

# INGENIOUS MEDIA ACTIVE CAPITAL

ANNUAL REPORT & ACCOUNTS

For the year ended  
31 March 2011





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**INGENIOUS MEDIA ACTIVE CAPITAL**

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**THE COMPANY AND ITS ADVISERS**

<b>Directors</b>	Mike Luckwell* (Chairman) Neil Blackley George Bryan Dix* David Jeffreys* Patrick McKenna William Simpson Serena Tremlett*	
<b>Company Secretary and Designated Manager</b>	Morgan Sharpe Administration Limited Isabelle Chambers Route Isabelle St Peter Port Guernsey GY1 3TX	
<b>Registered Office</b>	Isabelle Chambers Route Isabelle St Peter Port Guernsey	
<b>Registered Number</b>	44358	
<b>Investment Manager</b>	Ingenious Ventures** 15 Golden Square London W1F 9JG	
<b>Auditor</b>	Deloitte LLP Regency Court Gategny Esplanade St Peter Port Guernsey GY1 3HW	
<b>Nominated Adviser &amp; Broker</b>	Canaccord Genuity Limited*** Cardinal Place 80 Victoria Street, 7th Floor London, UK SW1E 5JL	
<b>Legal Advisers</b>	Ogier Ogier House St Julian's Avenue St Peter Port Guernsey GY1 1WA	O'Melveny & Myers LLP Warwick Court 5 Paternoster Square London EC4M 7DX
<b>Registrar</b>	Capita IRG (CI) Limited 2nd Floor No. 1 Le Truchot St Peter Port Guernsey GY1 4AE	

\* Independent director (a director who is independent of the Investment Manager)

\*\* Ingenious Ventures is a trading division of Ingenious Asset Management Limited

\*\*\* On 10 May 2010 Canaccord Adams Limited changed its name to Canaccord Genuity Limited

## INGENIOUS MEDIA ACTIVE CAPITAL

### COMPANY SUMMARY

<b>The Company</b>	Ingenious Media Active Capital Limited (the <b>Company</b> ) is a Guernsey registered investment company and its shares are admitted to trading on AIM. It was incorporated on 17 February 2006 and dealings on AIM commenced on 11 April 2006.		
<b>Investment Policy</b>	IMAC is a growth/development capital fund to generate capital gains for its Shareholders from equity or equity-related investments in media companies. The fund is no longer making investments in new investee companies, but is now focused on managing its existing investments through to exit. IMAC will continue to make further investments in existing investee companies where appropriate.		
<b>Investment Manager</b>	The Company has appointed Ingenious Ventures to provide investment management services.		
<b>Investments</b>	Investments total (committed funds)	£94.5m	As at 28 July 2011 (£94.5m as at balance sheet date).
	23 June 2006	£2.2m	Whizz Kid Entertainment Limited
	6 November 2006	£9.2m	Incisive Media Limited
	5 December 2006	£3.0m	Digital Rights Group Limited
	8 March 2007	£4.0m	Community Television Networks Limited (reduced from £4.2m)
	29 March 2007	£1.5m	Outside Line Limited
	27 April 2007	£1.3m	Crystal Entertainment Limited (reduced from £2.5m)
	24 May 2007	£5.3m	Two Way Media Holdings Limited (including NetPlay TV plc shares)
	8 June 2007	£4.6m	Enigmas2 Limited formerly In2Games Limited (reduced from £7.8m)
	14 June 2007	£3.0m	Digital Rights Group Limited (further investment)
	14 June 2007	£7.0m	Brand Events Holdings Limited
	18 June 2007	£5.0m	Trinity Universal Holdings Limited
	16 August 2007	£8.3m	Incisive Media Limited (further investment)
	5 September 2007	£1.5m	Eden State Limited (reduced from £10.0m)
	2 October 2007	£1.6m	Sportbuzz Limited
	29 October 2007	£0.4m	Incisive Media Limited (further investment)
	22 November 2007	£5.3m	Digital Rights Group Limited (further investment)
	12 December 2007	£7.3m	QobliQ Limited
	22 February 2008	£2.0m	Whizz Kid Entertainment Limited (further investment)
	27 May 2008	£2.3m	QobliQ Limited (further investment)
	12 June 2008	£7.0m	Review Centre Limited
	7 August 2008	£6.0m	Ingenious Ventures L.P.
	7 November 2008	£2.8m	QobliQ Limited (further investment)
	22 January 2009	£0.6m	Two Way Media Holdings Limited (further investment)
	3 April 2009	£0.4m	Trinity Universal Holdings Limited (further investment)
	9 June 2009	£0.3m	Trinity Universal Holdings Limited (further investment)
	31 March 2010	£2.1m	Brand Events Holdings Limited (further investment)
	10 May 2010	£0.5m	QobliQ Limited (further investment)

**CHAIRMAN'S STATEMENT**

I am pleased to present the fifth Annual Report and Accounts in respect of Ingenious Media Active Capital Limited (the **Company**) for the year ended 31 March 2011.

At the Extraordinary General Meeting of the Company held on 12 May 2010, it was decided to return £50.1 million of capital to Shareholders and to cease new investment activity (other than follow-on investments to existing investee companies). The Manager has therefore concentrated on active management of the Company's investment portfolio.

**Investments**

The Manager is not considering new investments, only limited follow-on investments into existing portfolio companies.

The Company provided a further £0.5 million of funding to QobliQ Limited for the acquisition of Fulford PR in May 2010.

The Company's net asset value per share as at 31 March 2011 was 25.88 pence, compared to 62.64 pence at 31 March 2010. The return of capital in May 2010 of £50.1 million accounts for 35.00 pence of this difference.

A description of the market and the Company's investment activities to date can be found in the Manager's Review which follows this statement.

**Realisation of Investments**

The assets of Stage Three Music Limited were sold to BMG Rights Management GmbH in July 2010 and in November 2010 the Company disposed of its shareholding in NetPlay TV plc. In addition, Outside Line Limited was sold to its management in April 2011.



**Mike Luckwell**  
Chairman  
28 July 2011

### MANAGER'S REVIEW

#### Market Review and Prospects

The media sector continues to recover gradually in line with the UK economy. Trading conditions remain challenging for investee companies but have been improving throughout 2010 and 2011 in comparison with the decline in the economy seen in 2008 and 2009. There remains, however, considerable uncertainty as to the sustainability of the UK recovery and clearly, any setback to this would have a corresponding impact on both trading performance and underlying company valuations.

#### Investment Activity

As mentioned in the Chairman's Statement, the Manager is no longer making investments in new investee companies, but will continue to manage the existing investee companies including making additional investments in these companies where appropriate.

#### Investments and Committed Funds

It should be noted that all outstanding funding commitments are at the discretion of the Company and the Manager.

#### Portfolio Management

This Manager's Review contains only subsidiaries in which IMAC has a controlling interest. There are no further undrawn commitments to other investments held by IMAC.

#### Investments and Committed Funds

##### Whizz Kid Entertainment Limited

June 2006, £2.25 million

February 2008, £2.00 million

Whizz Kid Entertainment Limited is an independent TV production company formed by Malcolm Gerrie, former Chief Executive and co-founder of Initial, which was sold in 1992 to what became Endemol. Whizz Kid Entertainment Limited creates and produces audio-visual content across a range of genres including music, events and entertainment. The company is able to exploit opportunities in digital content through its digital arm, Tough Cookie, and in advertiser-funded content through its investment in Precious Media with Peter Christiansen.

While the market conditions for independent TV production companies, especially smaller companies, remain challenging, Whizz Kid Entertainment Limited has been enjoying some success. In particular, its *Let's Dance* show for BBC1 has enjoyed three series with excellent ratings. *Being N-Dubz*, a reality show featuring the pop group N-Dubz, is also now in its second series.

Whizz Kid Entertainment Limited continues to maintain a strong development pipeline of projects across music, events and entertainment.

##### Digital Rights Group Limited

December 2006, £3.00 million

June 2007, £3.00 million

November 2007, £5.27 million

Digital Rights Group Limited (**DRG**) is a TV sales and rights distribution group which provides TV producers with international distribution for their rights and programmes, independently of the major broadcasters or other TV-producer-owned distributors. DRG is now the largest independent TV distributor in the UK, having acquired Portman Film & Television Group, Zeal Entertainment, i-Rights, iD Distribution and Channel 4 International Limited (**C4i**).

Market conditions have been steadily improving, with broadcasters' increasing budgets feeding through into higher programming sales. DRG has been successful in acquiring the rights to leading programming including *Doc Martin*, *Collision*, *Underbelly* and *Sea Patrol*.

The management team is continuing to work on operational synergies within the business and is also examining new investment opportunities in both TV and digital rights.

**MANAGER'S REVIEW (CONTINUED)**

**Outside Line Limited**

March 2007, £1.50 million

Founded by Ant Cauchi and Lloyd Salmons in 2000, Outside Line Limited is a digital marketing and creative agency. The company has grown since IMAC's investment, expanding its service offering from the design and development of websites and mobile applications into other disciplines including online PR, social-media marketing, and blogger outreach. A content division has also been established to provide filming, editing, audio and copywriting services.

Since 2007, Outside Line Limited has also successfully broadened its client base from mainly entertainment clients (including *The Beatles*, *Robbie Williams* and Sega Games) to other sectors, including leading consumer brands such as Playstation, Adidas, Lynx and LG.

IMAC's holding in Outside Line Limited was successfully sold back to Outside Line's management team on 6 April 2011.

**Two Way Media Holdings Limited** (including NetPlay TV plc shares up to disposal)

May 2007, £5.34 million

January 2009, £0.60 million

Two Way Media Limited, the trading company, is a UK-based interactive television company which has transitioned itself from being a supplier of red button technology and professional services to UK cable operators and channels to being a multiplatform interactive TV production and distribution company.

Subsequent to IMAC's investment, Two Way Media Limited established a cross-platform gambling production company with the delivery of the Challenge Jackpot gambling channel on TV/online in partnership with Virgin Media. This joint venture was sold to NetPlay TV plc in April 2009.

Two Way Media Limited is already the largest supplier of this type of red button gaming and content to the UK cable platform. It has a strong pipeline of opportunities both to supply similar red button content to IPTV operators across Europe as well as to develop branded casual games content both online and for TV. ITV red button voting has recommenced and is surpassing expectations. Two Way Media Limited has also created games for mobile phones, social networks and won several commissions to create applications for connected televisions. Two Way Media Limited is also beginning to push its intellectual property across Facebook, and other online gaming portals.

**Brand Events Holdings Limited**

June 2007, £7.02 million

March 2010, £2.06 million

A leader in the consumer exhibitions market, Brand Events Limited, the trading company, has established a strong reputation within the UK for successfully launching new consumer shows. The company's established operating model borrows skills and techniques from the entertainment, media and leisure sectors and combines them with traditional exhibition skills. The company has now established two key shows: the *Taste Festivals*, food festivals celebrating different foods; and *Top Gear Live*, the *Top Gear* branded live motoring theatre format. An international network has been built allowing Brand Events Limited to license or run the shows with joint venture partners in Australia, South Africa, The Netherlands, New Zealand, Ireland and Dubai. New Taste events have included Milan and Amsterdam this year, as well as a new Christmas format in Dublin. During the year ended 31 March 2011, Brand Events Holdings Limited acquired controlling interests in three of its existing joint venture partners comprising of Brand Events Australia Limited, Taste of Dublin Limited and JCRM Brand Events South Africa (Pty) Limited.

A further working capital injection of £2.06 million was agreed with management in order to expand the *Top Gear Live* shows into new territories such as Scandinavia and other major cities in Australasia, as well as creating a car festival format. A new *Golf Live* show was launched in May 2010, adding to the portfolio of shows that can then be licensed internationally through Brand Events Limited's network. Brand Events also launched *Masterchef Live* in Australia, a new food exhibition format during the year.

### MANAGER'S REVIEW (CONTINUED)

#### **QobliQ Limited**

December 2007, £7.30 million

May 2008, £2.30 million

November 2008, £2.77 million

May 2010, £0.50 million

QobliQ Limited was formed with the aim of creating the leading international innovative marketing services group, combining sponsorship, digital and experiential marketing to provide brands with an integrated innovative marketing solution. The company is exploiting a structural shift in spend away from traditional above-the-line advertising into innovative below-the-line marketing activities which enable brands to engage with their target audience on a more personal level, whilst typically delivering higher return on investment for the advertisers.

In December 2007, QobliQ Limited completed its first acquisition of brandRapport Limited, an independent sponsorship agency in the UK. In May 2008, IMAC invested a further £2.3 million in QobliQ Limited allowing the company to acquire Paris-based experiential marketing agency, Nouveau Jour SAS, and SponsorClick France SAS, an independent sponsorship marketing consultancy based in Paris. IMAC invested an additional £2.8 million in November 2008 in order for the company to acquire Arena International Limited and Arena Sports Marketing Limited together, (**Arena**), a UK sponsorship consultancy specialising in football. The acquisition of Arena, re-branded brandRapport Arena, extended brandRapport's already impressive track record into football partnerships through its work with the Barclaycard Premiership and FA Cup (E.ON). A further investment of £0.5 million was made in May 2010 to fund the acquisition of Fulford PR giving QobliQ a presence in the UK, France, Hong Kong and Singapore. In July 2011, Nouveau Jour SAS and SponsorClick France SAS, French subsidiaries of QobliQ Limited, were placed into voluntary liquidation.

#### **Review Centre Limited**

June 2008, £7.03 million

Review Centre Limited ([www.reviewcentre.com](http://www.reviewcentre.com)), a leading consumer-generated review site, was acquired in June 2008 by IMAC in a management buy-in (**MBI**) deal.

The MBI team was led by Nick Hynes as non-executive chairman and Glen Collins as Chief Executive Officer. Nick Hynes was previously Chief Executive Officer of The Search Works, the search engine marketing provider sold to Tradedoubler in July 2007 for £56 million, and prior to that headed Overture Europe, Yahoo's search advertising business. Glen Collins is a career online marketer who founded and ran pioneering online marketing and web development agency Digital Outlook, until exiting the business in 2006.

Review Centre was established in 1999 to allow internet users to post their product reviews on online bulletin boards. It now provides reviews across a very broad base of different products and services, encompassing automotive, electrical, entertainment, finance, lifestyle, sport and travel. In 2002 it switched its business model to pay-per-click advertising, significantly enhancing revenues. The business had grown steadily, primarily due to an expanding database of consumer reviews, a booming e-commerce market and increased consumer interest in researching purchases online.

Since investment, the MBI team has pressed ahead with redesigning the website and enhancing the user experience for both writing and reading reviews. The new site build has allowed Review Centre to generate several new revenue streams. These include price comparison, voucher codes and cash back revenues, display advertising as well as the ability to deliver more targeted commercial deals.

**MANAGER'S REVIEW (CONTINUED)**

**Ingenious Ventures L.P.**

IMAC's investment in Cream and Stage Three Music is via its Limited Partnership interest in the Ingenious Ventures L.P. (IVLP) fund. In July 2010 the assets of Stage Three Music Limited were sold to BMG Rights Management GmbH. Ingenious Media Limited remains the other (minority) partner in the limited partnership. No monitoring fees are charged by the Manager to IMAC for management of its interest in IVLP.

**Cream Holdings Limited**

August 2008, £1.03 million

Cream Holdings Limited is a live events company based around the Cream dance brand and is run by James Barton. Its main activities are festivals in the UK and licensed shows overseas. The company also operates club nights in both Liverpool and Ibiza and a compilation record label.

Its best known event, *Creamfields*, is held in August every year. The 2010 festival repeated the success of the previous year, selling out in advance. Management are confident that this success can again be replicated in 2011 as many of the factors driving the performance of previous events, including a change of venue and a move to a two-day format, will be continued.

The club nights business in Ibiza also saw stronger than expected performance in 2010, and this is expected to continue in 2011.

**Stage Three Music Limited**

August 2008, £5.03 million

Ingenious Ventures L.P. sold the assets of Stage Three Music Limited to BMG Rights Management GmbH in July 2010. A proportion of the sale proceeds were retained in the remaining company pending tax clearance. This clearance has now been received and these final proceeds will be distributed to IMAC accordingly.

**Ingenious Ventures**

28 July 2011

## **INGENIOUS MEDIA ACTIVE CAPITAL**

### **BOARD OF DIRECTORS**

#### **Mike Luckwell (Chairman)**

Mike Luckwell joined the Board in February 2007 having previously been a member of the advisory board to the Manager. He was appointed acting Chairman with effect from 26 January 2008 and Chairman on 29 July 2008.

