CONEXION MEDIA GROUP PLC

Company No: 4125263 (England & Wales)

CONSOLIDATED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st December 2011

CONEXION MEDIA GROUP PLC

Contents

CONEXION MEDIA GROUP PLC

Directors
Guy Fletcher OBE
Justin Sherry

Secretary
Frank McAweaney

Registered Office
10 Heathfield Terrace
London
W4 4JE

Auditors
Kingston Smith LLP
141 Wardour Street
London
W1F 0UT

Stockbrokers and Nominated Advisor
FinnCap
60 New Broad Street
London
EC2M 1JJ

Bankers
Bank of Scotland
33 Old Broad Street
London
EC2N 1HZ

Registrars and Transfers Office
Capita Registrars
The Registry
34 Beckenham
Beckenham
Kent
BR3 4TU

Chairman's Statement

Revenue of £2 7m was 12% down on 2010 Our music publishing income fell, however there was an increase in our ancillary income, which comes from collecting broadcast and secondary rights royalties Gross profit was lower, at £1,519k compared with £1,567k in 2010 Our gross profit margin improved due to the mix of business We reduced our operating costs by 5% to £1,523k, resulting in an operating loss before amortisation and depreciation of £4k (2010 operating loss £37k) After taking into account amortisation, depreciation, and finance costs, the loss for year was £628k (2010 £610k)

The key performance indicators used by the board and executive team to monitor performance against budgets and forecasts as well as to measure progress against our strategic objectives are revenue, gross profit, operating costs, and operating profit before amortisation and depreciation

Our strategy of expanding our secondary rights business alongside our traditional music publishing business is starting to have a positive impact on our results We envisage more of our business in future coming from the film and television markets in the USA, and our Los Angeles office is exploiting these opportunities Our digital music delivery platform went live in the autumn of 2011 This platform was implemented at the request of our studio clients who had introduced new policies in terms of delivery requirements We continue to win administration contracts in the US and UK as demand for our service remains strong despite the economic climate, with 25 new clients in secondary rights and 13 in music publishing administration including, DCD Films (UK) Henri Sera Productions (USA), MRG Entertainment (USA) and Hemisphere Entertainment (USA)

Guy Fletcher
Chairman

28th June 2012

Report of the Directors
For the year ended 31st December 2011

The Directors have the pleasure of presenting their report and consolidated financial statements of the Group for the year ended 31st December 2011

Principal Activities and Business Review
The principal activity of the Group throughout the year continued to be the administration of music copyright, film and television related rights

Review of the Business and Future Developments
This has been covered by the Chairman's Statement on page 3

Results and Dividends
The Group loss for the year after taxation was £628,148 (2010 £610,259)
The Board of Directors are unable to recommend a dividend in respect of this year

Policy on payments to Creditors
The Group does not have a standard code for dealing specifically with payment of creditors The Group negotiates payment terms with its suppliers on an individual basis and settles its accounts in accordance with those terms On average, trade creditors at the year end represented 46 days purchases (2010 72 days)

Risk Management
The main risk to the Group is the decline in the sales of recorded music However, music publishers are shielded from this, more than record companies, as the majority of their income is derived from performance royalties In addition, Conexion Media specialises in the administration of film and TV related music rights This is a sector which is increasing in value with the proliferation of satellite TV channels and digital outlets
The Group, in common with most businesses, is at risk from the downturn in the global economy, as less advertising means less music used, and film and television production is reduced However Conexion Media is moving into the growing market of collecting income streams from additional broadcast rights and non-music related sources, such as cable re-transmission and private copying levies, alongside its continued music publishing business It is anticipated that this income stream will form an increasingly important part of Conexion's business
Another potential risk to the Group is the loss of clients This can happen when an agreement has reached the end of its term and is not renewed This risk is mitigated as the Group signs agreements with new clients each year The Group's operating costs are stable and the Directors do not foresee a significant rise in costs, unless it is related to an increase in income
The Group is also potentially at risk from fluctuating exchange rates, as the Group receives income in foreign currencies as well as sterling However if the income is reduced because of the exchange rate, the related liability is also reduced In addition the Group maintains bank accounts in foreign currencies and pays liabilities in foreign currencies where possible

Directors
The following Directors have held office since 1st January 2011
Brian Scholfield (resigned 25th February 2011)
Justin Sherry
Guy Fletcher OBE

Directors and their interests
The Directors who served the Company during the year together with their interests in the shares and debentures of the Company and other Group undertakings, at the beginning and end of the year, were as follows

Directors' shareholdings

	Ordinary shares of 1p each in Conexion Media Group plc 31st December 2011	1st January 2011
Brian Scholfield	5,166,333	5,166,333
Guy Fletcher	1,104,500	1,104,500
Justin Sherry	140,000	140,000

The following table shows details of the options for ordinary shares of 1p each in Conexion Media Group Plc

Director	At 1st January 2011	Lapsed during the year	Granted in the year	At 31st December 2011	Exercise Price	Date of grant	Date from which exercisable	Expiry date
Brian Scholfield	60,000	-	-	60,000	£0 44	18/02/2002	18/02/2005	17/02/2012
	250,000	-	-	250,000	£0 12	06/12/2005	06/12/2008	05/12/2015
	800,000	-	-	800,000	£0 18	14/12/2006	14/12/2009	13/12/2016
	1,110,000	-	-	**1,110,000**				
Justin Sherry	150,000	-	-	150,000	£0 18	14/12/2006	14/12/2009	13/12/2016
	2,000,000	-	-	2,000,000	£0 03	08/01/2009	08/01/2012	07/01/2019
	2,150,000	-	-	**2,150,000**				
Guy Fletcher	40,000	-	-	40,000	£0 44	18/02/2002	18/02/2005	17/02/2012
	800,000	-	-	800,000	£0 18	14/12/2006	14/12/2009	13/12/2016
	840,000	-	-	**840,000**				

Substantial Shareholdings

As at 28th June 2012, there are 78,392,551 ordinary 1 penny shares in issue The Company has been advised of the following substantial share interests exceeding 3% in the issued ordinary share capital

Polymer Holdings Ltd	22,566,078	28 79%
Bleachers Investments Ltd	15,047,675	19 20%
Brian Scholfield	5,166,333	6 59%
Artemis Investment Management	4,330,000	5 52%

