Cellcast plc Annual Report and Accounts

For the year ended 31 December 2009

Cellcast plc Annual Report and Accounts for the year ended 31 December 2009

Contents

Chairman's statement 2-3
Review of Operations 4-6
Directors and advisers 8-9
Corporate governance 10-11
Directors' report 12-14
Independent Auditor's report to the members of Cellcast plc 15
Consolidated statement of comprehensive income 16
Consolidated statement of financial position 17
Consolidated statement of changes in equity 18-19
Consolidated cash flow statement 20
Notes to the consolidated financial statements 21-55
Company balance sheet 56
Notes to the company financial statements 57-61

cellcast

Chairman's Statement

2009 Results

Revenue for the year ended 31 December 2009 was £16.8 million, an increase of 5.1% on 2008's revenue of £16 million. Substantially all revenue was generated from interactive television applications in the UK. As indicated in our trading update in December 2009, the group has been continuing its strategy of investing substantially in additional distribution channels on both Freesat and, more specifically, on Freeview. Whilst the board believes this expenditure to be of a capital nature with benefits to be recognised in 2010 and beyond, we have decided to take a conservative approach and not capitalise such expenditures or defer the costs. As a consequence of this, the group recorded an operating loss for the year of £2.2 million compared to a loss of £568,000 in 2008. This operating loss was partially offset by the group's share of the profits of Cellcast Asia Holdings and R & D tax credits. The total loss for the year was therefore £1.6 million compared to a profit of £333,000 in 2008, a loss per share of 2.1p compared to 2008 earnings per share of 0.4p. No dividend is proposed by the Board.

A fuller description of the group's operations and technological developments is contained in the Review of operations on pages 4, 5 and 6 of this report.

Cellcast Asia Holdings

As previously announced, Cellcast Asia Holdings ("CAH"), in which the group has a 37.5% interest, reported comparatively significant earnings in 2009. CAH had an unaudited profit of £1.2 million in 2009 of which the group recognised £451,068 as its share of earnings compared to a loss of approximately £1 million in 2008 of which the group recognized a loss of £342,498. This reflects CAH's rollout of new billing solutions which increased the yield on existing programming, the introduction of new formats and the new deals with broadcasters. CAH has also benefited from the continued rapid growth of the Indian mobile telephone market which has expanded its target audience.

At 31 December 2009, the carrying value of the group's investment in CAH was £692,000. CAH forecasts continued growth through 2010 with increased distribution on the national DTH platform and greater penetration in regional markets as Hindi production expands into local languages such as Urdu and Tamil. The current profitability of and future prospects for CAH easily support the carrying value of the investment. It is clear that the group has a substantial unrealised value in its CAH investment (which is cash neutral) and it is the group's intention, where possible, to make further partial realisations of this investment to provide funding for the group's additional ventures in the UK and other territories.

Overheads

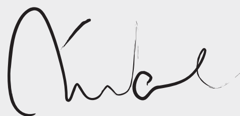
The group continues to reduce the level of operating overheads and streamline production output. Personnel costs remain the group's largest expense, and further progress was made during the year in reducing these. This combined with the relocation of all the UK activities into single premises in Great Portland Street has resulted in a reduction in group overheads to around £85,000 per month with some relatively minor further savings still to come.

Funding

The group continues to have funding facilities of £450,000 composed of a £150,000 overdraft and a £300,000 recourse factoring facility. Also during the year the group took on an additional £200,000 loan facility from Headstart Global which was used principally to repay the maturing convertible loan notes held by Headstart. The new facility (which is repayable in three tranches during 2010) is not convertible but the group granted Headstart a warrant over 3 million Ordinary shares at 2.75p per share as part of the new facility. The combination of available facilities and the prospect of net cash generative UK trading supports the presentation of the accounts on a going concern basis.

Outlook

During the first quarter of 2010, the UK operations continued to incur losses, as in 2009, due to investments in capacity that the group believes will provide future value. However, in April 2010, we began monetizing the Freeview capacity in which we have been investing. As a consequence the group's performance was positive during both April and May, a trend which we expect to continue throughout the remainder of 2010. Lastly, but significantly, CAH continues to perform well. The Directors look forward to reporting more fully on current year progress at the 2010 interim announcement stage.



Julian Paul
Chairman
2nd June 2010

Review of Operations

Group Overview

The group's core business continues to be the distribution of interactive television throughout the United Kingdom and its principal focus remains a commitment to sustainable future profitability driven by a combination of proven and innovative content, robust cost management, and expanded distribution.

During the year under review, despite facing extraordinary market conditions in common with the rest of the media and entertainment industries, consumer demand for the group's interactive formats proved resilient. Indeed, despite the downturn in the global TV market, the group's extensive portfolio of applications, formats and programmes continued to serve it well, and, when combined with the progressive solutions developed by the technology division, benefited the company's operations across multiple delivery platforms.

UK Operations

The group remains a leading provider of participation television programming in the United Kingdom, which has the highest level of digital television penetration in Europe (88%) and a substantial multichannel environment.

In 2009 the core element of management's strategy was to secure a return to profitability by realigning and expanding distribution of the group's services. The realignment of channels, negotiations with bandwidth suppliers, and technical efficiencies, reduced operating overheads on Sky, for example, from £900,000 per month in April 2009 to £600,000 by April 2010 or a projected annual saving of over £3 million. A significant portion of these resources have been redeployed to other platforms which will provide expanded reach and relatively higher yields. In addition, in an important step to manage overheads, all UK operations were consolidated into a single London production centre which permitted a commensurate decline in staffing costs, efficiencies in production processes and the deployment of new technologies across all channels.

During the year, the group produced over 2,500 hours of live interactive television per month distributed across key digital platforms including Sky Digital, Freeview and Freesat. The substantial front-end investment in increased channel capacity provides both strategic distribution and long term competitive benefits. Freeview is now the main digital TV service in 10 million households, and over 18 million households use Freeview on at least one TV set in the home. Over 9.7 million households subscribe to Sky Digital and Freesat is now in over 1 million homes. In 2009 the principal source of revenues continued to be derived from audience participation with the group's live television programming, and increasingly via the web and mobile services, providing users with access to our content 24-hours a day. This represents a successful implementation of the often discussed but seldom achieved 360 degree strategy of content monetisation.

International Operations

The group's 37.5% owned associate company in India, Cellcast Asia Holdings ("CAH"), experienced a strong and profitable performance in the last year. In January 2010 the company was a recipient of a Red Herring 100 Global Award as one of the world's top 100 private technology companies, an award that recognises innovation, management quality, and market positioning and growth opportunity. Such prestigious recognition also validates Cellcast UK's technology and formats, which form the core of CAH's platform.

CAH is now a clear leader in the participation TV sector in India both by traffic volume and revenue, and CAH is well positioned for significant growth as sector leader in a market that continues to expand rapidly. Despite total mobile penetration in India in excess of 530 million subscribers, over 10 million new subscribers are added every month, making India the second largest market in the world after China (and 8 times the size of the UK subscriber market). CAH (which has a 31 March year end) grew revenue from US$2 million in the year 2008/09 to US$8.4 million in 2009/10, and turned a loss in 2008/09 into an unaudited profit of US$2 million in 2009/10.

CAH is expected to deliver a strong first half in 2010, despite the disruption to viewing and subsequent reduction in revenues that affects all Indian broadcasters other than those broadcasting the India Premier League cricket series. With mobile penetration expected to reach 745 million by the end of 2010 there should be continued organic growth in the yield from CAH's existing output and a larger audience for new formats.

Cellcast Middle East ("CME") continued to offer premium telephony billing services to regional broadcasters and maintains a network of direct agreements with multiple GSM operators across the region covering Lebanon, Syria, Jordan, Bahrain, Yemen, Kuwait and Iraq plus via strategic partners in Saudi Arabia, Egypt, Morocco and Tunisia. In 2009 CME increased its regional coverage through new direct agreements with Wataniya Palestine and Vodafone Qatar. CME managed premium SMS solutions and on-screen interactive features for the original live interactive game show "Wanted", as well as for the well-known formats "Deal or No Deal" and "Studio Fan". In addition to its original business of providing SMS services to regional broadcasters, CME is leveraging its network to provide billing solutions to internet companies focussed primarily on online games, a sector enjoying strong growth in the region. CME has also recently diversified into mobile marketing, implementing campaigns for major international brands such as L'Oreal and Nokia. CME has value beyond Cellcast UK's minority 18% stake in the business as it provides us with preferential access to a network of billing agreements which can support the regional satellite TV broadcasting initiatives under consideration.

The success of Cellcast's Indian venture evidences the inherent value of our model and technology. As a result we have been approached to license our technology and formats within a number of other international markets which we are considering on a case by case basis provided such ventures require minimal investment and can be managed within our current resources.

Technology Division

During the year under review, attention was focussed on operational solutions, analytical systems and platform projects.

On the operational side, two major system upgrades were delivered. The first was the final stage of the dark fibre project that went live in June 2009. This enabled the group to migrate all services from externally managed circuits to in-house management. Working with partners Arqiva, Globecast and AboveNet, this migration realised significant cost savings and enabled the group to expand the number of broadcast streams it can support.

The upgrade to internal systems for broadcast, playout and monitoring began in 2009. All aspects of the broadcast paths were overhauled, culminating in decisions on new playout and graphics systems as well as the design and implementation of completely new Master Control Room and compliance monitoring system.

