Shed Media Plc

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2008

Company Registration Number: 3617464

Contents

Financial Highlights	Year ended 31 December 2008	16 months ended 31 December 2007
Turnover	**£81.9m**	£63.1m
Gross profit	**£31.0m**	£23.4m
Adjusted[1] operating profit	**£14.5m**	£11.0m
Operating profit	**£12.3m**	£10.5m
Adjusted[1] operating margin	**18%**	17%
Adjusted[2] profit before tax	**£11.9m**	£9.9m
Profit before tax	**£7.9m**	£9.4m
Adjusted[2] diluted earnings per ordinary share	**10.46p**	10.06p
Diluted earnings per share	**6.77p**	9.55p
Final Dividend	**1.25p**	1.1p

1 Adjusted operating profit is stated before intangibles amortisation arising from business combinations
2 Adjusted profit before tax and adjusted diluted earnings per ordinary share is before intangibles amortisation arising from business combinations, interest charges relating to discounted deferred consideration and fair value loss on financial instruments

Chairman's Statement

Shed has again delivered an excellent set of results for the year to 31 December 2008. The Group has successfully integrated its acquisitions, Outright Distribution, Twenty Twenty and Wall to Wall, and continued to grow organically.

During the year, revenue from the Group's core activities, content production and IP exploitation has increased to £82m (2007 16 months: £63m). Of particular importance was the growing revenue stream from the US that now makes up 30% (2007 16 months: 26%) of Group gross profit. The Group has maintained its excellent adjusted operating margins of 18% (2007 16 months: 17%). A final dividend has been proposed of 1.25p per ordinary share (2007: 1.1p). This dividend will also be available to shareholders as a scrip issue of ordinary shares.

Whilst the UK production market is challenging, Shed is benefiting from its ability to produce long-running, returnable brands for its broadcast partners. Of particular note are the popular BBC One drama series ***New Tricks*** and ***Waterloo Road*** and the factual shows ***Who Do You Think You Are?*** and ***The Choir***.

With UK produced content and formats still leading the world, Outright Distribution continues to capture more profit growth from Group and third party product. The Group library has expanded to over 2,900 hours and is selling into over 200 territories. At a time when international broadcasters are looking to cut their original content spend, having such a quality catalogue has given Shed Media a significant competitive advantage.

During the year, Eileen Gallagher decided to step down as Group Chief Executive. I am delighted that Eileen remains on the Board as Chief Executive of Shed Productions. Eileen is a tremendous asset to the Group having led Shed through a successful IPO and delivering on the strategy to diversify and strengthen the Group through acquisitions. I would like to take this opportunity to thank Eileen for her leadership to date.

The Board welcomed the appointment of Nick Southgate to the role of Group Chief Executive. Nick, in his previous role of Chief Operating Officer, led the integration of the Group companies and the expansion into America and is extremely well placed to drive Shed forward.

I would also like to thank Katherine Innes Ker for her contribution as Chair over the last four years. The Group is in the process of identifying a new Chair, and two non executive directors and we hope to make a further announcement shortly.

Finally, the content produced and distributed by the Group in 2008 is the product of many hard-working individuals and I'd like to thank all of our employees for their efforts during the year.

David Kogan

Chief Executive's Statement

Overview for the 12 months

I am pleased to announce Shed Media's final results covering the 12 months to 31 December 2008.

During the period, adjusted operating profit increased to £14.5m from £9m up 61% on a like for like basis[3] (2007 16 months: £11m).

The Group delivered 215 hours of programming, up from 209 in the 16 months to 31 December 2007, of which 29 hours was drama and 186 was factual. Programmes included new prime-time BBC drama ***Hope Springs, Waterloo Road*** series four, ***New Tricks*** series five, ***Who Do You Think You Are?*** series six and ***Supernanny US*** series five.

Over the past twelve months, the breadth of Shed Media's programming has grown substantially. We are now delivering quality prime-time drama, factual entertainment, documentary, current affairs, children's, and daytime programmes for 21 different broadcasters. The year also saw our first foray into feature documentaries with the production of Wall to Wall's ***Man on Wire***, which has gone on to win numerous awards, including an Oscar and a BAFTA. Twenty Twenty's award winning factual programme, ***The Choir***, also picked up an RTS for Best Constructed Factual Series and an award for best factual programme at the industry Broadcast Awards.

Business in the US has grown strongly with 64 hours delivered (compared to 32 in 2007) and the Group has delivered on its stated aim of leveraging acquired companies' product into the US market. Both Twenty Twenty and Wall to Wall won US commissions for UK formats, ***World's Strictest Parents*** and ***Who Do You Think You Are?***, which are currently being produced out of our US office.

Shed Media's in-house distribution arm, Outright Distribution, has performed well, successfully distributing Shed Media content and growing its third party business. Revenue from the Group's IP exploitation accounted for 44% of gross profit. The UK is the world leader in exploiting format rights and Outright Distribution represents an increasingly strong, highly cash generative and profitable part of Shed Media's business. As we move forward we will continue to concentrate our efforts on growing and developing this very high quality earnings stream both through the rapid expansion of our own library and attracting more third party content.

UK Business

Despite the challenging UK environment, Shed Media has delivered high-quality content for all terrestrial broadcasters and several digital channels.

Shed Productions delivered a new prime-time drama ***Hope Springs*** (8 x 60') and ***Waterloo Road*** (20 x 60') for BBC One.

Wall to Wall delivered ***New Tricks*** series five (8 x 60') and series six of ratings winner ***Who Do You Think You Are?*** (5 x 60') both for BBC One. ***New Tricks*** series six (8 x 60') is currently in production.

Ricochet's output included ***Dangerous Jobs for Girls*** (4 x 60') for Channel 4, ***Cowboy Builders*** (6 x 60') for Five, ***Extreme Dreams*** (20 x 30') for BBC Two and ***Blood Sweat and T-Shirts*** (4 x 60') for BBC Three.

Twenty Twenty's new strand; ***World's Strictest Parents*** (6 x 60'), received the highest ever ratings for a factual series on BBC Three. Other programmes delivered during the period included ***Almost Perfect Guide to Life*** for BBC Two (5 x 30') and the ***Sorcerer's Apprentice*** (40 x 30') for BBC One.

Since the year end, major re-commissions for delivery in 2009 include a fifth series of Shed Productions' ***Waterloo Road*** (20 x 60').

Wall to Wall received orders for a seventh and eighth series of ***New Tricks*** and a seventh series of ***Who Do You Think You Are?*** and expanding on its 'Genius' strand, BBC Two commissioned ***The Genius of Design*** (5 x 60'). New series commissions include ***Electric Dreams*** (3 x 60') for BBC Four, ***People's Supermarket*** (4 x 60') for Channel 4 and ***Sea Patrol*** (10 x 30') for Five.

Ricochet's commissions include ***The Real Swiss Family Robinson*** (4 x 60'), a new prime-time series for BBC One, ***Blood Sweat and Take-Aways*** (4 x 60') for BBC Three, ***Going Back*** (4 x 60') a new series for Channel 4 and a re-commission of ***Cowboy Builders*** (12 x 60') for Five.

Twenty Twenty's ***World's Strictest Parents*** (7 x 60') has been picked up by BBC Three for a second series and the BAFTA award winning ***The Choir*** for a third and fourth series. BBC Four has also ordered 2 x 60' programmes featuring The Choir's Gareth Malone. New programming includes ***Family Gap Year*** (2 x 60') for Channel 4, ***Strictly High School*** (2 x 60') for Sky One and a new prime time drama for BBC (4 x 60).

US Business

During the year, Shed Media US delivered 64 hours of programming up 100% on last year. Returning brands included a fifth series of ***Supernanny US*** (25 x 60') for ABC and the ***Real Housewives of New York City*** series two (12 x 60') for Bravo.

Other commissions included ***Anatomy of a Takedown*** (3 x 60') and ***Aviation Safety*** (2 x 60') both for the Discovery Channel, ***Surviving Disaster*** (10 x 60') for Spike and ***Outlaw Bikers*** (3 x 60') for National Geographic.

Shed Media continued its strategy of bringing UK formats to the US market with the commission of Ricochet's ***It's Me or the Dog*** (20 x 30') for Animal Planet, Wall to Wall's ***Who Do You Think You Are?*** for NBC (7 x 60') and Twenty Twenty's ***World's Strictest Parents*** (8 x 60') for CMT.

Supernanny US was sold into the US cable market in partnership with ABC and will provide a steady stream of revenue from 2009 and beyond.

Since the year end, ***It's Me or the Dog*** has been re-commissioned for a second series (29 x 60') for Animal Planet. ***Supernanny US*** has had a (12 x 60') extension to the season 5 order and a further ***Super–Manny*** episode has been ordered. Currently Shed Media US has seven new projects in paid development for US broadcasters.

Outlook

Three months into our current financial year and the Group has secured 61% of its production revenue target and over 50% of its IP target. The US presents a significant area of growth for the Group with 62% of the revenue target already achieved. IP revenue will continue to perform strongly with Outright's expanding library of Group and third party content.

The Group had a good 2008 and we've started 2009 strongly. As ever our talented and experienced team will be working hard to create and produce the new brands of the future.

Nick Southgate

Financial Review

Revenue and Profits
The year ending 31st December 2008 saw revenue increase to £81.9m (2007: 16 months £63.1m).

Geographically, 26% of Group gross profit in 2008 was from the UK (2007 16 months: 32%), 30% from the US (2007 16 months: 26%) and 44% from the rest of the world (2007 16 months: 42%).

During the year the Group was commissioned directly by 21 broadcasters in both the UK and US and sold production rights to over 200 territories worldwide.

Statutory reported operating profits are £12.3m (2007 16 months: £10.5m) with a reported profit before tax of £7.9m. (2007: 16 months: £9.4m). Adjusted operating profits[1] are £14.5m (2007: 16 months £11.0m) with an adjusted profit before tax[2] of £11.9m (2007 16 months: £9.9m).

Adjusted operating margin[1] was 18% (2007 16 months: 17%) and gross margin was 38% (2007 16 months: 37%). The consistency in the operating margin is due to strong ancillary sales and tight control of production costs in the period and continuing tight control of overheads.

Capital Structure and Treasury Policy
During the year Shed increased its issued ordinary shares to 79,716,502 (2007: 78,970,292) ordinary shares of 0.1p each. The increase in issued ordinary shares financed the final earn-out for Outright Distribution Limited.

In the prior year a five year debt facility of £32m was set up with Barclays and the Bank of Ireland to fund the acquisitions of Twenty Twenty and Wall to Wall and to refinance the existing debt facility taken out to finance the purchase of Ricochet and Outright.

During the year loan notes totalling £4m were redeemed as part of the acquisition agreements of Wall to Wall and Twenty Twenty.

At 31 December 2008 Facility A had a loan balance of £28.6m (2007: £32m). The movement from the prior year is explained by repayments of £5.5m and an increase in the facility of £2.1m due to the redemption of the Wall to Wall loan notes.

At 31 December 2008 the Group also had an £8m working capital facility (Facility B). The loan balance at 31 December 2008 was £2.9m (2007: nil). The movement from the prior year was due to the draw down of £1.9m due to the redemption of the Twenty Twenty loan notes and a draw down of £1m in working capital.

The Group has now extended the existing loan facilities until 2011.

Earnings per Share
Basic earnings per share in the year was 6.85p (2007: 16 months: 9.66p) based on earnings of £5.4m (2007: 16 months: £6.4m) divided by the weighted average number of shares in issue during the year of 78,886,358 (2007: 65,964,663). Diluted earnings per share in the year was 6.77p (2007 16 months: 9.55p) based on the weighted average number of shares in issue of 79,754,822 (2007: 66,699,963).

Adjusted basic earnings per share[2] was 10.58p (2007 16 months: 10.17p) and adjusted diluted earnings per share[2] was 10.46p (2007: 16 months: 10.06p).

Financial Review (Continued)

Cash flow
Net Cash Inflow from operating activities was £23.5m (2007: £4.4m).The overall net cash increased by £2.4m (2007: £72,000 decrease) which was driven by cash generated from increases in operating activities, timing of receipts offset by higher interest charges and loan repayments from the first full year of the new loan facility.

Dividend
The board is recommending a final dividend of 1.25p per share (2007: 1.1p). Subject to approval by shareholders at the Annual General Meeting to be held on 10 June 2009, the final dividend will be paid on 17 June 2009 to shareholders on the register on 15 May 2009. Subject also to approval of shareholders at the Annual General Meeting, the Group is proposing to introduce a scrip dividend alternative which will give shareholders the opportunity to elect whether they wish to receive the dividend in cash or in the form of Ordinary Shares in the Group. Details of the scrip dividend alternative will be sent to shareholders in due course to enable them to make their choice.

Covenants
Under the terms of the loan the Group is tested quarterly on a 12 month rolling EBITDA interest cover and leverage, a ratio of total non-production debt to EBITDA. Interest cover for the year ended 31 December 2008 was 4.5 times and the leverage based non-production debt was 2.0. During the year all covenants were passed.