Share Issues

There were no issues of shares in the year

Disclosure of Information to Auditors

So far as the Directors are aware, there is no relevant audit information of which the Group's auditors are unaware The Directors 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 the Group's auditors are aware of that information

Auditors

Kingston Smith LLP has indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year

Corporate Governance

The Company has developed appropriate measures to ensure that it complies, as far as practicable, with the UK Corporate Governance Code having regard to the size of the Company

The Group has adopted and operates a share dealing code for Directors on the same terms as the Model Code for companies whose share have been admitted to the Alternative Investment Market (AIM) of the London Stock Exchange

Going Concern

The Directors have considered,(see note 1c) and confirm that it is appropriate to adopt the financial statements on the basis that the Group and Company have adequate resources to continue in operational existence for the foreseeable future Therefore the Group and Company continue to adopt the going concern basis in preparing the financial statements

Employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes and abilities of the applicant concerned

The Company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on various factors affecting the performance of the Company Employees are consulted regularly on a wide range of matters affecting their current and future interests

Statement of Directors' Responsibilities
The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) and applicable law Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period In preparing those financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

CONEXION MEDIA GROUP PLC
10 Heathfield Terrace
London
W4 4JE

On behalf of the board

Justin Sherry
Director

28th June 2012

CONEXION MEDIA GROUP PLC

Report of the Independent Auditors

Independent Auditors' Report to the Shareholders of Conexion Media Group Plc

We have audited the financial statements of Conexion Media Group Plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with provisions of the Companies Act 2006

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Basis for qualified opinion on financial statements

The audit evidence available to us was limited because the directors of the company have prepared cash flow forecasts and other information needed for the assessment of the appropriateness of the going concern basis of preparation of the financial statements for a period of 12 months from the date of approval of these financial statements which do not take into account the fact that the loan of £975,000 from Polymer Holdings Limited is repayable on 31st December 2012 Whilst Polymer have confirmed that it is not currently their intention to call in the loan, an unconditional deferral of this loan to 30th June 2013 has not been received We therefore consider that the directors have not taken adequate steps to satisfy themselves that it is appropriate for them to adopt the going concern basis because the circumstances of the Group and the nature of the business require that such information be prepared, and reviewed, by the directors and ourselves which includes the financial commitments of the group which are not able to be unconditionally deferred Had this information been available to us we might have formed a different opinion on the financial statements

Qualified opinion on the financial statements

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph,

- The financial statements give a true and fair view of the state of the Group's affairs and of the parent company's affairs as at 31 December 2011 and of the group's loss for the year then ended,
- The group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and
- The parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to the assessment of the appropriateness of the going concern basis of preparation of the financial statements, described above, we have not obtained all the information and explanations that we considered necessary for the purpose of the audit

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made

Kingston Smith LLP

Cliff Ireton (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor
28th June 2012

141 Wardour Street
London, W1F 0UT

Consolidated Income Statement
For the year ended 31st December 2011

	Note	2011 £	2010 £
Revenue	2	2,716,435	3,090,182
Direct costs		(1,197,809)	(1,523,005)
Gross Profit		**1,518,626**	**1,567,177**
Operating costs		(1,522,575)	(1,604,036)
Operating loss before amortisation and depreciation		**(3,949)**	**(36,859)**
Amortisation and depreciation		(515,772)	(497,073)
Operating loss	3	**(519,721)**	**(533,932)**
Finance income		170	176
Finance costs	6	(72,214)	(76,503)
Amounts written off investments	11 & 13	(36,383)	-
Loss before taxation	2	**(628,148)**	**(610,259)**
Taxation	7	-	-
Loss for the year		**(628,148)**	**(610,259)**
Attributable to			
Non-controlling interests		(37,059)	(26,133)
Owners of the parent company	10	(591,089)	(584,126)
Earnings/(loss) per share – continuing operations	8		
Basic earnings per share (pence)		(0 75)	(0 75)
Diluted earnings per share (pence)		(0 75)	(0 75)

Consolidated Statement of Comprehensive Income
For the year ended 31st December 2011

	2011	2010
	£	£
Loss for the financial year	(628,148)	(610,259)
Currency translation differences	(319)	(95,675)
Total Comprehensive Income	**(628,467)**	**(705,934)**
Attributable to.		
Non-controlling interests	(37,059)	(26,133)
Owners of the parent company	(591,408)	(679,801)
Total Comprehensive Income	**(628,467)**	**(705,934)**

Consolidated Statement of Changes in Equity
For the year ended 31st December 2011

	Called up Share Capital	Share Premium Account	Shares to be Issued	Other Reserves	Retained Earnings	Translation Reserve	Total Owners Interest	Non Controlling Interest	Total
	£	£	£	£	£	£	£	£	£
Balance at 1st January 2011	783,926	8,356,254	495,392	2,654	(9,687,011)	(434,796)	(483,581)	305,422	(178,159)
Share Options granted	-	-	22,550	-	-	-	22,550	-	22,550
Share Options lapsed	-	-	(11,576)	-	11,576	-	-	-	-
Non-controlling interest acquired in the year	-	-	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	(591,089)	-	(591,089)	(37,059)	(628,148)
Disposal of subsidiary				(1,353)	175	(175)	(1,353)	-	(1,353)
Foreign exchange difference taken to retained earnings	-	-	-	-	-	(319)	(319)	-	(319)
Balance at 31st December 2011	**783,926**	**8,356,254**	**506,366**	**1,301**	**(10,266,349)**	**(435,290)**	**(1,053,792)**	**268,363**	**(785,429)**

The Group comparative figures are set out in note 10(d)

The Company Statement of Changes in Equity is set out in note 10(c)