Work on analytical systems centred on the implementation of Nucleus (formerly Eagle Eye), a bespoke customer relationship management and enterprise resource planning system designed to support the growth of individual business units and increase average revenue per user. Nucleus uses artificial intelligence to mine CMS data and individual consumer behaviour to trigger customised revenue generating marketing campaigns. The evolution of this project led to the development of a 'software as a service' platform that directly links all providers.

There were a number of initiatives among the platform projects. Development continued on the Cellcast Interactive Platform, which was redeployed as a Cloud based solution in 2009. The investment and time put into the MDS, CMS and NAS systems during 2008 led to the BOIP (Broadcast over IP) project being initiated in 2009 and continued into 2010. This project is intended to fundamentally change the entire broadcast infrastructure, moving away from traditional hardware-based systems to a software-based system from camera to broadcast.

The year saw the first implementation of the Mailcast project with the roll-out of Cardfish (www.cardfish.com). Mailcast brings together elements of internet video, video customisation and telephony to provide an online viral interactive storyboarding system utilising an innovative e-card process. In the coming months Mailcast will be deployed within Cellcast's portfolio of services. In addition we believe there is a ready market for licensing this technology to third-party marketing companies and content providers.

Outlook for 2010

The realignment and expansion of the group's services across the Sky Digital, Freeview and Freesat platforms has been costly and taken time, but management believes that it has achieved the right distribution mix and market coverage to optimise yield. The fruits of this restructuring were a 48% year-on-year increase in SMS traffic 13% year-on-year increase in IVR traffic in April 2010 and a 10% year-on-year increase in Web-based transactions. This translated in to a significant increase in revenue which led to the group achieving positive results in April and May.

In 2010, the group will introduce Nucleus across all its operations and expects to offer it as a service to other companies in the sector. The deployment of the first stage of this platform is already increasing customer retention and significantly increasing average revenue per user by boosting cross-selling opportunities. Research and development continues on new mobile and telephony products, with a deployment programme for a number of new iPhone applications.

The group will continue to develop innovative products and services to meet the challenges and growth opportunities presented by the expansion of digital television and the convergence of the web, TV and telephony. The group's proven expertise in the development of multimedia services and formats, and its strong marketing base combining the reach of its TV channels and growing mobile database, provide it with a powerful platform. Having grown revenues in 2009 despite the unprecedented economic situation and a major restructuring of its services and distribution, the group both maintains a leading position in the UK interactive services industry and anticipates continued growth throughout 2010.

Andrew Wilson
Chief Executive Officer
2nd June 2010

Bertrand Folliet
Chief Operating Officer
2nd June 2010

Directors and advisors

Julian Paul FCA,

Non-Executive Chairman

Julian Paul is a chartered accountant who subsequently spent nearly 20 years as a commercial and merchant banker. Since 1991 he has held several senior positions with companies in the media and entertainment sector, including Castle Communications plc and Tele-Cine Cell Group plc. He was also deputy chairman of Eagle Rock Entertainment Limited, of which he was a founder shareholder. He is currently a non-executive director of Inspired Gaming Group plc, Pilat Media Global plc, Stagecoach Theatre Arts plc and Edge Performance VCT plc.

Andrew Wilson

Chief Executive Officer

Andrew Wilson co-founded Cellcast in 2002. With over 20 years experience in the telecoms and information industries, he enjoys a proven track record of building innovative international businesses in related telecoms, broadcasting and new media sectors. Most recently, he has played a leading industry role in driving the global success of value-added services such as SMS and the monetization of digital content. Before co-founding Cellcast, he served as an executive director of the Tokyo based Jasdaq-listed e-Lux Corporation, and was chief executive officer of the publicly listed Hong Kong company e-New Media. Prior to this he was a director of the international telemedia services provider VISL, and joint managing director of Marketing Solutions, a subsidiary of DDB Needham.

Bertrand Folliet

Chief Operating Officer

Bertrand Folliet co-founded Cellcast in 2002. He has many years experience in the telecoms, digital content and multimedia industries, and a successful record of building profitable businesses providing value-added billing and distribution services in the international telecom sector. Before co-founding Cellcast, he served as an executive director of the Tokyo based Jasdaq-listed e-Lux Corporation and was the chief operating officer of e-Lux Corporation's key operating subsidiary in Hong Kong. Prior to this he was president of the publicly listed Hong Kong company e-New Media. He also served as managing director of e-New Media subsidiary New Media Corporation and was director of operations of company's predecessor, VISL. Before joining VISL, he was senior vice president of Matra-Hachette Multimedia On-line. Bertrand Folliet holds a PhD in Management.

Emmanuelle Guicharnaud

Chief Financial Officer and Company Secretary

Emmanuelle Guicharnaud spent four years as a management consultant for Pricewaterhouse Coopers. In 1999 she joined a privately held chain of hotels with the responsibility of evaluating new acquisitions. In 2000 she relocated to the UK and took up a position as the financial controller of m-Quest, a telecoms company providing value added telephony and SMS solutions that was subsequently acquired by Monstermob plc. She joined Cellcast as financial controller in 2002. Emmanuelle holds a DECF (Accountancy and Finance Diploma) from an International Business School (ESC).

Mike Neville

Non-Executive Director

Mike Neville has extensive experience in capital markets and is a director of a number of public and private companies. He is currently chairman of Telephonetics, an AIM company specialising in speech solutions in the corporate sector. His background is in the telecommunications, technology and media arena, where he has worked for the last 18 years specialising in strategy, mergers and acquisitions, and turn around situations. He has worked for companies such as Cable & Wireless, United Utilities, where he has been involved in large and small scale fundraising as well as numerous merger and acquisition transactions in various parts of the world.

Company number
05342662

Registered office
The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Business address
150 Great Portland Street, London, W1W 6QD

Nominated Adviser and Broker
Allenby Capital Limited, Claridge House, 32 Davies Street, London, W1K 4ND

Registrars
Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU

Independent Auditor
Baker Tilly UK Audit LLP, 2 Bloomsbury Street, London, WC1B 3ST

Bankers
HSBC Bank PLC, 196 Oxford Street, London, W1D 1NT

Solicitors
Memery Crystal LLP, 44 Southampton Buildings, London, WC2A 1AP
Wallace LLP, 1 Portland Place, London, W1B 1PN

cellcast

Corporate governance

The company is committed to high standards of corporate governance. The board is accountable to the company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the company.

The workings of the board and its committees

The board

The board currently comprises the non-executive chairman, the chief executive officer, the chief operating officer, the chief financial officer, and one other independent non-executive director. Concerns relating to the executive management of the company or the performance of the other non-executive director may be raised with the non-executive chairman. Their biographies appear on page 8. These demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct, which is vital to the success of the company. The board is responsible to the shareholders for the proper management of the company. A statement of the directors' responsibilities in respect of the accounts is set out on page 13 and 14 and a statement of going concern is given on pages 13 and 21.

All directors have access to the advice and services of the company secretary, who is responsible for ensuring that board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the board as a whole.

The board meets regularly, reviewing trading performance, ensuring adequate funding, setting and monitoring strategy and examining major acquisitions and opportunities. The non-executive directors have a particular responsibility to ensure that the strategies proposed by the executive directors are fully evaluated. To enable the board to discharge its duties, all directors receive appropriate and timely information. Briefing papers are distributed by the company secretary to all directors in advance of board meetings. The chairman ensures that the directors take independent professional advice as required.

The following committees deal with the specific aspects of the company's affairs:

Audit committee

The audit committee comprises Julian Paul and Mike Neville, and is chaired by Julian Paul. The committee meets not less than twice annually. The committee provides a forum for reporting by the company's external auditor. Meetings are also attended, by invitation, by the chief executive officer or the chief financial officer. The audit committee is responsible for reviewing a wide range of matters including the half year and annual accounts before their submission to the board and monitoring the controls which are in force to ensure integrity of the information reported to the shareholders. The audit committee advises the board on the appointment of the external auditor and their remuneration both for audit and non-audit work, and discusses the nature, scope and results of the audit with the external auditor. The audit committee keeps under review the cost effectiveness and the independence and objectivity of the external auditor. A formal statement of independence is received from the external auditor each year.

Remuneration committee

The remuneration committee comprises Julian Paul and Mike Neville, and is chaired by Julian Paul. It is responsible for making recommendations to the board, within agreed terms of reference, on the company's framework of executive directors' remuneration and its cost. The committee determines the contract terms, remuneration and other benefits for each of the executive directors, including share options, pension rights and compensation payments. The board itself determines the remuneration of the non-executive directors.

Nomination committee

The nomination committee comprises Julian Paul and Mike Neville, and is chaired by Julian Paul. The committee is responsible for proposing candidates for appointment to the board, having regard to the balance and structure of the board. In appropriate cases, recruitment consultants may be used to assist the process.

Relations with shareholders

The board recognises the importance of communications with shareholders. The Chairman's Statement and Review of Operations include a detailed review of the business and future developments. There is a regular dialogue with institutional shareholders including presentations after the company's preliminary announcement of the year end results and at the half year.

The board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation.

Management structure

The board has overall responsibility for the company. Each director has been given responsibility for specific aspects of the company's affairs. The executive directors meet with senior executives and divisional management regularly, to discuss day-to-day operational matters.