Hedging
During 2008 at the banks' request we put into place an interest hedge to manage our interest rate exposure. The Board is currently reviewing its hedging policy. At the year end £27m of the Group's facility was hedged.

Taxation
The tax charge for the year is £2.5m (2007 16 months: £3.1m) at an effective rate of 31.2% (2007: 32.6%). The effective rate is higher than the 28% tax rate in the period due to tax paid at a higher rate on overseas tax and the partially non tax deductible impact of the IFRS 2 share option charge.

Balance Sheet

Property, plant and equipment The £0.1m decrease in the year is due to higher depreciation cost than additions.

Receivables The increase in receivables in the year is due to production Dollar denominated invoices re-valued at the year end closing rate and increased business within the distribution company Outright. Of the £18.7m (2007: £17.8m), £9.7m were trade receivables and £8.2m represented accrued income.

Current liabilities The increase in current liabilities in the year to £34.5m (2007: £29.1m) has been due to the reclassification of deferred consideration from non current to current of £4.3m, an increase in deferred income mainly from the timing of US productions and the draw down on the working capital facility of £2.9m. This is partially offset by decreases in short term borrowings due to the repayments. At the year end short term bank loans for production funding totalled £1.5m.

Non-current liabilities During the year non-current liabilities decreased to £27.8m (2007: £35.6m) as payments were made on the 5 year loan facility, deferred consideration was reduced by the payment to Outright, the reclassification to current liabilities of the Wall to Wall earn out and from the non payment of the Twenty Twenty earnout. This is partially offset by the fair valuation of the interest rate collar of £1.6m.

Financial Review (Continued)

Goodwill: During the year goodwill decreased to £61.3m (2007: £61.5m). This was mainly due to the recognition of additional consideration from the Wall to Wall acquisition and the revision to deferred consideration from the Twenty Twenty acquisition.

Intangible Assets: Intangible assets increased to £24.5m (2007: £24.4m). This was mainly due to the increase in film assets. In the current year the Group capitalised on average 13% of film costs arising from new drama productions and 13% on film costs arising on new factual entertainment productions. The film asset will be amortised over the remaining life of the film asset defined by expected future sales.

Intangible assets arising from acquisitions decreased £2.2m to £10.9m (2007: £13.1m) due to amortisation.

International Financial Reporting Standards

These are the Group's first annual results to be reported under International Financial Reporting Standards ("IFRS") which become mandatory for all companies listed on AIM market for accounting periods commencing on or after 1 January 2007. Comparative figures for the period ended 31 December 2007 have been presented in accordance with IFRS. The principal effects of adopting IFRS were published in the Group's interim results announcement issued on 30 September 2008. The Group has adopted the material exemption, as permitted by IFRS, not to restate the historical business combinations that took place before 1 September 2006.

Jonathon Kemp

Financial and Commercial Director

1 Adjusted to exclude intangibles amortisation arising from business combinations
2 Adjusted to exclude intangibles amortisation arising from business combinations, interest charges arising from discounted deferred consideration and finance costs from the fair value loss on financial instruments

Board of Directors

Chief Executive Officer, Shed Media plc: Nicholas Southgate

Nick started his television career in wildlife filmmaking working for the BBC's acclaimed Natural History Unit. After five years at the BBC, including time spent on Tomorrow's World and in BBC Childrens, Nick set up his own independent production company, Tiga Films, where he produced and directed documentaries for the BBC and Channel 4.

Nick joined Ricochet in 1999 as a producer/director and in 2000 he formed Ricochet Digital with Nick Powell where he executive produced projects including 'Who Rules the Roost?', 'FightBox', and 'Tetris: From Russia with Love'.

Following the merger between Ricochet Digital and Ricochet South, Nick became Creative Director of the new company Ricochet Limited and subsequently Managing Director, where he continued to oversee a number of key projects both in the UK and for Ricochet Los Angeles.

In 2005, Shed acquired Ricochet and in 2007, Nick was appointed as the Chief Operating Officer of the enlarged Group. He played a key role in the acquisitions of Twenty Twenty and Wall to Wall.

Nick was appointed as the Chief Executive Officer of Shed Media Plc on 1 January 2009.

Financial and Commercial Director, Shed Media plc: Jonathon Kemp

Jonathon Kemp joined Shed in 2002 from Capitol Films, a film production and financing company, where he was Head of Finance. Jonathon started his media career at Nickelodeon UK where he worked for five years during which time he qualified as an ACMA accountant. He moved from Nickelodeon UK to Fox Kids Europe in 1999 where he was involved with the flotation of the company.

Jonathon joined Shed as financial controller with the responsibility of building both a strong financial and commercial base. He was promoted to the board and became Finance Director of Shed in 2004 where his main responsibility was to help grow the business and played a key role in the flotation of the company in 2005 and the acquisitions, of Ricochet, Outright, Wall to Wall and Twenty Twenty. He continues to look after both the Group's Finance and Commercial departments.

Chief Executive Shed Productions: Eileen Gallagher

Prior to co-founding Shed Productions, Eileen was Managing Director of LWT (London Weekend Television) and deputy Managing Director of Granada Broadcasting. She also co-created Bad Girls and The Fugitives.

Eileen's business experience and strong creative influence have been instrumental in Shed Media's success. As chair of the Independent Producers' Trade Association (PACT) for 2002 and 2003, she was at the forefront of the successful campaign to introduce amendments into the Communications Bill to strengthen the position of the independent production sector in its dealings with broadcasters. In 2002/2003 Eileen picked up two industry awards for outstanding achievements for her work with Shed and the independent production sector as a whole. After ten years as MD and then Chief Executive of Shed Media plc. Eileen stood down at the end of 2008 to return to a creative role as CEO of Shed Productions.

Managing Director, Shed Productions: Brian Park

Brian Park was previously Head of Entertainment at Granada, where he stewarded Stars in their Eyes, You've been Framed and Russ Abbot. His subsequent move to drama resulted in him producing True Love and Prime Suspect. He took over an ailing Coronation Street, restoring it as the UK's biggest rating show. Brian produced the first two series of Bad Girls and has been Executive Producer on the subsequent series of Bad Girls, all series of Footballers' Wives, Waterloo Road, Bombshell, Rock Rivals and Hope Springs.

Board of Directors (continued)

Chief Executive, Ricochet: Nicholas Powell
Nick began working in TV in 1987 at Brook Productions as a researcher on a major series on the international debt crisis. He worked at Diverse Productions in 1988 working on 9 to 5 and at Box Productions on The Harrods Sale. In 1989 he transferred to Channel 4 where he produced Comment before becoming series producer on Out of Africa and then series editor on Right to Reply.

In 1995 Nick formed Ricochet, assuming the role of Managing Director. During the last 10 years he has executive produced over 500 hours of prime-time network television in the UK, with many of the series having been shown and broadcast throughout the world. He has overseen many projects including, No Going Back, Its Me Or the Dog, Risking it All, and Supernanny. In 2003, Nick established a Los Angeles office and executive produces the American version of Supernanny for ABC. As well as managing the growth of Ricochet, Nick oversees development and overall company strategy. In 2005, Shed acquired Ricochet and Nick was appointed to the board of Shed Media plc.

Managing Director Outright Distribution: Chris Bonney
Chris Bonney is the Managing Director of Outright Distribution, Shed Media's wholly owned distribution company, specialising in the areas of factual entertainment, formats and drama.

Chris began his career in 1986 at ECM, a specialist in advertiser-funded programming and format distribution. He left in 1989 to join the TV programming department at Saatchi & Saatchi, followed by a spell as Manager of Sponsorship at Tyne Tees Television. Chris rejoined ECM at the end of 1991, where he rose to become Chief Operating Officer in 2001. Together with a team of experienced television distribution executives from ECM, Chris established Screentime Partners as an MBO in August 2003, which changed its name to Outright Distribution Limited in January 2007 following the acquisition by Shed Media in 2006. Chris is also a member of PACT Council and the TV Exports Group.

Managing Director Twenty Twenty: Peter Casely-Hayford
Peter Casely-Hayford is the Managing Director of Twenty Twenty and has been in the television industry since 1976. He began his career at the BBC in the Television Accounts department, where he gained experience of management and finance in the TV industry. Later, he moved to News and Current Affairs, managing programmes such as Question Time and Newsnight, before becoming Production Unit Manager of Panorama for 5 years.

Peter joined Twenty Twenty in 1990 as the Manager of Production, looking after all areas of management within the company. In 1996 Peter became a director shareholder of Twenty Twenty and was subsequently promoted to Managing Director in 2003. Since that time he has been responsible for the running of the business and profitability of the company. Following Shed Media's acquisition of Twenty Twenty in September 2007, Peter was appointed to the board of Shed Media plc.

Chief Executive Wall to Wall: Alex Graham
Born in Glasgow, Wall to Wall CEO Alex Graham has built the company into one of the UK's leading independent producers. With a reputation for quality and innovation, Wall to Wall has won almost every award on both sides of the Atlantic including several BAFTAs, Emmys, Royal Television Society and Peabody awards.Wall to Wall was recently voted one of the top seven independent producers in the world by Real Screen magazine. In November 2007, Wall to Wall became part of the Shed Media group of companies.

Alex helped create several of Wall to Wall's hit shows including The 1900 House and Who Do You Think You Are? He is executive producer of several of the company's leading shows including Who Do You Think You Are? and New Tricks.

Alex sits on the board of Shed Media. He is a member of PACT Council where he served as chair during 2006 and 2007. He also sits on the board of the Sheffield International Documentary Festival. He is a fellow of the Royal Television Society, the Royal Society of Arts and a visiting fellow of the University of Bournemouth's Media School.

Board of Directors (continued)

Non-Executive Director: David Kogan^Δ
David Kogan is the Chief Executive and co founder of Reel Enterprises Limited, a company specialising in rights negotiations, channel development and sport in the UK and global media markets. Reel Enterprises advise the BBC and other leading UK broadcasters as well as leading sports leagues such as the FA Premier League on all its media rights deals in the UK and overseas.

In 1979, David worked as a marketing executive at Express Newspapers, and then in 1982 he joined the BBC where he worked as a senior producer on news and current affairs programmes such as Today, Newsnight and Breakfast Time. He was the BBC radio editor in New York in 1984/5. In 1988 he joined Reuters Television as Managing Editor. He subsequently became Managing Director in the United Kingdom and was then, for three years, the global Managing Director. He also acted as the launch Managing Editor of GMTV in 1993. In 1996 David joined the Granada Media Group as Executive Director of Granada Channels, which he left to create Reel Enterprises in 1998.

^ ***Member of the Audit Committee***
Δ ***Member of the Remuneration Committee***

Directors' Report

The directors have pleasure in presenting their report on the Company and the Group together with the audited financial statements for the year ended 31 December 2008.

Principal activity
Shed Media (the "Group") is an independent television production company. The Group specialises in contemporary, original drama and factual programming and content and in distribution of subsequent rights from these programmes.

Results and dividends
The results for the Group show a pre-tax profit of £7.9 million (2007 16 months: £9.4 million) for the year and sales of £81.9 million (2007 16 months: £63.1 million). Net cash flow from operating activities for 2008 was £23.5 million (2007 16 months: £4.4 million).

The final dividend proposed at 31 December 2007 of 1.1p per share was paid 18 July 2008 to shareholders on the register at 20 June 2008.

Business Review

Business environment
The independent television market has benefited from changes in the law. The Communications Act in 2003 and the corresponding changes in terms of trade have enabled producers to own and control the rights to the content they create. This new legislation has most benefited those companies that create valuable rights that sell well in international and UK secondary markets.

The emergence of new media is also an important development in the television market. New technology such as mobile phone streaming and internet downloading give independent producers more opportunities to exploit their content. The companies which own attractive, recognisable brands that platform owners need benefit most from these market developments.

The independent production sector has traditionally been fragmented with hundreds of companies producing a limited number of programmes and owning few, if any, of the rights to those programmes. The favourable changes to market conditions have enabled the emergence of a few dominant players strong enough to buy out smaller competitors. This has led to the creation of the "Super Indie" which benefits from diversification into different production genres thus mitigating the risks associated with creative businesses.

Within this competitive environment the Group has differentiated itself from its competitors as follows:

- **Business Model** – Focussed on multiple profit streams rather than turnover.
- **Brands** – Creating powerful brands that sell internationally and across new platforms.
- **Operating Margins** – Consistently delivering strong operating margins.
- **Visibility of Revenue** – Strong brands and a good reputation with broadcasters who re-commission existing brands and are open to new programme developments.
- **Growth** – Organically through an expanding in-house talent pool and strategically through acquisition of brand – owning, brand-creating companies.

Directors' Report (continued)

Business Review (continued)

Strategy
The Group's overriding objective is to achieve attractive and sustainable rates of growth and returns through a combination of organic growth and acquisitions.

- Strong organic growth through:
  - Maintaining and securing key production talent
  - Building on success and reputation with broadcasters
  - Successful exploitation of programming rights
  - Building new broadcaster relationships in the UK and internationally and in particular the US

- Selective acquisition of companies meeting strict criteria:
  - Production companies in valuable new genres
  - Brand owning and brand creating capabilities
  - Talent tied in by ownership
  - Right Price
  - New Media

Key performance indicators ("KPIs")
The board monitors progress on the overall Group strategy and the individual strategic elements by reference to seven KPIs.