CONEXION MEDIA GROUP PLC

Consolidated Statement of Financial Position
As at 31st December 2011

	Note	2011 £	2010 £
Non-current assets			
Intangible assets			
Goodwill	11	1,276,044	1,370,520
Other	11	3,369,462	3,879,350
Property, plant and equipment	12	7,474	14,249
Trade and other receivables		23,698	23,701
		4,676,678	**5,287,820**
Current assets			
Trade and other receivables	14	1,067,465	1,218,061
Cash and short term deposits		278,559	464,871
		1,346,024	**1,682,932**
Current liabilities			
Trade and other payables	15	(5,685,565)	(5,958,302)
Bank overdraft and loans	15	(147,566)	(161,734)
Amounts due to related parties	15,17	(975,000)	(1,028,875)
		(6,808,131)	**(7,148,911)**
Net current liabilities		**(5,462,107)**	**(5,465,979)**
Total assets less current liabilities		**(785,429)**	**(178,159)**
Non-current liabilities			
Amounts due to related parties	17	-	-
Net liabilities		**(785,429)**	**(178,159)**
Equity			
Called up share capital	10	783,926	783,926
Share premium account	10	8,356,254	8,356,254
Other reserves	10	1,301	2,654
Shares to be issued	10	506,366	495,392
Retained earnings	10	(10,266,349)	(10,121,807)
Equity share owners' funds		**(1,053,792)**	**(483,581)**
Non-controlling interest		268,363	305,422
Total equity		**(785,429)**	**(178,159)**

Approved by the board for issue on 28th June 2012

Justin Sherry
Director

CONEXION MEDIA GROUP PLC

Company Statement of Financial Position
As at 31st December 2011

	Note	2011 £	2010 £
Non-current assets			
Intangible assets			
Goodwill	11	65,623	170,622
Other	11	732,111	1,102,615
Investments	13	639,529	639,529
Property, plant and equipment	12	6,604	14,249
Trade and other receivables		22,089	22,089
		1,465,956	**1,949,104**
Current assets			
Trade and other receivables	14	163,563	104,635
Cash and short term deposits		96,627	255,243
		260,190	**359,878**
Current liabilities			
Trade and other payables	15	(1,194,806)	(1,134,189)
Amounts due to related parties	15,17	(975,000)	(1,028,875)
		(2,169,806)	**(2,163,064)**
Net current liabilities		**(1,909,616)**	**(1,803,186)**
Total assets less current liabilities		**(443,660)**	**145,918**
Non-current liabilities			
Amounts due to related parties	17	-	-
Net (liabilities)/assets		**(443,660)**	**145,918**
Equity			
Called up share capital	10	783,926	783,926
Share premium account	10	8,356,254	8,356,254
Shares to be issued	10	506,366	495,392
Retained earnings	10	(10,090,206)	(9,489,654)
Equity share owners' funds		**(443,660)**	**145,918**

Approved by the board for issue on 28th June 2012

Justin Sherry
Director

Company registration number 4125263

Consolidated Statement of Cash Flows
For the year ended 31st December 2011

	Note	2011	2010
		£	£
Operating cash (out)/inflow	1	(25,293)	158,746
Net finance costs		(72,044)	(76,327)
Net cash(out)/inflow from operating activities		**(97,337)**	**82,419**
Investing activities			
Purchase of subsidiary undertakings		-	(150,603)
Purchase of property, plant and equipment		(5,171)	(3,216)
Purchase of intangible assets		-	(16,139)
Net cash (out)/inflow from investing activities		**(5,171)**	**(169,958)**
Financing activities			
(Decrease)/Increase in bank loan and overdraft		(14,168)	161,734
Repayment of loans		(53,875)	(144,000)
Net cash inflow from financing		**(68,043)**	**17,734**
Foreign exchange differences		(15,761)	(16,520)
(Decrease)/Increase in cash and cash equivalents		**(186,312)**	**(86,325)**
Cash and cash equivalents at start of period		464,871	551,196
Cash and cash equivalents at end of period		278,559	464,871

Notes to the Consolidated Statement of Cash Flows
For the year ended 31st December 2011

1. Reconciliation of profit before finance costs income and taxation to operating cash flow

	2011	2010
	£	£
Loss before finance costs and taxation	(519,721)	(533,932)
Goodwill write back	-	(159,152)
Depreciation	11,946	63,221
Amounts written off investments	(37,738)	-
Loss on disposal of intangible fixed assets	94,476	-
Amortisation of intangible assets	503,828	433,852
Decrease in trade and other receivables – non-current	3	5,449
Decrease in trade and other receivables – current	150,596	240,671
Increase/(decrease) in trade and other payables	(272,737)	127,786
Share options charge	22,550	19,149
Exchange difference	21,504	(38,298)
Operating cash outflow	**(25,293)**	**158,746**

2 Reconciliation of net cash flow to movement in net debt

	2011	2010
	£	£
Increase/(decrease) in cash in the period	(186,312)	(86,325)
Cash(inflow)/outflow from (increase)/decrease in debt	68,043	(17,734)
Movement in net debt in the period	**(118,269)**	**(104,059)**
Net debt at 1st January 2011	(725,738)	(621,679)
Net debt at 31st December 2011	**(844,007)**	**(725,738)**

3 Analysis of changes in net debt

	At 1st Jan 2011	Cash flow	At 31st Dec 2011
	£	£	£
Cash at bank and in hand	464,871	(186,312)	278,559
Bank loan and overdrafts	(161,734)	14,168	(147,566)
Other loans	(1,028,875)	53,875	(975,000)
Total	**(725,738)**	**(118,269)**	**(844,007)**

Company Statement of Cash Flows
For the year ended 31st December 2011

	Note	2011	2010
		£	£
Operating cash (out)/inflow	1	(28,785)	597,796
Net finance costs		(71,734)	(61,487)
Net cash(out)/inflow from operating activities		**(100,519)**	**536,309**
Investing activities			
Purchase of subsidiary undertakings (see note 13)		-	(150,603)
Purchase of property, plant and equipment		(4,222)	(1,214)
Net cash (out)/inflow from investing activities		**(4,222)**	**(151,817)**
Financing activities			
Repayment of loans		(53,875)	(144,000)
Net cash inflow from financing		**(53,875)**	**(144,000)**
(Decrease)/Increase in cash and cash equivalents		**(158,616)**	**240,492**
Cash and cash equivalents at start of period		255,243	14,751
Cash and cash equivalents at end of period		96,627	255,243

Notes to the Company Statement of Cash Flows
For the year ended 31st December 2011

