cellcast

Cellcast plc Annual Report and Accounts
for the year ended 31 December 2013

Contents

Chief Executive's statement

2013 Results

Operating revenues, which continued to be derived almost entirely from interactive broadcasting activities in the UK, amounted to £15.5 million, a decrease of 19% on 2012. The gross margin declined from a level of 6% in 2012 to a negative 1% in 2013. The group posted an operating loss of £2,483,000 compared to the previous year's operating loss of £511,000. The 2013 operating loss includes costs of £1,131,000 the majority of which was spent on exploratory ventures in overseas markets (2012: £276,000).

The primary reason for the UK revenue decrease was significantly declining performance of the Group's Freeview channels. General and administrative costs decreased by 18% from £1,019,000 to £838,000. Around 40% (2012: 33%) of these were personnel costs, with 18 permanent staff at 31 December 2013.

In October 2013 the group successfully relocated its studios and associated production facilities from Central London to Milton Keynes. This is expected to result in operational savings of £150,000 per month when fully implemented. In addition the set up in Milton Keynes allows flexible access to additional space on demand giving the group the ability to react quickly to opportunities to broadcast on new channels or in new markets.

Amortisation and depreciation expenses of £377,000 – 37% less than in 2013 – are predominantly accounted for by the amortisation of the group's capitalised development costs, which at 31 December 2013 had a net book value of £80,000 (2012 - £326,000).

After taking into account the net interest costs, the total loss for 2013 was £2,491,000 (2012 - loss of £55,000). 2013 loss per share was 3.3p (2012 loss per share of 0.1p).

See the Review of Operations on pages 5 and 6 of this report for a fuller description of the group's operations and technological developments.

Funding

At 31 December 2013, the group had a net cash balance of £404,000 (2012: £740,000).

Post Balance Sheet Event

On 27 March 2014 the group entered into an agreement with Entertainment Networks Ltd, a subsidiary of Sony Pictures Television, under which the group has agreed to early termination of its exclusive rights (which it has held since 2006) to manage and operate the Freeview channel known as Movie Mix in return for a one off payment of £2,980,000. This amount, net of certain expenses, will be recognised as a profit on disposal.

Post payment of legal fees (£100,000) and settling of certain outstanding creditors (£880,000) will provide the group with a cash sum of £2m. It will primarily be used for selected investment in new related cross media opportunities and not to fund the group's long-term working capital requirements.

Outlook

Revenues remained poor through the first half of 2013 and as anticipated continued to decline in the second half of the year. This was mainly due to a 50% decline in revenue from the Freeview channels, which was a consequence of the group of channels being moved to a disadvantageous position on the EPG. This has increased the group's focus on cost cutting as described in the Strategic Report.

In July the group's losses were significantly curtailed by a negotiated reduction in the cost of one of the Group's Freeview channels which translated into a 32% reduction in the group's overall broadcast cost. In October, other cost cutting measures were implemented which included moving the studio facilities out of London to Milton Keynes and reorganising the current operational structure. It was hoped that the beneficial effect of this relocation and reorganisation would be recognised in the second half of 2013 but for various logistical reasons these benefits will not be fully realised until the first half of 2014.

As the group's traditional UK market offers diminishing opportunities for new customer acquisition the group has identified two areas of potential growth. The first of these involves increasing revenue from existing customers through cross-selling and upselling complementary internet and mobile internet based services. The second is expansion into developing markets where mobile and specifically smartphone penetration is growing rapidly, and new digital broadcasting opportunities are emerging.

Andrew Wilson

Chief Executive Officer
1 May 2014

Strategic Report

Review of business

The group's main activity is the production and distribution of participatory television formats across multiple digital platforms in the United Kingdom. Its principal focus continues to be on reaching sustainable profitability in a very challenging domestic market. The group's strategy for achieving this is to look at new means of increasing yield from our existing customers whilst also looking at reductions in overhead.