1. Liquidity
The board monitors cashflow on a continual basis which is reviewed monthly at the board meetings prior to bank review. Loan and interest payments are made quarterly and the group ensures it is sufficiently liquid to make the loan repayments for the forthcoming year.

2. Growth in sales (%)
Year on year sales growth expressed as a percentage. The increase is in line with the Group's growth strategy. Sales have improved due to our first successful full year following the acquisition and integration of Outright Distribution Limited, Twenty Twenty Productions Limited and Wall to Wall Holdings Limited. This has led to the Group strengthening its product through expansion of its genres and making direct distribution sales, thereby not incurring commission on the sale of new products.

3. Gross margin (%)
Gross margin is the ratio of gross profit before exceptional items and intangibles amortisation to sales expressed as a percentage. Gross margin has increased in the year to 38% (2007 16 months: 37%) benefiting from strong intellectual property sales and tight control of production costs and strong margins in the US.

4. Operating Profit Margin (%)
Operating profit margin is the ratio of operating profit before exceptional items and intangibles amortisation to sales expressed as a percentage. Gross Margin is important to maintain to ensure productions are profitable, but it is essential the Group keeps overheads under control and maintains a strong operating profit margin. The Group produced a strong operating profit margin in the year 18% (2007 16 months: 17%).The operating profit margin is very strong compared to the industry as a whole and as a KPI will continue to be monitored by the Group.

5. EBITDA
The Group monitors its ability to pay loans on a monthly basis by reviewing interest to EBITDA and loan amount to EBITDA. The Group ensures it is clearly able to meet the terms set out in its loan agreements.

6. Programming Hours
The Group monitors commissioned programming hours per annum as a KPI. The Group produced 215 programme hours, 29 drama hours and 186 factual hours. (2007: 16 months: 209 programme hours).

7. International Sales
In order to grow as a business it is important for the Group to continue to exploit its programmes in the international market. This performance target is reviewed quarterly and the Group anticipates annual growth which enables continual growth of the business. This area of the business has continued to grow in the year.

Principal Risks
Risks are formally reviewed by the board and appropriate processes put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

The directors consider the following to be the principal risks faced by the Group.

1. Competition
The Group operates in a highly competitive market with many companies, small and large, competing for broadcasters' commissions. For the Group to grow it needs to secure re-commissions of existing brands and have new programme brands ready to be commissioned when more mature ones fade. To mitigate the risk of a slow-down in the overall rate of growth our creative teams are constantly developing new programme brands to ensure a healthy pipeline of new productions.
A reputation for consistently delivering high quality programmes is a prime asset in the market and this reputation is dependent on maintaining a pool of high quality creative staff.

2 Key Creative Staff
The Group's performance depends largely on the retention of key creative staff. The loss of key individuals or failure to recruit sufficient talent with the right experience and skills can adversely impact the Group's results. The Group has also successfully trained up younger staff members to take on creative roles and has been successful in retaining them over the long term. When acquiring companies the Group ensures that the talent is tied in through share ownership and performance-based earn out schemes.

3. Control of Productions Costs
Once the executive producers have negotiated programme prices with the broadcasters, an internal budget is agreed and it is up to the production departments to ensure programmes are made within or below that budget. There is a risk that productions go over budget at some point during the production process. To control this risk the Group employ skilled production accountants who report into senior Group management on at least a weekly basis. Any drift over budget can be dealt with quickly to ensure the overall production budget is adhered to. There is also adequate insurance in place for each production to cover any unforeseen problems that may affect the cost of production such as key cast illnesses or major equipment failure.

4. Financial Risk Management
The board regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not use complicated financial instruments and where financial instruments are used it is for reduced interest or exchange rate risk. The Group does not trade in financial instruments. Group operations are primarily financed from equity funds raised, retained earnings and bank borrowings (including overdraft facilities). In addition to the primary financial instruments, the Group also has other financial instruments such as receivables, prepayments, payables and accruals that arise directly from the Group's operations. Further information is provided in note 16 to the financial statements.

Directors
The directors of the Group are named on page 08, together with brief biographical notes. All directors have been in office for the duration of the year unless stated on page 38. During the year (6 February 2008) Ann McManus and Maureen Chadwick resigned from the board. Katherine Innes Ker's appointment to the board was up for renewal on 18 March 2009, she was not re-appointed.

Directors' interests in shares and options
Details of directors' interests in shares and share options can be found in the Director's Remuneration Report on pages 18 to 20.

Retirement and Re-elections of Directors
Nicholas Southgate, Eileen Gallagher, Brian Park and Nicholas Powell retire by rotation from office at the Annual General Meeting. Being eligible, these directors will offer themselves for re-election in accordance with the Company's Articles of Association. David Kogan will retire from the board at the Annual General Meeting.

Share Capital
Details of the share capital are shown in note 17 to the financial statements.

Registrar
The Registrar is Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Employees
The Group is committed to a policy of equal opportunity in matters relating to employment, training and career development of employees and is opposed to any form of less favourable treatment afforded on the grounds of disability, sex, age, race or religion.

The Group encourages the involvement of its employees in its management through regular meetings of senior management teams which have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy.

The Group operates a share option scheme to encourage employees. Details of this scheme are more fully described in note 18.

Political and Charitable Donations
The Group made charitable donations of £1,128 and no political contributions in the year (2007 16 months: £Nil).

Directors' Report (continued)

Trade Payables Payment Policy and Practice
It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with.

Trade payable days for the Group for the year ended 31 December 2008 were 30 days (2007: 30 days) based on the ratio of Group trade payables at the end of the year to the amounts invoiced during the year trade payables.

Corporate Governance
Detailed statements of the Group's Corporate Governance and the Group's system of internal control are set out on pages 16 to 17.

The Audit Committee
The committee comprised, during the year, the following, both of whom are independent Non-executive Directors: Katherine Innes Ker (chair), David Kogan.

The Remuneration Committee
The committee comprised, during the year, the following, all of whom are independent Non-executive Directors: David Kogan (chair), Katherine Innes Ker.

Statement as to Disclosure of Information to Auditors
The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Auditors
A resolution to reappoint Baker Tilly Audit UK LLP, Chartered Accountants, as auditors will be put to the members at the Annual General Meeting. Baker Tilly UK Audit LLP have confirmed their willingness to continue in office as auditors of the Group and a resolution to reappoint them will be proposed at the Annual General Meeting.

Annual General Meeting
The Annual General Meeting of the Group, will be held at 12pm on the 10 June 2009 at The Tower Room, The Old Sessions House, 22 Clerkenwell Green, London EC1R 0NA formal notice and results of the meeting are set out on page 63.

Jonathon Kemp
Financial and Commercial Director

1 April 2009

Corporate Governance Report

The directors support high standards of Corporate Governance and confirm that they intend to comply with the requirements of the new "Combined Code" on Corporate Governance ("the code") published in June 2008, so far as practicable given the size, nature and current stage of the development of the Group. The key Group objective is to enhance and protect shareholder value.

The Board of Directors

The Board consisted of ten directors during the year whose names and details appear on pages 8 to 10. The two non-executive directors are considered to be independent of management and free of any relationship that could materially interfere with the exercise of their independent judgement.

A formal schedule of matters is considered by the board, which meets at least 10 times per year and keeps under constant review the need to hold additional meetings. The board is responsible for:

- Overall Group strategy.
- Acquisitions.
- Monitoring the operating and financial results against plans and budgets.
- Ensuring that the necessary financial and human resources are in place for the Group to meet its objectives.
- Ensuring that the Group's obligations to its shareholders and others are understood and met.

The following committees, which have written terms of reference, deal with specific aspects of the Group's affairs:

Audit Committee

The Audit Committee consists of the two non-executive directors and meets at least twice a year. It is responsible for ensuring that the financial activities of the Group are properly monitored, controlled and reported on. It meets the external auditors without executive directors being present and reviews reports from the auditors.

The Audit Committee recommends the appointment of the external auditors, reviews the audit fee and audit plan and pre-approves all non-audit work in respect of external auditors, prior to commitment by the Group.

Remuneration Committee

The Remuneration Committee consists of two non-executive directors. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and that of senior management and the basis of their service agreements with due regard to the interests of shareholders. In determining the remuneration of the executive directors and senior management the committee seeks to ensure that the Group will be able to attract and retain executives of the highest calibre. It makes recommendations to the full board concerning the allocation of incentive schemes to employees. No director participates in discussions or decisions concerning his own remuneration.

Further details of the Group's policies on remuneration including details of director's share options are given in the report of the Remuneration Committee report on pages 18 to 20.

Nomination Committee

The directors consider that, given the size of the Board, nominations should be a matter for the board as a whole, and accordingly there is no separate nomination committee. This will be reviewed regularly.

Corporate Governance Report (continued)

Internal Controls

The directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Group and to ensure the reliability of financial information for both internal and external publication. The effectiveness of the system of internal controls has been reviewed by the directors and they are satisfied the controls are effective with regard to the size of the Group and the stage of its development. Any system of internal control can only be designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable and not absolute assurance against material misstatement or loss.

Given the size of the Group, there is currently not an internal audit function, this will be reviewed as the Group grows.

Relationship with Shareholders

The directors attach great importance to maintaining good relationships with shareholders. Communications with shareholders are given high priority. The directors meet and discuss the performance of the Group with shareholders during the year. Queries raised by shareholders are promptly answered by whoever on the board is best placed to do so. Investors are encouraged to participate in the Annual General Meeting at which the Chairman will present a review of the results and comment on current business activity. The board will be available at the Annual General Meeting to answer shareholder questions.

Going Concern

After making enquiries the directors have reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the financial statements. In forming this view the directors have reviewed the annual profit plan for the year ending 31 December 2008 and strategic plan projections for subsequent years. The directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

On behalf of the Board

David Kogan

1 April 2009

Directors' Remuneration Report

The following report outlines the Group's policy on the remuneration of executive directors and gives details of the remuneration packages of executive directors and of the fees paid to non-executive directors for the year ended 31 December 2008. A resolution to approve the Report will be proposed at the Annual General Meeting of the Group. The directors have applied the principles of good governance related to director's remuneration as described below:

Remuneration Committee

The committee comprised, during the year, the following, all of whom are independent Non-executive Directors: David Kogan (chair), Katherine Innes Ker.

Remuneration Policy

The remuneration policy of the Committee and of the board is to provide remuneration packages for the Executive Directors and other senior executives in the Group which are appropriate to the size and nature of the Group's business and which will attract and retain high calibre executives. It is the Group's policy that a substantial proportion of the executive directors' remuneration should be performance related in order to encourage and reward superior business performance and shareholder return and that remuneration should be linked to both individual and Group performance.

Accordingly, executive directors may earn up to an additional 50% of their basic salaries as a performance bonus and have benefited from participation in the Group's share option scheme, as set out below.

It is the policy of the Committee and the board to maintain the above approach to remuneration packages for executive directors and other senior executives of the Group for the current financial year and future financial years, subject to review in the light of any changes in relevant legislation, regulations or market practice. The Committee will continue to review base salaries and performance targets to ensure that they align with the remuneration policy of the Committee and the board and with the Group's strategic objectives. The individual salary, bonus and benefit levels of the executive directors' are, and will continue to be, reviewed annually by the Committee. This year the Committee has also undertaken a review of the longer term remuneration, with particular emphasis on selecting longer term incentives.

It is the Group's policy to employ executive directors under contracts with an indefinite term subject to the termination by notice by either party of 12 months. Any compensation payable by the Group would be subject to normal legal principles of mitigation of loss. No compensation would be payable if the service contracts were to be terminated by notice from the executive director or for lawful termination by the Group. There are no provisions for payment of pre-determined compensation under the service contracts.

In relation to future appointments of executive directors, the Committee's and board's policy will remain one of restricting notice periods to 12 months.

Details of individual director's remuneration is set out on pages 36 and 37 of this Report. The main components of the remuneration for executive directors are:

Basic Salary

The Group's policy is that basic salaries for executive directors should take into account the individual's role and responsibilities, performance and experience. For an executive director who is experienced and fully effective in his role, basic salary is targeted at the retail market median for comparable roles.

Directors' Remuneration Report (continued)

Annual bonus
Executive directors are eligible to receive an annual performance bonus up to a maximum of 50% of their annual basic salaries at the time the bonus scheme is announced. The amount of bonus is based on the achievement of profit targets specified and agreed at the beginning of the year. The performance targets for bonus entitlements are intended by the Remuneration Committee to create keen incentives to perform at the highest levels.

Share Option Schemes
The Group has in place an EMI Scheme under which certain Group employees (including executive directors) are eligible for the grant of options to acquire ordinary shares in the Group. Further details are in note 18.