Finance and accounting principles

The directors and senior accounts staff are well aware of the financial and accounting policies and procedures applied throughout the company. The directors seek to comply with best practice when selecting accounting policies and preparing the accounts. The impact of new accounting policies is reviewed when they are introduced and discussed with external financial advisers, if necessary, in order to obtain a fuller understanding.

Quality and integrity of personnel

The integrity and competence of personnel is ensured through high recruitment standards and subsequent training. High quality personnel are seen as an essential part of the control environment and the ethical standards expected are communicated through the corporate culture.

Identification of business risks

The board is responsible for identifying the major business risks faced by the company and for determining the appropriate course of action to manage those risks.

Budgetary process

Each year the board approves the annual budget. Key areas are identified. Performance is monitored and relevant action is taken throughout the year through the monthly reporting to the board of variances from the budget, together with updated forecasts for the year and information on the key risk areas.

Investment appraisal

Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specified levels detailed written proposals have to be submitted to the board. Reviews are carried out after an acquisition is complete, and for some projects, during the acquisition period, expenditure is monitored and major overruns investigated. Due diligence work is carried out if a business is to be acquired.

Internal audit

Given the size of the company, the relative simplicity of the systems and the close involvement of senior management, the board considers that there is no current requirement for an internal audit function. This will be kept under review.

Directors' report

for the year ended 31 December 2009

The directors present their report and consolidated financial statements for the year ended 31 December 2009.

Directors

The following directors have held office since 1 January 2009:
Julian Paul FCA (Chairman)
Andrew Wilson
Bertrand Folliet
Mike Neville
Emmanuelle Guicharnaud

Principal activities and review of the business

The principal activity of the group was that of the provision of services in the telecommunications industry.

The review of the group's activities and performance for the year and its prospects for 2010 is contained in the Chairman's Statement on pages 2 and 3 and the Review of Operations on pages 4 to 6. These deal with the business risks facing the company.

Results and dividends

The consolidated income statement for the year is set out on page 16. No dividend is proposed (2008: Nil).

Key performance indicators

The directors monitor the performance of the business through various key performance indicators (KPIs), of which the principal ones are profitability by programme and by territory, gross profit margins by programme and by territory, and overall group profitability at the EBITDA and operating profit level.

Group research and development activities

During the year the group concentrated its development activities on programme format and platform development.

Financial instruments

The risk exposure for the group and how the group addresses these issues are dealt with in note 17 of the financial statements.

Political and charitable donations

During the year group made no political or charitable donations.

Related party transactions

Transactions with related parties are disclosed in note 23.

Substantial shareholdings

The company has been notified of the following substantial interests as at 14 May 2010.

	Shareholding %	Ordinary Shares of 3p each
Neil Craven	11.82%	8,986,412
SMS Media Limited (note 1)	14.05%	10,680,062
Atlas Group of Companies Limited	11.37%	8,645,635
Harkness Trading Limited (note 2)	8.80%	6,687,500

Note 1: Controlled by Harkness Trading Limited. SMS Media Limited also has a 50.1% holding in Sardik Limited which in turn holds 1,992,662 shares in Cellcast plc.

Note 2: Controlled by Andrew Wilson and Bertrand Folliet.

Share capital

Details of share capital are given in note 18 to the financial statements.

Directors' insurance

Directors' and officers' liability insurance is held by the group.

Credit or payment policy

The company policy is to ensure that, in the absence of dispute, all suppliers are dealt with in accordance with its standard payment policy whereby all outstanding trade accounts are settled within the term agreed with the supplier at the time of the supply or otherwise 30 days from receipt of the relevant invoice. Trade creditor days based on creditors at 31 December 2009 were 73 days (2008: 48 days).

Going concern

Following the loss for the year and the group having net current liabilities of £2,273,737 the directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2009 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group's current working capital and credit facilities in place are sufficient for the foreseeable future. This assumption is based upon updated forecasts following an increase in profitability due principally to the good performance of new formats launched in April 2010 together with a reduction in operating costs achieved through the realignment of channels, negotiations with bandwidth suppliers, and technical efficiencies . The group's Indian associate continues to perform well. Accordingly, the directors believe the going concern basis to be appropriate.

Directors' responsibilities

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

Company law requires the directors to prepare group and company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare

the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

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

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

b. make judgements and accounting estimates that are reasonable and prudent;

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on Cellcast's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure of information to the auditor

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

Auditor

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor will be put to the members at the annual general meeting.

By order of the board

Emmanuelle Guicharnaud
Company Secretary
2nd June 2010

Independent auditor's report to the members of Cellcast plc

We have audited the group and parent company financial statements ("the financial statements") on pages 16 to 61. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 13 and 14, 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements which is not qualified, we have considered the adequacy of the disclosures made in the accounting policy on going concern on page 21 concerning the group's ability to continue as a going concern. The group incurred a loss of £1,610,437 for the year ended 31 December 2009 and at that date had net current liabilities of £2,273,737. These conditions along with other matters explained on page 21 indicate the existence of a material uncertainty which may cast doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

PAUL WATTS (Senior Statutory Auditor). For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants, 2 Bloomsbury Street, London WC1B 3ST
2nd June 2010

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2009 £	2008 £
Revenue		16,810,064	15,994,412
Cost of sales		(17,121,563)	(14,619,887)
Gross (loss)/profit		(311,499)	1,374,525
Operating costs and expenses:			
General and administrative		(1,196,883)	(1,369,172)
Share option expense		(17,297)	(56,619)
Amortisation and depreciation		(704,672)	(516,587)
Total operating costs and expenses		(1,918,852)	(1,942,378)
Operating loss	4	(2,230,351)	(567,853)
Profit on disposal of channels		-	1,207,275
Interest receivable & similar income	5	22	2,914
Interest payable & similar charges	6	(101,923)	(120,023)
Share of profit / (loss) in associates	12	451,068	(342,498)
(Loss)/ profit before tax		(1,881,184)	179,815
Current taxation			
R & D tax credit		270,747	153,313
Total taxation	7	270,747	153,313
(Loss)/ profit for the year		(1,610,437)	333,128
Other comprehensive income Exchange difference on translating foreign operations		(14,057)	41,234
Total comprehensive income attributable to the owners of the parent company		(1,624,494)	374,362
(Loss) / earnings per share Basic & diluted	8	(2.1)p	0.4p

Consolidated statement of financial position

		As at December 31	
		2009	2008
Assets	Note	£	£
Non-current assets			
Intangible assets	9	2,128,419	2,460,596
Property, plant and equipment	10	179,813	327,068
Investments in associates	12	691,806	254,795
		3,000,038	3,042,459
Current assets			
Trade and other receivables	13	2,365,352	2,999,339
Cash and cash equivalents		199,556	-
		2,564,908	2,999,339
Total Assets		5,564,946	6,041,798
Capital and reserves			
Called up share capital	18	2,265,398	2,265,398
Share premium account		5,498,626	5,498,626
Merger reserve		1,300,395	1,300,395
Cumulative translation reserve		22,018	36,075
Warrant Reserve		41,190	-
Retained earnings		(8,401,326)	(6,808,186)
Equity attributable to owners of the parent		726,301	2,292,308
Liabilities			
Current liabilities			
Trade and other payables	14	4,683,435	3,502,193
Borrowings	16	155,210	247,297
Total liabilities		4,838,645	3,749,490
Total equity and liabilities		5,564,946	6,041,798

The financial statements were approved and authorised for issue by the board on 2nd June 2010

Andrew Wilson
Chief Executive Officer
2nd June 2010

Emmanuelle Guicharnaud
Finance Director
2nd June 2010

cellcast

Consolidated statement of changes in equity

Consolidated statement of changes in equity for the year ended 31 December 2009

	Amounts attributable to the owners of the parent						
	Share Capital	Share Premium	Merger Reserve	Cumulative Translation Reserve	Warrant Reserve	Retained Earnings	Total
	£	£	£	£	£	£	£
Balance at 1 January 2009	2,265,398	5,498,626	1,300,395	36,075	-	(6,808,186)	2,292,308
Loss for the year	-	-	-	-	-	(1,610,437)	(1,610,437)
Exchange difference on translating foreign operations	-	-	-	(14,057)	-	-	(14,057)
Total comprehensive income	-	-	-	(14,057)	-	(1,610,437)	(1,624,494)
Transactions with owners							
– Warrant issue	-	-	-	-	41,190	-	41,190
– Equity settled share-based payment charge	-	-	-	-	-	17,297	17,297
Total transactions with owners	-	-	-	-	41,190	17,297	58,487
Balance at 31 December 2009	2,265,398	5,498,626	1,300,395	22,018	41,190	(8,401,326)	726,301

Consolidated statement of changes in equity for the year ended 31 December 2008

	Amounts attributable to the owners of the parent					
	Share Capital	Share Premium	Merger Reserve	Cumulative Translation Reserve	Retained Earnings	Total
	£	£	£	£	£	£
Balance at 1 January 2008	2,265,398	5,498,626	1,300,395	(5,159)	(7,197,933)	1,861,327
Profit for the year	-	-	-	-	333,128	333,128
Exchange difference on translating foreign operations	-	-	-	41,234	-	41,234
Total comprehensive income	-	-	-	41,234	333,128	374,362
Transactions with owners – Equity settled share-based payment charge	-	-	-	-	56,619	56,619
Balance at 31 December 2008	2,265,398	5,498,626	1,300,395	36,075	(6,808,186)	2,292,308

cellcast

Consolidated cash flow statement

	Note	Year ended December 31 2009	2008
Net increase/ (decrese) in cash and cash equivalents		£	£
Net cash inflow / (outflow) from operations	20a	392,665	(424,740)
Income taxes		270,747	153,313
Interest received		22	2,914
Net cash inflow/(outflow) from operating activities		663,434	(268,513)
Net cash (outflow) / inflow from investing activities	20b	(225,240)	601,942
Net cash used in financing activities	20c	(169,916)	(450,918)
Net increase / (decrease) in cash and cash equivalents		268,278	(117,489)
Cash and cash equivalents at beginning of period		(68,722)	7,533
Exchange gains		-	41,234
Cash and cash equivalents at end of period		199,556	(68,722)

Accounting policies

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable International Financial Reporting Standards as adopted by the European Union (IFRS). Cellcast plc is an England and Wales incorporated public limited company and is domiciled in the United Kingdom. Cellcast plc shares are publically traded on the AIM market of the London Stock Exchange under the ticker symbol CLTV.