1	**Reconciliation of profit before finance costs income and taxation to operating cash flow**	**2011**	**2010**
		£	£
	Profit/(Loss) before finance costs and taxation	(540,394)	364,438
	Depreciation	11,867	59,159
	Loss on disposal of intangible fixed assets	104,999	-
	Amortisation of intangible assets	370,504	370,506
	Provision against intercompany balances	37,338	(671,421)
	Decrease in trade and other receivables – non-current	-	(1,089)
	Decrease/(increase) in trade and other receivables – current	(117,770)	686,602
	Increase/(decrease) in trade and other payables	60,617	(191,250)
	Share options charge	22,550	19,149
	Exchange differences	21,504	(38,298)
	Operating cash outflow	**(28,785)**	**597,796**

2	**Reconciliation of net cash flow to movement in net debt**	**2011**	**2010**
		£	£
	Increase/(decrease) in cash in the period	(158,616)	240,492
	Cash(inflow)/outflow from (increase)/decrease in debt	53,875	144,000
	Movement in net debt in the period	**(104,741)**	**384,492**
	Net debt at 1st January 2011	(773,632)	(1,158,124)
	Net debt at 31st December 2011	**(878,373)**	**(773,632)**

3. Analysis of changes in net debt

	At 1st Jan 2011	Cash flow	At 31st Dec 2011
	£	£	£
Cash at bank and in hand	255,243	(158,616)	96,627
Other loans	(1,028,875)	53,875	(975,000)
Total	**(773,632)**	**(104,741)**	**(878,373)**

1 Accounting Policies

(a) Accounting basis and standards

The consolidated financial statements of Conexion Media Group Plc (the Group) have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union as they apply to the financial statements of the Group for the year ended 31st December 2011 The Group's financial statements are also consistent with IFRS as issued by the International Accounting Standards Board The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards The accounting policies are unchanged from the previous year

(b) Basis of consolidation

The Group Income statement and balance sheet consist of the financial statements of the parent company and its subsidiary undertakings The results of subsidiaries sold or acquired are included in the income statement up to or from the date control passes Intra-Group sales and profits are eliminated fully on consolidation

(c) Going concern

The Directors consider that it is appropriate to prepare the financial statements on a going concern basis because:

1 The Directors have prepared cash flow forecasts to 30th June 2013 and believe that the Group will be able to meet its working capital requirements as they fall due for a period at least up to this date Income has been forecast on the basis of prior year income adjusted for trading developments Costs have been forecast on the basis of the current operating costs

2 Music Publishing companies have regular sources of income, as collection societies distribute revenues on the same dates each year There are monthly and quarterly distributions In addition, the Group has overseas partners known as sub-publishers, from whom the Group receives royalties quarterly and semi-annually depending on the contract Music publishing companies only make royalty payments after the royalties have been received and processed The Group accounts for royalty income on an accruals basis, and therefore provides for the related royalty payable The total royalties payable in note 15 includes a significant amount relating to the royalty payable by the group on the royalty income which has not been received at the balance sheet date, and the royalty due will therefore not be payable until some time after the balance sheet date

3 The loan from Polymer Holdings Limited, a shareholder of the Group, of £975,000 is repayable on 31st December 2012 or on written demand of the Lender, being a period of not less than 90 business days The directors have received written assurance from Polymer Holdings Limited that it is not Polymer's intention to call in the loan before any new refinancing arrangements are in place Whilst an unconditional deferral of the loan to at least 30th June 2013 has not been received, the directors do not believe that Polymer will call in the loan before that date unless suitable alternative financial arrangements are in place

(d) Intangible fixed assets

Purchased music catalogues are capitalised at cost as intangible fixed assets Music catalogues are amortised by equal annual amounts over their expected useful life as follows

Owned catalogues	70 years
Administered catalogues	10 years

Goodwill arising on acquisitions is capitalised in accordance with the requirements of IFRS 3 Goodwill impairment is assessed by comparing the carrying value of goodwill to the net present value of future cash flows derived from the operating performance underpinned by each cash generating unit's three-year forecast The forecast is based on previous performance adjusted for trading developments where necessary After this period, growth rates equivalent to nominal GDP are generally assumed In accordance with IFRS 3 the carrying value of goodwill will continue to be reviewed for impairment on the basis stipulated and adjusted should this be required Impairment is recognised in the income statement and is not subsequently reversed The individual circumstances of each future acquisition will be assessed to determine the appropriate treatment of any related goodwill

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts at the date of transition subject to being tested for impairment at that date

Intangible fixed assets are reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable The intangible assets have a useful life of 70 years and are reviewed for impairment on an annual basis

In standard music publishing administration agreements, the administrator of the music copyrights is granted a specific term during which it can administer and collect royalty payments This can vary from one year to "life of copyright" agreements The term of copyright ownership for original literary and music works under UK legislation is 70 years after the death of the creator, or in the case of joint authorship, for 70 years after the death of the surviving joint author Despite this variation in terms, it is normal practice for administration periods to be set at three to five year periods, the intention being that the agreement is renewed under similar terms unless there is a major dispute between the parties In many cases, the agreements themselves are not renewed but the administration of the royalties continues in the same manner This is very often the case in the independent sector

Notes to the Financial Statements (continued)
For the year ended 31st December 2011

1 Accounting Policies (continued)

(e) Depreciation of fixed assets
Fixed assets are stated at historical cost
Depreciation on fixed assets is provided at rates estimated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life as follows
Office equipment 33 33% per annum

(f) Investments
Fixed asset investments are stated at historical cost less any provision for diminution in value

(g) Deferred taxation
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts 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 generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent 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 differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that 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, except where the Group is able to control the reversal of temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

(h) Foreign currencies
Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year Exchange differences arising from the translation of foreign investments, subsidiaries or associates are taken directly to reserves All other exchange differences are dealt with in the Income Statement

(i) Revenue, royalties and advances
Revenue relates to royalty income and is accounted for on an accruals basis Royalties payable are then matched to royalties receivable
Accrued income received during the period between the year end and the completion of the financial statements is included on an actual basis
The remaining accrued income is estimated based on prior year income and adjusted for current trading developments

Advances received and receivable are recognised as revenue in the period to which the royalty income relates Provision is therefore made for royalties payable on advances received only to the extent that the advances have been recouped Advances paid are provided for unless it is considered that they will be recouped from future earnings

Royalties receivable in respect of administered catalogues are, like those from owned catalogues, shown within revenue and those payable are shown within cost of sales