Share Plan
A key element of the Group's retention and reward strategy is to encourage employee share ownership and facilitate the retention of key staff and talent. The Group operates a Share Plan (SP) to provide additional share awards to certain employees to reward and motivate existing staff and attract key new hires. The SP will allow participants to acquire shares subject to and to the extent that performance conditions are satisfied. Awards in the year are detailed in note 18.

Other benefits
Executive directors are entitled to be provided with private healthcare insurance. Alexander Graham received a pension in the year.

Non-executive Directors
The fees of the non-executive directors are determined by the executive members of the board and are based on market surveys. The Group's practice is to appoint non-executive directors under letters of engagement rather than under service contracts. These letters of engagement set out fixed terms of appointment of three years, which may be extended with the agreement of the board.

Executive Directors' Service Contracts
Details of the executive directors' service contracts are as follows:

	Date of service Agreement
Eileen Gallagher	18 February 2005
Brian Park	18 February 2005
Jonathon Kemp	18 February 2005
Nicholas Powell	24 November 2005
Nicholas Southgate	24 November 2005
Chris Bonney	28 September 2006
Peter Casely-Hayford	19 September 2007
Alexander Graham	29 November 2007

Directors' Remuneration Report (continued)

The Group may terminate any of the above service contracts by giving not less than 12 months notice. Any compensation payable by the Group for early termination would be subject to the normal legal principles of mitigation of loss. No compensation would be payable if a service contract were to be terminated by notice from any of the above directors or for lawful early termination by the Group.

In concluding the service contracts, for the directors, the Group took into account the provisions of the Combined Code regarding notice periods for service contracts. In relation to future appointments of executive directors, the committee's and board's policy will remain one of restricting notice periods of termination service contracts to twelve months.

Non-executive Directors: Letters of appointment
The Group's practice for the appointment of non-executive directors is consistent with the provisions of the Combined Code. Non-executive directors are appointed under letters of engagement (rather than under service contracts).

Details of the non-executive directors' letters of engagement are as follows:

	Date of letter of engagement	**Unexpired term at the date of this report**
David Kogan	18 March 2008	35 Months

Each letter of appointment is terminable by either party by giving not less than three months notice or by the Group on payment of fees in lieu of notice. No compensation would be payable to a Non-executive director if his/her engagement were terminated as a result of him/her retiring by rotation at an Annual General Meeting, not being elected or re-elected at an Annual General Meeting or otherwise ceasing to hold office under the provisions of the Articles of Association of the Group.

Full details concerning Director's emoluments are disclosed in note 4 to the accounts.

Approval
This report was approved by the board of directors on 1 April 2009 and signed on its behalf by

David Kogan
Chair – Remuneration Committee

Statement of Directors' Responsibilities

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

UK Company law requires the directors to prepare Group and Company Financial Statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

The company and the group financial statements are required by law to give a true and fair view of the state of affairs of the company and the group.

In preparing each of the group and company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b make judgements and estimates that are reasonable and prudent;

c. for the group financial statements, state whether they have been prepared in accordance with IFRSs adopted by the EU; and for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;

d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of 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 financial statements may differ from legislation in other jurisdictions.

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

We have audited the group and parent company financial statements on pages 23 to 62
This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report, and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU"), and for preparing the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.
Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).
We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements
In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.
We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, Chairman's Statement, the Chief Executive's Report, the Financial Review, the Directors' Remuneration Report and the Corporate Governance Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly UK Audit LLP
BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST
1 April 2009

SHED MEDIA PLC
CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

	Note	Year ended 31 December 2008 £'000	16 Months ended 31 December 2007 £'000
Revenue	1	**81,944**	**63,108**
Cost of sales		(50,988)	(39,662)
Gross profit		30,956	23,446
General administrative expenses		(15,922)	(12,189)
IFRS 2 share-based payment		(518)	(240)
Amortisation of intangibles arising on business combinations		(2,167)	(484)
Total administrative expenses		**(18,607)**	**(12,913)**
Operating profit		**12,349**	**10,533**
Finance income	3	394	228
Finance costs	3	(3,291)	(1,313)
Fair value loss on financial instruments	3	(1,595)	-
Net finance costs		**(4,492)**	**(1,085)**
Profit before taxation	2	7,857	9,448
Tax expense	5	(2,455)	(3,078)
Profit for the year / period attributable to equity holders of the parent		5,402	6,370
Earnings per share			
Basic (pence)	7	6.85p	9.66p
Diluted (pence)	7	6.77p	9.55p

All transactions arise from continuing operations.
The accompanying accounting policies and Notes form an integral part of these financial statements.

SHED MEDIA PLC
CONSOLIDATED BALANCE SHEET
At 31 December 2008

		2008 £'000	2007 £'000
Non-current assets			
Goodwill	8	61,306	61,537
Other intangible assets	9	24,542	24,430
Property, plant and equipment	10	1,270	1,403
		87,118	**87,370**
Current assets			
Trade and other receivables	11	18,711	17,843
Cash and cash equivalents		8,953	6,559
		27,664	24,402
Total assets		**114,782**	**111,772**
Current liabilities			
Borrowings		(11,266)	(10,679)
Loan notes issued		-	(4,010)
Accruals and deferred income		(16,442)	(8,959)
Trade and other payables		(2,425)	(3,803)
Current tax liabilities		(15)	(370)
Deferred consideration		(4,327)	(1,311)
	13	**(34,475)**	**(29,132)**
Non-current liabilities			
Long-term borrowings		(21,337)	(26,400)
Deferred tax liabilities		(4,830)	(3,633)
Deferred consideration		-	(5,574)
Derivatives and financial instruments		(1,595)	-
	14	**(27,762)**	**(35,607)**
Total liabilities		**(62,237)**	**(64,739)**
Net Assets		**52,545**	**47,033**
Equity			
Called-up share capital	17	80	79
Share premium account	19	28,740	28,241
Share option reserve		971	453
Treasury shares		(450)	(450)
Retained earnings		23,204	18,710
Total Equity attributable to equity shareholders of the parent		**52,545**	**47,033**

The financial statements were approved by the Board of Directors and authorised for issue on 1 April 2009 and signed on its behalf by:

Nicholas Southgate
Chief Executive

Jonathon Kemp
Finance Director

The accompanying accounting policies and Notes form an integral part of these financial statements.

SHED MEDIA PLC
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Sixteen months ended 31 December 2007	Ordinary Shares	Share Premium	Treasury shares	Share based payment reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2006	60	9,990	-	213	13,083	23,346
Profit for the period	-	-	-	-	6,370	6,370
Tax recognised directly in equity	-	-	-	-	70	70
Total recognised income and expense for the period	-	-	-	-	6,440	6,440
Issue of equity shares	19	18,251	-	-	-	18,270
Share based payments	-	-	-	240	-	240
Purchase of own shares	-	-	(450)	-	-	(450)
Dividends	-	-	-	-	(813)	(813)
Balance at 31 December 2007	79	28,241	(450)	453	18,710	47,033
Year ended 31 December 2008						
Balance at 1 January 2008	79	28,241	(450)	453	18,710	47,033
Profit for the year	-	-	-	-	5,402	5,402
Total recognised income and expense for the year	-	-	-	-	5,402	5,402
Issue of equity shares	1	499	-	-	-	500
Share based payments	-	-	-	518	-	518
Deferred Tax	-	-	-	-	(39)	(39)
Dividends	-	-	-	-	(869)	(869)
Balance at 31 December 2008	80	28,740	(450)	971	23,204	52,545

SHED MEDIA PLC
CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2008

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Cash flows from operating activities		
Profit before taxation	7,857	9,448
Adjustments for:		
Depreciation and amortisation	7,375	3,562
IFRS 2 share based payment	518	240
Foreign exchange (gain)/loss	(462)	67
Fair value loss on a financial instrument	1,595	-
Discounted deferred consideration	325	-
Investment income	(394)	(228)
Interest expense	2,966	1,313
Increase in trade and other receivables	(533)	(2,772)
Increase in trade payables	6,012	(5,130)
Cash generated from operations	**25,259**	**6,500**
Taxation paid	(1,747)	(2,141)
Net cash from operating activities	**23,512**	**4,359**
Cashflows from investing activities		
Acquisitions of subsidiaries net of cash acquired	(5,840)	(29,083)
Purchase of intangible assets	(6,850)	(3,461)
Purchase of property, plant and equipment	(511)	(4,311)
Interest received	394	228
Interest paid	(2,966)	(1,313)
Net cash used in investing activities	**(15,773)**	**(37,940)**
Cash flows from financing activities		
Proceeds from issues of share capital	-	(450)
Net (repayment of) / proceeds from borrowings	(4,476)	34,772
Dividends paid	(869)	(813)
Net cash (used in) / generated from financing activities	**(5,345)**	**33,509**
Net increase / (decrease) in cash and cash equivalents	**2,394**	**(72)**
Cash and cash equivalents at start of year / period	**6,559**	**6,631**
Cash and cash equivalents at end of year / period	**8,953**	**6,559**

The accompanying accounting policies and Notes an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

Nature of operations and general information
The principal activity of Shed Media Plc and its subsidiaries (the Group) is the production of programmes for the television industry in the United Kingdom and the United States and the worldwide acquisition and distribution of rights in programmes produced by the Group companies as well as programmes produced by third party clients.

Shed Media Plc is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales . The address of Shed Media Plc's registered office, which is also its principal place of business, is 2 Holford Yard, London, WC1X 9HD. Shed Media Plc's shares are listed on the Alternative Investment Market (AIM) of the London Stock Exchange.

Basis of preparation
The financial statements have been prepared under the historic cost convention as modified by the revaluation of derivative financial instruments, and as required by EU law, the Group's accounts have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS"). The Group's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 31 December 2007. The date of transition to IFRS was 1 September 2006. The comparative figures in respect of the previous financial period have been presented to reflect the changes in accounting policies as a result of the adoption of IFRS.

The parent company's loss for the year ending 31 December 2008 is £2m (2007: 16 months profit after tax of £2m). The Directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented the profit and loss account for the Company alone. The company has elected to prepare its parent company financial statements in accordance with UK Generally Accepted Accounting Practice.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These consolidated financial statements have been prepared taking the following exemptions:

- Business combinations prior to 1 September 2006, the Group's date of transition to IFRS, have not been restated to comply with IFRS 3 Business Combinations. Goodwill arising from these business combinations of £27.9m has not been restated.

IFRS 8 "Operating Segments" has been adopted for the first time for the year ended 31 December 2008. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker , who is responsible for allocating resources and accessing performance and accessing performance of the operating segments, has been identified as the Board of Directors.

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the company operations that have been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated)

- IFRS 2 Share based Payment — Amendments relating to vesting conditions and cancellations
- IFRS 3 Business Combinations — Amendments
- IFRS 7 Financial Instruments Disclosures — Consequential amendments arising from amendments to IAS 32
- IAS I Presentation of Financial Statements — Revised
- IAS 1 Presentation of Financial Statements Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
- IAS 23 Borrowing Costs — Amendment
- IAS 27 Consolidated and separate Financial Statements — Consequential amendments arising from Amendments from TFRS 3
- IAS 28 Investments in Associate—Consequential amendments arising from amendments to IFRS 3
- IAS 31 Interest in Joint Ventures — Consequential amendments arising from amendments to IFRS 3
- IAS 32 Financial Instruments Presentation — Amendments relating to Puttable Financial Instruments and obligations arising on liquidation
- IAS 39 Financial Instruments: Recognition and Measurement — Consequential amendments arising from amendments to IAS 32
- IFRIC 11 IFRS 2 — Group and Treasury Share Transactions (endorsed)
- IFRIC 12 Service Concession Arrangements
- IFRIC 13 Customer Loyalty Programmes
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction Annual Improvements Project

The directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the Company.

The principal accounting policies of the Group are set out below and have been applied consistently in presenting the consolidated financial information.

Basis of consolidation

Consolidated financial statements include the financial statements of Shed Media plc and all its subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of during the year are accounted for in the income statement from or up to the date that control passes. Inter-company sales and profits are eliminated on consolidation.

Subsidiaries are entities that are directly or indirectly controlled by the group. Control exists where the group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

All intra-Group transactions and balances are eliminated on consolidation.

Principal Accounting Policies

The Group financial statements consolidate those of the company and its subsidiary undertakings drawn up to 31 December 2008. The following policies have been applied consistently across the Group.

Business combinations completed prior to the date of transition of IFRS
The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 September 2006.

Accordingly the classification of the acquisition of Ricochet Limited remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Revenue

Revenue represents amounts receivable for work carried out in producing television programmes and is recognised on the basis of the value of costs related to production activity. Revenue also includes sums receivable from the exploitation of programmes in which the Group owns rights. Gross profit on production activity is recognised based upon the stage of completion of the production and in accordance with the underlying contract.

For distribution income the amount recognised in the income statement represents the value of the licence fees including withholding tax but excluding Value Added Tax.
Distribution income is recognised when

- An agreement is contracted.
- The arrangement is fixed and determinable.
- And for finished programme sales when the programme is delivered.