The group has taken the following optional exemptions contained in IFRS 1 'First-time Adoption of International Financial Reporting Standards':

- Cumulative translation differences - The cumulative translation differences for all foreign subsidiaries have been set to zero as at 1 January 2006 and exchange differences arising prior to this date will not be recycled to the income statement on disposal of the subsidiaries.
- Business combinations - The group elected not to apply IFRS-3 Business Combinations retrospectively to past business combinations (business combinations that occurred before 1 January 2006).

Standards issued but not yet effective

The IASB and International Financial Reporting Interpretations Committee have issued standards and interpretations with an effective date after the date of these financial statements. Those applicable to the Group are as follows:

International Financial Reporting Standard / International Financial Reporting Interpretations Committee		Effective date for financial periods beginning on or after
IFRS 9	Financial Instruments	1 January 2013
Amendment to IAS 24	Related Party Disclosures	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the group's financial statements in the period of initial application.

Going concern

Following the loss for the year and the group having net current liabilities of £2,273,737 the directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2009 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group's current working capital and credit facilities in place are sufficient for the foreseeable future. This assumption is based upon updated forecasts following an increase in profitability due principally to the good performance of new formats launched in April 2010 together with a reduction in operating costs achieved through the realignment of channels, negotiations with bandwidth suppliers, and technical efficiencies. The group's Indian associate continues to perform well. Accordingly, the directors believe the going concern basis to be appropriate.

Basis of consolidation

Subsidiaries are entities over which the group has the power to govern the financial and operating policies to obtain economic benefit to the group. Subsidiaries are fully consolidated from the effective date of acquisition or up to the effective date of disposal, as appropriate. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Prior to the transition date to IFRS, the group performed a group reconstruction under merger accounting resulting in a merger reserve being retained.

Associates

An associate is an entity over which the group is in a position to exercise significant influence, but not control, through participation in the financial and operating policy decisions of the investee. The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investment in associates are carried in the balance sheet at cost, adjusted by post-acquisition changes in the group's share of the net assets of the associates, less any impairment.

Intangible assets

Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the group's development process is recognised only if all of the following conditions are met:

- It is probable that the asset created will generate future economic benefits;
- The development cost of the asset can be measured reliably;
- Technical feasibility of completing the intangible asset can be demonstrated;
- There is the ability to use or sell the asset; and
- Adequate technical, financial and other resources to complete the development and to use or sell the asset are available.

Development costs meeting these criteria are capitalised and amortised on a straight-line basis over their useful lives of 5 years once the related product is available for use. Development costs are capitalised for the development of new technologies utilised by Cellcast plc in production and broadcasting.

Licences

Licences are purchased separately, capitalised at cost and amortised over their useful economic life of 10 years.

Property, plant and equipment and depreciation

Property, plant and equipment other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Broadcasting equipment	20% to 50% straight line
Computers, fixtures and fittings	20% to 50% straight line

Leases
Leases that confer rights and obligations similar to those that attach to owned assets are classified as finance leases. Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Inventories and work in progress
Inventories and work in progress is valued at the lower of cost and net realisable value on a first in first out basis.

Convertible loan and term loan notes
The loan notes issued by the company are accounted for in accordance with the substance of the contractual arrangement. The convertible loan notes are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. Issue costs in relation to these convertible loan notes are accounted for within the initial recognition of the financial liability.

Warrants
The warrants issued by the company are recorded at fair value on initial recognition net of transaction costs.

Impairment of property, plant and equipment and intangible assets excluding goodwill
At each balance sheet date, the group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for their asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Cash and cash equivalents
For the purpose of preparation of the cash flow statement, cash and cash equivalents includes cash at bank and in hand, and short term deposits with an original maturity period of three months or less, and the bank overdraft.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently at amortised cost less an allowance for any uncollectible amounts. Allowance is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The group's trade and other receivables are non-interest bearing.

Trade payables

Trade payables and other short term monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Deferred taxation

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based upon tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in profit or loss, except when it relates to items credited or charged to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Share option expense

The group has applied the requirements of IFRS 2 Share-based Payment. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

The group issues equity-settled share-based payment transactions to certain employees. Equity-settled share-based payment transactions are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest. Fair value is measured by use of a binominal model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Pension Costs

Payments of defined benefit contributions pension schemes are charged as an expense to profit or loss as they fall due.

Foreign currencies

Transactions in currencies other than the functional currency of entities of the group, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in profit or loss for the period, except for exchange differences on non-monetary assets and liabilities, which are recognised in other comprehensive income, where the changes in fair value are recognised directly in other comprehensive income.

On consolidation, the assets and liabilities of the group's overseas operations are translated into sterling at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

The most important currency for the group is £ Sterling, the group's functional currency. The relevant exchange rates for the foreign currencies to sterling were:

Currency	31 December 2009	31 December 2008
Euro	1. 1279	1. 0499
Indian Rupee	75.0440	71.0011

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is recognised on the date of the transaction taking place.

Accounting estimates and judgements

The directors consider the critical accounting estimates and judgments used in the financial statements and concluded that the main areas of judgments are:

- Going concern;
- Valuation of share-based payments;
- Realisable amount of intangible assets and impairment review;
- Realisable amount of investment in associates;
- Likelihood of exercise of put option by Canaan Partners (note 22)

These estimates are based on historical experience and various other assumptions that management and the board of directors believe are reasonable under the circumstances and are discussed in more detail in their respective notes. The group also makes estimates and judgments concerning the future and the resulting estimate may, by definition, vary from the related actual results.

1) Segmental reporting

During the year the group adopted IFRS 8 which is effective for annual reporting periods beginning on or after 1 January 2009 and requires that the group should disclose segmental information based on financial data used by the Executive Management Team who are responsible for making financial decisions. The executive management team comprises the chief executive officer, the chief operating officer and the chief financial officer.

The financial information is presented to the executive management team as one operating unit which apart from the group's associate undertaking operates in one geographical unit. The executive management team make their decisions based upon this information.

The group has 3 significant customers, each generating over 10% of the group's television and broadcast revenue. The 3 customers contribute £4,493,289, £3,199,941 and £4,487,605 of the group's total revenue.

2) Staff Costs

	2009	2008
	£	£
Wages and salaries	810,988	1,011,206
Social security costs	168,092	105,224
Other pension costs	13,990	13,832
Share option expenses	17,297	56,619
	1,010,367	1,186,881

Included in the above staff costs is £132,871 (2008: £120,500) in relation to development costs that were capitalised in accordance with IAS 38 Intangible assets. The remaining staff costs are included within general and administrative expenses.

Average monthly number of employees by activity (including directors)	2009	2008
Production	6	4
Technical	8	14
Management	4	4
Administration	5	6
	23	28

Key management	2009 £	2008 £
Salaries and other short-term employee benefits	513,002	546,100
Post employment benefits	13,000	12,760
Share option expense	17,297	56,619
	543,299	615,479

3) Directors' emoluments

	2009 £	2008 £
Aggregate emoluments for qualifying services	342,725	346,450
Company's pension contributions to money purchase schemes	10,600	10,600
	353,325	357,050

	£	£
Emoluments for highest paid director	100,000	100,000
Pension contributions	10,000	10,000
	110,000	110,000

Two directors (2008: two) had benefits accruing under money purchase pension schemes.

4) Loss before tax (2008 - profit)

	2009	2008
Loss before tax (2008 – profit) is stated after charging/(crediting):	£	£
Depriciation - owned assets	139,446	133,015
Depreciation - assets on hire purchase contracts	17,096	70,305
Licences amortisation	77,548	77,975
Amortisation of internally generated development costs	470,582	235,292
Total amortisation and depreciation charge for the year	704,672	516,587
Profit on disposal of channels - licences	-	(1,207,275)
Loss on disposal of property, plant and equipments	-	24,784
Auditor’s remuneration – statutory audit of parent and consolidated accounts	35,000	35,000
Audit services provided to subsidiaries were £25,000 (2008: £25,000)		
Other services supplied pursuant to such legislation: Interim review	6,000	5,000
Foreign exchange loss	17,304	7,268

In 2008, the group’s curtailment of the UGC venture SUMO.tv produced a significant windfall of £1.2 million, from the sale of the channel’s position in the Sky Electronic Program Guide.