Mike has over 30 years' experience in the media sector. In 1970 he set up The Moving Picture Company Limited, which he reversed into Carlton Communications plc in 1983. He was also the largest single shareholder in HIT Entertainment plc which was sold to Apax Partners Limited in March 2005.

#### **Patrick McKenna**

Patrick is the founder and Chief Executive of the Ingenious Group. Prior to forming Ingenious in 1998, Patrick was Chairman and Chief Executive of The Really Useful Group and prior to that was a Partner of Deloitte LLP, where he ran the media group.

Patrick is Chairman of the television company Hat Trick Productions and sits on the Advisory Board of the advertising agency BBH. He is also Chairman of The Young Vic Theatre, a Trustee of NESTA and a Board Member of the British Council. In addition, he is a member of the Film Business Academy Board at the Cass Business School and is an Ambassador for C&binet, the Government's creative and business international network.

#### **Neil Blackley**

Neil Blackley is a non-executive director of Ingenious Media Holdings plc and a non-executive director of World Archipelago. Neil was the head of the UK and European media research team at Merrill Lynch. Neil joined Merrill Lynch from Goldman Sachs where he was the lead analyst on the flotation of BSKyB in 1994.

Prior to joining Goldman Sachs in 1993, Neil was at James Capel, where he worked for 10 years and was consistently the No. 1 ranked media analyst in the Extel Survey.

#### **George Bryan Dix (Bryan Dix)**

Bryan Dix was a tax partner with Deloitte LLP. In 2003, he led a management buy out of Deloitte's offshore business, Walbrook Group Ltd, which had offices in Guernsey, Jersey and the Isle of Man and then employed 140 people. Walbrook provided trust and company administration services.

In 2007, having added an office in Hong Kong and with staff numbers now over 200, Walbrook was sold to Barclays Wealth. Bryan subsequently took on the role of Global Head of Wealth Advisory, the division of Barclays Wealth looking after the trust and company structuring for wealthy families throughout the world. Bryan retired from Barclays Wealth Advisory in March 2009. Bryan was appointed a director of Barclays Private Clients International Limited on 6 August 2009 and resigned as a director on 31 May 2010.

Bryan is a chartered Tax Adviser and past president of the Guernsey Branch of the Chartered Institute of Taxation.

#### **David Jeffreys**

David Jeffreys qualified as a chartered accountant with Deloitte Haskins & Sells in 1985. He is a fellow of the Institute of Chartered Accountants in England and Wales and works as an independent non-executive director to a number of Guernsey-based investment fund companies and managers.

From 2007 to 2009, David was the managing director of EQT Funds Management Limited, the Guernsey management office of the EQT group of private equity funds. From 1993 to 2004, he was the managing director of Abacus Fund Managers (Guernsey) Limited, a third party administration service provider to, primarily, corporate and fund clients. Prior to 1993, David worked as an auditor.

David was born in 1959 and is a Guernsey resident.

**BOARD OF DIRECTORS (CONTINUED)**

**William Simpson**

William Simpson is a partner of Ogier, head of its Guernsey office and is a Guernsey resident. Ogier are Guernsey Advocates with associated offices in Bahrain, British Virgin Islands, Cayman, Hong Kong, Ireland, Jersey, London and Tokyo, specialising in establishing mutual funds and providing legal services to the finance industry. Ogier are providing legal advice to the Company as to Guernsey Law, and William is a director of and beneficially interested in Ogier.

William practised at the Bar in England until 1987 prior to joining the Attorney-General's Chambers in the Cayman Islands. Thereafter, following a further period offshore in private practice in the British Virgin Islands, William relocated to Guernsey in 1991 and in 1996 became a partner in a locally based law firm. In 2002 he joined Ogier. William is a director of a number of investment companies based in Guernsey and continues to advise regularly on investment and finance related matters.

William is also a non-executive director of Ingenious Asset Management International Limited and FP Holdings Limited which are Guernsey registered companies and subsidiaries within the Ingenious Group.

**Serena Tremlett**

Serena Tremlett has close to 25 years' experience in financial services, specialising in closed-ended property and private equity funds and fund administration over the last 14 years.

She is a Guernsey resident and managing director of Morgan Sharpe Administration Limited (**Morgan Sharpe**), a third party fund administrator which was acquired by her and her team by way of management buy-out in April 2008 and is a non-executive director on Alpha Pyrenees Trust and Alpha Tiger Property Trust in addition to various unlisted funds and general partners. Morgan Sharpe provides administration services to the Company and Serena is a director of and beneficially interested in Morgan Sharpe.

Serena was previously the company secretary (and formerly a director) of Assura Group, a company listed on the London Stock Exchange investing in primary healthcare property, pharmacy and medical businesses and ran Assura's Guernsey head office.

Prior to working for Assura, Serena was head of Guernsey property funds at Maurant Guernsey for two years and worked for Guernsey International Fund Managers (now Northern Trust) for seven years where she sat on a number of listed and unlisted fund boards.

## INGENIOUS MEDIA ACTIVE CAPITAL

### DIRECTORS' REPORT

The Directors present their Annual Report and Accounts on the affairs of the Company and the Group, together with the financial statements and auditor's report, for the year from 1 April 2010 to 31 March 2011, and the comparative year from 1 April 2009 to 31 March 2010.

#### Principal Activities and Investing Policy

##### *Principal Activities*

Ingenious Media Active Capital Limited (**IMAC**, or the **Company**) is a company incorporated with limited liability under the laws of Guernsey. The Company's shares were admitted to trading on AIM on 11 April 2006.

The Company has been designated as an Authorised Closed Ended Scheme under The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

The Company is a growth/development capital fund intended to generate capital gains for its Shareholders from equity or equity-related investments in media companies. The Company is no longer making investments in new investee companies, but is now focused on managing its existing investments through to exit. IMAC will continue to make further investments in existing investee companies where appropriate. The initial term of the Investment Management Agreement was extended on 12 May 2010 for a further three years so that it expires no earlier than 11 April 2014 (rather than 11 April 2011).

Following the capital distribution of £50.1 million to Shareholders on 28 May 2011, the Manager anticipated that the Company would have sufficient cash reserves to fund future operating costs of the Company over the next two to three years. These costs are expected to be funded from a combination of the Company's post-distribution cash balance, as well as cash retained from ongoing realisations, if required.

Any current funding commitments that the Company has to the investee companies, which have yet to be drawn down, are at the discretion of the Company and the Manager. If the Company and Manager were to approve draw down of any outstanding commitments, the commitments to the investee companies would be funded from a combination of the post-distribution cash balance of the Company, as well as from additional cash retained from ongoing realisations, if required.

It is the Company's aim to assist investee companies to the point where they become attractive to larger acquirors or suitable for IPO and then to market them competitively to exit.

##### *Restrictions*

The Company has also imposed the following investment restrictions upon Ingenious Asset Management Limited acting as the Company's investment manager (the **Manager**):

- the Company will only invest in derivatives for the purpose of hedging currency risk relating to non-sterling denominated investments;
- the Company may not write uncovered options;
- the Company will not invest directly in real estate;
- the Company will not invest in commodities;
- the Company may not make any investments where its liability in relation to such investment is unlimited;
- in addition to short term borrowings (for not more than three months) the Company will have the ability to borrow up to 25 per cent. of the value of its NAV. In terms of gearing at the investee company level, the Company shall not be restricted save that the Manager shall consider the appropriateness of an investee company's gearing on a case-by-case basis.

## **DIRECTORS' REPORT (CONTINUED)**

### *Restrictions (continued)*

The restriction preventing more than 15 per cent. of the Company's net assets being invested in any one portfolio company at the time of that investment no longer applies following the changes approved at the Extraordinary General Meeting on 12 May 2010.

For the avoidance of doubt, the Company shall not make any new investments which are unconnected with the investee companies.

Due to the nature of the Company's investments, the Manager does not expect there to be significant (if any) cross-holdings among its investments.

### *Deal sourcing and strategy execution*

New investment opportunities will only be sourced in respect of the current investee companies. All outstanding funding commitments are, however, at the discretion of the Company and the Manager. The Company will retain the flexibility of choosing in which investee companies it will continue to invest, with a view to maximising shareholder value.

### *Investment procedures*

Subject to the overall supervision of the Board, and within the scope of the Company's investing policy, the Manager adopts the following investment procedures:

The Company shall continue to follow and adhere to its Current Investing Policy save to the extent that: (i) such Current Investing Policy shall only apply to investments and opportunities which lie within the investee companies and (ii) the investment restriction preventing more than 15 per cent. of the Company's net assets being invested in any one portfolio company at the time of that investment shall no longer apply.

If a further investment connected with an existing investee company is sufficiently attractive to merit further consideration the principal responsible for the opportunity will present an opportunity summary for discussion at an Investment Team meeting. At this stage the intention is to determine whether there are any fundamental objections to the proposal in terms of commercial viability, proposed investment structure and investment rationale (fit with fund objectives, availability of cash for drawdown, etc.). The Manager will perform initial due diligence using commercial expertise from within the Ingenious Group. The Final Investment Review will then be considered by the Investment Committee who will then approve or reject the opportunity.

The Board reviews details of all investments which have been made by the Manager on behalf of the Company at regular meetings of the Board.

### *Distribution policy*

The Directors intend to make distributions, subject to Guernsey company law and the Company's ongoing working capital requirements, as and when the appropriate situations arise in connection with the realisation of its investee companies. The Company will review the working capital requirements following each realisation to ensure that the Company will have sufficient cash to meet its operating costs and where surplus cash is available the Company will make an appropriate return to Shareholders.

**DIRECTORS' REPORT (CONTINUED)****Business Review**

A review of the Company's business during the year and an indication of likely future developments are contained in the Chairman's Statement and Manager's Review.

**Consolidation of Investee Company Results under International Financial Reporting Standards**

In accordance with IFRSs, the Company presents its financial statements for the Company, and consolidated financial statements for entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The International Accounting Standards Board has made it clear that the requirement to consolidate applies to venture capital organisations.

**Capital**

Details of the Company's capital are provided in note 21 to the financial statements. All shares carry equal voting rights with the exception of treasury shares which have no voting rights.

**Directors and Directors' Interests**

The Directors and their respective biographies are set out on pages 8 and 9. Mike Luckwell, Neil Blackley, George Bryan Dix, David Jeffreys, Patrick McKenna, William Simpson and Serena Tremlett served throughout the year.

As at 31 March 2011, the interests of the Directors in the issued Ordinary Share capital of the Company were:

	<b>No. of Ordinary Shares at 31 March 2011</b>	<b>% of issued Ordinary Share Capital</b>
Neil Blackley	250,000	0.17%
George Bryan Dix	-	-
David Jeffreys	-	-
Mike Luckwell	5,500,000	3.84%
Patrick McKenna*	36,432,395	25.45%
William Simpson	-	-
Serena Tremlett	-	-

\* These shares are held by Ingenious Media Limited, a company in which Patrick McKenna is beneficially interested.

There has been no change to the Directors' holdings during the year ended 31 March 2011 and up to the date of signing this report.

Details of share options granted to Directors are provided in the Directors' remuneration report on pages 19 and 20.

**DIRECTORS' REPORT (CONTINUED)**

**Substantial Interests**

<b>Investor</b>	<b>No. of Ordinary Shares at 31 March 2011</b>	<b>% of issued Ordinary Share capital</b>
Ingenious Media Limited	36,432,395	25.45%
Deutsche Bank AG	19,834,300	13.85%
Aegon Asset Management Limited	15,000,000	10.48%
Universities Superannuation Scheme Limited	14,864,796	10.38%
Scottish Widows Investment Partnership	14,850,000	10.37%
Majedie Asset Management Limited	7,000,000	4.89%
Mike Luckwell	5,500,000	3.84%
Simon Fuller	5,000,000	3.49%
Cazenove Capital Management	4,765,000	3.33%

**Post Balance Sheet Events**

Details of events that have occurred after the balance sheet date are provided in note 29 to the financial statements.

**Auditors**

A resolution to re-appoint Deloitte LLP as auditors to the Company will be put to the Shareholders at the forthcoming AGM.

Each of the persons who is a Director at the date of approval of the financial statements confirms that:

- So far as we are aware, there is no relevant audit information of which the Company's auditor is unaware.
- We have taken all steps we ought to have taken as Directors to make ourselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 249 of The Companies (Guernsey) Law, 2008.


**The Annual General Meeting**

The notice convening the AGM on 16 September 2011 at 9:00 am can be found on page 62. Additional information relating to the AGM and the resolutions to be considered by Shareholders can be found on page 64.

**Dividend**

The Directors do not recommend the payment of a final dividend in respect of the year ended 31 March 2011.

By order of the Board



**David Jeffreys**  
Director  
28 July 2011



**Serena Tremlett**  
Director  
28 July 2011

**DIRECTORS' RESPONSIBILITIES STATEMENT**

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations.

The Directors are required by The Companies (Guernsey) Law, 2008, to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (**IFRS**) and have also chosen to prepare the parent company financial statements under IFRS.

Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and Group and of the profit or loss of the Company and Group for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's and Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with The Companies (Guernsey) Law, 2008. They are also responsible for safeguarding the assets of the Company and 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 Guernsey and the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Responsibility Statement**

We confirm that to the best of our knowledge the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

By order of the Board



**David Jeffrey**  
Director  
28 July 2011



**Serena Tremlett**  
Director  
28 July 2011

## **CORPORATE GOVERNANCE REPORT**

Under the AIM Rules there is no regulatory obligation for the disclosure by the Company of its application of and compliance with the provisions of the Combined Code. It is also not a requirement for Guernsey investment funds. Nevertheless, the Company is committed to high standards of corporate governance and, as outlined in the Admission Document, the Directors have sought to comply with the June 2008 Combined Code to the extent that it is proportionate and relevant to:

- (i) the size and nature of the Company and its operations; and
- (ii) the Company's particular board and management structure as an investment company.

During the year under review, the Company has complied with the provisions of the Combined Code except as explained below.

### **Board Composition**

During the year under review the Board was comprised of seven non-executive directors of which Mike Luckwell (Chairman), George Bryan Dix, David Jeffreys and Serena Tremlett are considered to be independent of the Manager.

Patrick McKenna is the Chief Executive of Ingenious Media Holdings plc, the ultimate parent company of the Manager, and is not, therefore, considered to be independent. Neil Blackley is a non-executive director of Ingenious Media Holdings plc, the ultimate parent company of the Manager, and is also not considered to be independent. William Simpson is also a non-executive director of Ingenious Asset Management International Limited and FP Holdings Limited which are Guernsey registered companies and subsidiaries within the Ingenious Group and is therefore not considered to be independent. However, the Board believes, that in particular, the directorships of Patrick McKenna, Neil Blackley and William Simpson allow for enhanced communication between the Company and the Manager as well as closer supervision of the Manager's performance and investment decision making. The Directors therefore believe that these directorships are advantageous to, and do not adversely affect, the well balanced nature of the Board or the independence of the Board from the Manager.

Biographical details of each of the Directors can be found on pages 8 and 9 and demonstrate the wide range of skills and experience they bring to the Board.

### **Board Appointments**

Directors are appointed for no fixed term. The Board believes that, in the circumstances of the Company, the contribution of a non-executive director is enhanced by longer, continuous service. However, in accordance with the Company's articles of incorporation and the Combined Code, Patrick McKenna, Neil Blackley, William Simpson and George Bryan Dix will retire from office and seek re-election at the AGM.

The Directors' terms of appointment may be inspected by Shareholders at the Company's registered office during normal business hours and at the AGM.

To date, no formal performance evaluation of the Directors or the Board has been undertaken. Specific performance issues will be dealt with as and when they arise. No performance issues arose during the year under review and the Board considers that the individual performance of each of the Directors continues to be effective and to demonstrate their commitment to the role. The Board therefore recommends that Patrick McKenna, Neil Blackley, William Simpson and George Bryan Dix be re-elected and, accordingly, that Shareholders vote in favour of resolutions 2 to 5 as set out in the Notice.