Operating Profit

Operating profit is derived as profit from operations before finance income, historic costs and income tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

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

Depreciation is provided on all property plant and equipment at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures, fittings & equipment	25% straight line
Computer equipment	33% straight line
Edit Suites	20% straight line
Leasehold improvements	Over the life of the lease

Intangible assets
Goodwill and business combinations
Goodwill arising from business combinations is capitalised and subject to an annual impairment review in accordance with IAS36.

The fair value of intangible assets acquired as a result of business combinations is capitalised and amortised on a straight line basis through the income statement. The rates applicable which represent the best estimate of the useful economic life are:

Customer Relationships:	10 years
Trademarks:	15 years
Format rights backlog:	2 years
Format rights recommissions:	2 years

Other intangible assets
For programme assets, amortisation is provided in accordance with the income forecast method whereby amortisation is taken to the income statement on a pro rata basis calculated as the income received in the accounting period in relation to the expected revenue over the life of the programme.

Development expenditure
Development expenditure has been written off as incurred, unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the development expenditure is capitalised and amortised in line with the revenue generated.

Impairment of assets
For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Goodwill is allocated to those cash-generating units that have arisen from business combinations and represent the lowest level within the Group at which management monitors the related cashflows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those tangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating units carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on internal discounted cashflow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Trade receivables
Trade receivables are initially recognised at fair value and subsequently measured at their amortised cost using the effective interest method, less any provision for impairment. Trade receivables due in more than one year are discounted to their present value.

Trade payables
Trade payables are initially recognised at fair value and subsequentially at amortised cost using the effective interest method.

Bank borrowings
Interest bearing bank loans and overdrafts are initially recorded at the proceeds received, net of direct issue costs and are subsequently measured at amortised cost using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Current and deferred taxation
Current tax is the tax currently payable on taxable profit for the year.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Leased assets
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term.

Equity
Equity comprises the following:

- Share capital represents the nominal value of equity shares.
- Share premium represents the excess over nominal value of the fair value of consideration receive for equity shares, net of the expenses of the share issue.
- Share option reserve represents the cumulative balance of IFRS 2 share based payments.
- Treasury shares represent Shed Media Plc shares purchased by the parent company and held in trust.
- Retained earnings represent cumulative retained profit and losses.

Financial instruments
Financial assets and liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Foreign currencies
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction or the contracted date. Monetary assets and liabilities in foreign currencies are translated at rates of exchange ruling at the balance sheet date. All other exchange differences are dealt with through the income statement.

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

Share Based Payments
The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest.

Fair value is measured using a Black-Scholes valuation model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Provisions, contingent liabilities and contingent assets
Where the deferred consideration is dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is re-assessed annually and a corresponding adjustment is made to the goodwill arising on acquisition. The difference between the present value and the total amount payable at a future date gives rise to a finance charge which is charged to the income statement and credited to the liability over the period in which the consideration is deferred. The discount used is the prevailing rate of return on borrowings.

Foreign currency translation
(a) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'Sterling' (£), which is the company's functional and the group's presentation currency.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in Administrative Expenses in the income statement.

(c) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Where derivative instruments do not qualify for hedge accounting, changes in the fair value of any these derivative instruments are recognised immediately in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

Significant Judgements and Estimates
The preparation of consolidated financial statements under IFRS requires the Group to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing material adjustment to the carrying amount of assets and liabilities are discussed below:

Intangible assets
The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions of the timing and the amount of future incremental cashflows generated by the assets and selection of an appropriate cost of capital. Furthermore, management must estimate the useful lives of intangible assets and charge amortisation on these assets accordingly.

Impairment of goodwill
The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. Actual outcomes could vary.

Depreciation of property, plant and equipment
Depreciation is provided so as to write down the assets to the residual values over their estimated useful life as set out above. The selection of these estimated lives requires the exercise of management judgement.

Deferred Consideration
Where deferred consideration is payable in cash and discount would have a material effect the liability is discounted to its present value. Where the deferred consideration is contingent and dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. Where a business combination agreement provides for an adjustment to the cost that is contingent on future events, contingent consideration is included in the cost of an acquisition if the adjustments is probable (that is more likely than not) and can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

1 Segmental Analysis

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business by type of revenue and geographic location. The Group primarily operates through its offices in London and Brighton UK and in Los Angles, USA but sells the rights to its programmes worldwide. The Group differentiates between newly commissioned production revenue both in the UK and the US and revenue arising from the sale of the rights of the Group's library (Intellectual Property (IP) Revenue)

Central costs segment represents the cost of the head office function. This operates as an independent function to the trading businesses.

The board assesses the performance of the operating segments based on a measure of adjusted EBITDA.

For the year ending 31 December 2008	**Broadcaster UK £'000**	**Broadcaster US £'000**	**IP £'000**	**Central £'000**	**Total £'000**
Revenue	43,105	21,671	21,489	-	86,265
Less: intersegment sales	-	-	(4,321)	-	(4,321)
Total Revenue from third parties	**43,105**	**21,671**	**17,168**	-	**81,944**
Cost of sales	(35,137)	(12,286)	(3,565)	-	(50,988)
Gross profit	**7,968**	**9,385**	**13,603**	-	**30,956**
General administrative expenses	(11,100)	(2,773)	(1,172)	(758)	(15,803)
Adjusted EBITDA	**(3,132)**	**6,612**	**12,431**	**(758)**	**15,153**
Depreciation	(460)	(74)	-	(103)	(637)
Adjusted EBITA	**(3,592)**	**6,538**	**12,431**	**(861)**	**14,516**
Less amortisation of intangibles arising on business combinations	(2,021)	-	(146)	-	(2,167)
Total operating profit / (loss)	**(5,613)**	**6,538**	**12,285**	**(861)**	**12,349**
Finance income	174	-	-	220	394
Finance costs	(38)	-	-	(3,253)	(3,291)
Fair value loss on financial instruments	-	-	-	(1,595)	(1,595)
Net finance income / (costs)	136	-	-	(4,628)	(4,492)
Profit before taxation	**(5,477)**	**6,538**	**12,285**	**(5,489)**	**7,857**
Tax expense	(115)	(403)	(3,501)	1,564	(2,455)
Profit for the year attributable to equity holders of the parent	**(5,592)**	**6,135**	**8,784**	**(3,925)**	**5,402**
Total amortisation charge	(6,592)	-	(146)	-	(6,738)
Segment assets	96,093	3,019	10,365	5,305	114,782
Segment liabilities	(10,153)	(2,290)	(9,283)	(40,511)	(62,237)
Segment net assets	**85,940**	**729**	**1,082**	**(35,206)**	**52,545**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

1 Segmental Analysis (continued)

For the period ending 31 December 2007	**Broadcaster UK £'000**	**Broadcaster US £'000**	**IP £'000**	**Central £'000**	**Total £'000**
Revenue	34,734	15,471	14,315	-	64,520
Less: inter segment sales	-	-	(1,412)	-	(1,412)
Total revenue from third parties	**34,734**	**15,471**	**12,903**	-	**63,108**
Cost of sales	(27,208)	(9,292)	(3,162)	-	(39,662)
Gross profit	**7,526**	**6,179**	**9,741**	-	**23,446**
General administrative expenses	(7,926)	(1,579)	(1,066)	(1,502)	(12,073)
Adjusted EBITDA	**(400)**	**4,600**	**8,675**	**(1,502)**	**11,373**
Depreciation	(237)	-	-	(119)	(356)
Adjusted EBITA	**(637)**	**4,600**	**8,675**	**(1,621)**	**11,017**
Less amortisation of intangibles arising on business combinations	(302)	-	(182)	-	(484)
Total operating profit / (loss)	**(939)**	**4,600**	**8,493**	**(1,621)**	**10,533**
Finance income	-	-	-	228	228
Finance costs	-	-	-	(1,313)	(1,313)
Net finance costs	-	-	-	(1,085)	(1,085)
Profit before taxation	**(939)**	**4,600**	**8,493**	**(2,706)**	**9,448**
Tax expense	(228)	(964)	(2,767)	881	(3,078)
Profit for the period attributable to equity holders of the parent	**(1,167)**	**3,636**	**5,726**	**(1,825)**	**6,370**
Total amortisation charge	(3,024)	-	(182)	-	(3,206)
Segment assets	93,931	3,006	7,577	7,258	111,772
Segment liabilities	(6,454)	(3,342)	(6,560)	(48,383)	(64,739)
Segment net assets	**87,477**	**(336)**	**1,017**	**(41,125)**	**47,033**

Broadcaster UK revenues of approximately £32,209,000 (75% of total) in 2008 and £29,858,000 (86% total) were derived from a single customer in 2007.

Broadcaster US revenues of approximately £12,241,000 (56% of total) in 2008 £10,050,000 (65% total) were derived from a single customer in 2007.

2. Profit Before Taxation

The profit before taxation is stated after charging / (crediting):

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Cost of Sales:		
Production costs	29,335	22,990
Film asset amortisation	4,413	2,315
Staff salaries charged to productions	15,354	11,326
Distribution	3,565	3,162
Administration		
Auditor's remuneration:		
- Fees payable for the audit of the Company's annual accounts	58	110
- Fees payable for the audit of the Company's subsidiaries	188	150
- Tax compliance	71	76
- Other advisory services	-	112
Salaries	8,813	7,900
IFRS 2 share option charge	518	240
Depreciation and amortisation:		
- Plant, property and equipment owned	637	356
- Amortisation of intangibles	2,167	484
- Amortisation of other intangibles	158	407
Operating lease rentals – property rents	928	719
Foreign exchange differences	(462)	67
National Insurance rebate	-	(165)

3. Finance income and costs

The finance income and costs comprise:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Interest receivable on cash deposits	394	228
Interest payable on borrowings	(2,966)	(1,313)
Discounting deferred consideration	(325)	-
Fair value loss on financial instruments – interest rate collar	(1,595)	-
	(4,492)	**(1,085)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

4 Staff numbers and costs

Staff costs (including directors) charged to cost of sales during the year / period were as follows:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Wages	13,961	10,126
Social security costs	1,393	1,200
Share based payments	-	-
	15,354	**11,326**

Staff costs (including directors) charged to overheads during the year / period were as follows:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Wages	7,659	7,068
Social security costs	1,112	832
Pension costs	42	-
Share based payments	518	240
	9,331	**8,140**

The average number of employees of the Group during the year / period was:

	Year ended 31 December 2008 No	16 months ended 31 December 2007 No
Production	323	147
Administration	241	274
	564	**421**

Directors' emoluments for the year ended 31 December 2008 are detailed below:

	Salaries / Fees £	Bonuses £	Benefits £	Total remuneration Year Ended 31 December 2008 £
Executive Directors				
Nicholas Southgate	215,375	-	520	**215,895**
Jonathon Kemp	165,375	-	318	**165,693**
Eileen Gallagher	165,375	-	450	**165,825**
Brian Park	165,375	-	683	**166,058**
Ann McManus*	16,448	-	-	**16,448**
Maureen Chadwick*	16,448	-	-	**16,448**
Nicholas Powell	165,375	50,000	1,818	**217,193**
Peter Casely-Hayford	135,000	-	1,605	**136,605**
Chris Bonney	147,673	-	1,359	**149,032**
Alexander Graham	135,737	-	2,588	**138,325**
Non-executive Directors				
Katherine Innes Ker**	60,000	-	-	**60,000**
David Kogan	35,000	-	-	**35,000**
Total	**1,423,181**	**50,000**	**9,341**	**1,482,522**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

4 Staff numbers and costs (continued)

Directors' emoluments for the 16 months ended 31 December 2007 are detailed below:

	Salaries / Fees £	Bonuses £	Benefits £	Total remuneration 16 Months Ended 31 December 2007 £
Executive Directors				
Nicholas Southgate	239,563	50,000	1,192	**290,755**
Jonathon Kemp	207,208	50,000	375	**257,583**
Eileen Gallagher	213,250	50,000	415	**263,665**
Brian Park	213,250	50,000	777	**264,027**
Ann McManus	213,250	50,000	699	**263,949**
Maureen Chadwick	213,250	50,000	1,013	**264,263**
Nicholas Powell	213,250	50,000	1,192	**264,442**
Peter Casely-Hayford	33,750	-	132	**33,882**
Chris Bonney	159,879	-	2,088	**161,967**
Alexander Graham	11,158	-	178	**11,336**
Non-executive Directors				
Katherine Innes Ker	80,600	-	-	**80,600**
David Kogan	47,267	-	-	**47,267**
Total	**1,845,675**	**350,000**	**8,061**	**2,203,736**

* Resigned from the board 6 February 2008. Remuneration is disclosed for the period from 1 January 2008 to 5 February 2008.
** Appointment to the board was up for renewal 18 March 2009. She was not re-appointed.

Directors' Pensions Entitlements
The Group has made pension contributions on behalf of Alexander Graham totalling £2,578 (2007: £257).

Share Options
No (2007: nil) share options were exercised in the period by directors.

Key Management
The Group considers the key management and personnel to be represented by the board of directors.