5) Interest receivable and similar income

	2009	2008
	£	£
Bank interest received	22	2,914

6) Interest payable and similar charges

	2009	2008
	£	£
Interest on convertible loan and term loan notes	43,884	41,654
Bank charges & interest paid	54,971	70,541
Finance leases	3,068	7,828
	101,923	120,023

7) Taxation

	2009	2008
	£	£
Current tax charge		
R&D tax credit	(270,747)	(153,313)
Deferred tax charge	-	-
Tax credit	(270,747)	(153,313)

Factors affecting the tax charge for the year

	2009	2008
(Loss) / profit on ordinary activities before taxation	(1,881,184)	179,815
Less: share of (profit)/loss of associated undertakings	(451,068)	342,498
Group loss on ordinary activities before tax	(2,332,252)	(522,313)
Group (loss) / profit on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 28% (2008:28.5%)	(653,030)	148,859
Effects of:		
Non deductible expenses	10,730	15,040
Tax losses carried forward / (utilised)	301,899	(180,035)
Losses surrendered for Research & Development tax credit	335,558	-
Research and Development tax credit	(270,747)	(153,313)
Share option expense	4,843	16,136
Tax credit	(270,747)	(153,313)

The Research and Development tax credit received in 2009 related to the year ended 31 December 2007 (£144,413) and 31 December 2008 (£126,334). The 2008 research and development tax credit related to the year ended 31 December 2006.

At 31 December 2009, the group had estimated tax trading losses of £4.6 million (2008: £3.5 million) which subject to the agreement of the HM Revenue & Customs and overseas tax authorities, are available to carry forward against future profits of the same trade. No deferred tax asset has been recognised on these losses as timings of future profits are uncertain.

8) (Loss) / earnings per share

The calculations of adjusted basic and diluted (loss)/earnings per ordinary share are based on the following results:

	2009	2008
Reported (loss) / profit for the financial period	(1,610,437)	333,128
Weighted average number of ordinary shares	75,513,224	75,513,224
Basic (loss) / earnings per share	(2.1p)	0.4p
Diluted (loss) / earnings per share	(2.1p)	0.4p

Due to the loss incurred in 2009 there was no dilution effect from the issued share options and warrants.

As the listed market value of the shares throughout 2008 was lower than the exercise prices of the share options and warrants in issue during the year, there was not considered to be any dilution effect of the issued share options and warrants during 2008.

The share split on the 30 July 2009 did not result in any change to the number or the rights of the ordinary shares in issue and therefore has been no impact on the loss / (earnings) per share.

9) Intangible assets

	Licences Cost	Internally Generated Development Cost	Total Cost
	£	£	£
Cost			
At 1 January 2008	874,232	1,598,923	2,473,155
Additions	-	753,982	753,982
Disposals	(244,966)	-	(244,966)
At 31 December 2008 and 1 January 2009	629,266	2,352,905	2,982,171
Additions	7,675	208,278	215,953
Disposals	-	-	-
At 31 December 2009	636,941	2,561,183	3,198,124
Amortisation			
At 1 January 2008	260,550	-	260,550
Amortisation for year	77,975	235,291	313,266
Elimination on disposal	(52,241)	-	(52,241)
At 31 December 2008 and 1 January 2009	286,284	235,291	521,575
Amortisation for year	77,548	470,582	548,130
Disposals	-	-	-
At 31 December 2009	363,832	705,873	1,069,705
Net book value at 31 December 2009	273,109	1,855,310	2,128,419
Net book value at 31 December 2008	342,982	2,117,614	2,460,596
Net book value at 1 January 2008	613,682	1,598,923	2,212,605

Licences are being amortised over a period of 10 years and on average have another 7 years of amortisation remaining. Development costs are being amortised over a period of 5 years and on average have an amortisation period of 3 and a half years remaining.

10) Property, plant & equipment

	Broadcasting equipment	Computer equipment	Totals
	£	£	£
Cost			
At 1 January 2008	1,565,081	184,798	1,749,879
Additions	19,898	24,178	44,076
Disposals	(51,012)	(3,846)	(54,858)
At 31 December 2008 and 1 January 2009	1,533,967	205,130	1,739,097
Additions	9,287	-	9,287
At 31 December 2009	1,543,254	205,130	1,748,384
Depreciation			
At 1 January 2008	1,132,954	105,829	1,238,783
Charge for year	168,197	35,123	203,320
Disposals	(28,176)	(1,898)	(30,074)
At 31 December 2008 and 1 January 2009	1,272,975	139,054	1,412,029
Charge for year	122,409	34,133	156,542
At 31 December 2009	1,395,384	173,187	1,568,571
Net book value at 31 December 2009	147,870	31,943	179,813
Net book value at 31 December 2008	260,992	66,076	327,068
Net book value at 1 January 2008	432,127	78,969	511,096

Assets, included in the above, which are held under finance leases, are as follows:

	Broadcasting equipment
	£
Cost	
At 1 January 2008, 1 January 2009 and 31 December 2009	126,401
Depreciation	
At 1 January 2008	39,000
Charge for the year	70,305
At 1 January 2009	109,305
Charge for the year	17,096
31 December 2009	126,401
Net book value at 31 December 2009	-
Net book value at 31 December 2008	17,096
Net book value at 1 January 2008	87,401

11) Subsidiary companies

At 31 December 2009 Cellcast plc owned 100% of the issued share capital in Cellcast UK Limited, a company incorporated in the UK whose principal business was television and broadcasting. At 31 December 2009, Cellcast UK owned the following other interests:

Company	Country of incorporation	Class	Shares held %	Type of holding	Principal business
Cellcast TV SA	Argentina	Ordinary	51%	Subsidiary	Television & broadcasting
Cellcast International Limited	United Kingdom	Ordinary	100%	Subsidiary	Television & broadcasting
TV You! Limited	United Kingdom	Ordinary	100%	Subsidiary	Television & broadcasting

12) Associates

	2009	2008
Share of net assets	£	£
1 January	254,795	561,217
Share of results post tax	451,068	(342,498)
Exchange translation	(14,057)	36,076
31 December	691,806	254,795

The group's interest in associates at 31 December 2008 and 31 December 2009 comprise a 37.5% holding of the share capital of Cellcast Asia Holdings Limited ("CAH"). CAH is incorporated in the Cayman Islands and its principal activity is of an investment holding company.

CAH owns 100% of the share capital of Cellcast Interactive India Private Limited a company incorporated in India and whose principal activity is television and broadcasting. CAH also own 50% of the share capital of Cellcast SEA Limited a dormant company incorporated in Hong Kong. CAH and its subsidiaries have a 31 March financial year end. The results and financial position for the year ended 31 December 2009 have been included in these group accounts under the equity method of accounting.

The group's share of the results of CAH, the group's principal associate (which is unlisted) and its aggregate assets and liabilities are as follows:

	2009	2008
	£'000	£'000
Total assets	1,545	655
Total liabilities	(528)	(400)
Revenue	1,917	689
Profit/(loss) for the year	451	(342)

The group also holds an 18% holding in Cellcast Middle East Limited, a company incorporated in Lebanon. While its principal activities remains in television and broadcasting it continues to be loss making and the results have not been included as the group has no further funding commitment.

13) Trade and other receivables

	2009	2008
	£	£
Trade receivables	689,773	817,031
Prepayments and accrued income	1,505,385	2,041,903
Other receivables	170,194	140,405
	2,365,352	2,999,339

Ageing of trade receivables is as follows:

	2009	2008
	£	£
Current	569,738	518,587
Up to 3 months	103,845	261,506
Up to 6 months	2,269	22,999
Up to 9 months	13,921	13,939
	689,773	817,031

14) Trade and other payables

	2009	2008
	£	£
Bank loans and overdraft	-	68,722
Obligations under finance leases	-	17,096
Trade payables	2,517,029	1,181,315
Other taxes & social security	501,392	528,051
Other payables	1,005,000	553,737
Accruals & deferred income	660,014	1,153,272
	4,683,435	3,502,193
Credit payment profile in days	73 days	48 days

Overdraft

At 31 December 2009, the group had an overdraft facility of £150,000, bearing interest of 4.25% over base rate. The bank overdraft is repayable on demand and is secured by a fixed and floating charge over the assets of the group. The facility is due for renewal in October 2010.

Recourse factoring facility

At 31 December 2009, the group had a recourse factoring facility of £450,000 for up to 70% of the value of the approved debt due from a single customer. This facility is available until February 2011. £315,000 in respect of the factoring facility is included within other payables (2008: £315,000).

15) Finance leases

Amounts due under finance leases are secured on related assets.