No senior independent director has been appointed due to the relatively small size of the Board. However, this will be reviewed again during the next financial year and appropriate action taken if this is deemed appropriate.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**Board Proceedings**

The Board meets at least four times a year and convenes ad hoc meetings as and when required. The following table sets out the number of Board meetings held during the year:

	<b>Board Meetings Attended</b>	<b>Possible Board Meetings</b>
Mike Luckwell (Chairman)	4	5
Neil Blackley	3	5
George Bryan Dix	5	5
David Jeffreys	5	5
Patrick McKenna	4	5
William Simpson	5	5
Serena Tremlett	5	5

All of the Directors have access to the advice and services of representatives of Morgan Sharpe Administration Limited, the Company Secretary and Administrator, the Manager's investment team and the Manager's administrative functions including company secretarial, marketing and finance. The Administrator and Manager provide the Board with appropriate information in a timely manner prior to all Board proceedings and at such other times as may be required by the Directors.

The Directors may also take independent professional advice at the Company's expense where necessary in the furtherance of their duties and responsibilities.

**Board Responsibilities**

The Board has delegated investment decisions to the Manager under the terms of a revised investment management agreement. The fund is no longer making investments in new investee companies, but is now focused on managing its existing investments through to exit. The Company will continue to make further investments in existing investee companies where appropriate. The Board believes that terms of this delegation are clearly defined and provide a healthy balance between: (i) maintaining supervision over the Manager's activities; and (ii) allowing the Manager to make further investments connected to existing investee companies.

The Board has delegated certain administration, custody and secretarial responsibilities to the Administrator under the terms of an administration agreement.

The Board retains overall responsibility for the Company's affairs, including the determination of its investment policy and compliance with the AIM Rules. Matters specifically reserved for the decision by the Board have been defined.

**Board Committees**

The Board has appointed an Audit Committee of three (2010: four) non-executive directors, comprising David Jeffreys (Chairman), Bryan Dix and Serena Tremlett. William Simpson resigned from the Audit Committee on 15 December 2010. The Audit Committee meets a minimum of twice a year and operates within clearly defined terms of reference. The main responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies, reviewing the internal control systems and risks which the Company faces and making recommendations to the Board regarding the appointment and independence of the external auditors.

The Audit Committee considers at least annually the performance of the Company's third party service providers, including the Manager, and reviews their terms of appointment. The following table sets out the number of Audit Committee meetings held during the year and the number of meetings attended by each Audit Committee member:

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**Board Committees (continued)**

	Attended	Possible
David Jeffreys (Chairman)	3	3
Bryan Dix	3	3
Serena Tremlett	3	3
William Simpson (resigned 15 December 2010)	0	1

The Directors have not appointed a nominations committee as they consider that this would be disproportionate to the size of the Board. Appointments of any new Directors will be determined by the full Board.

No remuneration committee has been appointed by the Board on the basis that the Company has no executive Directors or employees. No individual Director is involved in setting his or her own level of remuneration.

**Internal Controls**

The Board is responsible for maintaining a sound system of internal controls to safeguard Shareholders' investment and the Company's assets.

The Audit Committee, reporting to the Board, intends to conduct a review of the effectiveness of the Company's system of internal controls twice a year. Under this review the Audit Committee consider material controls including financial, operational and compliance controls and risk management systems.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute assurance against material misstatement of loss. Reporting to the Board, the Audit Committee has established a process for identifying, evaluating and managing the Company's key risks and will continue to review this process to ensure its adequacy.

**Internal Audit Function**

The Company and the Group do not have an internal audit function. The Company delegates most of its operations to third parties and does not employ any staff and the Board therefore believes that such a function would not be appropriate for the Company. However, this will be reviewed by the Audit Committee during the next financial year and appropriate action taken if this is deemed appropriate.

**Going Concern**

Following the capital distribution of £50.1 million to Shareholders in May 2010, the Manager anticipated that the Company would have sufficient cash reserves to fund future operating costs of the Company over the next two to three years. These costs are expected to be funded from a combination of the Company's post-distribution cash balance, as well as cash retained from ongoing realisations, if required. In the unlikely scenario that insufficient realisations are made over this period, the Company will have sufficient cash to meet its operating costs. The Directors are satisfied under The Companies (Guernsey) Law, 2008 as to the future solvency of the Company for the purposes of distributing the capital.

Any current funding commitments that the Company has to the investee companies, which have yet to be drawn down, are at the discretion of the Company and the Manager. If the Company and Manager were to approve draw down of any outstanding commitments, the commitments to the investee companies would be funded from a combination of the post-distribution cash balance of the Company, as well as from additional cash retained from ongoing realisations, if required.

Shareholders should note that the implementation of the return of capital of £50.1 million also attracts inherent risks to the Company, such as the Company not being able to realise, or realising less than expected, for the investee companies. However, in such a case, with respect to its current funding commitments, the Company will retain the flexibility of choosing in which investee companies it will continue to invest, with a view to maximising Shareholder value. Furthermore, in such a case where the Company is unable to pay fees owing to the Manager due to having insufficient cash, the Manager has agreed to defer such payments until such time as the Company has sufficient cash following the realisation of investee companies.

The Board is therefore of the opinion that the going concern basis should be adopted in the preparation of the financial statements.

**CORPORATE GOVERNANCE REPORT (CONTINUED)**

**Auditor Independence**

The Board considers the scope and effectiveness of the Company's external auditors. The Company's auditors, Deloitte LLP may also provide additional non-audit services to the Company that, in the Board's opinion, will not compromise the independence of Deloitte LLP's audit team. During the year under review, additional non-audit services were provided to the Company and its subsidiaries being tax and other advice to the value of £43,750 (year ended 31 March 2010: £43,500).

## DIRECTORS' REMUNERATION REPORT

On 17 February 2010, the London Stock Exchange (**LSE**) published AIM Notice 36, together with the February 2010 version of the AIM Rules for Companies (effective from 17 February 2010). Rule 19 has been amended to require disclosure of directors' remuneration in relation to financial years ending on 31 March 2010 or later.

### Directors' Remuneration Policy

Pursuant to the Articles, the aggregate fees of the Directors are capped at £200,000 per annum. The fees payable to non-executive directors reflect their expertise, responsibilities and time spent on Company matters. In determining the level of non-executive remuneration, market equivalents are considered in comparison to the overall activities and size of the Company. Subject to the Articles, the Directors intend to continue to operate this remuneration policy for the forthcoming financial year and thereafter.

### Appointment Letters

Each Director has executed an appointment letter which provides whether he or she is to receive an annual fee and includes provision for the Director to be reimbursed for any reasonable out-of-pocket expenses. These appointment letters state that a Director shall remain in office unless he or she: resigns as a Director; is removed from office by the Board or the members of the Company; or becomes prohibited by law from being a Director.

The appointment letters do not provide for compensation upon early termination of appointment. There are no set minimum notice periods in the Directors' appointment letters but all Directors are subject to retirement by rotation. None of the Directors has a service contract.

The Company has adopted a code for Directors' share dealings which is appropriate for an AIM-listed company. The Directors will comply with Rule 21 of the AIM Rules relating to restrictions on Directors' dealings during a close period.

### Directors' Remuneration

The following table shows a breakdown of the remuneration of individual Directors:

Director	Year ended 31 March 2011 Fees
	£'000
Neil Blackley	25
George Bryan Dix	15
David Jeffreys	15
Mike Luckwell	45
Patrick McKenna	-
William Simpson	15
Serena Tremlett	15
	<b>130</b>

Patrick McKenna has elected not to receive any remuneration for his services as a Director.

The Company has granted share options of 750,000 shares to Neil Blackley and 750,000 shares to Mike Luckwell. The options have an exercise price of £1 and will vest over five years (with one fifth of the shares vesting each year, commencing from 4 April 2007 for Neil Blackley and from 24 January 2009 for Mike Luckwell), or immediately on the signing of a contract for the sale of the entire (or substantially the entire) issued share capital or business undertaking of the Company or on their appointment as a Director of the Company being terminated without cause by the Company. The options will expire 10 years from the date of the grant (being 4 April 2006 for Neil Blackley and 24 January 2008 for Mike Luckwell), unless there is any early expiration in accordance with the terms of the grant.

**DIRECTORS' REMUNERATION REPORT (CONTINUED)**

**Directors' Remuneration (continued)**

No expenses in relation to reimbursing travel costs incurred to attend Board meetings were paid directly to any Director in the year. The Company is liable to repay the travel costs incurred by the Manager in attending meetings with the investee companies and attendance at board meetings. No contributions are made on behalf of the Directors to any pension scheme. No Director has received any bonuses, taxable expenses, compensation for loss of office or non-cash benefits for the year ended 31 March 2011.

In respect of this year, the Company has purchased (and continues to maintain) liability insurance covering the Directors and officers of the Company.

By order of the Board



**David Jeffreys**  
Director  
28 July 2011



**Serena Tremlett**  
Director  
28 July 2011

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS MEDIA ACTIVE CAPITAL LIMITED**

We have audited the financial statements of the Group and Company for the year ended 31 March 2011 which comprise Consolidated and Company Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company Statement of Changes in Equity, the Consolidated and Company Statement of Cash Flows and related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (**IFRSs**).

This report is made solely to the Company's members, as a body, in accordance with Section 262 of The Companies (Guernsey) Law, 2008. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective Responsibilities of Directors and Auditors**

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

**Scope of the Audit of the Financial Statements**

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

**Opinion on Financial Statements**

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2011 and of the Group's and the Company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs; and
- the financial statements have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INGENIOUS MEDIA ACTIVE CAPITAL LIMITED (CONTINUED)**

**Matters on which we are Required to Report by Exception**

We have nothing to report in respect of the following matters where The Companies (Guernsey) Law, 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.



**Deloitte LLP**  
**Chartered Accountants**  
**Guernsey**

28 July 2011

Note: An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the Directors but no control procedures can provide absolute assurance in this area.

Legislation in Guernsey governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

**COMPANY STATEMENT OF COMPREHENSIVE INCOME**

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
Revenue	1f	292	277
Other operating expenses	1g	(689)	(1,361)
Investment revenue	1f	113	341
Fair value loss on investments in subsidiaries	1d	(343)	-
Fair value loss on investments at fair value through profit or loss	1d	(853)	(6,476)
Fair value (loss)/gain on disposal of investments		(438)	43
Investment management fees	28	(405)	(1,793)
<b>Loss before taxation</b>	2	<b>(2,323)</b>	<b>(8,969)</b>
Income tax expense	4	-	-
<b>Loss for the year</b>		<b>(2,323)</b>	<b>(8,969)</b>
<b>Loss per share (basic and diluted pence per share)</b>	5	<b>(1.62)</b>	<b>(6.26)</b>

All income is attributable to the Ordinary Shareholders of the Company unless otherwise stated.

All revenue and expenses are derived from continuing operations unless otherwise stated.

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

## INGENIØUS MEDIA ACTIVE CAPITAL

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
<b>Continuing operations</b>			
Revenue	1f	<b>51,190</b>	44,274
Cost of sales	1g	<b>(35,838)</b>	(26,992)
Other operating expenses	1g	<b>(18,443)</b>	(20,433)
Investment revenue	1f	<b>141</b>	369
Income or share of results from associates		<b>1,392</b>	1,275
Fair value (loss)/gain on investments at fair value through profit or loss	15	<b>(853)</b>	599
Fair value (loss)/gain on disposal of investments		<b>(432)</b>	43
Impairment of goodwill	6	-	(3,203)
Impairment of intangible assets	7	<b>(75)</b>	(1,904)
Investment management fees	28	<b>(405)</b>	(1,793)
Finance costs		<b>(637)</b>	(640)
<b>Loss before taxation</b>		<b>(3,960)</b>	(8,405)
Income tax expense	4	<b>(1,242)</b>	(709)
<b>Loss for the year from continuing operations</b>		<b>(5,202)</b>	(9,114)
<b>Discontinued operations</b>			
<b>Profit for the year from discontinued operations</b>	12	<b>289</b>	81
<b>Non-controlling interests</b>	26	<b>1,065</b>	(296)
<b>Loss for the year</b>		<b>(3,848)</b>	(9,329)
<b>Loss per share on continuing operations (basic and diluted pence per share)</b>			
	5	<b>(2.69)</b>	(6.58)
<b>Earnings per share on discontinued operations (basic and diluted pence per share)</b>			
	5	-	0.06
<b>Loss per share (basic and diluted pence per share)</b>			
	5	<b>(2.69)</b>	(6.52)

All income is attributable to the Ordinary Shareholders of the Company unless otherwise stated.

All revenue and expenses are derived from continuing operations unless otherwise stated.

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

**COMPANY STATEMENT OF FINANCIAL POSITION**

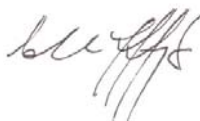
as at 31 March 2011

	Note	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
<b>Non current assets</b>			
Investment in subsidiaries	9	<b>31,438</b>	32,898
Financial assets at fair value through profit or loss	15	-	1,109
		<b>31,438</b>	34,007
<b>Current assets</b>			
Trade and other receivables	16	<b>141</b>	231
Cash and cash equivalents	17	<b>5,718</b>	55,768
		<b>5,859</b>	55,999
<b>Current liabilities</b>			
Trade and other payables	18	<b>(246)</b>	(325)
<b>Net current assets</b>		<b>5,613</b>	55,674
<b>Net assets</b>		<b>37,051</b>	89,681
<b>Equity</b>			
Share premium account	23	<b>20,860</b>	71,275
Distributable reserve	24	<b>70,663</b>	70,663
Shares held in treasury	22	<b>(515)</b>	(515)
Retained earnings		<b>(53,957)</b>	(51,742)
<b>Total equity</b>		<b>37,051</b>	89,681
<b>Net asset value (basic and diluted pence per share)</b>	25	<b>25.88</b>	62.64


The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board and authorised for issue on 28 July 2011.

Signed on behalf of the Board:



**David Jeffrey**  
Director



**Serena Tremlett**  
Director

# INGENIOUS MEDIA ACTIVE CAPITAL

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2011

	Note	31 March 2011 £ '000	31 March 2010 £ '000
<b>Non current assets</b>			
Goodwill	6	15,090	13,930
Other intangible assets	7	7,382	8,662
Fixtures, fittings and equipment	8	393	466
Financial assets at fair value through profit or loss	15	3,806	7,251
Investments in associates		(147)	32
		<b>26,524</b>	<b>30,341</b>
<b>Current assets</b>			
Inventories	11	1,239	681
Trade and other receivables	16	21,676	23,882
Cash and cash equivalents	17	17,497	68,888
Assets classified as held for sale	13	2,103	-
		<b>42,515</b>	<b>93,451</b>
<b>Current liabilities</b>			
Trade and other payables	18	(31,971)	(33,752)
Current tax liabilities		(287)	(58)
Liabilities associated with assets classified as held for sale	13	(641)	-
		<b>(32,899)</b>	<b>(33,810)</b>
<b>Net current assets</b>		<b>9,616</b>	<b>59,641</b>
<b>Non current liabilities</b>			
Long term third party loans	19	(2,895)	(2,701)
Deferred tax		-	(4)
Deferred consideration	20	(4,366)	(2,959)
<b>Net assets</b>		<b>28,879</b>	<b>84,318</b>
<b>Equity</b>			
Share premium account	23	20,860	71,275
Distributable reserve	24	70,663	70,663
Shares held in treasury	22	(515)	(515)
Retained earnings		(65,148)	(60,812)
Foreign currency translation reserve		58	39
Equity attributable to equity holders of the parent		<b>25,918</b>	<b>80,650</b>
Amounts recognised in equity relating to assets held for sale	13	462	-
Non-controlling interests	26	2,499	3,668
<b>Total equity</b>		<b>28,879</b>	<b>84,318</b>
<b>Net asset value (basic and diluted pence per share)</b>	25	<b>18.10</b>	<b>56.33</b>

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board and authorised for issue on 28 July 2011.