Staff costs relating to key management charged during the year / period were as follows:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Wages	1,473	2,196
Social security costs	189	281
Benefits	9	8
Share based payments	170	145
	1,841	**2,630**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

5 Tax expense
The taxation charge represents:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Tax charge- Income statement		
Current tax:		
Corporation tax	1,775	2,722
Overseas taxation	528	283
Adjustments in respect of prior years	(1,006)	(707)
Total Current tax	**1,297**	**2,298**
Deferred tax:		
Origination and reversal of timing differences	**234**	**94**
Adjustments in respect of prior years	**924**	**686**
Total deferred tax	**1,158**	**780**
Total tax charge - Income statement	**2,455**	**3,078**
Tax charge – reserves/equity		
Current tax:		
Share based payments	-	14
Deferred tax		
Share based payments	39	(70)
Total tax charge – reserves/equity	**39**	**(56)**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Profit before tax		
Profit before tax multiplied by the average standard rate of corporation tax in the UK of 28.5% (2007 : 30%)	**2,239**	**2,834**
Effects of		
Expenses not deductible for tax purposes	175	274
Transfer pricing adjustments	31	-
Losses not recognised	24	-
Film tax credit	(126)	-
Marginal relief	(8)	(1)
Difference in overseas tax rates	214	76
Impact of change in current tax rates compared to deferred tax rates	(12)	(84)
Net adjustments in respect of prior periods	(82)	(21)
Total tax charge for period	**2,455**	**3,078**
Comprising		
Deferred tax charge	1,145	784
Current tax charge	1,310	2,294
Effective tax rate	31.2%	32.6%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

6 Dividends

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Equity dividends		
Paid during the year	869	813

The final dividend of 1.1p per ordinary share proposed at 31 December 2007 of £869,000 was paid to shareholders on 18 July 2008 registered at the close of business on 20 June 2008.

7 Earnings per share

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares has been adjusted for the issue of shares during the year and for treasury shares held.
For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion for all dilutive potential ordinary shares. These represent share options granted to employees where the exercise price is less than the average market price of the Group's ordinary shares.

The table below sets out the adjustments in respect of diluted potential ordinary shares:

	2008 Number of shares	2007 Number of shares
Weighted average number of shares used in basic earnings per share calculation	78,886,358	65,964,663
Dilutive share options and shares plans	868,464	735,300
Weighted average number of shares used in diluted earnings per share calculation	**79,754,822**	**66,699,963**

The adjusted EPS has been calculated to reflect the underlying profitability of the business by excluding the effect of amortisation of intangible assets arising on business combinations, discounting deferred consideration and fair value loss on financial instruments.
The diluted adjusted earnings per share calculation has been made to allow shareholders to gain a better understanding of the trading performance of the Group. It is based on the diluted earnings per share calculation above except that profits are adjusted for the same items above as follows:

	Year ended 31 December 2008 £'000	16 months ended 31 December 2007 £'000
Profit on ordinary activities after taxation attributable to shareholders	**5,402**	**6,370**
Amortisation of intangible assets	2,167	484
Discounting deferred consideration	325	-
Fair value loss on financial instruments.	1,595	-
Taxation impact of above items	(1,145)	(145)
Adjusted profit on ordinary activities after taxation	**8,344**	**6,709**

	2008 Pence	2007 Pence
Basic earnings per share	6.85p	9.66p
Diluted earnings per share	6.77p	9.55p
Adjusted basic earnings per share	10.58p	10.17p
Adjusted diluted earnings per share	10.46p	10.06p

8 Goodwill

	Total £'000
Cost	
At 1 September 2006	27,940
Additions in the period	33,597
At 1 January 2008	**61,537**
Adjustments to goodwill (detailed below)	(231)
At 31 December 2008	**61,306**

Goodwill arising on acquisition after the date of transition to IFRS is attributable to operational synergies and earnings potential expected to be over the longer term. The main changes in carrying amounts of goodwill result from the revisions to deferred consideration as shown below:

	2007 £'000	Increase/ (decrease) in deferred consideration £'000	2008 £'000
Twenty Twenty Television Limited	14,934	(891)	14,043
Outright Distribution Limited	2,269	6	2,275
Wall to Wall Holdings Limited	16,394	654	17,048
Ricochet Limited	27,940	-	27,940
At 31 December	**61,537**	**(231)**	**61,306**

The recoverable amount of the cash generating units was determined based on value-in-use calculations, using actual operating results and a one year's detailed forecast, followed by an extrapolation of expected cash flows at a growth rate of 2.25% at a pre-tax discount rate of 10.1% for 10 years. Detailed forecasts are generally appropriate for one year due to the short term nature of the commissioning market.

Twenty Twenty Television Limited achieved lower than expected business in the year, which has led to this company not meeting the required targets for deferred consideration. The directors believe that the downturn in business during this year is short term due to changes in key personnel. They believe this will not have a long term effect and that Twenty Twenty Television Limited will recover a level of commissions in line with the forecasts. As a result no impairment of goodwill has been taken.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

9 Intangible assets

	Programme Assets £'000	Other Intangible Assets £'000	Trademarks £'000	Customer relationships £'000	Format rights backlog £'000	Format rights recommisions £'000	Total £'000
Cost							
At 1 September 2006	12,064	756	-	-	-	-	12,820
Additions	7,622	875	5,051	6,100	1,246	1,194	22,088
Disposals	-	(311)	-	-	-	-	(311)
At 1 January 2008	**19,686**	**1,320**	**5,051**	**6,100**	**1,246**	**1,194**	**34,597**
Additions	6,600	250	-	-	-	-	6,850
Disposals	(1,288)	-	-	-	-	-	(1,288)
At 31 December 2008	**24,998**	**1,570**	**5,051**	**6,100**	**1,246**	**1,194**	**40,159**
Amortisation							
At 1 September 2006	(6,955)	(26)	-	-	-	-	(6,981)
Amortisation	(2,315)	(407)	(46)	(248)	(76)	(114)	(3,206)
Disposals	-	20	-	-	-	-	20
At 1 January 2008	**(9,270)**	**(413)**	**(46)**	**(248)**	**(76)**	**(114)**	**(10,167)**
Amortisation	(4,413)	(158)	(337)	(610)	(623)	(597)	(6,738)
Disposals	1,288	-	-	-	-	-	1,288
At 31 December 2008	**(12,395)**	**(571)**	**(383)**	**(858)**	**(699)**	**(711)**	**(15,617)**
NBV							
At 1 September 2006	5,109	730	-	-	-	-	5,839
At 1 January 2008	10,416	907	5,005	5,852	1,170	1,080	24,430
At 31 December 2008	**12,603**	**999**	**4,668**	**5,242**	**547**	**483**	**24,542**

Other intangible assets relate to investments in productions, these are internally generated assets and are not considered material for separate disclosure and website development cost.

The carrying value of all intangible assets is reviewed bi-annually for impairment based on the assumptions made at the date of acquisition. Currently no intangible assets are considered to be impaired.

10 Property, plant and equipment

	Fixtures & fittings £'000
Cost	
At 1 September 2006	732
Additions	740
Arising on acquisitions	597
Disposals	(111)
At 1 January 2007	**1,958**
Additions	511
Disposals	(46)
At 31 December 2008	**2,423**
Depreciation	
At 1 September 2006	(286)
Provided in the period	(356)
On disposals	87
At 1 January 2007	**(555)**
Provided in the year	(637)
On disposals	39
At 31 December 2008	**(1,153)**
Net book amount at 31 December 2008	**1,270**
Net book amount at 31 December 2007	1,403
Net book amount at 31 August 2006	446

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

11 Trade and other receivables

	2008 £'000	2007 £'000
Trade receivables	9,655	7,015
Other receivables	831	1,577
Prepayments and accrued income	8,225	9,251
	18,711	**17,843**

The age of financial assets past due but not considered impaired is as follows:

	2008 £'000	2007 £'000
Not more than 3 months	1,207	396
More than 3 months but less than 6 months	484	62
More than 6 months but less that 1 year	80	71
More than 1 year	62	79
	1,833	**608**

Movement on the Group provision for impairment of trade receivables is a follows:

	2008 £'000	2007 £'000
Provision for receivables impairment at beginning of year / period	160	-
New provision in the year/period	(156)	160
Provision for receivables impairment at end of year / period	**4**	**160**

The creation and release of the provision for impaired receivables have been included in the income statement. The other classes within trade and other receivables do not contain impaired assets. The provision during the year related to receivables considered unlikely to be recovered. The maximum exposure to credit risk at the reporting date is set out below. The Group does not hold any collateral as security.

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

The Group's maximum exposure to credit risk is detailed below:

	2008 £000	2007 £'000
Trade receivables	9,655	7,015
Other receivables	831	1,577
Accrued Income	7,552	8,646
Total	**18,038**	**17,238**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

12 Deferred taxation

Deferred tax provided for in the financial statements is set out below:

Analysis of opening liability

	2008 £'000	2007 £'000
Opening liability at 1 January 2008	**3,633**	**204**
Deferred tax charge for year/period recognised in income statement	1,158	780
Deferred tax charge for year/period recognised in equity	39	(70)
Arising on acquisitions	-	2,719
Closing liability at 31 December 2008	**4,830**	**3,633**

Analysis of closing liability		
Accelerated capital allowances	(178)	41
Film assets	2,495	969
Losses carried forward	-	(924)
Customer relationships	3,062	3,669
Share options	(126)	(102)
Timing differences relating to losses on financial derivatives	(455)	-
Other timing differences	32	(20)
	4,830	**3,633**

13 Current liabilities

	2008 £'000	2007 £'000
Bank loan and overdraft	11,266	10,679
Loan Notes	-	4,010
Trade and other payables	2,425	3,803
Current tax payables	15	370
Accruals and deferred income	16,442	8,959
Deferred consideration on acquisition of subsidiary (note 15)	4,327	1,311
	34,475	**29,132**

The bank loans and overdraft are secured by a fixed and floating charge over the Group's assets.

The directors consider that the carrying amounts of trade and other payables approximate to fair value.

14 Non-current liabilities

	2008 £'000	2007 £'000
Bank loan (note 13)	21,337	26,400
Deferred tax liabilities	4,830	3,633
Deferred consideration on acquisition of subsidiary (note 15)	-	5,574
Derivatives and financial instruments	1,595	-
	27,762	**35,607**

15 Deferred consideration on the acquisition of a subsidiary

	Current liabilities	Non-current liabilities	Total
	£'000	£'000	£'000
Opening position 1 January 2008	1,311	5,574	6,885
Utilised in the year	(1,311)	(1,572)	(2,883)
Unwinding of discount on deferred consideration	-	325	325
Transfer to current from non current liabilities	4,327	(4,327)	-
Balance at 31 December 2008	**4,327**	**-**	**4,327**

16 Financial instruments

The Group is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities. The Group's risk management is coordinated at its headquarters, in close co-operation with the Board, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets. Long term financial investments are managed to generate lasting returns. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below.

The table below on the next page analyses the Group's financial liabilities based on the nominal balance as at 31 December 2008 and 31 December 2007 to the contractual maturity date.

The amounts disclosed are based on contractual undiscounted cash flows.

	Less than one year £'000	One to two years £'000	Two to Five years £'000	TOTAL £'000
31 December 2008				
Production Funding	1,500	-	-	**1,500**
Borrowing principal payments	6,928	6,943	17,710	**31,581**
Interest payments	2,239	1,654	1,586	**5,749**
Interest rate collar	-	-	1,595	**1,595**
Trade payables	1,702	-	-	**1,702**
Other payables	15,305	-	-	**15,305**
31 December 2007				
Production Funding	5,489	-	-	**5,489**
Borrowing principal payments	5,487	6,928	19,042	**31,457**
Loan Notes	4,011	-	-	**4,011**
Interest payments	3,291	2,239	3,239	**8,769**
Trade payables	1,702	-	-	**1,702**
Other payables	18,038	-	-	**18,038**

As at 31 December 2008, there is a working capital loan of £2,945,360 which is repayable on demand as per the loan agreement. Within the table above £736,340 of this loan is included in one to two years and £2,209,020 is included within two to five years. There are no balances within 2007.

16 Financial instruments (continued)

Treasury policy and financial risk management
The Group Treasury department operates within risk management policies approved by the Board and its procedures are reviewed regularly. Major transactions are authorised outside the department at the requisite level, and there is an appropriate segregation of duties. Frequent reports are made to the Commercial and Financial Director and regular reports are prepared for the Board.

The Group's financial instruments, as well as derivatives, are made up of borrowings, cash and liquid resources and other items such as receivables and payables that arise directly from its operations.

In order to manage the interest rate and currency risk arising from the Group's operations and financing, the Group Treasury department also enters into derivative transactions. These are mainly interest rate collars and forward currency contracts. Currently all derivatives are disclosed as cash flow hedges and variations in value are reflected in the income statement.
It is the Group's policy not to engage in speculative transactions.

The main risks are liquidity/funding risk, interest rate risk and foreign currency risk.

Liquidity/funding risk
The Group finances it operations through a mixture of advances from broadcasters, retained profit and bank borrowings, The Group has a working capital facility to finance production costs where broadcasters do not provide advances.

