December 2009	Options consolidated during the year at 220 1	New exercise price (pence)	Options as at 31 December 2010
Approved	October 2016	0 25 pence	7,437,500	33,806	55p	**33,806**
Unapproved	October 2016	0 25 pence	7,725,250	35,113	55p	**35,113**
			15,162,750	68,919		**68,919**

Options granted to directors and not exercised at 31 December 2010 (included above) were as follows

	Latest	Approved Scheme		Unapproved Scheme	
Name	exercise dates	Exercise price	Number	Exercise price	Number
D Ciclitira	October 2016	55 pence	11,818	55 pence	33,117
E Adams	October 2016	55 pence	10,909	55 pence	998
L Fine	October 2016	55 pence	10,909	55 pence	998
			33,636		**35,113**

NOTES TO THE FINANCIAL STATEMENTS (continued)

25 *Share based payments (continued)*

Share warrants

No new warrants grants were entered into during the year Warrants outstanding at 31 December 2010 are

Latest exercise date	Exercise price (pre-consolidation) (pence)	Warrants as at 31 December 2009	Consolidated during the year	Exercise price (post-consolidation) (pence)	Warrants as at 31 December 2010
31 December 2010	0 25	19 456 202	**88,437**	**55p**	**88,437**
29 April 2012	1 105	500,000	**2,272**	**40p**	**2,272**
29 April 2012	0 7875	250,000	**1,136**	**40p**	**1,136**
1 November 2012	1 26	2,500,000	**11,363**	**40p**	**11,363**
1 November 2012	0 7825	1 000 000	**4,545**	**40p**	**4,545**
28 February 2013	1 0	3,000,000	**13,636**	**40p**	**13,636**
28 February 2013	1 0	5,000,000	**22,727**	**40p**	**22,727**
8 November 2013			**231,562**	**40p**	**231,562**
		31,706,202	**375,678**	**–**	**375,678**

26 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits for other stakeholders The Group has net liabilities of £0 5 million which includes convertible debt of £39 000 (2009 £2 4 million) It is the Group's aim to increase value sufficiently to encourage conversion The Group's capital management strategy is to retain sufficient working capital for day to day operating requirements and to ensure sufficient funding is available to meet commitments as they fall due and to support growth

	2010 £'000	2009 £'000
Bank facility	**1,000**	128
Medium Term lending repayable within 1 year	**–**	855
Convertible loans	**39**	2 427
Other loans	**161**	248
Total debt	**1,200**	3 658
Cash	**(142)**	(322)
Net debt	**1,058**	3,336

The Medium Term bank loan is secured by way of a debenture with a fixed and floating charge over the assets of the Company Convertible loans due for repayment within one year totalling £39,000 have a debenture which ranks behind in priority that provided to bank loans

In order to maintain or adjust the capital structure the Group may issue new shares or sell assets to reduce debt

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 RELATED PARTIES

Walbrook Trustees (Jersey) Limited

Walbrook Trustees (Jersey) Limited is a company who are trustees of a discretionary trust (the Tokyo Settlement) of which David Ciclitira is a potential beneficiary The Tokyo Settlement provided convertible loans totalling £1 175 million to the company which were converted during the year

	2010 £'000	2009 £'000
Opening balance at 1 January	**(1,296)**	(1,227)
Interest charged in the year (not paid)	**(30)**	(69)
Settled by the issue of ordinary shares	**1,326**	-
Closing balance at 31 December	**-**	(1,296)

Luna Trading Loan balances and conversions

Luna Trading Ltd is a company under the control of David Ciclitira The movements in the payable balances due to the company in 2010 were as follows

	Luna Trading Ltd
At 31 December 2009	296
Net interest earned and expenses paid by PMG on behalf of Luna as at 31 October	(15)
Costs incurred to convert Luna loan and short-term loans	55
Balance of Luna loan at 31 October	336
Amount of loan converted	(175)
Amount of ring-fenced (convertible) loan outstanding as at 31 December 2010	**161**
Luna Intercompany Balances	
Interest on short-term Luna loan (payable but not paid during the year)	30
Net movement in PMG/Luna balances in November and December 2010	(77)
Amount of Luna intercompany balances as at 31 December 2010	**(47)**
Total loan amounts outstanding to Luna at 31 December 2010	**114**