Signed on behalf of the Board:



**David Jeffreys**  
Director



**Serena Tremlett**  
Director

**COMPANY STATEMENT OF CHANGES IN EQUITY**

for the year ended 31 March 2011

	Note	Share premium account £ '000	Distribut- able reserves £ '000	Shares held in treasury £ '000	Retained earnings £ '000	Total equity £ '000
<b>Balance at 1 April 2010</b>		<b>71,275</b>	<b>70,663</b>	<b>(515)</b>	<b>(51,742)</b>	<b>89,681</b>
Capital distribution	23	(50,109)	-	-	-	(50,109)
Capital distribution costs	23	(306)	-	-	-	(306)
Recognition in respect of share-based payments	1s	-	-	-	108	108
Retained losses for the year		-	-	-	(2,323)	(2,323)
<b>Balance at 31 March 2011</b>		<b>20,860</b>	<b>70,663</b>	<b>(515)</b>	<b>(53,957)</b>	<b>37,051</b>

for the year ended 31 March 2010

	Note	Share premium account £ '000	Distribut- able reserves £ '000	Shares held in treasury £ '000	Retained earnings £ '000	Total equity £ '000
Balance at 1 April 2009		71,275	70,663	(515)	(42,881)	98,542
Recognition in respect of share-based payments	1s	-	-	-	108	108
Retained losses for the year		-	-	-	(8,969)	(8,969)
Balance at 31 March 2010		71,275	70,663	(515)	(51,742)	89,681

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

## INGENIOUS MEDIA ACTIVE CAPITAL

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2011

	Note	Share premium account £ '000	Distributable reserves £ '000	Translation reserve £ '000	Shares held in treasury £ '000	Retained earnings £ '000	Assets classified as held for sale £ '000	Non-controlling interest £ '000	Total equity £ '000
<b>Balance at 1 April 2010</b>		<b>71,275</b>	<b>70,663</b>	<b>39</b>	<b>(515)</b>	<b>(60,812)</b>	-	<b>3,668</b>	<b>84,318</b>
Capital distribution	23	(50,109)	-	-	-	-	-	-	(50,109)
Capital distribution costs	23	(306)	-	-	-	-	-	-	(306)
Recognition in respect of share-based payments	1s	-	-	-	-	108	-	-	108
Other reserve movements		-	-	19	-	(134)	-	33	(82)
Dividends		-	-	-	-	-	-	(137)	(137)
Retained losses for the year		-	-	-	-	(3,848)	-	(1,065)	(4,913)
Amounts in equity relating to assets classified as held for sale	13	-	-	-	-	(462)	462	-	-
<b>Balance at 31 March 2011</b>		<b>20,860</b>	<b>70,663</b>	<b>58</b>	<b>(515)</b>	<b>(65,148)</b>	<b>462</b>	<b>2,499</b>	<b>28,879</b>

for the year ended 31 March 2010

	Note	Share premium account £ '000	Distributable reserves £ '000	Translation reserve £ '000	Shares held in treasury £ '000	Retained earnings £ '000	Non-controlling interest £ '000	Total equity £ '000
Balance at 1 April 2009		71,275	70,663	110	(515)	(51,414)	3,372	93,491
Recognition in respect of share-based payments	1s	-	-	-	-	108	-	108
Other reserve movements		-	-	(71)	-	(177)	-	(248)
Retained (losses)/profits for the year		-	-	-	-	(9,329)	296	(9,033)
Balance at 31 March 2010		71,275	70,663	39	(515)	(60,812)	3,668	84,318

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

**COMPANY STATEMENT OF CASH FLOWS**

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
<b>Net cash flow from operating activities</b>		<b>(570)</b>	<b>(2,625)</b>
<b>Investing activities</b>			
Purchase of investments (net of arrangement fees)		-	(408)
Acquisition of subsidiary undertakings	9	<b>(997)</b>	(2,146)
Sale of investment/investment repaid	9	<b>1,761</b>	487
Sale of investment at fair value through profit and loss	15	<b>171</b>	-
<b>Net cash flow used in investing activities</b>		<b>935</b>	<b>(2,067)</b>
<b>Financing activities</b>			
Capital distribution	23	<b>(50,109)</b>	-
Capital distribution costs	23	<b>(306)</b>	-
<b>Net cash flow used in financing activities</b>		<b>(50,415)</b>	-
<b>Net decrease in cash and cash equivalents</b>		<b>(50,050)</b>	<b>(4,692)</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>55,768</b>	<b>60,460</b>
<b>Cash and cash equivalents at end of year</b>		<b>5,718</b>	<b>55,768</b>
<b>Cash flow from operating activities</b>			
Loss before taxation		<b>(2,323)</b>	(8,969)
Fair value loss on financial assets		<b>1,196</b>	6,476
Loss on disposal of investment		<b>438</b>	-
Recognition of share based payment		<b>108</b>	108
Decrease in amounts receivable		<b>90</b>	564
Decrease in amounts payable		<b>(79)</b>	(804)
<b>Net cash flow from operating activities</b>		<b>(570)</b>	<b>(2,625)</b>

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

## INGENIOUS MEDIA ACTIVE CAPITAL

### CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2011

	Note	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
<b>Net cash flow from operating activities</b>		<b>(2,834)</b>	(4,640)
<b>Investing activities</b>			
Purchase of investments (net of arrangement fees)		-	(408)
Acquisition of subsidiary undertakings	10	<b>1,203</b>	(114)
Sale of investments		<b>2,127</b>	487
Acquisition of intangibles	7	<b>(755)</b>	(377)
Purchases of fixtures, fittings and equipment	8	<b>(383)</b>	(161)
Cash deconsolidated on disposal of discontinued operations	14	-	(57)
<b>Net cash flow used in investing activities</b>		<b>2,192</b>	(630)
<b>Financing activities</b>			
Capital distribution	23	<b>(50,109)</b>	-
Capital distribution costs	23	<b>(306)</b>	-
Third party borrowings		<b>(30)</b>	-
Amounts paid to non-controlling interests		<b>(332)</b>	-
<b>Net cash flow used in financing activities</b>		<b>(50,777)</b>	-
<b>Net decrease in cash and cash equivalents</b>		<b>(51,419)</b>	(5,270)
<b>Cash and cash equivalents at beginning of year</b>		<b>68,888</b>	74,217
<b>Effect of foreign exchange rate changes</b>		<b>28</b>	(59)
<b>Cash and cash equivalents at end of year</b>		<b>17,497</b>	68,888
<b>Cash flow from operating activities</b>			
Loss before taxation		<b>(3,960)</b>	(8,405)
Fair value loss/(gain) on financial assets	15	<b>853</b>	(599)
Recognition of share based payment		<b>108</b>	108
Loss on disposal of investment		<b>432</b>	-
Impairment of goodwill	6	-	3,203
Impairment of intangible assets	7	<b>75</b>	1,904
Amortisation of intangible assets	7	<b>1,884</b>	304
(Increase)/decrease in amounts receivable		<b>(110)</b>	2,235
Decrease in amounts payable		<b>(1,897)</b>	(3,478)
Increase in inventories		<b>(558)</b>	(43)
Depreciation of fixtures, fittings and equipment	8	<b>256</b>	288
Other		<b>83</b>	(157)
<b>Net cash flow from operating activities</b>		<b>(2,834)</b>	(4,640)

The notes on pages 31 to 60 are an integral part of these consolidated financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

for the year to 31 March 2011

### 1. Summary of significant accounting policies

#### Reporting entity

Ingenious Media Active Capital Limited (the **Company**) is a closed-end investment company with limited liability formed under The Companies (Guernsey) Law 2008, and its shares are admitted to trading on AIM. The Company was incorporated on 17 February 2006 and dealings on AIM commenced on 11 April 2006. The Company's registered office is Isabelle Chambers, Route Isabelle, St Peter Port, Guernsey. The **Group** is defined as the Company and its subsidiaries.

#### Basis of preparation

The financial statements of the Company have been prepared in accordance with IFRSs, which comprise standards and interpretations approved by the International Accounting Standards Board (the **IASB**), and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee (**IASC**) that remain in effect, together with applicable legal and regulatory requirements of Guernsey Law and the Listing Rules of the UK Listing Authority.

The financial statements have been prepared on the historical cost basis, as modified by the measurement at fair value of investments and financial instruments.

There have been no material changes in accounting policies during the year.

#### Going concern

The financial statements have been prepared on the going concern basis. IMAC currently holds adequate cash balances to meet the payment of funds committed to its investee companies as they fall due. Following the capital distribution of £50.1 million to Shareholders in May 2010, the Manager anticipated that the Company would have sufficient cash reserves to fund future operating costs of the Company over the next two to three years. These costs are expected to be funded from a combination of the Company's post-distribution cash balance, as well as cash retained from ongoing realisations, if required. In the unlikely scenario that insufficient realisations are made over this period, the Company will have sufficient cash to meet its operating costs. The Directors are satisfied under The Companies (Guernsey) Law, 2008 as to the future solvency of the Company for the purposes of distributing the capital.

Any current funding commitments that the Company has to the investee companies, which have yet to be drawn down, are at the discretion of the Company and the Manager. If the Company and Manager were to approve draw down of any outstanding commitments, the commitments to the investee companies would be funded from a combination of the post-distribution cash balance of the Company, as well as from additional cash retained from ongoing realisations, if required.

Shareholders should note that the implementation of the return of £50.1 million of capital also attracts inherent risks to the Company, such as the Company not being able to realise, or realising less than expected, for the investee companies. However, in such a case, with respect to its current funding commitments, the Company retains the flexibility of choosing in which investee companies it will continue to invest, with a view to maximising Shareholder value. Furthermore, in such a case where the Company is unable to pay fees owing to the Manager due to having insufficient cash, the Manager has agreed to defer such payments until such time as the Company has sufficient cash following the realisation of investee companies. The Board is therefore of the opinion that the going concern basis should be adopted in the preparation of the financial statements.

#### Use of estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and contingencies at the date of the Group's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial statements include the amounts recorded for the fair value of the investments and recoverable value of goodwill and other intangible assets. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Group's financial statements of changes in estimates in future periods could be significant. In the current economic conditions the number of transactions and market prices are depressed. In these circumstances the fair value of the Company's investments and recoverable value of goodwill and other intangible assets cannot be estimated as easily as when there are greater levels of market activity.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. Summary of significant accounting policies (continued)**

**Use of estimates (continued)**

The current market conditions are such that some of the Group's investments remain loss making and may require further cash injection in the future. In each case, the Manager has implemented measures to reduce operating costs and stimulate revenue growth for these investments in order to limit future funding requirements and increase investment value with a view to realisation in an orderly fashion over an extended period. As explained in note 1d, the valuations undertaken by the Company are based upon a mixture of bases using revenue, contribution and earnings multiples in light of the measures noted above.

As noted in the Chairman's Statement, the decision was taken by the Board during the period to make a capital distribution to Shareholders of £50.1 million and to change the Company's investment policy to cease investment in new companies and focus on developing existing investee companies. Post-distribution of this capital, the Company has much reduced available cash resources which could limit its ability to fund its investments going forward.

**Financial instruments**

**Financial assets**

Financial assets are divided into the following categories:

- loans and receivables, including cash and cash equivalents;
- fair value through profit or loss.

Financial assets are assigned to the different categories on initial recognition depending on the characteristics of the instrument and its purpose. A financial instrument's category is relevant for the way it is measured and whether resulting income and expenses are recognised in the (Consolidated) Statement of Comprehensive Income or charged directly against equity. All income and expenses in respect of financial assets held by the Group and Company in the year under review are recognised in the (Consolidated) Statement of Comprehensive Income. Generally the Group and Company recognise all financial assets using trade date accounting. An assessment of whether the value of a financial asset is impaired is made at least at each reporting date. All income relating to financial assets is recognised in the (Consolidated) Statement of Comprehensive Income under the heading "revenue" and interest payable is recognised under the heading "finance costs".

The Group and Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the (Consolidated) Statement of Financial Position.

Cash and cash equivalents include cash in hand and deposits held on call with banks.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Group and Company's trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. Discounting is omitted where its effect is immaterial. Individual receivables are considered for impairment when they are overdue or when there is objective evidence that the debtor will default.

Financial assets at fair value through profit or loss include financial assets that are classified as held for trading. The Group and Company's remaining assets fall into this category and include its investment in investee companies. Fair values of securities listed in active markets are determined by the current bid prices. Where independent prices are not available, fair values have been determined with reference to financial information available at the time of the original investment updated to reflect all relevant changes to that information at the reporting date. This may include, among other factors, changes in the business outlook affecting a particular investment, performance of the underlying business against original projections and valuations of similar quoted companies.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. Summary of significant accounting policies (continued)**

**Financial instruments (continued)**

Financial liabilities

Financial liabilities are divided into the following categories:

- other financial liabilities;
- fair value through profit or loss.

Other financial liabilities include the Group and Company's trade and other payables and are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at fair value through profit or loss are carried on the (Consolidated) Statement of Financial Position at fair value determined by current market prices.

**Fair value measurement hierarchy**

IFRS 7, "Financial Instruments: Disclosures", requires certain disclosures which require a classification of financial assets and liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

- level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in the fair value hierarchy of the financial asset or liability is determined on the basis of the lowest level input that is significant to the fair value measured. Financial assets and liabilities are classified in their entirety into only one of the three levels.

	Company		Consolidated	
	2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000
Level 1	-	1,109	-	1,109
Level 2	-	-	-	-
Level 3	<b>31,438</b>	32,898	<b>3,806</b>	6,142
	<b>31,438</b>	34,007	<b>3,806</b>	7,251

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**1. Summary of significant accounting policies (continued)**

**Adoption of new and revised standards**

At the date of authorisation of the financial statements, the following Standards and Interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

- IFRS 10 “Consolidated Financial Statements”, effective for periods beginning on or after 1 January 2013;
- IFRS 11 “Joint Arrangements”, effective for periods beginning on or after 1 January 2013;
- IFRS 12 “Disclosure of Interests in Other Entities”, effective for periods beginning on or after 1 January 2013;
- IFRS 13 “Fair Value Measurement”, effective for periods beginning on or after 1 January 2013.

The Directors anticipate that the adoption of these Standards and Interpretations in future periods could have a significant impact on the financial statements of the Group or Company.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1. Summary of significant accounting policies (continued)****Principal accounting policies****a. Basis of consolidation**

The Consolidated Financial Statements incorporate the financial statements of the Company and the Group made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

The results of subsidiaries acquired during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, revenue and expenses are eliminated on consolidation.

**b. Business combinations**

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations (Amended)", are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. Goodwill is reviewed for impairments annually.

The non-controlling interests in the acquiree are initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities at the time of acquisition.

**c. Functional currency**

Items included in the financial statements of the Group and the Company 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 GBP (£), which is the Company's functional and presentational currency.

Transactions in currencies other than sterling are translated at the foreign exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into sterling at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into sterling at foreign exchange rates ruling at the dates the fair value was determined.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Summary of significant accounting policies (continued)

#### Principal accounting policies (continued)

##### c. Functional currency (continued)

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing at the balance sheet date. Income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Where the average exchange rates fluctuate significantly, material income and expenses must be translated at the exchange rate prevailing on the date of the transaction. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expenses in the period in which the operation is disposed of.

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 rate prevailing at the balance sheet date.

##### d. Financial assets at fair value through profit or loss

Investments, including equity and loan investments, including subsidiaries are designated as fair value through profit or loss in accordance with International Accounting Standard 39 (**IAS 39**) "Financial Instruments: Recognition and Measurement", as the Company is an investment company whose business is investing in financial assets with a view to profiting from their total return in the form of interest and changes in fair value. Investments are initially recognised at cost. The investments are subsequently re-measured at fair value, as determined by the Directors. Unrealised gains or losses arising from the revaluation of investments are taken directly to the Statement of Comprehensive Income.

Fair value is determined as follows:

Unquoted securities are valued based on the realisation value which is estimated by the Directors with prudence and good faith. The Directors will take into account the guidelines and principles for valuation of investee companies set out by the International Private Equity and Venture Capital (**IPEV**) association, with particular consideration of the following factors:

- Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
- In estimating fair value for an investment, the Company will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations.
- An appropriate methodology incorporates available information about all factors that are likely to materially affect the fair value of the investment. The valuation methodologies are applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly disclosed in the financial statements.

The most widely used methodologies are listed below. In assessing which methodology is appropriate, the Directors are predisposed towards those methodologies that draw upon market-based measures of risk and return.

- Cost of recent investment
- Earnings multiple
- Net assets
- Available market prices

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income in the period in which they arise.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1. Summary of significant accounting policies (continued)****Principal accounting policies (continued)****d. Financial assets at fair value through profit or loss (continued)**

The Group has determined that the valuations are most sensitive to changes in the following key assumptions:

- Annual budgets and cash flow projections for each individual investment. These are based on actual budgets and cash flows and projections discussed with and approved by management for a period of one year to five years depending on the investment;
- Comparable earnings multiples. A number of investments are valued using comparable listed and other industry multiples which range from 4.7 to 8 times earnings depending on the investment.

As a result of the above basis of valuation, there is significant judgement associated with the valuation of investments.

**e. Arrangement fees**

Under the terms of the investment agreements between the Company and its investee companies, the investee companies are required to pay to the Company an arrangement fee in consideration for its services in arranging financing for the investee company. In accordance with IAS 39, this arrangement fee is deducted from the cost of the investment. A corresponding increase in the fair value of the investment is then recorded so that the investment is valued at the gross amount paid.