The Group's objective is to secure continuity of funding at a reasonable cost. The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group manages liquidity risk by a combination of controls

- Regular reviews at Board level of cash flow projections, headroom position in respect of banking facilities and adherence to parameters within the loan covenants
- Maintaining reasonable gearing levels across the Group
- Ensuring short term borrowing facilities are readily accessible for short term flexibility.

The Group will continue to use internally a range of ratios to monitor and manage its finances. These include interest cover of EBITDA, net debt to operating profit and cash flow to debt measures. At 31 December 2008 the total facility available amounted to £36.6m (£28.6m on facility A and £8m on facility B)

Interest rate risk
Bank borrowings are mostly held at variable interest rates based on relevant London Interbank Offered Rate (LIBOR) to the reference drawdown period. Borrowings to finance production costs are held at either variable interest rates based on Barclay's bank rate or as a fixed fee as part of a co-producer agreement. Interest income and costs are dependent upon the funding requirements of the Group and the prevailing market interest rates. The Group's exposure to interest rate fluctuations on its borrowings is managed by entering into structured collar agreements offsetting borrowings on floating rate basis.

This caps the highest level of LIBOR interest at 5.75%. If LIBOR falls below 3.99% interest is payable at double the difference between LIBOR and 3.99% up to a maximum of 5.75%.

As the group hedges interest with an interest collar it is not significantly sensitive to changes in interest rates from the perspective of interest payments to the bank. However the fair value of the interest rate collar is sensitive to changes in interest rate. A 1% decrease in LIBOR would lead to a £642,000 increase in the fair value of the interest rate collar liability. A 1% increase in LIBOR would lead to a £684,000 decrease in the fair value of the interest rate collar liability. As the interest rate collar is not compliant with hedge accounting these movements will be recognised within the income statement.

16 Financial instruments (continued)

Interest rate profile of financial assets and liabilities

Financial assets
The Group's financial assets comprise cash held in current accounts on which interest is receivable at a rate of 0.1%

Currency risk
The Group is based in the UK and has investments in overseas operations. The most significant currencies for the Group are the US dollar and the Euro.

The Group has overseas subsidiaries operating in the USA whose revenue and expenses are denominated in US dollars. Where the Group is anticipating receipts in excess of expenses, forward contracts are put into place.

In addition about 77% of the Group's sales from exploitation of programme rights are to customers in continental Europe and other foreign markets. These sales are priced and invoiced either in the currencies of the customers involved or in US Dollars. Where the Group has receivables denominated in US Dollars from the exploitation of programme rights, forward contracts are set up as far as it is practicable to do so in respect of timing of receipts. The Group's policy on routine transactional conversions between currencies (for example, the collection of receivables, and the settlement of payables or interest) is that these should be completed at the relevant spot exchange rate. The majority of our operations are domestic within the country of operation. No unremitted profits are hedged with foreign exchange contracts, as the Group judges it inappropriate to hedge non-cash flow translational exposure with cash flow instruments.

The Group's gross profit is sensitive to changes in foreign exchange rates. A 1% increase in the average foreign exchange rate for the year would lead to a £0.6m decrease in gross profit and a 1% decrease in the average foreign exchange rate for the year would lead to a £0.7m increase in gross profit . Other amounts in the income statement are materially unaffected by changes in foreign exchange rates. This is because material foreign exchange movements result from trading in the US which is viewed as an extension of UK trading.

The tables below show the extent to which the Group has monetary assets and liabilities in currencies other than pounds sterling, which is regarded as the functional currency of the Group. Foreign exchange rate differences on retranslation of these assets and liabilities are taken to the income statement of the Group.

	2008 £'000	2007 £'000
Net foreign currency monetary assets		
US Dollar	7,639	1,519
Other currencies	7	408
	7,646	1,927

The amounts shown in the table above take into account the effect of any forward contracts entered into to manage these currency exposures.

Counterparty risk
The Group's risk of loss on deposits or derivative contracts is limited to the lender bank and its managed by use of counterparty limits. These limits are approved by the Commercial and Financial Director within guidelines approved by the board.

Credit risk
Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with bank and financial institutions and accounts receivable. The Group has no significant concentration of credit risk. The Group's exposure to credit related losses, in the event of non-performance by counterparties to financial instruments is mitigated by limiting exposure to any one party of instrument and ensuring only counterparties with defined credit risk parameters are used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2008

17 Share Capital

The share capital of Shed Media plc consists of ordinary shares with a par value of 0.01p each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings.

	2008 £'000	2007 £'000
Allotted called up and fully paid 79,716,502 ordinary shares of 0.01p each (2007 78,970,292) ordinary share of 0.01 each	80	79
Authorised 105,000,000 ordinary shares at 0.01p each (2007 80,000,000 ordinary shares at 0.01p each)	105	80

A summary of movements from 1 September 2006 is detailed below:

	No of Shares	£
At 1 September 2006	**59,916,944**	**59,917**
25 September 2006 – issue of shares for Outright Limited acquisition	772,200	772
31 October 2006 – issue of shares for Ricochet Limited earn out	4,335,570	4,336
19 September 2007 – issue of shares for Twenty Twenty Productions Limited acquisition	5,033,168	5,033
29 November 2007 – issue of shares for Wall to Wall Holdings Limited acquisition	8,912,410	8,912
At 31 December 2007	**78,970,292**	**78,970**
16 September 2008 issue of shares for Outright Limited earn out	746,210	746
At 31 December 2008	**79,716,502**	**79,716**

18 Share options

The Group has a share option scheme for directors and employees. Details of options granted are as follows:

At 31 December 2007 options over ordinary shares of 0.1p each	Granted in the period options over ordinary shares of 0.1p each	At 31 December 2008 options over ordinary shares of 0.1p each	Date from which exercisable	Expiry Date	Exercise Price
57,000	-	57,000	14/03/05	14/03/15	0.1p
179,959	-	179,959	14/03/07	14/03/15	88p
179,959	-	179,959	14/03/08	14/03/15	88p
47,874	-	47,874	01/05/05	01/05/15	0.1p
25,000	-	25,000	25/11/07	25/11/15	88p
25,000	-	25,000	25/11/08	25/11/15	88p
28,500	-	28,500	25/05/08	25/05/15	125.5p
28,500	-	28,500	25/05/09	25/05/16	125.5p
185,000	-	185,000	25/11/07	25/11/16	107p
60,250	-	60,250	28/12/08	28/12/17	155p
60,250	-	60,250	28/12/09	28/12/18	155p
877,292	-	**877,292**			

The weighted average exercise price at the beginning and end of period was 93p.

A charge has been made in the year £42,000 (2007 16 months: £107,000) to reflect the fair value to the Group of issuing employee share options. This charge has been calculated by applying a fair value to the options issued and spreading the charge equally over the vesting period, which is typically 3 years from issue. The fair value has been calculated using the Black-Scholes model and the weighted average inputs.

18 Share options (continued)

The charge for the year was calculated using the Black-Scholes option pricing model using the following inputs:

	31 December 2008
Expected volatility	23.9%
Expected Life (years)	5
Risk Free Rate	5.4%

Expected volatility was determined by calculating the historical volatility of the Group's share price from listing on 29 March 2005 to the date of grant of the options. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

A risk free rate of 5.4 per cent has been used, which reflects the interest rate that it is assumed can be obtained by investing in financial instruments with no default risk.

No share options were exercised during the year.

Own shares held in trust
On 17 August 2007 the Group purchased £450,000 of its own shares. This equated to 456,496 shares with a purchase value of 98.5p.

Share Plan (SP)
At 31 December 2008 the following shares were granted through the Share Plan.

Date of Grant	Exercise Price	No of shares
1 September 2005	0p	255,046
1 September 2006	0p	201,450
1 September 2007	0p	495,082

Shares are available from 3 years from the date of grant at the option of the holder.

A charge has been made in the year £475,000 (2007 16 months: £133,000) to reflect the fair value to the Group of issuing the performance share plan shares.

The share price at 31 December 2008 was 61p and the highest and the lowest share prices during the year ended 31 December 2008 were 82p and 54p respectively.

19 Share premium account

	£'000
At 1 September 2006	9,990
Shares allotted in the period	18,251
At 1 January 2008	28,241
Shares allotted in the year	499
At 31 December 2008	28,740

20 Capital commitments
The Group and company had no capital commitments at 31 December 2008 or 31 December 2007.

21 Related party transactions

At 31 December 2008 the Group owed Alexander Graham £466,456 (2007: £815,973) due to additional consideration relating to an acquired tax asset on the Wall to Wall Holdings Limited acquisition. This will be paid as the tax asset is utilised.

22 Leasing commitments

The minimum lease rentals to be paid under non cancellable operating leases at 31 December 2008 was as follows:

	Land and buildings 2008 £'000	Land and buildings 2007 £'000
In one year or less	790	502
Between one and five years	2,109	2,012
In five years or more	259	353
	3,158	**2,867**

23 Sale and leaseback transactions

The Group has entered into various sale and leaseback transactions on television programmes. Amounts are held on deposit accounts as a result of these transactions and comprise money to provide for the discharge of future leasing liabilities. The banks with which these sums are deposited have given guarantees to the lessors in respect of lease liabilities. A liability would only crystallise upon the failure of the bank holding the deposit. This is considered remote and therefore these balances have not been included with in the Group's balance sheet. The amounts involved are as follows:

	2008 £'000	2007 £'000
Amounts held on deposit	17,997	20,207
Less: loans outstanding	(17,997)	(20,207)
	-	-
The maturity of the above amount is as follows:		
Less than one year	2,210	2,210
Two to five years	9,621	9,621
Over five years	6,166	8,376
	17,997	20,207

Explanation of transition to IFRS

As stated in the Basis of Preparation on page 27, these are the Group's first IFRS annual consolidated financial statements prepared in accordance with IFRS.

IFRS 1 permits companies adopting IFRS for the first time to take certain exemptions from the full requirements of IFRS in the transition period. These consolidated financial statements have been prepared on the basis of taking the following exemptions.

- Business combinations prior to 1 September 2006 , the Group's transition to IFRS have not been represented to comply with IFRS 3 "Business Combinations". Goodwill arising from these business combinations of £27.94m has not been represented.

Detailed explanations of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cashflows are set out in the following notes.

Notes to the Reconciliation of equity at 1 September 2006
See notes on page 53

	UK GAAP	A	D	IFRS
	£'000	£'000	£'000	£'000
Non-current assets				
Goodwill	27,940	-	-	**27,940**
Other intangible assets		5,839	-	**5,839**
Property, plant and equipment	5,789	(5,343)	-	**446**
Current assets				
Inventories	203	(203)	-	-
Trade and other receivables	9,222	(293)	-	**8,929**
Cash and cash equivalents	6,631	-	-	**6,631**
Current liabilities				
Borrowings	(8,500)	-	-	**(8,500)**
Accruals and deferred Income	(4,157)	-	-	**(4,157)**
Trade and other payables	(8,102)	-	-	**(8,102)**
Current tax payable	(401)	-	-	**(401)**
Non-current liabilities				
Deferred tax	(323)	-	44	**(279)**
Deferred consideration on the acquisition of a subsidiary	(5,000)	-	-	**(5,000)**
Net assets	**23,302**	-	44	**23,346**
Equity				
Share capital	60	-	-	**60**
Share premium account	9,990	-	-	**9,990**
Share option reserve	213	-	-	**213**
Retained earnings	13,039	-	44	**13,083**
Total equity	**23,302**	-	44	**23,346**

Reconciliation of equity at 31 December 2007
See notes on page 53

	UK GAAP	A	B	C	D	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets						
Goodwill	68,804		(7,267)	-	-	**61,537**
Other intangible assets	-	11,323	13,107	-	-	**24,430**
Property, plant and equipment	12,383	(10,980)	-	-	-	**1,403**
Current assets						
Trade and other receivables	18,186	(343)	-	-	-	**17,843**
Cash and cash equivalents	6,559	-	-	-	-	**6,559**
Current liabilities						
Borrowings	(10,679)	-	-	-	-	**(10,679)**
Loan notes issued	(4,010)	-	-	-	-	**(4,010)**
Accruals and deferred income	(8,849)	-	-	(110)	-	**(8,959)**
Trade and other payables	(3,803)	-	-	-	-	**(3,803)**
Current tax payable	(370)	-	-	-	-	**(370)**
Deferred consideration on the acquisition of a subsidiary	(1,311)					**(1,311)**
Non-current liabilities						
Long term borrowings	(26,400)	-	-	-	-	**(26,400)**
Deferred tax	(97)	-	(3,669)	31	102	**(3,633)**
Deferred consideration on the acquisition of a subsidiary	(5,574)	-	-	-	-	**(5,574)**
Net assets	**44,839**	**-**	**2,171**	**(79)**	**102**	**47,033**
Equity						
Share Capital	79	-	-	-	-	**79**
Share premium account	28,241	-	-	-	-	**28,241**
Share option reserve	453	-	-	-	-	**453**
Treasury shares	(450)	-	-	-	-	**(450)**
Retained earnings	16,516	-	2,171	(79)	102	**18,710**
Total equity	**44,839**	**-**	**2,171**	**(79)**	**102**	**47,033**

Reconciliation of profit for the sixteen months ended 31 December 2007
See notes on page 53

	UK GAAP	A	B	C	D	IFRS
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	63,108	-	-	-	-	**63,108**
Cost of sales	(37,347)	-	-	-	-	**(37,347)**
Amortisation of programme assets	(2,315)	-	-	-	-	**(2,315)**
Total Cost of sales	**(39,662)**	-	-	-	-	**(39,662)**
Gross profit	**23,446**	-	-	-	-	**23,446**
Administrative expenses	(11,702)	-	-	-	-	**(11,702)**
Goodwill amortisation	(2,520)	-	2,520	-	-	-
IFRS 2 share based payments	(240)	-	-	-	-	**(240)**
Amortisation of intangibles	(378)	-	(484)	-	-	**(862)**
Holiday pay accrual	-	-	-	(109)	-	**(109)**
Total administrative expenses	**(14,840)**	-	**2,036**	**(109)**	-	**(12,913)**
Operating profit	**8,606**		**2,036**	**(109)**	-	**10,533**
Finance income	228	-	-	-	-	**228**
Finance cost	(1,313)	-	-	-	-	**(1,313)**
Profit before taxation	**7,521**	-	**2,036**	**(109)**	-	**9,448**
Income tax expense	(3,231)	-	136	31	(14)	**(3,078)**
Profit after taxation	**4,290**	-	**2,172**	**(78)**	**(14)**	**6,370**

SHED MEDIA PLC

Notes to the reconciliations

A – IAS 38 defines an intangible asset as an identifiable non-monetary asset without physical substance. Software costs, websites generated in house and programme assets previously stated as tangible assets under UK GAAP have consequently been restated as intangible assets. Development costs have also been restated as intangible assets, having previously being classified as a receivable.