Royalties due are only removed from the balance sheet when paid

(j) Leasing and hire purchase commitments
Assets held under finance leases and hire purchase contracts are capitalised as non-current assets in the balance sheet and are depreciated over the shorter of the lease term and their useful lives
Obligations under such arrangements are included in creditors net of finance lease charges allocated to future periods The finance element of the rental payment is charged to the Income Statement so as to produce a constant periodic rate of charge on the net obligations outstanding
Rentals paid under operating leases are charged to income on a straight-line basis over the lease term

1 Accounting Policies (continued)

(k) Share based payments
Certain employees and Directors of the Group receive equity settled remuneration in the form of Company share options The cost is charged to the Income Statement on a straight line basis over the vesting period and a corresponding amount is reflected in the retained earnings in shareholders' equity adjusted at each balance sheet date to take into account actual and expected level of vesting The charge is calculated as being the fair value of the right to the shares at the date of grant, reduced by any consideration payable by the employee Fair value is measured using a modified Black-Scholes option pricing model and is based on a reasonable expectation of the extent to which performance criteria will be met

(l) Financial Instruments
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument Issue costs are offset against the proceeds of such instruments

(m) Liabilities and Equity
Financial Liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into An equity instrument is any contract that evidences the residual interest in the assets of the Group after deducting all of its liabilities The Group has only one class of share in existence

(n) Accounting Estimates and Judgements
The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the actual results The Directors considered the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgement are
- Revenue recognition policies in respect of accrued royalties receivable and payable,
- Recognition and quantification of share based payments, and
- Valuation of intangible assets

These estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances

(o) IFRS in issue but not applied in the current Financial Statements
The following IFRSs and IFRIC interpretations have been issued but have not been applied by the Group in preparing these financial statements as they are not as yet effective The Group intends to adopt these Standards and Interpretations when they become effective, rather than adopt them early
- Amendments to IFRS 7, 'Financial instruments Disclosures' on derecognition, effective date 1 July 2011,
- Amendment to IFRS 1, 'First time adoption', on fixed dates and hyperinflation, effective date 1 July 2011,
- Amendment to IAS 12, 'Income taxes' on deferred tax, effective date 1 January 2012,
- Amendment to IAS 1, Financial statement presentation' regarding other comprehensive income, effective date 1 July 2012,
- Amendment to IAS 19, 'Employee benefits', effective date 1 January 2013,
- IFRS 9, 'Financial instruments', effective date 1 January 2013,
- IFRS 10, 'Consolidated financial statements', effective date 1 January 2013,
- IFRS 11, 'Joint arrangements', effective date 1 January 2013,
- IFRS 12, 'Disclosures of interests in other entities', effective date 1 January 2013,
- IFRS 13, 'Fair value measurement', effective date 1 January 2013,
- IAS 27 (revised 2011), 'Separate financial statements', effective date 1 January 2013,
- IAS 28 (revised 2011), 'Associates and joint ventures', effective date 1 January 2013

A number of IFRS and IFRIC interpretations are also currently in issue which are not relevant to the Group's activities and which have not therefore been adopted in preparing these financial statements

2 Revenue

	2011 £	2010 £
Geographical analysis		
United Kingdom	1,839,060	2,141,158
United States of America	877,375	943,320
Asia	-	5,704
	2,716,435	3,090,182

	2011 £	2010 £
The Revenue categories are as follows		
Royalties	2,672,137	2,936,114
Copyright Services	-	106,240
Rental income	44,298	47,828
	2,716,435	3,090,182

	2011 £	2010 £
The geographical analysis of the loss before taxes is as follows		
United Kingdom	(660,756)	(335,662)
United States of America	42,260	(267,800)
Asia	(9,652)	(2,050)
Europe	-	(4,747)
	(628,148)	(610,259)

	2011 £	2010 £
The geographical analysis of the net assets is as follows		
United Kingdom	725,546	1,241,624
United States of America	(1,054,958)	(978,994)
Asia	(456,017)	(446,405)
Europe	-	5,616
	(785,429)	(178,159)

3 Operating loss

	2011 £	2010 £
The operating loss is stated after charging		
Auditors' remuneration for audit fees	42,180	60,103
Auditors' remuneration for non-audit services		
Taxation	3,500	1,000
Corporate finance	1,200	1,200
Depreciation		
Owned tangible fixed assets	11,946	63,221
Assets held under finance leases and hire purchased contracts	-	-
Amortisation of intangible fixed assets	503,828	433,852
Exchange rate differences	21,504	(38,298)
Operating lease rentals		
Property	124,286	159,792

4 Employee information

The average number of persons employed by the Company (including Directors) during the year was

	2011	2010
Office and management	14	18

Their total remuneration was	£	£
Wages and salaries	640,634	815,738
Share option costs	22,550	19,149
Social security costs	64,591	66,784
	727,775	901,671

5 Directors' Emoluments

	2011	2010
	£	£
(i) Emoluments	124,291	142,012
(ii) Highest paid Director	102,981	102,882

Included in the total emoluments are short term benefits of £3,505 (2010 £6,012)
Details of share options awarded to Directors are included in the Report of the Directors on page 5

6 Finance costs

	2011	2010
	£	£
Bank overdraft	-	4
Other loans	72,214	76,499
	72,214	76,503

7 Taxation

(a) Analysis of charge for the year

There is no corporation tax charge on the result of either period The Group has losses of approximately £11 11m (2010 £10 60m), which, subject to the agreement of the Inland Revenue, are available to be carried forward against future profits of the same trade
No deferred tax asset has been recognised in respect of these tax losses due to the uncertainty over their future use At the 31st December 2011, the deferred tax asset not provided for is estimated at £2 39m (2010 £2 75m)

(b) Factors affecting the tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 26% (2010 28%)
The differences are explained below

	2011	2010
	£	£
Losses on ordinary activities before tax	(628,148)	(610,259)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 26% (2010 28%)	(163,319)	(170,872)
Effects of		
Expenses not deductible for tax purposes	(39,008)	(27,988)
Depreciation in excess of capital allowances for year	(3,085)	11,030
Utilisation of brought forward losses	-	-
Tax losses carried forward to a future period	205,412	187,830
Current tax charge for the year (note 7(a))	-	-