During the year Luna Trading Ltd provided a guarantee on a £300 000 bridging loan facility provided by Royal Bank of Scotland Luna Trading Ltd charged interest at 1 5% per month for the provision of this guarantee This loan was repaid in full during the year

Luna Trading Ltd is the company through which PMG contract with D Ciclitira for consulting and business services During the year, Luna Trading Ltd charged PMG (and PMG paid) for Consultancy fees of £221,000 and remote office costs of £39,000

During the year, Luna Trading Ltd, David Ciclitira and Serenella Ciclitira agreed to provide personal guarantees of £1 million to Lloyds Bank to support medium term PMG loans As consideration for providing personal guarantees, Luna Trading Ltd charges interest at 5% per annum of the guarantee amount for the period of the guarantee In addition David Ciclitira has been granted a fixed and floating charge over the Company's assets for the period of the guarantee and has been granted an option to acquire at fair market value, Parallel Media (Championships) Limited (a wholly owned subsidiary of PMG which holds rights to the Company's major sporting events)

During the year Luna Trading Ltd converted loan amounts totalling £175,000 into ordinary share capital

NOTES TO THE FINANCIAL STATEMENTS (continued)

27 *Related parties (continued)*

On 19 April 2010, Luna Trading entered into a short term loan agreement to advance £100 000 to PMG to be repaid on or before 19 July 2010 together with a redemption premium of £15,000 for each three month period that the loan was not repaid A total £30,000 due on the loan remains outstanding The short-term loan of £100 000 was subsequently converted into ordinary shares of PMG Costs totalling £55,000 and £18,000 of professional expenses were agreed to be paid on Luna's behalf in consideration for the conversion of £1 475 million of the David Ciclitira Concert Party loans

The movements in the payable balances due to related parties in the year ended 31 December 2009 were as follows

	Elysian Group Ltd £'000	Luna Trading Ltd £'000	56 Ennismore Gardens ELY Ltd £'000
At 31 December 2008	(80)	-	(247)
Loans consolidated	80	(327)	247
Repayment of balances	–	31	–
At 31 December 2009	**-**	**(296)**	**-**

Luna Trading Limited - Trading Balances

During the year ended 31 December 2009, Parallel Media Group plc traded with Parallel Media (Africa) Limited, a company under the control of Luna Trading Limited Amounts invoiced by PMG during 2009 totalled £188,439 and were outstanding from Luna Trading Limited at 31 December 2010 This company was acquired by the Group in 2011 (see Post Balance Sheet Events)

During the year ended 31 December 2009 Parallel Media Group plc traded with Parallel Media Korea (New Media) Limited (formerly Parallel Media (Korea) Limited), a company under the control of Luna Trading Limited Amounts invoiced by PMG during 2009 totalled £80,947 and were outstanding at 31 December 2010 This company was acquired by the Group in 2011 (see Post Balance Sheet Events)

During the year ended 31 December 2010 Parallel Media Group plc invoiced Luna Trading Limited for the costs incurred in the development of Parallel Smart Media Limited (a joint venture with Talspace) for £337,182 The investment in Parallel Smart Media Limited is owned by Parallel Media (Korea) Limited (formerly Parallel Media (Korea) Limited) Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited were acquired by the Group in 2011 (see Post Balance Sheet Events)

During the year ended 31 December 2010, David Ciclitira, a consultant of Luna Trading Limited received a management bonus of £40,000 settled by the issue of ordinary shares

Parallel Contemporary Arts Limited

During the year PMG incurred costs in the staging and management of Art Projects owned by Parallel Media Contemporary Arts Limited, a company under the control of David Ciclitira Recoverable debtor amounts outstanding as at 31 December 2010 are £71 116