B - The Group acquired Outright Distribution Limited on 25 September 2006, Twenty Twenty Productions Limited on 19 September 2007 and Wall to Wall Holdings Ltd on 29 November 2007. Application of IFRS 3 to these business combinations resulted in the identification of a number of intangible assets, including:

Trade names.
Production rights – backlog.
Production rights – recommissions.
Customer relationships.

Under IFRS these have been recognised separately in the balance sheet at their fair value at the date of the combination. Under UK GAAP these intangible assets were subsumed within goodwill. The result of this adjustment is detailed in the table below:

	Goodwill	Other IFRS intangibles	TOTAL
	£'000	£'000	£'000
Opening balance at 1st Sept 2006	27,940	-	27,940
Goodwill arising on acquisitions under UK GAAP for the sixteen months ending December 2007	43,383	-	43,383
Transfer to intangibles under IFRS	(13,591)	13,591	-
Deferred Tax adjustments	3,805	-	3,805
Intangibles amortisation for the 16 months ending 31 December 2007	-	(484)	(484)
At 31 December 2007	**61,537**	**13,107**	**74,644**

Intangible assets identified on this business combination in accordance with IFRS as described above are amortised in accordance with the accounting policy explained on page 27.

C –IAS 19 "Employee Benefits" requires that an accrual is made for outstanding holiday balances due but not taken at the balance sheet date. This accrual has been estimated as follows: 31 December 2008 £82,000 and 31 December 2007 - £109,000

D – Under FRS 19 deferred tax was recognised only on timing differences; in contrast IAS 12 "Income Taxes" requires the recognition of deferred tax on all temporary differences. Deferred tax and current tax adjustments relating to A, B or C have been adjusted within the relevant category. D relates to deferred tax adjustments in respect of share based payments.

There were no changes to the cashflow other than presentational as a result of the transition.

Company balance sheet
As at 31 December 2008

	Notes	2008 £'000	2007 £'000
Fixed assets			
Tangible Assets	3	915	995
Investments	4	78,499	78,730
		79,414	**79,725**
Current assets			
Debtors	5	3,950	5,595
Cash at Bank and in hand		642	697
		4,592	**6,292**
Creditors: amounts falling due within one year	6	(15,095)	(16,118)
Net current liabilities		**(10,503)**	**(9,826)**
Total assets less current liabilities		68,911	69,899
Creditors: amounts falling due after more than one year	7	(21,337)	(26,400)
Provisions for liabilities	8	(4,279)	(6,891)
Net assets		**43,295**	**36,608**
Capital and reserves			
Called up share capital	9	80	79
Share premium account	10	28,740	28,241
Share Scheme		971	453
Treasury Shares		(450)	(450)
Profit and loss account	11	13,954	8,285
Equity shareholders' funds		**43,295**	**36,608**

The financial statements were approved on behalf of the Board of Directors and authorised for issue on 1 April 2009 and signed on its behalf by:

Jonathon Kemp
Financial and Commercial Director

Nick Southgate
Chief Executive Officer

The accompanying accounting policies and Notes form an integral part of these financial statements.

Notes to the Company financial statement
For year ended 31 December 2008

Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

Basis of accounting
The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

Development Expenditure
Development expenditure has been written off as incurred, unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the development expenditure is deferred.

Tangible fixed assets
Tangible fixed assets are stated at historical cost.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Fixtures, fittings & equipment	25% straight line
Computer equipment	33% straight line

Operating Leases
Rental payments under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

Going Concern
The Directors regularly review that the Company has adequate resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements. See corporate governance statement for additional information.

Investments
Fixed asset investments are stated at cost less any provision for diminution in value.

Foreign currencies
Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account for the year.

Deferred taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Deferred Consideration
Where the deferred consideration is dependent upon future trading performance, an estimate of the present value of the likely consideration payable is made. This contingent deferred consideration is re-assessed annually and a corresponding adjustment is made to goodwill arising on acquisition. The difference between the present value and the total amount payable at a future date gives rise to a finance charge which is charged to the profit and loss account and credited to the liability over the period in which the consideration is deferred.

Notes to the Company financial statement
For year ended 31 December 2008

Accounting policies (continued)

Deferred financing Costs
Bank arrangement fees and associated legal costs are amortised over the term of the debt facility

Share-Based Payment
The Company has adopted Financial Reporting Standard (FRS20) Share-based payments in the current year. FRS20 requires the recognition of a charge for share-based payment transactions which include for example share options granted to employees that require a certain length of service before vesting.

Equity settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on managements best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations.

Notes to the Company financial statement
For year ended 31 December 2008

1 Profit for the financial year

The Company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Group profit for the year includes a profit of £6,538,000 (2007 16 months profit of £1,804,000) in relation to the Company. (This does not include the interest rate collar of £1,595,000, which is an IFRS adjustment and therefore not applicable under UK GAAP.)

2 Dividends

	2008 £'000	2007 £'000
Equity dividends		
Paid during the year	869	813

3 Tangible fixed assets

	Fixtures & fittings £'000
Cost	
At 1 January 2008	1,425
Additions	106
At 31 December 2008	**1,531**
Depreciation	
At 1 January 2008	430
Charge for the year	186
At 31 December 2008	**616**
Net book amount at 31 December 2008	**915**
Net book amount at 31 December 2007	995

4 Fixed asset investments

	Interests in subsidiary undertakings £'000
Cost and net book amount	
At 1 January 2008	78,730
Adjustments (note 8 – page 40)	(231)
At 31 December 2008	**78,499**

Notes to the Company financial statement
For year ended 31 December 2008

4 Fixed asset investments (continued)

Details of principal investments are below:

Name	Principal Activity	% Ownership ordinary shares
Shed Productions (Productions) Limited*	Television Production	100
Ricochet Limited*	Television Production	100
Twenty Twenty Productions Ltd*	Television Production	100
Outright Distributions Ltd*	Distribution	100
Wall to Wall (Holdings) Ltd*	Television Production	100
Shed Media USA Inc**	Television Production	100
Shed Media Scotland Ltd*	Television Production	100

* Registered in England and Wales
** Registered in United States of America.

Notes to the Company financial statement
At 31 December 2008

5 Debtors

	2008 £'000	2007 £'000
Trade debtors	320	132
Amounts owed by Group undertakings	2,395	3,820
Other debtors	335	946
Prepayments and accrued income	698	670
Corporation tax	202	27
	3,950	**5,595**

6 Creditors: amount falling due within one year

	2008 £'000	2007 £'000
Bank loan	9,766	5,190
Loan notes	-	4,010
Trade Creditors	10	98
Other creditors	36	315
Other taxes and social security	244	79
Amounts owed to Group companies	4,729	5,672
Accruals	310	754
	15,095	**16,118**

7 Creditors amounts falling due after one year

	2008 £'000	2007 £'000
Bank loan	21,337	26,400

Bank Loan is disclosed in detail within group notes – notes 13 and 16.

Notes to the Company financial statement
For year ended 31 December 2008

8 Provisions for liabilities

	Deferred consideration £'000	Deferred Taxation £'000	Total £'000
Opening position 1 January 2008	6,885	6	6,891
Utilised in the year	(2,883)	-	(2,883)
Charge/(credit) to profit for the year	325	(54)	271
Balance at 31 December 2008	**4,327**	**(48)**	**4,279**

Deferred tax (asset)/liability

	31 December 2008 £'000	**31 December 2007 £'000**
Accelerated capital allowances	3	6
Film Asset	59	-
Share Options	(110)	-
Deferred tax (asset)/liability	**(48)**	**6**
Provision/(asset) at start of period	6	(70)
Net deferred tax (credit)/charge in profit and loss account for the period	(54)	76
(Asset)/provision at end of period	**(48)**	**6**

Deferred consideration is disclosed in detail within group notes – note 15.

Notes to the Company financial statement
At 31 December 2008

9 Share Capital

The share capital of Shed Media plc consists of ordinary shares with a par value of 0.01p each. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at shareholders' meetings

	2008 £'000	2007 £'000
Allotted, called up and fully paid 79,716,502 ordinary shares of 0.01p each (2007 78,970,292) ordinary share of 0.01 each	80	79
Authorised 105,000,000 ordinary shares at 0.01p each (2007 80,000,000 ordinary shares at 0.01p each)	105	80

A summary of movements from 1 September 2006 is detailed below:

	No of Shares
At 1 September 2006	59,916,944
25 September 2006 – issue of shares for Outright Limited acquisition	772,200
31 October 2006 – issue of shares for Ricochet Limited earn out	4,335,570
19 September 2007 – issue of shares for Twenty Twenty Productions Limited acquisition	5,033,168
29 November 2007 – issue of shares for Wall to Wall Holdings Limited acquisition	8,912,410
At 31 December 2007	78,970,292
16 September 2008 issue of shares for Outright Limited earn out	746,210
At 31 December 2008	79,716,502

10 Share premium

	Share premium Account £'000
At 1 January 2008	28,241
On shares issued in the year	499
At 31 December 2008	28,740

Notes to the Company financial statement
At 31 December 2008

Reconciliation of movements in shareholders' funds

	Called up share capital £'000	Share premium account £'000	Share Scheme £'000	Treasury Shares £'000	Profit and loss account £'000	TOTAL £'000
Shareholders' funds at 1 October 2006	60	9,990	213	-	7,294	17,557
Profit for the financial year	-	-	-	-	1,804	1,804
Dividend paid	-	-	-	-	(813)	(813)
Treasury Shares	-	-	-	(450)	-	(450)
Shares issued	19	-	-	-	-	19
Premium on issue of shares	-	18,251	-	-	-	18,251
Share scheme charge	-	-	240	-	-	240
Shareholders' funds at 31 December 2007	**79**	**28,241**	**453**	**(450)**	**8,285**	**36,608**

	Called up share capital £'000	Share premium account £'000	Share Scheme £'000	Treasury Shares £'000	Profit and loss account £'000	TOTAL £'000
Shareholders' funds at 1 January 2008	79	28,241	453	(450)	8,285	36,608
Profit for the financial year	-	-	-	-	6,538	6,538
Dividend paid (Note 2)	-	-	-	-	(869)	(869)
Shares issued	1	-	-	-	-	1
Premium on issue of shares	-	499	-	-	-	499
Share scheme charge	-	-	518	-	-	518
Shareholders' funds at 31 December 2008	**80**	**28,740**	**971**	**(450)**	**13,954**	**43,295**

12. Related party transactions
The Company has taken advantage of the exemption in FRS 8 – Related Party Transactions not to disclose transactions between Group companies.

At 31 December 2008 the Company owed Alexander Graham £466,456 due to additional consideration relating to an acquired tax asset on the Wall to Wall acquisition. This will be paid as the tax asset is utilised.

Contacts and Company information

We believe in open
Dialogue with all our
Stakeholders and
Welcome you to
Contact us directly.

Registered Office
2 Holford Yard
London
WC1X 9HD

Company registration number:

Company Secretary
Kirsten Spurr
+44 (0)20 7239 1010

Investor Relations/Press
Nick Lyon
Hudson Sandler
+44 (0)20 7796 4133

Interim Chairman
David Kogan

Non-Executive Directors
David Kogan

Bankers
Barclays Bank PLC
27 Soho Square
London W1D 3QR

Auditors
Baker Tilly UK Audit LLP
2 Bloomsbury Street
London
WC1B 3ST