**f. Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Where appropriate, revenue is recorded in the Statement of Comprehensive Income on the basis that there is a legally binding contract in place and there is virtual certainty of fulfilment of any conditionality attached to the contract.

Interest income is included on an accruals basis using the effective interest method.

Dividend income from investments is recognised when the Group's right to receive payment has been established.

**g. Expenses**

All expenses are accounted for on an accruals basis. Expenses are charged through the Statement of Comprehensive Income except where they relate to capital expenditure or the raising and maintenance of capital.

**h. Other intangible assets**

Acquired trademarks, licenses and customer relationships are initially recognised at fair value. Trademarks, licenses and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks, licenses and customer relationships over their estimated useful lives (being a period of up to 10 years).

**i. Fixtures, fittings and equipment**

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives (being between two and five years) using the straight-line method.

**j. Investee company interests in joint ventures**

Investee company interests in jointly controlled entities, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity, are recognised using the equity method of accounting. The investment is initially recognised at cost under 'investments in associates', and adjusted thereafter for the post-acquisition change in the investee company's share of net assets of the joint venture. The investee company's share of the profit or loss of the joint venture is included under 'other operating revenue and expenses'.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 1. Summary of significant accounting policies (continued)

#### Principal accounting policies (continued)

##### j. Investee company interests in joint ventures (continued)

This accounting policy differs from that applied by the Company in accounting for its interests in associates, which are designated as financial assets at fair value through profit or loss.

##### k. Investee company interests in associates

Investee company interests in associates are accounted for using the equity method of accounting. Under the equity method, investments in the associates are carried in the Consolidated Statement of Financial Position at cost plus post acquisition changes in the consolidated entity's share of net assets of the associates.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables and loans, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The reporting dates of the associates and the consolidated entity are identical and the associates' accounting policies conform to those used by the consolidated entity for like transactions and events in similar circumstances.

##### l. Inventories

Inventories comprise of work-in-progress which is the cost incurred in relation to a show or customer campaign which has not taken place at the balance sheet date and is stated at the lower of cost and net realisable value. Cost includes materials, direct labour and any other direct costs.

##### m. Trade and other receivables

Trade and other receivables are initially recognised at fair value. A provision for impairment of trade receivables is established when there is objective evidence the Group will not be able to collect all amounts due according to the original terms of the receivables.

##### n. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, on-demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

##### o. Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently, where necessary, re-measured at amortised cost using the effective interest method.

##### p. Deferred consideration

A number of investee company acquisitions have been made on deferred payment terms. These deferred payments are generally contingent on the future revenue and/or profits achieved by the investee company. Amounts of deferred consideration payable after one year, are discounted using discount rates that reflect the current market assessment of the time value of money and, where appropriate, the risks specific to the investee company. This contingent deferred consideration is reassessed annually, and 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 Statement of Comprehensive Income and credited to the liability over the period in which the consideration is deferred.

##### q. Financial instruments

Financial assets and financial liabilities are recognised in the Group's Statement of Financial Position when the Group becomes a party to the contractual provisions of the instrument.

##### r. Equity instruments

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1. Summary of significant accounting policies (continued)****Principal accounting policies (continued)****s. Share options**

The Company accounts for the fair value of share options at the grant date over the vesting period in the Statement of Comprehensive Income, with a corresponding increase to equity. The fair value has been calculated based on the Black Scholes Model using the following inputs:

- Share price 97.50 pence
- Exercise price 100.00 pence
- Expected volatility 11.55%
- Expected life 10 years
- Risk free rate 4.413%
- Expected dividends NIL

**2. Loss before taxation**

The loss before taxation has been arrived at after charging:

	<b>Company</b>		<b>Consolidated</b>	
	<b>Year ended 2011 £ '000</b>	Year ended 2010 £ '000	<b>Year ended 2011 £ '000</b>	Year ended 2010 £ '000
Staff costs	-	-	<b>11,448</b>	12,590
Directors' fees	<b>130</b>	129	<b>130</b>	129
Amortisation of intangibles	-	-	<b>1,884</b>	304
Recognition of share-based payment	<b>108</b>	108	<b>108</b>	108
Depreciation – fixtures, fittings and equipment	-	-	<b>256</b>	288
Rental and lease expenses	-	-	<b>1,068</b>	1,169
Bad debts - written off	-	-	<b>24</b>	1
Auditors' remuneration	<b>123</b>	165	<b>271</b>	316
Auditors – non audit remuneration	<b>9</b>	-	<b>48</b>	2

**3. Operating segments**

The information in this note has been prepared using the definition of an operating segment in IFRS 8: "Operating Segments". The Group determines and presents the information that is provided internally to the Directors to enable them to assess performance and allocate resources.

The chief operating decision-maker has been identified as the Board, which reviews the Company's internal reporting in order to assess performance and allocate resources. The Board has determined the operating segments based on these reports.

As an investment company, the Group's primary focus is on the performance of its investment portfolio. Whilst there are a number of individual investments included in this portfolio, performance is reviewed for the portfolio as a whole on the basis of its fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Operating segments (continued)

The Directors believe that the Company and the Group are engaged in a single segment of business of holding investments in media and entertainment companies, operating solely from Guernsey and therefore the Directors only recognise a single class of asset. The information reviewed by the Board includes summarised financial information for each investment in the portfolio, however, this is not sufficiently detailed to provide any segmental analysis and hence only a single segment has been identified.

Segment revenues and results	Segment revenue		Segment profit/(loss)	
	Year ended 2011 £ '000	Year ended 2010 £ '000	Year ended 2011 £ '000	Year ended 2010 £ '000
Investments portfolio	51,190	44,274	10,275	8,192
Total for continuing operations	51,190	44,274	10,275	8,192
Share of profit of associates			1,392	1,275
Other operating expenses including Directors' salaries			(18,443)	(20,433)
Finance costs			(637)	(640)
Consolidation adjustments			3,453	3,201
Loss before tax (continuing operations)			(3,960)	(8,405)

To reconcile Group profit and loss and total assets, 'Consolidation adjustments' comprise the difference between the aggregate fair value and the total assets and liabilities of subsidiaries and joint ventures.

Segment assets	Year ended 2011 £ '000	Year ended 2010 £ '000
Investments portfolio	66,936	123,792
Assets classified as held for sale	2,103	-
Total segment and consolidated assets	69,039	123,792

Segment liabilities	Year ended 2011 £ '000	Year ended 2010 £ '000
Investments portfolio	39,519	39,474
Liabilities directly associated with assets classified as held for sale	641	-
Total segment and consolidated liabilities	40,160	39,474

Geographical information	Revenue from external customers		Non current assets	
	Year ended 2011 £ '000	Year ended 2010 £ '000	Year ended 2011 £ '000	Year ended 2010 £ '000
United Kingdom	18,279	21,685	26,484	29,592
Europe (excluding UK)	11,858	13,168	29	58
Other	21,053	9,421	11	691
	51,190	44,274	26,524	30,341

**Major clients:** The Group is not reliant on one major customer as no one customer accounts for more than 10 per cent. of the Group's revenue.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. Income tax expense**

The Company has been granted exemption from income tax in Guernsey under the Income Tax (Exempt Bodies) (Bailiwick of Guernsey) Ordinance 1989, and is liable to pay an annual fee (currently £600) under the provisions of the Ordinance. As such it will not be liable to income tax in Guernsey other than on Guernsey source income (excluding deposit interest on funds deposited with a Guernsey bank). No withholding tax is applicable to distributions to Shareholders by the Company.

The subsidiary companies are resident in the UK and liable to UK Corporation Tax. Group relief on operating losses may be available between those United Kingdom resident investee companies in which the Company holds not less than 75 per cent. of the ordinary share capital.

	<b>Consolidated</b>	
	<b>Year ended</b>	Year ended
	<b>2011</b>	2010
	<b>£ '000</b>	£ '000
Loss before taxation	<b>(3,960)</b>	(8,405)
Tax rate in Guernsey 0%	-	-
Adjustments:		
For foreign tax rates	<b>(1,361)</b>	572
Non deductible expenses	<b>1,220</b>	194
Expenses from prior year allowed in current year	-	(48)
Deferred tax not recognised	<b>(86)</b>	(1,147)
Depreciation in excess of capital allowances	<b>(6)</b>	8
Prior year adjustment	<b>(12)</b>	(444)
Withholding tax charge	<b>(1,305)</b>	(397)
Utilisation of prior year losses	<b>84</b>	280
Small companies relief	-	(4)
Consortium relief	<b>224</b>	277
Tax expense for the year	<b>(1,242)</b>	(709)
Analysis of tax expense for the year		
Current year tax charge - continuing operations	<b>(1,054)</b>	882
Current year tax charge - discontinued operations	<b>(90)</b>	-
Prior year adjustment	<b>(12)</b>	(444)
Deferred tax	<b>(86)</b>	(1,147)
	<b>(1,242)</b>	(709)
Losses carried forward	<b>(20,417)</b>	(23,510)

**5. Loss per share**

The calculation of basic and diluted return per share is based on the return on ordinary activities and on 143,168,463 Ordinary Shares (year ended 31 March 2010: 143,168,463), being the weighted average number of shares for the purpose of the earnings per share calculation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Goodwill

	Consolidated	
	2011	2010
	£ '000	£ '000
<b>Cost</b>		
Balance at the beginning of the year	36,441	37,505
Recognised on acquisition of a subsidiary	1,268	149
Purchased goodwill	-	144
IFRS adjustment in respect of acquisition of subsidiaries	(108)	(32)
Reallocation to intangibles	-	(1,325)
Balance at the end of the year	37,601	36,441
<b>Accumulated impairment losses</b>		
Balance at the beginning of the year	(22,511)	(19,308)
Impairment losses for the year		
Continuing operations	-	(3,203)
Discontinued operations	-	-
Balance at the end of the year	(22,511)	(22,511)
<b>Carrying amount at the end of the year</b>	<b>15,090</b>	<b>13,930</b>

Included within goodwill are other intangible assets which were not separately identified at acquisition. The Company will review the treatment of these assets over the next 12 months and make any appropriate adjustments to the categorisation of these assets. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The Group has invested in a broad range of high growth companies within the media sector. The Directors view each investment as an individual cash generating unit as this represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill has been allocated for impairment testing purposes to seven individual cash-generating units.

The carrying amount of goodwill is as follows:

	2011	2010
	£ '000	£ '000
<b>Investments</b>	<b>15,090</b>	<b>13,930</b>

During the year ended 31 March 2011, the Group has determined that there has been no impairment on its cash-generating units containing goodwill (year ended 31 March 2010: £3,203k). The impairment of goodwill in previous periods resulted from the difficult market and trading conditions experienced by the investee companies.

The recoverable amounts (i.e. the higher of value in use and fair value less costs to sell) of those units and group of units are determined using either the value in use or the fair value less cost to sell methodologies as the Directors determine as appropriate.

	2011	2010
	£ '000	£ '000
<b>Fair value less costs to sell</b>	<b>15,090</b>	<b>13,930</b>

The Group has determined that the recoverable amount calculations are most sensitive to changes in the following key assumptions:

- a. Annual budgets and cash flow projections for each individual investment. These are based on actual budgets and cash flows and projections discussed with and approved by the Manager for a period of one year to five years depending on the investment;

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**6. Goodwill (continued)**

- b. Comparable earnings multiples. A number of investments are valued using comparable listed and other industry multiples which range from 4.7 to 8 times earnings depending on the investment.

The Directors have applied the accounting policy outlined in note 1d to determine the recoverable amount of cash-generating units where the fair value less cost to sell methodology applies.

**7. Other intangible assets**

	<b>Consolidated</b>	
	<b>2011</b>	2010
	<b>£ '000</b>	£ '000
<b>Cost or valuation</b>		
Balance at the beginning of the year	<b>12,932</b>	11,161
Additions in year	<b>513</b>	377
Reclassification	-	1,325
Recognised on acquisition of a subsidiary	<b>242</b>	69
Balance at the end of the year	<b>13,687</b>	12,932
<b>Amortisation</b>		
Balance at the beginning of the year	<b>(673)</b>	(369)
Reclassification	<b>(76)</b>	-
Charge for the year	<b>(1,884)</b>	(304)
Balance at the end of the year	<b>(2,633)</b>	(673)
<b>Impairment</b>		
Balance at the beginning of the year	<b>(3,597)</b>	(1,693)
Charge for the year	<b>(75)</b>	(1,904)
Balance at the end of the year	<b>(3,672)</b>	(3,597)
<b>Carrying amount at the end of the year</b>	<b>7,382</b>	8,662

Acquired trademarks, licenses and customer relationships are initially recognised at fair value. Trademarks and customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Show formats and some licenses have indefinite lives. Amortisation is calculated using the straight line method to allocate the cost of trademarks, licenses and customer relationships over their estimated useful lives (being a period of up to 10 years).

The carrying amount of intangible assets with indefinite useful lives is as follows:

	<b>2011</b>	2010
	<b>£ '000</b>	£ '000
<b>Investments</b>	<b>5,686</b>	6,395

The recoverable amounts (i.e. the higher of value in use and fair value less costs to sell) of those units and group of units are determined using either the value in use or the fair value less cost to sell methodologies as the Directors determine as appropriate.

	<b>2011</b>	2010
	<b>£ '000</b>	£ '000
<b>Fair value less costs to sell</b>	<b>5,686</b>	6,395

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Fixtures, fittings and equipment

	Consolidated	
	2011	2010
	£ '000	£ '000
<b>Cost or valuation</b>		
Balance at the beginning of the year	1,594	1,786
Additions in year	383	161
Recognised on acquisition of a subsidiary	62	-
Cost value of disposals in year	(414)	(353)
Reclassified as held for sale	(129)	-
Balance at the end of the year	1,496	1,594
<b>Accumulated depreciation</b>		
Balance at the beginning of the year	(1,128)	(1,002)
Accumulated depreciation on disposals during the year	281	162
Charge for the year	(256)	(288)
Balance at the end of the year	(1,103)	(1,128)
<b>Carrying amount at the end of the year</b>	<b>393</b>	<b>466</b>

9. Investment in subsidiaries

	Company	
	2011	2010
	£ '000	£ '000
Opening fair value at the beginning of the year	32,898	38,416
Reclassifications	-	(1,000)
Purchases at cost	997	2,281
Disposal proceeds	(1,761)	-
Investment repaid	-	(487)
Loss on sale of investment	(353)	-
Fair value adjustment	(343)	(6,312)
<b>Closing fair value at the end of the year</b>	<b>31,438</b>	<b>32,898</b>

Reclassification in the year ended 31 March 2010 includes the 4,266,667 shares received in NetPlay TV plc from Two Way Media Holdings Limited as repayment of loan notes. NetPlay TV plc shares were disposed in November 2010.

Disposal proceeds in the year ended 31 March 2011 relate to the disposal of IMAC's indirect share in Stage Three Music to BMG in July 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. Investment in subsidiaries (continued)

Name of subsidiary undertaking	Class of share	% of class held	Country of incorporation	Principal activity	Full commitment £'000	Paid as at 31 March 2011 £'000	Paid as at 31 March 2010 £'000
Whizz Kid Entertainment Limited	Ordinary	47.1%	UK	Television production	4,250	2,750	2,750
Digital Rights Group Limited	Ordinary	78.4%	UK	Television distribution	11,270	8,274	8,274
Outside Line Limited	Ordinary	0.0%	UK	Digital marketing & creative agency	1,500	1,000	1,000
Two Way Media Holdings Limited	Ordinary	84.3%	UK	Interactive television company	4,935	4,655	4,655
Enigmas2 Limited (formerly In2Games Limited)	Ordinary	43.8%	UK	Video games business	4,560	4,560	4,560
Brand Events Holdings Limited	Ordinary	69.5%	UK	Consumer events business	9,080	9,080	8,583
QobliQ Limited	Preference	79.1%	UK	Marketing services	12,867	12,867	12,367
Review Centre Limited	Ordinary	71.5%	UK	Internet/new media	7,034	7,034	7,034
Ingenious Ventures L.P.	N/A	90.0%	UK	Investment vehicle	1,035	685	685
<b>Total</b>					<b>56,531</b>	<b>50,905</b>	49,908

An investee company is classified as a subsidiary where the Company can achieve control either:

- by obtaining more than 51 per cent. of the equity of the investee company; or
- where there is sufficient power to govern the financial and operating policies of the investee company so as to obtain the economic benefits from its activities.