	2009	2008
Net obligations under finance leases	£	£
Repayable within one year	-	17,096
	-	17,096
Included in current liabilities	-	(17,096)
	-	-
Gross finance lease liabilities - minimum lease payments	-	19,487
	-	19,487
Future finance charges on finance leases	-	(2,391)
Present value of finance lease liabilities	-	17,096

16) Borrowings - loan notes

	2009	2008
	£	£
Term loan notes	155,210	-
Convertible Loan Notes	-	247,297
	155,210	247,297
Convertible loan note	£	£
Liability component brought forward at 1 January	247,297	482,109
Repayments of principal on convertible loan notes	(240,000)	(260,000)
	7,297	222,109
Interest charge	37,484	41,654
Interest paid	(44,781)	(16,466)
Liability component as at 31 December	-	247,297
Term loan note	£	£
Proceeds on issue of term loan note	200,000	-
Less transaction costs – arrangement fees	(10,000)	-
Less transaction costs – warrant costs	(41,190)	-
	148,810	-
Interest charge	6,400	-
Interest paid	-	-
Liability component as at 31 December	155,210	-

The convertible loan note facility was renegotiated in 2008 to restrict the conversion to equity as long as no further draw downs were requested and the outstanding loan is repaid under the terms of the Deed of Variation dated 7 May 2008. In this deed the provider of the convertible loan note agreed to waive their right of conversion in respect of any notes held by the company unless the company failed to comply with the agreed repayment plan, which would pay off the loan in full by 29 June 2009.

During the year the company repaid the balance outstanding on the convertible loan. On 19 November 2009 the company contracted a term loan amounting to £200,000, repayable in 3 instalments – £65,000 on 31 July 2010, £65,000 on 30 September 2010 and £70,000 on 16 November 2010. The facility carries an interest rate of 1.15% per calendar month (13.80% per annum) and is secured on a fixed and floating charge over certain assets of the group. In relation to this new facility, the company granted to the holders of the term loan notes 5 year warrants over 3 million ordinary shares exercisable at a price of 2.75p. Under the terms and conditions of the share warrants issued, they do not become exercisable until 6 months after the date of grant. Nevertheless on 27 April 2010, the Company agreed to the exercise of 500,000 warrants.

17) Financial risk management

The group's financial instruments mainly comprise cash, overdraft facility, recourse factoring facility, finance leases, loan notes and various items arising directly from its operations, such as trade receivables and trade payables. The details of finance lease obligations are disclosed in note 15 and the details of the loan notes in note 16. The main purpose of these financial instruments is to provide working capital for the group. The group's policy is to obtain the highest rate of return on its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not exposing the group to unnecessary risk of default.

(a) Risk management policies

The group's finance function is responsible for procuring the group's capital resources and maintaining an efficient capital structure, together with managing the group's liquidity, foreign exchange and interest exposures.

All treasury operations are conducted within strict policies and guidelines that have been approved by the directors.

The group's portfolio of cash and cash equivalents is managed such that there is no significant concentration of credit risk in any one bank or other financial institution.

(b) Financial assets and liabilities

Financial assets and liabilities analysed by the categories were as follows:

As at 31 December 2009	Currency	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total carrying value £'000	Total fair values £'000
Financial assets					
Trade receivables and accrued income	Sterling	2,195	-	2,195	2,195
Other receivables	Sterling	170	-	170	170
Cash balances	Sterling	200	-	200	200
Financial liabilities					
Trade payables	Sterling	-	(2,517)	(2,517)	(2,517)
Other payables	Sterling	-	(690)	(690)	(690)
Recourse factoring facility	Sterling	-	(315)	(315)	(315)
Accruals	Sterling	-	(660)	(660)	(660)
Loan note	Sterling	-	(155)	(155)	(155)
	Sterling	2,565	(4,337)	(1,772)	(1,772)

As at 31 December 2008	Currency	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total carrying value £'000	Total fair values £'000
Financial assets					
Trade receivables and accrued income	Sterling	2,859	-	2,859	2,859
Other receivables	Sterling	140	-	140	140
Financial liabilities					
Trade payables	Sterling	-	(1,181)	(1,181)	(1,181)
Overdraft	Sterling	-	(69)	(69)	(69)
Amounts payable under finance leases	Sterling	-	(17)	(17)	(17)
Other payables	Sterling	-	(239)	(239)	(239)
Recourse factoring facility	Sterling	-	(315)	(315)	(315)
Accruals	Sterling	-	(1,153)	(1,153)	(1,153)
Convertible loan note	Sterling	-	(247)	(247)	(247)
		2,999	(3,221)	(222)	(222)

The carrying value of all financial instruments is not materially different from their fair value. It is, and has been throughout the year, the group's policy that no principal trading in financial instruments shall be undertaken.

Cash and cash equivalents attract floating interest rates. Accordingly, their carrying amounts are considered to approximate to fair value.

Finance lease obligations attract fixed interest rates that are implicit in the lease rentals and their fair value has been assessed by reference to prevailing market interest rates.

The interest rate risk relates to the recourse factoring facility on a LIBOR rate basis, and the overdraft facility on a Base Rate basis.

(c) Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Maximum credit risk at 31 December was as follows

	2009	2008
	£'000	£'000
Trade receivables and accrued income	2,195	2,859
Other receivables	170	140
Cash and cash equivalent	200	0
	2,565	2,999

Before accepting a new customer, the group assesses both the potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the group. Where appropriate the customer's recent financial statements are reviewed

The company carries credit risk insurance in respect of the debtor financed under the recourse factoring facility.

Trade receivables are regularly reviewed for bad and doubtful debts. Debts amounting to £121,486 have been written off during 2009 (2008: £5,152). There are no provisions for trade receivables at year end.

	2009	2008
Ageing of the trade receivables is as follows:	£'000	£'000
Current	570	518
Up to 3 months	104	262
Up to 6 months	2	23
Up to 9 months	14	14
	690	817

The total of the trade receivables which were past due at 31 December 2009 but not impaired was £120,000 (2008: £299,000). The group believes that the balances are ultimately recoverable. Of £2,195,000 of the trade receivables and accrued income at the year end, £2,135,000 was collected by 31 March 2009. The directors are confident as to the recoverability of the remaining balance and thus no impairment of the amount has been recognised in the financial statements at 31 December 2009.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Contractual cash flows relating to the group's financial liabilities are as follows:

	2009			2008		
	Within 6 months	6 months to 1 year	Total	Within 6 months	6 months to 1 year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Overdraft	-	-	-	(69)	-	(69)
Trade and other payables	(2,517)	-	(2,517)	(1,181)	-	(1,181)
Finance lease obligations	-	-	-	(17)	-	(17)
Convertible loan	-	-	-	(247)	-	(247)
Term loan	-	(155)	(155)	-	-	-
Other payables	(690)	-	(690)	(767)	-	(767)
Recourse factoring facility	(315)	-	(315)	(315)	-	(315)
Accruals	(660)	-	(660)	(1,153)	-	(1,153)
Cash flows on financial liabilities	(4,182)	(155)	(4,337)	(3,749)	-	(3,749)

(e) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates.

The interest rate profile of the group's financial assets and liabilities was as follows:

As at 31 December 2009	Currency	Floating rate	Fixed rate	Non-interest bearing	Total
		£'000	£'000	£'000	£'000
Financial assets					
Trade receivables and accrued income	Sterling	-	-	2,195	2,195
Other receivables	Sterling	-	-	170	170
Cash balances	Sterling	200	-	-	200
Financial liabilities					
Trade payables	Sterling	-	-	(2,517)	(2,517)
Other payables	Sterling	(690)	-	-	(690)
Recourse factoring facility	Sterling	(315)	-	-	(315)
Accruals	Sterling	-	-	(660)	(660)
Loan	Sterling	-	(155)	-	(155)
		(805)	(155)	(812)	(1,772)

cellcast

As at 31 December 2008	Currency	Floating rate £'000	Fixed rate £'000	Non-interest bearing £'000	Total £'000
Financial assets					
Trade receivables and accrued income	Sterling	-	-	2,859	2,859
Other receivables	Sterling	-	-	140	140
Cash balances	Sterling	-	-	-	-
Financial liabilities					
Trade payables	Sterling	-	-	(1,181)	(1,181)
Overdraft	Sterling	(69)	-	-	(69)
Amounts payable under finance leases	Sterling	-	(17)	-	(17)
Other payables	Sterling	-	-	(767)	(767)
Recourse factoring facility	Sterling	(315)	-	-	(315)
Accruals	Sterling	-	-	(1,153)	(1,153)
Convertible loan note	Sterling	-	(247)	-	(247)
		(384)	(264)	(102)	(750)

The group has derived a sensitivity analysis based on 1% variance in floating interest rates

	31 December 2009 £'000	31 December 2008 £'000
Impact on equity and profit after tax		
1% increase in the base rate of interest	8	4
1% decrease in the base rate of interest	(8)	(4)

(f) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities and investments in associates that are denominated in a currency other than the functional currency of the entity by which they are held. The main currency risk of the group is considered to be the group's investment in Cellcast Asia which has a carrying value of £692,000 (2008: £255,000). CAH's transactions are mainly conducted in Indian Rupees.

	31 December 2009	31 December 2008
	£'000	£'000
Impact on equity and profit after tax		
10% increase Indian Rupee foreign exchange rate against pound sterling	68	25
10% decrease Indian Rupee foreign exchange rate against pound sterling	(68)	(25)

The policies for managing these risks are regularly reviewed and agreed by the board.

Fair value

There is no material difference between the fair value of financial assets and their book value at the balance sheet date.

Capital management

The group's main objective when managing capital is to protect returns to shareholders by ensuring the group will continue to trade in the foreseeable future.

The group considers its capital to include share capital, share premium, retained earnings, interest in own shares and net debt as noted below.