8 Loss per share

	2011 Pence	2010 Pence
Basic loss per share	(0 75)	(0 75)
Diluted loss per share	(0 75)	(0 75)

The basic loss per share has been calculated by dividing the loss for the year of £591,089 (2010 £584,126) by the weighted average number of shares of 78,392,551 (2010 78,392,551) in issue during the year

The diluted loss per share has been calculated by dividing the loss for the year of £591,089 (2010 £584,126) by the diluted average number of shares of 78,392,551 (2010 78,392,551) in issue during the year
However, since the Group is loss making, there is no dilution

9 Loss for the Financial Year

As permitted by section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements The parent company's retained loss for the year was £612,128 (2010 £302,951 profit)

The retained loss for the year is stated after crediting a management charge of £1,073,405 (2010 £1,176,871) The Directors consider that since the UK subsidiaries of the Group have now established themselves as profitable organisations, a recharge should be made to reflect the overhead costs incurred by Conexion Media Group Plc on behalf of these subsidiaries This recharge has been calculated on a fully commercial basis

10 Shareholders' Funds

(a) Company share capital

	2011 £	2010 £
The authorised share capital comprises		
Authorised		
100,000,000,Ordinary shares of 1p each	1,000,000	1,000,000
Called up, allotted and fully paid		
78,392,551 Ordinary shares of 1p each	783,926	783,926
(2010 78,392,551 Ordinary shares of 1p each)		

(b) Share-based payments

Options

In 2002, the Company established an EMI share Option Scheme and an unapproved Share Option Scheme These have no performance related vesting criteria and are on similar terms as described in the Directors' Report

The Company has the following options in issue

At start of year	Granted in year	Exercised in year	Forfeited in year	Cancelled in year	At end of year
5,570,000	2,272,728	-	25,000	-	7,817,728

(b) Share-based payments (continued)

The range of exercise prices is

Number of shares	Exercise price	Date of expiry
190,000	£0 44	07/02/2012
55,000	£0 24	14/04/2014
250,000	£0 12	05/12/2015
3,050,000	£0 18	13/12/2016
2,000,000	£0 03	07/01/2019
2,272,728	£0 0088	07/01/2021

Fair value on grant date is measured by use of a Black Scholes model The annual charge is revised at each year end to take account of any changes in estimate of the likely number of shares expected to vest The key inputs are

	2011	2010
Risk free rate	2 4%	2 4%
Dividend yield	0%	0%
Volatility rate based on published information	212%	212%

The Group recognised an expense of £22,550 in 2011 (2010 £19,149) Share options granted in the year were calculated to have a fair value of £0 006 per share

(c) Movements of capital and reserves – COMPANY

	Called up Share Capital	Share Premium Account	Shares to be Issued	Retained Earnings	Total
	£	£	£	£	£
Balance at 1st January 2011	783,926	8,356,254	495,392	(9,489,654)	145,918
Share Options granted	-	-	22,550	-	22,550
Share Options lapsed	-	-	(11,576)	11,576	-
Transfer from income statement	-	-	-	(612,128)	(612,128)
Balance at 31st December 2011	**783,926**	**8,356,254**	**506,366**	**(10,090,206)**	**(443,660)**

The movements on capital and reserves in the previous year were

	Called up Share Capital	Share Premium Account	Shares to be Issued	Retained Earnings	Total
	£	£	£	£	£
Balance at 1st January 2010	783,926	8,356,254	611,609	(9,927,971)	(176,182)
Share Options granted	-	-	19,149	-	19,149
Share Options lapsed	-	-	(135,366)	135,366	-
Transfer from income statement	-	-	-	302,951	302,951
Balance at 31st December 2010	**783,926**	**8,356,254**	**495,392**	**(9,489,654)**	**145,918**

(d) Movements of capital and reserves – GROUP

	Called up Share Capital £	Share Premium Account £	Shares to be Issued £	Other Reserves £	Retained Earnings £	Translation Reserve £	Total Owners Interest £	Non Controlling Interest £	Total £
Balance at 1st January 2011	783,926	8,356,254	495,392	2,654	(9,687,011)	(434,796)	(483,581)	305,422	(178,159)
Share Options granted	-	-	22,550	-	-	-	22,550	-	22,550
Share Options lapsed	-	-	(11,576)	-	11,576	-	-	-	-
Loss for the year	-	-	-	-	(591,089)	-	(591,089)	(37,059)	(628,148)
Disposal of subsidiary				(1,353)	175	(175)	(1,353)	-	(1,353)
Foreign exchange difference taken to retained earnings	-	-	-	-	-	(319)	(319)	-	(319)
Balance at 31st December 2011	**783,926**	**8,356,254**	**506,366**	**1,301**	**(10,266,349)**	**(435,290)**	**(1,053,792)**	**268,363**	**(785,429)**

The movements on reserves in the previous year were

	Called up Share Capital £	Share Premium Account £	Shares to be Issued £	Other Reserves £	Retained Earnings £	Translation Reserve £	Total Owners Interest £	Non Controlling Interest £	Total £
Balance at 1st January 2010	783,926	8,356,254	611,609	2,654	(9,238,251)	(339,121)	177,071	(21)	177,050
Share Options granted	-	-	19,149	-	-	-	19,149	-	19,149
Share Options lapsed	-	-	(135,366)	-	135,366	-	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	331,576	331,576
Loss for the year	-	-	-	-	(584,126)	-	(584,126)	(26,133)	(610,259)
Foreign exchange difference taken to retained earnings	-	-	-	-	-	(95,675)	(95,675)	-	(95,675)
Balance at 31st December 2010	**783,926**	**8,356,254**	**495,392**	**2,654**	**(9,687,011)**	**(434,796)**	**(483,581)**	**305,422**	**(178,159)**

The Shares to be Issued Reserve represents charges to the income statement required by IFRS 2 to reflect the cost of the options issued to the Directors and employees

Notes to the Financial Statements (continued)
For the year ended 31st December 2011