28 OPERATING LEASES

The amounts payable in respect of operating leases are shown below All of the operating lease amounts relate to the rental of premises The future minimum lease payments under non-cancellable operating leases is £14 000 The Group does not sub-lease any of its leased premises Lease payments recognised in the in profits for the period amounted to £28,000 (2009 £28 000)

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Lease commitments payable within 1 year	14	14	14	14

NOTES TO THE FINANCIAL STATEMENTS (continued)

29 SUBSIDIARIES

The following were subsidiaries at the end of the year and have all been included in the consolidated financial statements

	Country of Incorporation	PMG % of ordinary shares	Nature of Business
Holding companies			
Held Directly			
Parallel Media (Jersey) Ltd	Jersey	100%	Holding company
Held Indirectly			
Parallel Media Group International Ltd	Jersey	100%	Holding company
Parallel Media (Americas) Ltd	BVI	100%	Holding company
Trading subsidiaries			
Held directly			
Parallel Media Hong Kong Ltd	HK	100%	Management of sports events
Parallel Media (Championships) Ltd	UK	100%	Management of sports events
Held Indirectly			
Parallel Media Europe Ltd	UK	100%	Marketing of sports events
Parallel Television (2001) Ltd	UK	100%	Marketing of sports events
PGAA Media Limited	BVI	83 9%	Exploitation and sale of commercial and broadcasting rights relating to golf tournaments
Dormant			
Held Indirectly			
Parallel Media Americas Inc	US	100%	Dormant

30 POST BALANCE SHEET EVENTS – FULL DISCLOSURE OF IFRS 3 BUSINESS COMBINATIONS

Background

In the Financial Year ended 31 December 2009, PMG invoiced two companies, namely Parallel Media (Africa) Limited (£188,000) and Parallel Media Korea Limited (£81,000) These companies were held by Luna Trading Limited (an investment vehicle of Mr D Ciclitira) who undertook to develop these assets to the proof of concept stage

The development assets are held by Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited, as to 99% by Luna and 1% by Stewart Mison Stewart Mison is also a director of PMG

In the year ended 31 December 2010, Parallel Media Korea Limited changed its name to Parallel Media Korea (New Media) Limited and signed a joint venture agreement with Talspace a Korean JV partner for the development and sale of new technology solutions

Luna, Parallel Media Korea (New Media) Limited and Talspace have jointly developed a series of smart phone applications for the live streaming and digital media presentation of sporting events These have been developed to the proof of concept stage and were trialled in the recent Ballantine's golf tournament in Korea and Korean Eye Art event presentations

The worldwide rights for the Parallel Smart Media brand which is the name which has been assigned to these new technology products, and associated development agreements cover sales and distribution rights in all international markets outside of Korea These rights are held through Parallel Media Korea (New Media) Limited and will be deployed in Parallel Media (Africa) Limited as part of the worldwide rollout

NOTES TO THE FINANCIAL STATEMENTS (continued)

30 Post balance sheet events (continued)

Acquisition of Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited by PMG

Luna has been able to establish that the new products developed as part of the Parallel Smart Media brand ("PSM") could be realized separately for a fair value in excess of £1 million On 29 June 2011 Luna Trading and Stewart Mison have agreed to sell and PMG has agreed to buy Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited for a total consideration of £1 010,947 to be satisfied by

	£
Cancellation of the amounts owed by Luna to PMG	£606,568
Issue of ordinary shares to Luna at the placing price	£404 379
Total	£1,010,947

PMG will acquire the Luna and Mison interests being 100% of the voting equity interests in Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited The intangible assets will be recognized as assets in the statement of financial position at their fair value

PMG is acquiring the worldwide rights for the sale and exploitation of the Parallel Smart Media brand, technology platform rights and order book The companies acquired, Parallel Media Korea (New Media) Limited and Parallel Media (Africa) Limited, have not yet traded The revenues, costs, and profit and losses of the combined Group is therefore the same as if the companies had not been acquired

The above transaction is conditional on the passing of a ordinary resolution in a vote of shareholders at a General Meeting It will expand the operating base of PMG through the acquisition of the PSM products which are expected to make a material contribution to the future profitability of the business