Ingenious Ventures L.P. holds the investment in Stage Three Music Limited, until the completion of the liquidation of Stage Three Limited's assets, and continues to hold its investment in Cream Holdings Limited.

In April 2011, the Company disposed of its holding in Outside Line Limited. This has been classified as a discontinued operation.

In June 2011, Enigmas2 Limited applied to be struck off from the register of companies at Companies House in the UK.

**Undrawn commitments**

All outstanding funding commitments are at the discretion of the Company and the Manager.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**10. Acquisition of subsidiaries**

During the year the Group acquired a controlling interest in Brand Events Australia Limited, Taste of Dublin Limited, JCRM Brand Events South Africa (Pty) Limited and Fulford Public Relations Consultancy PTE Limited which resulted in goodwill arising. The fair value of assets acquired and liabilities assumed were as follows:

	<b>2011</b>	2010
	<b>£ '000</b>	£ '000
Purchased goodwill	-	144
Intangibles	<b>242</b>	69
Fixtures and fittings	<b>62</b>	-
Cash and cash equivalents	<b>2,005</b>	-
Accounts receivable	<b>987</b>	42
Trade payables	<b>(3,131)</b>	(191)
Non-controlling interest	<b>161</b>	-
Inventory	<b>144</b>	-
Net assets acquired	<b>470</b>	64
Goodwill on consolidation	<b>1,268</b>	149
Total consideration	<b>1,738</b>	213
Total consideration satisfied by:		
Cash	<b>802</b>	114
Cash paid in prior years	<b>300</b>	-
Consideration shares	<b>110</b>	-
Deferred consideration	<b>526</b>	50
Other	-	49
	<b>1,738</b>	213
Net cash inflow/(outflow) arising on acquisition:		
Cash consideration	<b>(802)</b>	(114)
Cash and cash equivalents acquired	<b>2,005</b>	-
	<b>1,203</b>	(114)

The goodwill arising on the acquisition and the acquisition adjustment is attributable to the anticipated profitability of the Group's products and services.

Included within the consolidated retained loss for the year is a profit before tax of £0.6 million relating to acquired subsidiaries (year ended 31 March 2010: loss of £0.1 million). Due to the nature of the businesses acquired, financial performance is not comparable pre to post investment. Therefore, for all business combinations that were effected during the year, it is inappropriate to disclose the revenue and profit and loss of the combined entities for the year as though the acquisition date was the start of the financial year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11. Investment in associates

	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
Aggregate amounts relating to associates		
Total assets	<b>12,614</b>	13,504
Total liabilities	<b>(11,898)</b>	(10,795)
Revenues	<b>15,999</b>	27,458
Loss	<b>(1,557)</b>	(1,073)

A list of the significant investments in associates, including the name, country of incorporation, proportion of ownership interest is given below.

Name of associate	Class of share	% of class held	Country of incorporation
Taste Festivals Limited	Ordinary	50.0%	UK
Sub Zero Limited	Ordinary	50.0%	UK
Brand Events Management Ireland Limited	Ordinary	50.0%	Ireland
Brand Events Festivals Limited	Ordinary	50.0%	Ireland
Brand Events Italy	Ordinary	50.0%	Italy
Brand Events Benelux	Ordinary	50.0%	Holland
Brand Events Live Limited	Ordinary	49.9%	UK
Golfmania Limited	Ordinary	49.9%	UK
Dance Floor Limited	Ordinary	49.9%	UK
DRG Media Assets Limited	Ordinary	49.9%	UK
Taste Xmas Live Limited	Ordinary	49.9%	UK

Brand Events Holdings Limited is required to fund its share of losses in its associates listed above. Two Way Media Limited is also required to fund its share of losses in Two Way Gaming Limited and hence these have been accrued for in the financial statements. Two Way Gaming Limited was voluntarily liquidated, the final Shareholders' meeting was held on 26 May 2010 and Two Way Gaming Limited was removed from the Alderney Register of Companies on 30 August 2010. There are no other outstanding commitments. DRG Limited is not required to fund the losses of its associate, DRG Media Assets Limited and Whizz Kid is not required to fund the losses in Dance Floor Limited.

## 12. Discontinued operations

Discontinued operations in the current year and results relate to The Outside Line Limited.

	Year ended 31 March 2011 £ '000	Year ended 31 March 2010 £ '000
Revenue	<b>3,666</b>	-
Expenses	<b>(3,287)</b>	-
Gain on derecognition of subsidiary	-	81
Profit before tax	<b>379</b>	81
Attributable tax expense	<b>(90)</b>	-
Profit for the year from discontinued operations	<b>289</b>	81

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**13. Assets classified as held for sale**

	<b>Year ended 31 March 2011 £ '000</b>	Year ended 31 March 2010 £ '000
<b>Assets held for sale</b>	<b>2,103</b>	-
<b>Liabilities associated with assets held for sale</b>	<b>641</b>	-

As described in note 29, the Company disposed of its interest in The Outside Line Limited in April 2011. The major classes of assets and liabilities of the business reported in the Consolidated Statement of Financial Position at the end of the reporting period are as follows:

	<b>Year ended 31 March 2011 £ '000</b>	Year ended 31 March 2010 £ '000
Fixed assets	129	-
Accounts receivable	1,442	-
Cash and cash equivalents	532	-
Assets held for sale	<b>2,103</b>	-
Trade and other payables	281	-
Provisions	11	-
Current tax liabilities	336	-
Deferred consideration	10	-
Deferred tax	3	-
Liabilities associated with assets held for sale	<b>641</b>	-
Net assets of business classified as held for sale	<b>1,462</b>	-
Less elimination of intercompany balances on consolidation	<b>(1,000)</b>	-
Amounts recognised in equity relating to assets classified as held for sale	<b>462</b>	-

**14. Derecognition of subsidiaries**

The Group no longer has a controlling interest in Crystal Entertainment Limited (**Crystal**) as IMAC sold the majority of its shareholding in the year ended 31 March 2010 and now holds 10 per cent. of the equity of Crystal. The fair value of assets and liabilities no longer controlled by the Group are as follows:

	<b>Year ended 31 March 2011 £ '000</b>	Year ended 31 March 2010 £ '000
Fixtures and fittings	-	29
Cash and cash equivalents	-	57
Accounts receivable	-	63
Inventories	-	-
Trade payables	-	(230)
Net liabilities deconsolidated	-	(81)

The Company did not receive any sales proceeds from the disposal of its investment in Crystal and the gain results from the deconsolidation of the net liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Financial assets at fair value through profit or loss

	Company		Consolidated	
	2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000
Opening fair value	1,109	-	7,251	5,233
Reclassification	-	1,000	-	1,000
Purchases at cost	-	310	-	419
Disposal proceeds	(171)	-	(2,160)	-
Fair value adjustment	(853)	(201)	(853)	599
Loss on disposal of investment	(85)	-	(432)	-
<b>Closing fair value</b>	<b>-</b>	<b>1,109</b>	<b>3,806</b>	<b>7,251</b>

Reclassification in the year ended 31 March 2010 includes the 4,266,667 shares received in NetPlay TV plc from Two Way Media Holdings Limited as repayment of loan notes. The Company disposed of its holding in NetPlay TV plc in November 2010 resulting in proceeds of £171,000.

The disposal proceeds of £1,989,000 relates to the sale of Stage Three Music Limited to BMG Rights Management GmbH in July 2010. These proceeds, combined with the NetPlay TV plc proceeds, results in total disposal proceeds on consolidation of £2,160,000.

Name of investment	Class of share	% of class held	Country of incorporation	Principal activity	Full commitment £'000	Paid as at 31 March 2011 £'000	Paid as at 31 March 2010 £'000
Incisive Media Limited	Ordinary	0.1%	UK	Business publishing	17,903	17,903	17,903
Trinity Universal Holdings Limited	Ordinary	0%	UK	Interactive media marketing	5,710	5,710	5,710
Sportbuzz Limited	Preference	36%	British Virgin Islands	Internet/new media	1,604	1,604	1,604
Crystal Entertainment Limited	Ordinary	10%	UK	Talent relationships	1,311	1,311	1,311
NetPlay TV plc	Ordinary	2.1%	UK	Gaming and gambling	-	-	-
<b>Total</b>					<b>26,528</b>	<b>26,528</b>	26,528

In April 2009 Trinity Universal Holdings Limited was placed in Voluntary Creditors Liquidation which is still ongoing.

The Company disposed of its holding in NetPlay TV plc in November 2010.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16. Trade and other receivables

	Company		Consolidated	
	2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000
Trade receivables	136	107	5,372	7,488
Prepayments and accrued income	5	124	6,887	7,087
Income receivable	-	-	7,857	7,517
Other receivables	-	-	1,560	1,790
	<b>141</b>	231	<b>21,676</b>	23,882

## 17. Cash and cash equivalents

Cash and cash equivalents held by the Company and Group amount to £5,718k (year ended 31 March 2010: £55,768k) and £17,497k (year ended 31 March 2010: £68,888k) respectively. Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The cash equivalents are currently invested in quoted cash funds. The carrying amount of these assets approximates to their fair value. Included within the Group's cash and cash equivalents is a restricted cash amount of £2,080k (year ended 31 March 2010: £4,096k) in relation to amounts that Whizz Kid Entertainment Limited is holding in programme production trust accounts to fund specific programme production costs and which are owed to Live VCT 1, Live VCT 2, Entertainment VCT 1 and Entertainment VCT 2 and for DRG Media Assets Limited to fund co-distribution costs and owed to Entertainment VCT 1 and Entertainment VCT 2.

## 18. Trade and other payables

	Company		Consolidated	
	2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000
Trade payables	246	43	7,396	8,358
Third party loans	-	-	1,810	1,815
Other creditors	-	-	3,717	3,432
Accruals and deferred income	-	282	19,048	20,147
	<b>246</b>	325	<b>31,971</b>	33,752

## 19. Long term third party loans

	Redemption date	Consolidated	
		2011 £ '000	2010 £ '000
Brand Events Holdings Limited	26 April 2012	2,296	2,157
Review Centre Limited	6 June 2018	599	544
		<b>2,895</b>	2,701

Long term third party loans represent loan stock instruments held by other investors in the Group's subsidiaries. Brand Events Holdings Limited has an ongoing lending facility which is ranked subordinate with IMAC loan notes. This lending facility will be reviewed in April 2012 and is expected to be renewed on similar terms. Review Centre Limited's long term third party loan comprise of a loan provided by one of the existing directors and ranks parri passu with IMAC loan notes.

## 20. Deferred consideration

Deferred consideration represents future amounts payable by DRG mainly for its acquisition of Channel 4 International Limited (C4i) (£1,597k), QobliQ in respect of its acquisition of Fulford PR (£110k) and by Review Centre (£2,659k) for its acquisition of Resource Team Limited. As described in note 29, DRG ended its trade mark license agreement with C4i in May 2011 waiving future payments associated with this agreement of £1,261k. Review Centre Limited will make payments in respect of its deferred consideration, as set out in the sale and purchase agreement, on various dates before 12 June 2018.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. Share capital

<b>Authorised share capital</b>	<b>Company &amp; Consolidated 31 March 2011 No.</b>	Company & Consolidated 31 March 2010 No.
Ordinary shares of no par value	<b>Unlimited</b>	Unlimited
<b>Issued and fully paid</b>	<b>No.</b>	No.
Ordinary shares of no par value	<b>144,402,402</b>	144,402,402

Share options

On 4 April 2006, 750,000 share options were issued in respect of ongoing services, granting rights to Neil Blackley to subscribe for 750,000 Ordinary Shares. On 24 January 2008, Mike Luckwell was awarded 750,000 share options.

The share options have an exercise price equal to the placing price (£1) and vest over five years, (with one fifth of the options vesting each year) or immediately on the signing of a contract for the sale of the entire (or substantially entire) issued share capital or business undertaking of the Company or on their appointment as a director of the Company being terminated without cause by the Company. The share options will expire ten years from each date of grant unless there is an early expiration in accordance with the terms of each grant.

22. Shares held in treasury

The Company held 1,233,939 ordinary shares purchased at an average price of 41.72 pence in 2009.

<b>Shares held in treasury</b>	<b>Company &amp; Consolidated 31 March 2011 No.</b>	Company & Consolidated 31 March 2010 No.
Ordinary shares of no par value	<b>1,233,939</b>	1,233,939

23. Share premium account

	<b>Company &amp; Consolidated 31 March 2011 £ '000</b>	Company & Consolidated 31 March 2010 £ '000
Balance at the beginning of the year	<b>71,275</b>	71,275
Capital distribution	<b>(50,109)</b>	-
Capital distribution costs	<b>(306)</b>	-
Balance at the end of the year	<b>20,860</b>	71,275

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**23. Share premium account (continued)**

Following a strategic review of the Company, the Board proposed changes to the Company's investing policy, the Investment Management Agreement, its Articles, and a reduction of capital. The proposed changes were approved by the Shareholders at an extraordinary general meeting on 12 May 2010.

The new Articles of Incorporation of the Company were adopted in order to extend the duration of the life of the Company to at least the eighth anniversary following Admission; and to allow greater freedom for the Company to distribute both income and capital to Shareholders. The term of the Investment Management Agreement was extended for a further three years so that it expires no earlier than 11 April 2014 (rather than 11 April 2011). The Investment Management Agreement was also changed to permit the Manager (and its subsidiaries and associated companies) to make investments for itself, or on behalf of its clients or other funds it may manage that would otherwise be caught within the current investing policy.

The investing policy was amended to halt any new investments, other than investments relating to the investee companies and to remove the investment restriction which prevents more than 15 per cent. of the Company's net assets being invested in any one investee company at the time of that investment. Subject to Guernsey company law and the Company's ongoing working capital requirements, the revised investing policy permits the Company to make distributions to Shareholders as and when the appropriate situations arise following the realisation of its investee companies.

It was agreed to return cash to Shareholders in an amount of £50.1 million, by way of a reduction of the Company's Share Capital (the **Returned Capital**). The Returned Capital was distributed to Shareholders on 28 May 2010.

**24. Distributable reserve**

	<b>Company &amp; Consolidated</b>	Company & Consolidated
	<b>2011</b>	2010
	<b>£ '000</b>	£ '000
Balance at the beginning and end of the year	<b>70,663</b>	70,663

**25. Net asset value per share**

	<b>No. of Shares</b>	<b>Company pence</b>	<b>Consolidated pence</b>
<b>31 March 2011</b>			
<b>Ordinary shares</b>			
<b>Basic and diluted</b>	<b>143,168,463</b>	<b>25.88</b>	<b>18.10</b>
31 March 2010			
Ordinary shares			
Basic and diluted	143,168,463	62.64	56.33

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 26. Non-controlling interests

	<b>Consolidated</b>	
	<b>31 March 2011 £ '000</b>	31 March 2010 £ '000
Balance at the beginning of the year	<b>3,668</b>	3,372
Post acquisition capital loss	<b>(101)</b>	-
Prior year adjustment	<b>134</b>	-
Dividends	<b>(137)</b>	-
(Loss)/profit for the year	<b>(1,065)</b>	296
Balance at the end of the year	<b>2,499</b>	3,668

## 27. Financial risk factors

The investment strategy of the Company and Group is to make equity, debt or convertible investments in a broad range of high growth companies within the media sector, with a view to achieving a balanced portfolio covering a number of subsectors and which is varied in terms of size and risk profile. Consistent with that objective, the Company's financial instruments mainly comprise of investments in unlisted companies. The Company will continue to make investments only in existing investee companies. In addition the Company holds cash and cash equivalents as well as having trade and other receivables and trade and other creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are liquidity risk, credit risk, market risk, interest rate risk and concentration risk.