11 Intangible Assets

	GROUP			
	Goodwill	Investment in Music Rights		
		Administered	Purchased	Total
	£	£	£	£
Cost or Valuation				
At 1st January 2010	**1,518,753**	**3,726,442**	**2,491,047**	**6,217,489**
Additions	-	-	1,121,393	1,121,393
Exchange difference	-	380	(39,925)	(39,545)
At 1st January 2011	**1,518,753**	**3,726,822**	**3,572,515**	**7,299,337**
Additions	-	-	-	-
Disposals	(94,476)	(15,751)	-	(15,751)
Exchange difference	-	(14)	(2,482)	(2,496)
At 31st December 2011	**1,424,277**	**3,711,057**	**3,570,033**	**7,281,090**
Amortisation				
At 1st January 2010	-	**2,430,193**	**311,697**	**2,741,890**
Charge for the year	-	370,021	63,811	433,852
Exchange difference	-	105	(153)	(48)
At 1st January 2011	-	**2,800,339**	**375,355**	**3,175,694**
Charge for the year	-	377,566	126,262	503,828
Disposals	-	(15,751)	-	(15,751)
Exchange difference	-	334	3,230	3,564
At 31st December 2011	-	**3,162,488**	**504,847**	**3,667,335**
Impairment				
At 1st January 2010	148,233	13,254	231,039	244,293
Charge for the year	-	-	-	-
At 1st January 2011	**148,233**	**13,254**	**231,039**	**244,293**
Charge for the year	-	-	-	-
At 31st December 2011	**148,233**	**13,254**	**231,039**	**244,293**
Net Book Value				
At 31st December 2011	1,276,044	535,315	2,834,147	3,369,462
At 31st December 2010	1,370,520	913,229	2,966,121	3,879,350

During the year, Conexion Media Group Plc dissolved its Italian subsidiary MCS Italia SRL This resulted in an overall loss to the profit and loss reserves of £36,383 The net book value of goodwill, £104,999, resulting from the investment in MCS Italia SRL was written off in the year, as shown below in the company disclosure of intangible assets Furthermore, the purchased goodwill of £10,523 held in MCS Italia SRL's balance sheet has been credited to disposals in the above group disclosure

Notes to the Financial Statements (continued)
For the year ended 31st December 2011

11 Intangible Assets

		COMPANY		
	Goodwill	Investment in Music Rights		
		Administered	Purchased	Total
	£	£	£	£
Cost or Valuation				
At 1st January 2010	170,622	3,670,936	238,836	3,909,772
Additions	-	-	-	-
At 1st January 2011	**170,622**	**3,670,936**	**238,836**	**3,909,772**
Additions	-	-	-	-
Disposals	(104,999)	-	-	-
At 31st December 2011	**65,623**	**3,670,936**	**238,836**	**3,909,772**
Amortisation				
At 1st January 2010	-	2,402,796	33,855	2,436,651
Charge for the year	-	367,094	3,412	370,506
At 1st January 2011	**-**	**2,769,890**	**37,267**	**2,807,157**
Charge for the year	-	367,092	3,412	370,504
Disposals	-	-	-	-
At 31st December 2011	**-**	**3,136,982**	**40,679**	**3,177,661**
Net Book Value				
At 31st December 2011	65,623	533,954	198,157	732,111
At 31st December 2010	170,622	901,046	201,569	1,102,615

Goodwill is comprised of the following substantial components

COMPONENTS	GROUP	COMPANY
	£	£
Classic Songs Plc	45,204	43,749
MCS Italia Ltd	21,995	21,874
Conexion Music Ltd	1,201,686	-
Diamond Time	7,159	-
Total	**1,276,044**	**65,623**

The carrying value of goodwill for each cash generating unit is reviewed annually for impairment and adjusted to the recoverable amount (which is based on value in use) if appropriate The key assumption in measuring the carrying value of goodwill is projected revenue The cash flow projections prepared for the next 3 years, are based on the average income of the prior 3 years This is adjusted if management know of specific reasons as to why the income may fall No growth factor has been applied in the projections The discount rate applied for valuation purposed in the 2011 Financial Statements is 1 92%

12 Tangible Assets

	GROUP Office Equipment £	COMPANY Office Equipment £
Cost or Valuation		
At 1st January 2010	415,293	320,742
Additions	3,216	1,214
Disposals	(174,222)	(133,125)
Exchange rate	(337)	-
At 1st January 2011	**243,950**	**188,831**
Additions	5,171	4,222
Disposals	(140,279)	(85,158)
At 31st December 2011	**108,842**	**107,894**
Depreciation		
At 1st January 2010	339,678	248,548
Charge for the year	63,221	59,159
Disposals	(174,222)	(133,125)
Exchange rate	1,024	-
At 1st January 2011	**229,701**	**174,582**
Charge for the year	11,946	11,867
Disposals	(140,279)	(85,158)
Exchange rate	-	-
At 31st December 2011	**101,368**	**101,290**
Net Book Value		
At 31st December 2011	7,474	6,604
At 31st December 2010	14,249	14,249

13 Fixed Asset Investments

	COMPANY Shares in Group undertakings £	COMPANY Unlisted Investments £
Cost		
At 1st January 2010	1,211,285	76,142
Additions	614,525	-
At 1st January 2011	**1,825,810**	**76,142**
Additions	-	-
At 31st December 2011	**1,825,810**	**76,142**
Provision for diminution in value		
At 1st January 2010	1,186,281	76,142
Provision made in year	-	-
At 1st January 2011	**1,186,281**	**76,142**
Provision made in year	-	-
At 31st December 2011	**1,186,281**	**76,142**
Net Book Value		
At 31st December 2011	639,529	-
At 31st December 2010	639,529	-

13 Fixed Asset Investments (continued)

The Company holds more than 20% of the share capital of the following companies

Subsidiary Undertaking	Class of holding	Proportion of shares held	Nature of business	Country of Incorporation
Conexion Media Ltd	Ordinary	100%	Rights Collection	UK
Conexion Music Ltd	Ordinary	100%	Music Publishing and Copyright Services	UK
Conexion Media Entertainment Inc	Ordinary	100%	Dormant	USA
Conexion Entertainment Group LLC	Ordinary	70%	Music Publishing and Copyright Services	USA
Diamond Time (US) Ltd	Ordinary	100%	Copyright Services	USA
Conexion Media Group Inc	Ordinary	100%	Music Publishing and Copyright Services	USA
Classic Songs Plc	Ordinary	100%	Dormant	UK
MCS Italia Ltd	Ordinary	100%	Dormant	UK
MCS Music (Hong Kong) Ltd	Ordinary	100%	Music Publishing	Hong Kong

Conexion Entertainment Group LLC is not a direct subsidiary of Conexion Media Group Plc It is owned 70% by Conexion Media Entertainment Inc, which in turn is owned 100% by Conexion Media Group Plc