Net debt includes short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

	31 December 2009	31 December 2008
	£'000	£'000
Convertible loan notes	-	247
Recourse factory facility	315	315
Bank loans and overdraft	-	69
Term loan	155	-
Finance leases	-	17
Total debt	470	648
Less: cash and cash equivalents	(200)	-
Net debt	270	648
Total equity	726	2,255
Debt to capital ratio	0.37	0.29

18) Share capital & Reserves

Authorised	£	No shares	£	No shares
Ordinary shares of 3p each	-	-	3,000,000	100,000,000
Ordinary shares of 1p each	1,489,736	148,973,552	-	-
Deferred Shares of 2p each	1,510,264	75,513,224	-	-
	3,000,000	224,486,776	3,000,000	100,000,000

Issued				
Ordinary shares of 3p each	-	-	2,265,398	75,513,224
Ordinary shares of 1p each	755,134	75,513,224	-	-
Deferred Shares of 2p each	1,510,264	75,513,224	-	-
	2,265,398	151,026,448	2,265,398	75,513,224

On the 30 July 2009 a special resolution was passed under which each of the company's 3p ordinary share capital in issue was split into one ordinary 1p share and one deferred 2p share. All of the voting rights held by the 3p share was transferred to the 1p share. The authorised, but unissued ordinary shares of 3p each were subdivided into 3 Ordinary shares of 1p shares each with equal voting rights. There were no changes to the authorised or issued share capital in 2008.

The Deferred shares of 2p have no voting right, no rights to dividends and negligible rights on return of capital. They are not listed on any stock exchange.

The share options and warrants granted over the shares of the company are set out in note 19.

The nature and the purpose of each reserve in equity is described as follows:

Share Premium Account

The share premium account represents the premium paid on issue of ordinary shares in excess of their nominal value.

Merger Reserve

The merger reserve arises as a result of a group reorganisation where the company acquired Cellcast UK Limited which was accounted for in accordance with merger accounting principles.

Warrant reserve

Warrants represent the subscription rights for ordinary share in Cellcast plc and the warrant reserve represents the fair value of the warrant at date of issue.

19) Share options

The group operates two different share option schemes, an Enterprise Management Incentive (EMI) share option plan and a General share option plan which are available to be granted to directors, staff, consultants and independent contractors as part of their remuneration package and they act as an incentive to assist with the future performance of the group. The group has also issued warrants to consultants, independent contractors and financiers as part of their remuneration packages.

EMI share option plan

Date of grant	10/10/05	15/5/06	10/10/06	08/11/07	25/07/08
Number granted	1,142,238	70,000	775,000	884,510	1,200,000
Contractual life	10 years	10 years	10 years	10 years	10 years
Estimated fair value per option - Tranche 1	£ 0.260	£ 0.290	£ 0.040	£ 0.020	£ 0.0041
Estimated fair value per option - Tranche 2	£ 0.250	£ 0.340	£ 0.040	£ 0.030	£ 0.0044
Estimated fair value per option - Tranche 3	£ 0.270	£ 0.380	£ 0.050	£ 0.030	n/a

General share option plan

Date of grant	15/9/05	4/4/06	15/5/06	10/10/06	08/11/07	25/07/08
Number granted	535,206	17,391	110,000	325,000	1,600,000	1,800,000
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years
Estimated fair value per option - Tranche 1	£ 0.310	£ 0.440	£ 0.350	£ 0.040	£ 0.020	£ 0.0041
Estimated fair value per option - Tranche 2	£ 0.330	£ 0.510	£ 0.400	£ 0.050	£ 0.030	£ 0.0044
Estimated fair value per option - Tranche 3	£ 0.360	£ 0.500	£ 0.400	£ 0.050	£ 0.030	n/a

Under the terms of the EMI share option plan and the General Share option plan the options vest with the employee in equal thirds on the first, second and third anniversaries of the date of the grant and cannot be exercised after ten years. This is with the exception of the share option scheme granted on the 25 July 2008 whereby the options vest with the employee in two equal tranches on the first and second anniversary of the grant.

Share warrant scheme

Date of grant	18/01/07	23/02/07	29/06/07	19/11/09
Number granted	1,000,000	1,875,000	2,000,000	3,000,000
Contractual life	5 years	5 years	5 years	5 years
Estimated fair value per option	£ 0.030	£ 0.030	£ 0.033	£ 0.014

Under the terms and conditions of the share warrants issued on 19 November 2009, the warrants do not become exercisable until 6 months after the date of grant. All the other warrants became immediately exercisable upon grant date.

The estimated fair values were calculated by applying a binomial option pricing model. The model inputs were

EMI share option plan

Date of grant	10/10/05	15/5/06	10/10/06	08/11/07	25/07/08
Share price at grant date	£ 0.710	£ 0.685	£ 0.080	£ 0.053	£ 0.01
Exercise price	£ 0.710	£ 0.685	£ 0.080	£ 0.053	£ 0.03
Contractual life	10 years	10 years	10 years	10 years	10 years
Expected volatility	80%	80%	80%	80%	80%
Expected dividends	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.22%	4.62%	4.53%	4.75%	4.94%
Sub-optimal coefficient	1.7	1.7	1.7	1.7	1.7
Forfeiture rate	27%,40%,59%	15%,79%,100%	0% ,52%,52%	0%,10%,23%	0%

General share option plan

Date of grant	15/9/05	4/4/06	15/5/06	10/10/06	08/11/07	25/07/08
Share price at grant date	£ 0.715	£ 0.863	£ 0.685	£ 0.080	£ 0.053	£ 0.01
Exercise price	£ 0.715	£ 0.863	£ 0.685	£ 0.080	£ 0.053	£ 0.03
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	80%	80%	80%	80%	80%	80%
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.16%	4.37%	4.62%	4.53%	4.75%	4.94%
Sub-optimal coefficient	1.7	1.7	1.7	1.7	1.7	1.7
Forfeiture rate	15%,21&,22%	0%	0%,0%,56%	0%	0%	0%

Share warrant scheme

Date of grant	18/01/07	23/02/07	29/06/07	19/11/09
Share price at grant date	£ 0.073	£ 0.073	£ 0.080	£ 0.030
Exercise price	£ 0.080	£ 0.080	£ 0.088	£ 0.0275
Contractual life	5 years	5 years	5 years	5 years
Expected volatility	80%	80%	80%	90%
Expected dividends	Nil	Nil	Nil	Nil
Risk-free interest rate	5.11%	5.04%	5.63%	2.71%
Sub-optimal coefficient	1.7	1.7	1.7	1.7
Forfeiture rate	0%	0%	0%	0%

The assumed volatility rate was based on an average of comparable listed companies over a period commensurate to the terms of the options and warrants.

The share options and warrants in issue during the year are as follows:

	2009		2008	
Share options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	6,856,400	0.12	4,877,521	0.25
Granted during the year	-	-	3,000,000	0.03
Forfeited during the year	(707,531)	0.51	(635,137)	0.31
Cancelling during the year	-	-	(385,984)	0.71
Exercised during the year	-	-	-	-
Outstanding at 31 December	6,148,869	0.08	6,856,400	0.12
Exercisable at 31 December	5,733,189	0.22	3,778,540	0.44

The share options outstanding at the end of the year have an exercise price of between £0.03 and £0.8625, with a weighted average remaining contractual life of 7.71 years.

Of the share options that have been granted during the prior year 1,800,000 related to those which were issued from both the EMI scheme and the general share option plan as consideration for the cancelled options. The share option that were cancelled relate to those from within the EMI scheme and the general share option plan grants made in 10 October 2005 and 15 May 2006. These share options were cancelled as management considered that they had become un-advantageous to the option holders. Accordingly replacement share options were granted with modified terms and conditions, principally a reduced exercise price, to make the share options more favourable. These replacement share options were therefore accounted for as a modification and the total incremental fair value of these replacement share options was £7,164 of which £2,213 was recognised in the income statement during the 2008 financial year.

The following EMI options, save those granted to Mike Neville, Julian Paul and Bertrand Folliet which are Unapproved Options, over the Ordinary shares of 1 pence each have been granted to the directors.

	Option price £	Number granted	Date of grant
Andrew Wilson	0.710	56,338	15/09/05
Betrand Pierre Folliet	0.715	56,338	15/09/05
Emmanuelle Guicharnaud	0.710	98,591	15/09/05
	0.030	400,000	24/07/08
Julian Paul	0.715	70,423	15/09/05
	0.030	400,000	24/07/08
Mike Neville	0.715	7,042	15/09/05
	0.685	40,000	15/05/06
	0.030	400,000	24/07/08

There have been no changes in the number of options held by the directors since they were granted.

The assumed volatility rate was based on an average of comparable listed companies over a period commensurate to the terms of the options and warrants.

	2009		2008	
Share warrants	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	4,875,000	0.08	4,875,000	0.08
Granted during the year	3,000,000	0.0275	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	7,875,000	0.053	4,875,000	0.08
Exercisable at 31 December	4,875,000	0.08	4,875,000	0.08

The share warrants outstanding at the end of the year have an exercise price of £0.08 and £0.0275, with a weighted average remaining contractual life of 3.26 years.

The total expense, which has been recognised in the income statement, arising from share-based payment transactions is as follows:

	2009	2008
	£	£
Share option and warrant expense	17,297	56,619

The warrants granted in 2009 in relation to the issuing of loan notes had a fair value amounting to £41,190 which was recognised as a finance cost and offset against the funds borrowed. These costs are recognised as an expense using the effective interest method under IAS39: 'Financial Instrument: recognition and measurement'.