**Liquidity risk**

The Company had yet to invest a proportion of the funds raised from its listing, and as a result made a capital distribution to its Shareholders on 28 May 2010. The cash and cash equivalents, at the balance sheet date and following the capital distribution are placed with financial institutions on a range of terms, from call to three months' notice.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. Financial risk factors (continued)**

**Liquidity risk (continued)**

The following table details the liquidity analysis for financial liabilities at the balance sheet date:

	<b>Less than 1 month £ '000</b>	<b>1-3 months £ '000</b>	<b>3 months to 1 year £ '000</b>	<b>Greater than 1 year £ '000</b>	<b>Total £ '000</b>
<b>2011</b>					
<b>Company</b>					
Trade payables	90	58	98	-	246
	<b>90</b>	<b>58</b>	<b>98</b>	<b>-</b>	<b>246</b>
<b>Group</b>					
Trade payables	3,730	2,871	795	-	7,396
Third party loans	-	-	1,810	2,895	4,705
Other creditors	504	1,816	1,397	-	3,717
Accruals and deferred income	4,164	7,156	8,656	4,366	24,342
	<b>8,398</b>	<b>11,843</b>	<b>12,658</b>	<b>7,261</b>	<b>40,160</b>
<b>2010</b>					
<b>Company</b>					
Trade payables	43	-	-	-	43
Accruals and deferred income	-	148	134	-	282
	<b>43</b>	<b>148</b>	<b>134</b>	<b>-</b>	<b>325</b>
<b>Group</b>					
Trade payables	2,170	3,826	2,362	-	8,358
Accruals and deferred income	3,124	7,126	9,897	-	20,147
Other creditors	767	948	1,775	2,963	6,453
Third party loans	-	-	1,815	2,701	4,516
	<b>6,061</b>	<b>11,900</b>	<b>15,849</b>	<b>5,664</b>	<b>39,474</b>

**Credit risk**

The Company is exposed to credit risk in respect of its cash and cash equivalents, arising from possible default of the relevant counterparty, with a maximum exposure equal to the carrying value of those assets. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Company monitors the placement of cash balances on an ongoing basis.

The Company is also exposed to credit risk in respect of the loans granted to its investments, with a maximum exposure equal to the value of the loans advanced.

The Group is exposed to credit risk in respect of its trade receivables, accrued income and other receivables balances, with a maximum exposure equal to the carrying value of those assets. Trade and other receivables are carried at estimated recoverable value after providing against debtors where collection is considered to be doubtful. In the current year the Group has provided for any amounts payable which have exceeded normal payment terms and where there is an expectation that the amounts may not be recoverable. The Group also recognises that the quality of debt varies considerably across the investee companies and that management regularly review the receivable balances.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 27. Financial risk factors (continued)

## Market risk

Market price risk arises principally from uncertainty concerning future values of financial instruments used in the Company's and Group's operations. It represents the potential loss the Group might suffer through holding interests in unquoted private companies whose value may fluctuate and which may be difficult to value and/or to realise. The Company seeks to mitigate such risk by assessing such risks as part of the due diligence process related to all potential investments, and by establishing a clear exit strategy for all potential investments.

At the reporting date, if the inputs to the investment valuation model had been 10 per cent. higher/lower while all other variables were held constant, the net profit/loss would increase/decrease by £3,144k (2010: decrease/increase by £3,401) for the Company and increase/decrease by £nil (2010: increase/decrease £111k) for the Group. The most significant variables in the investment valuation are the forecast income of the investee companies and the comparable multiples.

## Interest rate risk

The Group is subject to risks associated with changes in interest rates in respect of interest earned on its cash and cash equivalents balances. The Group seeks to mitigate this risk by monitoring the placement of cash balances on an ongoing basis in order to maximise the interest rates obtained.

	Less than 1 month £ '000	1-3 months £ '000	3 months to 1 year £ '000	Greater than 1 year £ '000	Total £ '000
<b>2011</b>					
<b>Assets</b>					
<b>Company</b>					
Non-interest bearing	55	86	-	31,438	31,579
Floating rate instruments	5,718	-	-	-	5,718
Total assets	5,773	86	-	31,438	37,297
<b>Group</b>					
Non-interest bearing	4,980	9,229	10,809	26,524	51,542
Floating rate instruments	17,497	-	-	-	17,497
Total assets	22,477	9,229	10,809	26,524	69,039
<b>Liabilities</b>					
<b>Company</b>					
Non-interest bearing	90	58	98	-	246
Total liabilities	90	58	98	-	246
<b>Group</b>					
Non-interest bearing	8,398	11,844	10,847	4,366	35,455
Fixed rate instruments	-	-	1,810	2,895	4,705
Total liabilities	8,398	11,844	12,657	7,261	40,160

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**27. Financial risk factors (continued)**

**Interest rate risk (continued)**

The following table details interest rate risk exposure at the balance sheet date:

	Less than 1 month £ '000	1-3 months £ '000	3 months to 1 year £ '000	Greater than 1 year £ '000	Total £ '000
<b>2010</b>					
<b>Assets</b>					
<b>Company</b>					
Non-interest bearing	114	117	-	34,007	34,238
Floating rate instruments	15,477	40,291	-	-	55,768
Total assets	15,591	40,408	-	34,007	90,006
<b>Group</b>					
Non-interest bearing	5,229	9,063	10,271	30,341	54,904
Floating rate instruments	28,597	40,291	-	-	68,888
Total assets	33,826	49,354	10,271	30,341	123,792
<b>Liabilities</b>					
<b>Company</b>					
Non-interest bearing	43	148	134	-	325
Total liabilities	43	148	134	-	325
<b>Group</b>					
Non-interest bearing	6,061	11,900	14,034	2,963	34,958
Fixed rate instruments	-	-	1,815	2,701	4,516
Total liabilities	6,061	11,900	15,849	5,664	39,474

The following table illustrates the sensitivity of the loss on ordinary activities for the year before taxation and total equity to a change in interest rates of 50 basis points, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Company's cash and cash equivalent balances held at each balance date. All other variables are held constant. The Group's third party loans are at fixed interest rates, thus any change in interest rates will not affect profit.

	<b>Company</b>		<b>Consolidated</b>	
	<b>2011</b> £ '000	2010 £ '000	<b>2011</b> £ '000	2010 £ '000
<b>+/- 50 basis points</b>				
Loss on ordinary activities before taxation	<b>29</b>	194	<b>87</b>	239
Total equity	<b>29</b>	194	<b>87</b>	239

**Concentration risk**

The Company is exposed to concentration risk in respect of its investments in subsidiaries and financial assets at fair value through profit or loss, as these investments are all in the media sector. The maximum exposure is equal to the carrying value of those assets. The Company seeks to mitigate this risk by investing in a range of subsectors within the media sector. To date the Company has invested in the publishing, content, distribution, internet/new media, live events and marketing services sub sectors.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****27. Financial risk factors (continued)****Capital risk management**

The capital structure of the Company consists of the proceeds raised from the issue of ordinary shares.

The Manager manages the capital of the Company in accordance with the discount management and borrowing policy provisions of the Admissions document. The discount management provisions give the Company the ability to buy back ordinary shares in the market, if they are trading at a discount to the prevailing net asset value, and they believe it to be in the Shareholders' interests. Under the borrowing policy provisions, the Company has the ability to borrow up to 25 per cent. of its Net Asset Value. The Company is yet to make any borrowings.

**28. Related party transactions**

- a. The Company has appointed Ingenious Ventures (a trading division of Ingenious Asset Management Limited) to provide investment management services. Patrick McKenna is a director of Ingenious Asset Management Limited which is a subsidiary within the Ingenious Group, which is controlled by Patrick McKenna. William Simpson is also a non-executive director of Ingenious Asset Management International Limited and FP Holdings Limited which are Guernsey registered companies, within the Ingenious Group. Ogier, of which William Simpson is a partner, has provided legal advice in connection with these entities.

The Company has incurred a management fee of £405,000, of which £116,000 was already paid on account to Ingenious Ventures for the year ended 31 March 2011 and £33,000 was still outstanding at year end.

At the EGM on 12 May 2010, the terms of the Manager's investment management agreement with the Company were varied, reducing the Manager's fee to 1.25 per cent. of the Company's net asset value minus the cash held by the Company payable monthly in arrears. If the Company were to be unable to pay fees owing to the Manager due to having insufficient cash, the Manager has agreed to defer such payments until such time as the Company has sufficient cash following the realisation of investee companies.

- b. Ingenious Ventures provides administrative support to the Company which is outside the scope of the Investment Management Agreement. The recharge is made at cost and has been approved by the Board at a value of £171,000 for the current financial year. Ingenious Ventures invoices for this quarterly in arrears. Ingenious Asset Management Limited is a subsidiary within the Ingenious Group which is controlled by Patrick McKenna.
- c. Serena Tremlett is the Managing Director of Morgan Sharpe Administration Limited which receives fees for providing secretarial and administrative services to the Company. Morgan Sharpe has received £79,000 for the current financial year in fees for company secretarial and administration services.
- d. William Simpson is a partner of Ogier, which may receive fees for providing legal advice and other services from time to time to the Company. In the current financial year, fees of £19,000 have been incurred with Ogier for legal advice and other services.
- e. The Company has delegated discretionary treasury management responsibilities to Ingenious Asset Management International Limited (**IAMI**), a company of which William Simpson is a non-executive director, to manage the uninvested funds of the Company. As at 31 March 2011 IAMI held £5,591,000 (31 March 2010: £55,058,000) on behalf of the Company. IAMI is a subsidiary within the Ingenious Group, which is controlled by Patrick McKenna. The fees for the services provided by IAMI to the Company are met by Ingenious Ventures.
- f. Ingenious Asset Management International Limited has further delegated its treasury management responsibilities to Ingenious Asset Management Limited which is a subsidiary within the Ingenious Group, which is controlled by Patrick McKenna.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. Related party transactions (continued)**

- g.** Entities within the Group appointed Ingenious Corporate Finance Limited (**ICF**), a company of which Patrick McKenna is a director, to provide corporate finance services. ICF is a wholly-owned subsidiary within the Ingenious Group, which is controlled by Patrick McKenna.

Stage Three Music Limited engaged ICF to provide corporate finance advice on the sale of the assets of Stage Three Music Limited to BMG Rights Management GmbH in July 2010. A fee of £328,000 was paid to ICF upon completion of the transaction in August 2010.

Cream Holdings Limited engaged ICF corporate finance advice during the year incurring fees of £25,000.

IMAC directly engaged ICF to provide various corporate finance advice during the year incurring fees of £50,000.

- h.** Patrick McKenna is a director and a shareholder of both Ingenious Entertainment VCT 1 plc (**Entertainment VCT 1**) and Ingenious Entertainment VCT 2 plc (**Entertainment VCT 2**). The Ingenious Group holds shares in both Entertainment VCT 1 and Entertainment VCT 2. In August 2010, Entertainment VCT 1 and Entertainment VCT 2 invested £1,000,000 through a combination of equity and loan notes into CLS Concerts Limited (**CLS**) in return for a 33 per cent. share of the equity. Cream Holdings Limited also owns 33 per cent. of the equity of CLS. Patrick McKenna is a director of Cream Holdings Limited.
- i.** Ingenious Ventures received Non-Executive Directors fees of £3,876 and monitoring fees of £7,689 from Stage Three Music Limited during the financial year. In July 2010 the assets of Stage Three Music Limited were sold to BMG Rights Management GmbH. In August 2010 Stage Three Music Limited was renamed Propeller Realisations Limited.
- j.** In February 2011, Two Way Media Holdings Limited and Ingenious Games LLP entered into an agreement to co-develop new computer games. Patrick McKenna is a member of the Executive Committee of Ingenious Games LLP and was a non-controlling member of Ingenious Games LLP until he retired on 6 April 2011.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28. Related party transactions (continued)

During the year, the Group carried out a number of transactions with the above mentioned related parties in the normal course of business and on an arm's length basis as listed in the table below.

		Expenditure paid		Amounts due/(receivable)	
		2011 £ '000	2010 £ '000	2011 £ '000	2010 £ '000
Ingenious Ventures					
- Investment management fee	a	256	1,385	33	(116)
- Administrative support	b	171	171	43	43
Morgan Sharpe Administration Limited					
- Company secretarial, administration, accounting & directorship services	c	79	83	-	-
Ogier Fund Administration (Guernsey) Limited					
- Company secretarial, administration, accounting & directorship services	d	6	62	-	-
Ogier Group Limited Partnership					
- Legal advice	d	13	9	-	-
Ingenious Corporate Finance Limited					
- Corporate Finance advice	e	379	79	50	26

## Transactions between related parties

The arrangements detailed at notes a to c below between related parties of the Company were agreed in the period from 2001 to 2004 prior to IMAC acquiring its 90 per cent. shareholding in Ingenious Ventures L.P. (IVLP) in 2008. IVLP holds the Company's interest in Cream Holdings Limited and Stage Three Music Limited which was disposed in July 2010. At the time that these arrangements were entered into the entities were not related to the Company. There has been no variation of the terms of the arrangements since they were originally entered into. Following the sale of the assets of Stage Three Music Limited to BMG Rights Management GmbH, Stage Three Music Limited will remain owned by IVLP until its liquidation is completed. This means the board of Stage Three Music Limited will remain in place, but under the control of the liquidator.

- a. Patrick McKenna is a director of Cream Holdings Limited and receives a salary of £11,627 per annum and a consultancy fee of £110,000 per annum.
- b. Patrick McKenna was a director of Stage Three Music Limited and during the year received a pro rata salary of £3,876, a pro rata consultancy fee of £36,667 and received a final termination fee of £110,000 on the completion of the sale of the assets of Stage Three Music Limited to BMG Rights Management GmbH in July 2010. In August 2010 Stage Three Music Limited was renamed Propeller Realisations Limited.
- c. Neil Blackley was a director of Stage Three Music Limited and during the year received a pro rata salary of £3,876 up to completion of the sale of the assets of Stage Three Music Limited to BMG Rights Management GmbH in July 2010. In August 2010 Stage Three Music Limited was renamed Propeller Realisations Limited.
- d. During the year, Patrick McKenna received a consultancy fee of £26,000 from iD Distribution Limited, a subsidiary of Digital Rights Group Limited. This arrangement was made prior to Digital Rights Group Limited acquiring iD Distribution Limited in June 2007.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**28. Related party transactions (continued)**

**Transactions between related parties (continued)**

- e.** Ingenious Ventures, a trading division of Ingenious Asset Management Limited, a subsidiary within the Ingenious Group, which is controlled by Patrick McKenna, receives a fee of £120,000 per annum for the provision of finance director and financial controller support to Cream Holdings Limited.

**29. Events after the balance sheet date**

- a.** On 8 April 2011, the Company successfully sold its holding in The Outside Line Limited resulting in proceeds of £1.3 million.
- b.** On 9 May 2011, DRG ended its existing trade mark license agreement with Channel 4 International Limited (**C4i**), to continue using the C4i name, waiving future payments associated with this agreement of £1.3 million. The trade mark license agreement to use the C4i name originated when DRG acquired the international TV distribution business of Channel 4 in November 2007.
- c.** In July 2011, Nouveau Jour SAS and SponsorClick France SAS, French subsidiaries of QobliQ Limited, were placed into voluntary liquidation. At the date of signing this report, an estimate of the financial effect is still to be determined.
- d.** The quarterly review of the NAV took place in the period to 30 June 2011, and as a result of events identified in this period, a reduction of the Company's investment balance of £3.0m was made.

**SHAREHOLDER INFORMATION**

**1. Share price**

All of the issued shares have been admitted to trading on AIM. Share price information can be obtained from many financial websites including [www.londonstockexchange.com](http://www.londonstockexchange.com)

**2. Share trading**

Shares can be bought and sold in the same way as any other AIM admitted company via a stockbroker. The primary market maker for the shares is Canaccord Genuity Limited.

Selling your shares may have tax consequences. You should contact your financial adviser if you are in any doubt as to such potential consequences.

**3. Change of Shareholder address**

Communications with Shareholders are sent to the registered address held on the register of members. In the event of a change of address or any other relevant amendments, please notify the Company's registrar, Capita Registrars, under the signature of the registered holder of the shares in question.

**4. Investor relations**

The Company and the Manager are committed to maintaining excellent investor relations. If you have any questions about the Company's progress please contact:

Patrick McKenna/Patrick Bradley

Ingenious

020 7319 4000

## INGENIOUS MEDIA ACTIVE CAPITAL

### INGENIOUS MEDIA ACTIVE CAPITAL LIMITED

*(a closed-ended investment company incorporated in Guernsey with registered number 44358)*

#### NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the fifth annual general meeting of Ingenious Media Active Capital Limited (the **Company**) will be held at Isabelle Chambers, Route Isabelle, St. Peter Port, Guernsey on 16 September 2011 at 9.00 am for the purpose of considering and, if thought fit, passing resolutions 1 to 6 as ordinary resolutions and resolution 7 as a special resolution:

#### ORDINARY BUSINESS

##### Annual Report and Accounts

- 1 To receive and consider the Company's annual report and accounts for the year ended 31 March 2011.