Diamond Time (US) is not a direct subsidiary of Conexion Media Group Plc It is owned by Conexion Music Limited who are in turn owned by the parent company

During the year, the Group dissolved two of its dormant subsidiaries, namely MCS Italia SRL and MCS Asia Ltd
Two further dormant subsidiaries, namely Screen Music Services Limited and R'N-D Productions Ltd were dissolved in January 2012

All Group companies have the same reporting date of 31st December

14 Trade and other receivables

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Trade receivables	2,468	17,750	2,469	5,570
Amounts due from Group undertakings	-	-	102,343	47,133
Royalty advances	23,510	67,256	-	-
Other receivables	9,215	1,655	7,950	390
Other taxes	7,583	8,743	7,071	7,703
Prepayments and accrued income	1,024,689	1,122,657	43,730	43,839
	1,067,465	**1,218,061**	**163,563**	**104,635**

15 Current liabilities

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
Bank loans and overdrafts	147,566	161,734	-	-
Trade payables	163,874	198,468	83,966	128,160
Amounts due to subsidiary undertakings	-	-	819,598	607,891
Royalties due	5,063,462	5,072,511	-	-
Other payables	175,973	335,140	16,287	120,193
Other tax and social security	49,976	136,613	42,675	62,375
Accruals and deferred income	232,280	215,570	232,280	215,570
Amounts due to related parties	975,000	1,028,875	975,000	1,028,875
	6,808,131	**7,148,911**	**2,169,806**	**2,163,064**

16 Future Financial Commitments

Operating leases

Operating leases relate to leases of office premises with lease terms between one and six years with a break clause (both parties) on the UK lease after one year In the event that the break clause is not invoked, then the contract contains clauses for a market rate rental review The Group does not have an option to purchase the properties at the expiry of the lease periods

At 31st December, the Group had the following commitments under operating leases

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
not later than one year,	91,861	122,823	90,000	90,000
later than one year and not later than five years,	6,164	98,029	6,164	96,164
later than five years	-	-	-	-
	98,025	**220,852**	**96,164**	**186,164**

At 31st December, the Group had the following sublease payments expected to be received under operating leases

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
not later than one year,	50,000	44,005	50,000	42,999
later than one year and not later than five years,	2,948	52,948	2,948	52,948
later than five years	-	-	-	-
	52,948	**96,953**	**52,948**	**95,947**

16 Future Financial Commitments (continued)

Lease payments recognised as an expense

	GROUP		COMPANY	
	2011	2010	2011	2010
	£	£	£	£
minimum lease payments	124,286	159,792	86,700	86,700
sub-lease payments received	(44,298)	(47,828)	(42,973)	(45,040)
	79,988	**111,964**	**43,727**	**41,660**

17 Transactions with Related Parties

As at the 31st December 2011, the balance of the loan from Polymer Holdings Limited ("PHL"), a shareholder of the Group, was £975,000 The facilities are secured by a debenture over all of the assets, property and business of the Group As a result of post year end renegotiations, the loan is repayable on 31st December 2012 or on written demand of the Lender, being a period of not less than 90 business days

The interest rate on the loan is the greater of 5% or 2 5% above LIBOR until 31st May 2012 From 1st June 2012 to 31st August 2012, the interest rate is the greater of 7 5% or 2 5% above LIBOR From 1st September 2012, the interest rate is the greater of 10% or 2 5% above LIBOR In the event that the loan has not been repaid by 31st December 2012, the interest rate will be 12% per annum
Interest of £56,464 (2010 £53,052) was charged in the year

Amounts due to related parties as separated into loan and interest are as follows

Lender	**Loan**	**Interest**	**Total**
Polymer Holdings	975,000	153,677	**1,128,677**

During the year loans of £53,875 from Brian Scholfield and TW Indus Ltd (shareholder) were repaid

During the year, the wife of Justin Sherry received remuneration of £19,080 (2010 £9,462) in return for employment services

Remuneration of Key Management Personnel
The key management personnel are considered to be the Directors Further information relating to the remuneration of the Directors is provided in note 5 to the financial statements
In addition to the information provided in note 5, employers' National Insurance contributions paid on behalf of Directors totalled £15,245 (2010 £12,068)

Director	**Type of Director**	**Gross Salary/Fees**	**Benefits**	**Pension**	**Total 2011**	**Total 2010**
		£	£	£	£	£
Justin Sherry	Executive	100,000	2,981	-	102,981	102,882
Brian Scholfield	Non Executive	2,786	524	-	3,310	21,130
Guy Fletcher	Non Executive	18,000	-	-	18,000	18,000
Total		**120,786**	**3,505**	-	**124,291**	**142,012**

18 Derivatives and Other financial instruments

Financial Instruments

The Group's financial instruments comprise items such as trade receivables and trade payables that arise directly from its operations Financial instruments such as investments in and advances to subsidiary undertakings and short-term debtors and creditors are excluded from the disclosure below It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk The policies for managing these risks are summarised below and have been applied throughout the year

Interest Rate/Liquidity Risk

Cash balances are placed so as to maximise interest earned while maintaining the liquidity requirements of the business When seeking borrowings the Directors consider the commercial terms available and, in consultation with their advisors, consider whether such terms should be fixed or variable and are appropriate to the business

The values shown in the financial statements approximate the fair values of the monetary liabilities

Foreign Currency Risk

The Group has a significant overseas operation, namely companies whose revenues and expenses are denominated in US dollars

As a result, the Group's sterling balance sheet may be affected by movements in the Sterling/US dollar exchange rate

The Group has a limited currency exposure generating gains or losses within the Income Statement

Credit risk

Credit risk is managed on a group basis Credit risk arises principally from cash and cash equivalents and deposits with banks

The group reviews its banking arrangements carefully to minimise such risks The nature of our business does not expose us to credit risk from customers

19 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders We need to continue to invest in our business and to finance appropriate acquisitions when they arise The Company's financial instruments comprise loans, cash, and working capital arising from our trading operations The loans from related parties and are detailed in note 17 to the financial statements The Company does not have any externally imposed capital requirements

20 Controlling Party

There is no one controlling party

21 Post Balance Sheet Events

There are no significant post balance sheet events to report