20) Cash flows

	Year ended 31 December	
	2009	2008
	£	£
a) Reconciliation of net (loss) / profit to net cash outflow from operating activities		
(Loss) / profit before tax	(1,881,184)	179,815
Interest receivable and similar income	(22)	(2,914)
Interest payable and similar charges	101,923	120,023
Share of operating (gains)/ losses in associates	(451,068)	342,498
Amortisation and depreciation	704,672	516,587
Share option expense	17,297	56,619
Loss on disposal of property, plant and equipment	-	24,784
Gain on disposal of intangible assets – proceeds from disposal of channels	-	(1,207,275)
Finance costs	-	42,977
Decrease/ (increase) in trade and other receivables	633,987	(765,388)
Increase in trade and other payables	1,267,060	267,534
Net cash inflow / (outflow) from operating activities from continuing operations	392,665	(424,740)

b) Cash flow from investing activities		
Proceeds on disposal of intangible assets	-	1,400,000
Purchase of property, plant and equipment	(9,287)	(44,076)
Purchase of intangible assets	(215,953)	(753,982)
Net cash (outflow) / inflow from investing activities	(225,240)	601,942

c) Cash flow from financing activities		
Capital element of finance leases	(17,096)	(54,395)
Interest paid	(95,523)	(120,023)
Repayment of loan	(247,297)	(276,500)
Proceeds from the issue of term loan note	200,000	-
Less issue costs	(10,000)	-
Net cash used in financing activities	(169,916)	(450,918)

21) Capital commitments

At 31 December 2009, the group had no outstanding capital commitments (2008: nil).

22) Contingent liability

In August 2007, Cellcast Asia Holdings Limited ("CAH") issued US$5.25 million of Series A Preferred Stock to Canaan Partners, a private equity firm. At the end of August 2012, CAH may be required to redeem the Preferred Stock at the higher of cost or fair market value and, in those circumstances, a breach by CAH of the redemption provisions in its articles of association may trigger a right for the holder(s) of the Preferred Stock to put the Preferred Stock on to Cellcast plc. Purchase by Cellcast plc of the Preferred Stock under the put option would be subject to the requirements of the AIM Rules for companies and any other applicable regulation or legislation at the time. After reviewing CAH's management forecasts to 2012, the directors do not consider that any material value attaches to this option at 31 December 2009.

23) Related party transactions

SMS Media Limited

In 2009 sales to SMS Media Limited amounted to £12,341 (2008: £66,982) and management charges totalled £197,980 (2008: £321,040). At the year end £37,560 (2008: £84,140) was owed to SMS Media Limited, which has common directors and beneficial shareholders in Bertrand Folliet and Andrew Wilson.

Sky Telemedia (UK) Limited

During the year recharges, relating mostly to rent and rates, from Sky Telemedia (UK) Limited amounted to £324,998 (2008: £417,806). At the year end £51,453 (2008: £15,368) was owed to Sky Telemedia (UK) Limited. Sky Telemedia (UK) Limited is a wholly owned subsidiary of SMS Media Limited.

Cellcast Television China Limited

The company transferred £Nil (2008:£18,000) to Cellcast Television China Limited a former trading subsidiary of the group. Cellcast Television China Limited ceased trading during 2008.

Neil Craven

During the year the company paid £12,000 to Neil Craven (2008: £5,000) as a fee to assist with the company's financial public relations, to review investor relations strategy and to promote the company to existing and potential investors.

Company Number: 05342662

Company balance sheet

	Note	2008	2009
Fixed assets		£	£
Investments in subsidiary	24	1,162,563	1,145,266
Current assets Debtors: amounts falling due after one year	25	6,922,626	7,017,357
Cash at bank and in hand		1,685	1,677
		6,924,311	7,019,034
Creditors: amounts falling due within one year	26	(155,210)	(247,297)
Net current assets representing total assets less current liabilities		6,769,101	6,771,737
		7,931,664	7,917,003
Capital and reserves			
Called up share capital	27	2,265,398	2,265,398
Share premium account	28	5,498,626	5,498,626
Warrant Reserve	28	41,190	-
Profit and loss account	28	126,450	152,979
		7,931,664	7,917,003

The financial statements were approved and authorised for issue by the board on 2nd June 2010

Andrew Wilson
Chief Executive Officer
2nd June 2010

Emmanuelle Guicharnaud
Finance Director
2nd June 2010

Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

No income statement is presented for Cellcast plc as provided by section 408 of the Companies Act 2006. The details of the loss for the year are given in note 29.

Revenue

Revenue represents amounts receivable for services net of VAT.

Investments

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

Deferred taxation

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

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

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account, so as to produce a constant periodic rate of change on the net obligation outstanding in each period.

Share-based payments

The parent company operates executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognized over the vesting period. The expense is recognized as a staff cost and the associated credit entry is made in equity.

Convertible loan notes

The loan notes issued by the company are accounted for in accordance with the substance of the contractual arrangement. The convertible loan notes are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method. Issue costs in relation to these convertible loan notes are accounted for within the initial recognition of the financial liability.

The convertible loan notes are recognised initially at fair value and subsequently amortised at cost using the effective interest rate method. Issue costs in relation to these convertible loan notes are accounted for within the initial recognition of the financial liability.

Warrants

The warrants issued by the company are recorded at fair value on initial recognition net of transaction costs.

24) Investments

Investments in subsidiary	£
At 1 January 2009	1,145,266
Contribution in relation to share option charge	17,297
At 31 December 2009	1,162,563

	£
At 1 January 2008	1,088,647
Contribution in relation to share option charge	56,619
At 31 December 2008	1,145,266

The investment relates entirely to the 100% holding of Cellcast UK Limited a company incorporated in England and Wales and whose principal activity is television and broadcasting. Full details of Cellcast UK Limited subsidiaries are given in note 11.

25) Debtors

	2009	2008
Amounts falling due after one year:	£	£
Amounts owed by group undertakings	6,922,626	7,017,357

26) Creditors falling due within one year

	2009	2008
	£	£
Term loan	155,210	-
Convertible loan note	-	247,297
	155,210	247,297

Full details of loans are included in note 16

27) Share capital

	2009		2008	
Authorised	£	No shares	£	No shares
Ordinary shares of 3p each	-	-	3,000,000	100,000,000
Ordinary shares of 1p each	1,489,736	148,973,552	-	-
Deferred shares of 2p each	1,510,264	75,513,224	-	-
	3,000,000	224,486,776	3,000,000	100,000,000
Issued				
Ordinary shares of 3p each	-	-	2,265,398	75,513,224
Ordinary shares of 1p each	755,134	75,513,224	-	-
Deferred shares of 2p each	1,510,264	75,513,224	-	-
	2,265,398	151,026,448	2,265,398	75,513,224

On the 30 July 2009 a special resolution was passed under which each of the company's 3p ordinary share capital in issue was split into one ordinary 1p share and one deferred 2p share. All of the voting rights held by the 3p share were transferred to the 1p share. The authorised, but unissued ordinary shares of 3p each were subdivided into 3 Ordinary shares of 1p shares each with equal voting rights. There were no changes to the authorised or issued share capital in 2008.

The Deferred shares of 2p have no voting right, no rights to dividends and negligible rights on return of capital. They are not listed on any stock exchange.

The share options and warrants granted over the shares of the company are set out in note 19.

28) Reserves

	Share Premium	Warrants	Profit and Loss account	Total
	£	£	£	£
Balance at 1 January 2009	5,498,626	-	152,979	5,651,605
Loss for the period	-	-	(43,826)	(43,826)
Warrant issue	-	41,190	-	41,190
Share option charge	-	-	17,297	17,297
Balance at 31 December 2009	5,498,626	41,190	126,450	5,666,266

	Share Premium	Profit and Loss account	Total
	£	£	£
Balance at 1 January 2008	5,498,626	231,260	5,729,886
Loss for the period	-	(134,900)	(134,900)
Share option charge	-	56,619	56,619
Balance at 31 December 2008	5,498,626	152,979	5,651,605

29) Statement of movement in equity shareholders' funds

	31 December 2009	31 December 2008
	£	£
Loss for the period	(43,826)	(134,900)
Warrant issue charge	41,190	-
Share option charge	17,297	56,619
Net addition / (deductions) to shareholders' funds	14,661	(78,281)
Opening equity shareholders' funds	7,917,003	7,995,284
Closing equity shareholders' funds	7,931,664	7,917,003

30) Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.

31) Contingent liability

In August 2007, Cellcast Asia Holdings Limited ("CAH") issued US$5.25 million of Series A Preferred Stock to Canaan Partners, a private equity firm. At the end of August 2012, CAH may be required to redeem the Preferred Stock at the higher of cost or fair market value and, in those circumstances, a breach by CAH of the redemption provisions in its articles of association may trigger a right for the holder(s) of the Preferred Stock to put the Preferred Stock on to Cellcast plc. Purchase by Cellcast plc of the Preferred Stock under the put option would be subject to the requirements of the AIM Rules for Companies and any other applicable regulation or legislation at the time. After reviewing CAH's management forecasts to 2012, the directors do not consider that any material value is attached to this option at 31 December 2009.

150 Great Portland Street

London W1W 6QD

Tel: +44 (0)2071 900 300

Fax: +44 (0)2071 900 301

www.cellcast.tv

Company registration No. 05342662 (England and Wales)