##### Re-Election of Directors

- 2 THAT Patrick McKenna be and is hereby re-elected as a non-executive director of the Company.  
3 THAT Neil Blackley be and is hereby re-elected as a non-executive director of the Company.  
4 THAT William Simpson be and is hereby re-elected as a non-executive director of the Company.  
5 THAT George Bryan Dix be and is hereby re-elected as a non-executive director of the Company.

##### Auditors

- 6 THAT Deloitte LLP be and is hereby reappointed as auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company at which accounts are laid and that the Directors be and are hereby authorised to agree the auditor's remuneration.

#### SPECIAL BUSINESS

##### Share Buy Backs

- 7 THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 315 of The Companies (Guernsey) Law 2008, as amended (the **Law**) to make one or more market acquisitions, as defined in section 316 of the Law, of ordinary shares of no par value in the Company (**Ordinary Shares**), on such terms and in such manner as the Directors of the Company may from time to time, provided that:
- (a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 21,475,269 Ordinary Shares, or if less, the number representing an amount up to (but not including) 15 per cent. of the issued Ordinary Share capital of the Company, excluding any shares held by the Company in treasury, on the date that this resolution is passed;
  - (b) the minimum price payable by the Company for each Ordinary Share is £0.01 and the maximum price payable by the Company for each Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share as derived from The London Stock Exchange for the five business days immediately preceding the day on which that Ordinary Share is acquired;
  - (c) subject to paragraph (d) below, this authority shall expire at the earlier of the conclusion of the next annual general meeting of the Company to be held in 2012 or on the date which is 18 months from the date of the passing of this resolution; and
  - (d) notwithstanding paragraph (c) above, the Company may make a contract to acquire Ordinary Shares under this authority before the expiry of this authority which will or may be executed wholly or partly after the expiry of this authority and may make an acquisition of Ordinary Shares in pursuance of any such contract after such expiry.

Dated: 28 July 2011

By order of the Board

**Morgan Sharpe Administration Limited**  
Company Secretary

*Registered Office:*

Isabelle Chambers  
Route Isabelle  
St. Peter Port  
Guernsey

**NOTES**

1. A member of the Company entitled to attend and vote at the Meeting convened by the notice set out above is entitled to appoint a proxy to attend, speak and vote in his/her place. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by the member.
2. To have the right to attend and vote at the Meeting you must hold Ordinary Shares in the Company and your name must be entered on the Register (as defined below) in accordance with note 5 below.
3. A Form of Proxy is enclosed. To be valid, this Form of Proxy duly executed (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be deposited at the Company's registrar at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, or by fax to +44 (0) 1481 711605, not less than 48 hours before the time appointed for holding the Meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote or in the case of a meeting adjourned for not more than 48 hours or in the case of a poll not taken immediately but taken not more than 48 hours after it was demanded, delivered at the adjourned meeting or at the meeting at which the poll was demanded. Completion and return of the Form of Proxy will not preclude a member from attending and voting at the Meeting in person or an adjournment of the Meeting if he/she so wishes.
4. In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote or votes of the other joint holder or holders, and seniority is determined by the order in which the names of the holders stand in the register of members of the Company.
5. The Company gives notice that only those Shareholders entered on the register of members of the Company (the **Register**) for certificated or uncertificated shares of the Company (as the case may be) at 9.00 am on 14 September 2011 (the **Specified Time**) will be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the Meeting. Should the Meeting be adjourned then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.
6. As at 28 July 2011, the latest practicable date prior to publication of this document, the Company had 143,168,463 Ordinary Shares in issue (excluding treasury shares).
7. Explanations relating to the above resolutions can be found on page 64.

**ADDITIONAL INFORMATION RELATING TO THE AGM**

In compliance with the Combined Code, a separate resolution on each substantially separate issue will be considered by the Shareholders at the Annual General Meeting (**AGM**). All proxy votes will be counted and, except where a poll is called, the Chairman of the AGM will indicate the level of proxies lodged on each resolution, the balance for and against the resolution in question and the number of votes withheld after the resolution has been dealt with on a show of hands. The following resolutions will be considered by the Shareholders:

*Resolution 1 – Annual Report & Accounts*

The Shareholders will be asked in this resolution to resolve to receive and consider the Annual Report & Accounts for the year ended 31 March 2011.

*Resolutions 2 to 5 – Re-Election of the Directors*

In order to comply with the Company's articles of incorporation and the AIM Rules Patrick McKenna, Neil Blackley, William Simpson and George Bryan Dix will seek re-election at the AGM.

Biographical details of all the Directors can be found on pages 8 and 9.

*Resolution 6 – Re-Appointment of Deloitte LLP and Audit Fees*

The appointment of Deloitte LLP as auditor of the Company terminates at the conclusion of the AGM. They have advised the Company of their willingness to stand for re-election as auditor of the Company until the conclusion of the AGM to be held in 2012. The Directors recommend their reappointment and seek authority to agree their remuneration.

*Resolution 7 – Share Buy-Backs*

The Company is currently authorised to make market purchases of an amount up to (but not including) 15 per cent. of the issued Ordinary Share capital of the Company (excluding shares held in treasury). This authority will expire at the conclusion of the Company's AGM. Shareholders will be asked to consider this special resolution in order to extend the authority. Subject to this resolution being passed, the Directors will continue to consider making market purchases of shares during the term of the resolution.

The Directors will only implement such repurchases if they are satisfied, after careful consideration, of best interests of the Shareholders as a whole. Account will also be taken of the overall financial implications for the Company. Any market purchases will therefore be conducted entirely at the Directors' discretion. Any market purchases will also be subject to the requirements of the AIM rules, the articles of incorporation and The Companies (Guernsey) Law 2008 (as amended).

**PROXY FORM**

Form of Proxy for use by Shareholders of Ingenious Media Active Capital Limited (the **Company**) at the Annual General Meeting to be held at Isabelle Chambers, Route Isabelle, St. Peter Port, Guernsey on 16 September 2011 from 9.00 am.

As a shareholder of the Company you have the right to attend, speak and vote at the Annual General Meeting (the **Meeting**). If you cannot, or do not want to, attend the Meeting, but still want to vote, you can appoint someone to attend the Meeting and vote on your behalf. That person is known as a "proxy". You can use this Form of Proxy to appoint the Chairman of the Meeting or the Company Secretary (such appointment being determined by the Company Secretary), or someone else, as your proxy. Your proxy does not need to be a shareholder of the Company.

I/We (name(s) in full)	<input type="text"/>	<b>(In BLOCK CAPITALS)</b>
Of (address)	<input type="text"/>	<b>(In BLOCK CAPITALS)</b>
	<input type="text"/>	
holding (insert number of ordinary shares)	<input type="text"/>	<b>(In BLOCK CAPITALS)</b>

being (a) shareholder(s) of the Company entitled to attend and vote at meetings, hereby appoint the Chairman of the Meeting or the Company Secretary (such appointment being determined by the Company Secretary), or

(see **Note 1**) as my/our proxy to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Isabelle Chambers, Route Isabelle, St. Peter Port, Guernsey on 16 September 2011 from 9.00 am, and at any adjournment thereof.

<b>RESOLUTIONS (see Note 2)</b>	<b>For</b>	<b>Against</b>	<b>Withheld</b>
1. To receive and consider the Company's annual report and accounts for the year ended 31 March 2011. <i>(Ordinary Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. THAT Patrick McKenna be and is hereby re-elected as a non-executive director of the Company. <i>(Ordinary Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. THAT Neil Blackley be and is hereby re-elected as a non-executive director of the Company. <i>(Ordinary Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. THAT William Simpson be and is hereby re-elected as a non-executive director of the Company. <i>(Ordinary Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. THAT George Bryan Dix be and is hereby re-elected as a non-executive director of the Company. <i>(Ordinary Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. THAT Deloitte LLP be and is hereby reappointed as auditor of the Company to hold office until the conclusion of the next annual general meeting of the Company at which accounts are laid and that the Directors be and are hereby authorised to agree the auditor's remuneration. <i>(Ordinary Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. To approve the Company's authority to make market purchases of Ordinary Shares, subject to the provisos set out in the full text of resolution 7, set out in the notice of the Meeting. <i>(Special Resolution)</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please indicate with an "X" in the appropriate box opposite the resolution how you wish your vote to be cast (see Note 5). Unless expressly defined herein, the definitions contained in the Company's Annual Report and Accounts for the year ended 31 March 2011 and accompanying notice of the Meeting have the same meanings where used in this Form of Proxy.

Signature(s)	<input type="text"/>	<b>(See Note 7)</b>
Name	<input type="text"/>	<b>(In BLOCK CAPITALS)</b>
Date	<input type="text"/>	<b>2011</b>

## INGENIOUS MEDIA ACTIVE CAPITAL

### NOTES

1. A member may appoint a proxy of his own choice. If such appointment is made, please delete the words “the Chairman of the Meeting or the Company Secretary (such appointment being determined by the Company Secretary)” and insert the name of the person appointed proxy.
2. The full text of each of the resolutions is set out in the Notice of the Meeting dated 28 July 2011.
3. The completion and return of this Form of Proxy will not prevent you from attending in person and voting at the Meeting or an adjournment of the Meeting should you subsequently decide to do so.
4. A member may appoint more than one proxy to attend. When two or more valid but differing instruments of proxy are delivered or received in respect of the same share for use at the same meeting, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered or received, none of them shall be treated as valid in respect of that share.
5. If you wish your proxy to cast all of your votes for or against the resolution you should insert an “X” in the appropriate box. If you wish your proxy to cast only certain votes for and certain votes against, insert the relevant number of shares in the appropriate box. In the absence of instructions, your proxy may vote or abstain from voting as he or she thinks fit on the resolution and, unless instructed otherwise, may also vote or abstain from voting as he or she thinks fit on any other business (including on a motion to amend a resolution, to propose a new resolution or to adjourn the Meeting) which may properly come before the Meeting.
6. The “Vote Withheld” option is provided to enable you to instruct your proxy to abstain from voting on a particular resolution. A “Vote Withheld” is not a vote in law and will not be counted in the calculation of the proportion of the votes “For” or “Against” a resolution.
7. This Form of Proxy must be signed by the shareholder or his/her duly constituted attorney. Where the shareholder is a corporation, the signature must be under seal or signed by a duly authorised officer or attorney or other person authorised to sign. In the case of joint Shareholders, the signature of one shareholder will be accepted but the names of all joint holders should be given. The vote of the senior joint shareholder (whether in person or by proxy) will be taken to the exclusion of all others, seniority being determined by the order in which the names stand in the register of members of the Company in respect of the joint shareholding.
8. To be valid, this Form of Proxy duly executed (together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority) must be deposited at the Company’s registrar at PXS, 34 Beckenham Road, Beckenham, BR3 4TU, or by fax to +44 (0) 1481 711605, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting or the taking of a poll at which the person named in the instrument proposes to vote or in the case of a meeting adjourned for not more than 48 hours or in the case of a poll not taken immediately but taken not more than 48 hours after it was demanded, delivered at the adjourned meeting or at the meeting at which the poll was demanded.
9. The Company gives notice that only those Shareholders entered on the relevant register of members (the **Register**) for certificated or uncertificated shares of the Company (as the case may be) at 9.00 am on 14 September 2011 (the **Specified Time**) will be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the Meeting. Should the Meeting be adjourned, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in the notice.
10. Any proxy made by means of CREST shall not be valid.

**DEFINITIONS**

The following definitions apply throughout this document, unless the context requires otherwise:

“Administrator”	Morgan Sharpe Administration Limited during the year;
“Admission”	The admission of the Ordinary Shares, issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the AIM Rules;
“AIM”	The AIM market of the London Stock Exchange;
“AIM Rules”	The rules for AIM companies and their nominated advisers issued by The London Stock Exchange in relation to AIM traded securities;
“Arena”	Arena International Limited and Arena Sports Marketing Limited;
“Articles”	The articles of incorporation of the Company, as amended from time to time;
“Board”	The Board of Directors of the Company or the Directors present at a duly convened meeting of the directors at which a quorum is present including a duly constituted committee;
“Brand Events”	Brand Events Holdings Limited;
“C4i”	Channel 4 International Limited;
“CLS”	CLS Concerts Limited;
“Combined Code”	The Combined Code on Corporate Governance published in June 2008 by the Financial Reporting Council;
“Companies Law”	The Companies (Guernsey) Law, 2008;
“Company” or “IMAC”	Ingenious Media Active Capital Limited, a closed ended investment company incorporated as a company with limited liability in Guernsey (registered number 44358);
“Cream”	Cream Holdings Limited;
“Crystal”	Crystal Entertainment Limited;
“Current Investing Policy”	The Company’s current investing policy as set out in the Admission Document;
“Director”	Any person who is a director of the Company from time to time;
“DRG”	Digital Rights Group Limited;
“Enigmas2”	Enigmas2 Limited;
“Entertainment VCT 1”	Ingenious Entertainment VCT 1 plc;
“Entertainment VCT 2”	Ingenious Entertainment VCT 2 plc;
“FSA”	The UK Financial Services Authority, its successors and assigns;

## INGENIOUS MEDIA ACTIVE CAPITAL

### DEFINITIONS (CONTINUED)

“Group”	Ingenious Media Active Capital Limited and its subsidiaries;
“IAS”	International Accounting Standard;
“iD Distribution”	iD Distribution Limited;
“Incisive Media”	Incisive Media Limited;
“Ingenious” or “Ingenious Group”	Ingenious Media Limited and its parent company and subsidiaries from time to time;
“Ingenious Asset Management” or “IAM”	Ingenious Asset Management Limited;
“Ingenious Asset Management International”, or “IAMl”	Ingenious Asset Management International Limited;
“Ingenious Consulting Associates” or “ICA”	Ingenious Consulting Associates Limited;
“Ingenious Consulting Network” or “ICN”	Ingenious Consulting Network Limited;
“Ingenious Corporate Finance” or “ICF”	Ingenious Corporate Finance Limited;
“Ingenious Media”	Ingenious Media Limited;
“Ingenious Ventures” or “Manager”	Ingenious Ventures Limited up until 29 February 2008, when the Investment Management Agreement was novated to Ingenious Asset Management Limited, and Ingenious Ventures became a trading division of Ingenious Asset Management Limited;
“International Financial Reporting Standards “ or “IFRSs”	International Financial Reporting Standards;
“Investment Management Agreement”	The investment management agreement dated 4 April 2006 between the Company, the Investment Manager and Ingenious Media as amended or novated from time to time;
“i-Rights”	i-Rights Limited;
“IVLP”	Ingenious Ventures L.P.;
“Laws”	Means every Act, Order in Council, Ordinance or Statutory Instrument for the time being in force concerning companies registered in Guernsey and affecting the Company (including, for the avoidance of doubt, the Companies Law) in each case as amended, extended or replaced and any ordinance, statutory instrument or regulation made thereunder;
“Live VCT 1”	Ingenious Live VCT 1 plc;
“Live VCT 2”	Ingenious Live VCT 2 plc;
“London Stock Exchange / LSE”	London Stock Exchange plc;
“Net Asset Value” or “NAV”	The total assets of the Company less its total liabilities (including accrued but unpaid fees) valued in accordance with IFRS and International Private Equity and Venture Capital valuation guidelines;
“NetPlay”	NetPlay TV plc;
“Nouveau Jour”	Nouveau Jour SAS;

**DEFINITIONS (CONTINUED)**

“Ordinary Share(s)”	No par value shares in the capital of the Company designated as ordinary share(s);
“Outside Line”	Outside Line Limited;
“Portman Film and Television”	Portman Film and Television Limited;
“Precious Media”	Precious Media Limited;
“Progressive Media”	Companies that are able to take advantage of changes in the media industry landscape that provides opportunities for entrepreneurial and content-led companies to catalyse a business transformation. A business transformation may be an expansion, in either direction, along the media value chain in order to capture or control additional parts of the media value chain with the objective of retaining more of the incremental profits available;
“QobliQ”	QobliQ Limited;
“Review Centre”	Review Centre Limited;
“RNS”	The Regulatory News Service of the London Stock Exchange;
“Shareholder” or “Ordinary Shareholder”	A holder of an Ordinary Share and “Shareholders” or “Ordinary Shareholder” shall be construed accordingly;
“SponsorClick”	SponsorClick France SAS;
“Stage Three”	Stage Three Music Limited;
“Trinity”	Trinity Universal Holdings Limited;
“Two Way Media” or “Two Way”	Two Way Media Holdings Limited;
“Whizz Kid”	Whizz Kid Entertainment Limited; and
“Zeal Entertainment”	Zeal Entertainment Limited.

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