Operations

To offset the decline in revenue from the freeview channels the group sought new ways of generating revenue from the large customer base it has secured through its broadcast activities, and as a result has seen a growth in revenue from its activities on the internet and mobile internet and other ancillary services. This growth was not sufficient to compensate for the decline in core TV driven revenue. To address the latter, the group has focused on reducing staffing costs and has implemented the application of new technologies to automate the production process across all channels.

In July the group's losses were significantly curtailed by a negotiated reduction in the cost of one of the group's Freeview channels which translated into a 32% reduction in the group's overall broadcast cost. In October further cost cutting measures were implemented which included moving the studio facilities out of London to Milton Keynes and reorganizing the current operational structure. It was hoped that the beneficial effect of this relocation and reorganisation would be recognised in the second half of 2013 but for various logistical reasons these benefits will not be fully realised until June 2014. As stated in the 2012 report, now that the group has secured near saturation distribution of its services across the key digital TV platforms in the UK, it sees limited growth in TV-derived revenues in the domestic market and has therefore continued to look at developing new international markets. In the course of 2013 the group launched services in Brazil that showed initial signs of promise but were undermined by technical problems in the network of our telecom partner. Other developing countries have proved more successful and started generating revenue in the second half of 2013 contributing £220,000 for the year under review.

Technology Division

Coinciding with the relocation of the broadcast and production facilities to Milton Keynes, the technical broadcast team revised and upgraded the core broadcast infrastructure in line with current trends and developments. The studio facility was built to specification to support HD operation, with a minimum standard of 1080i(50), with embedded multichannel audio. Additionally, all studios have an internal network robust enough to handle the precise requirements for control systems and communications.

The central Broadcast Playout systems were completely migrated to the new solution, thus removing the last remaining components of the legacy systems that had been in place since 2004. This upgrade provides for a full HD 1080i(50) end to end broadcast solution.

The final quarter of 2013 also saw the initial phase of the rollout of a MAM (Media Asset Management) system, allowing for the complete cataloguing and digitisation of all media assets across all channels and platforms. The business will adhere to the Media Asset Management strategy and enable point of creation capture and accumulation for all asset creation and metadata reporting systems. Used in conjunction with the new Broadcast Playout systems, this provides the means by which the production teams can reuse, prerecord and archive materials and will form the basis by which the business moves ahead with its converged TV and online strategy.

The software development team continued to build on the core CRM and on screen graphics solutions. The next stage of the CRM solution brought in the management of reporting from the online division and external partners. The consolidation of customer data forms the foundation of the customer acquisition and enhanced revenues strategies for the business as a whole as we see users migrate between devices and television. As it was a technical requirement of the relocation, the development team also deployed the new on screen graphics systems for the last remaining channels and integrated it with the new Broadcast Playout and MAM systems.

The development and online teams were restructured in 2013 to merge functions as the distinctions between televisual and internet broadcasting continue to blur into one. This forms the basis of how our development strategy will be approached in the future. The group has a clear commitment to dynamic publishing of key services on TV, online and on device with a mixed model that provides cost effective serving of static and dynamic content to meet audience facing requirements.

Key Performance Indicators

The directors monitor the performance of the business through various key performance indicators (KPIs), of which the principal ones are revenue by programme, gross profit margins by programme, and overall group profitability at the EBITDA and operating profit level. These KPIs continue to be monitored along with our compliance record and the monitoring of the group's technology.

Risk Factors

The following are the risk factors which need to be taken into account when assessing the sustainability of the group's current financial performance.

Regulatory risks

The group's activities are governed by relevant Broadcasting and Telecom regulators in each of the segments and markets in which it operates. The sectors the group is involved in are constantly evolving so there remains a risk that regulations may change and that any such changes could impact our current business model.

Commercial risks

-Broadcasting
The current margins enjoyed by the group are significantly dependant on the competitive advantage it has secured through the Electronic Programme Guide (EPG) positions it holds on the platforms on which it operates. In the event of EPG reorganisations this competitive advantage may be significantly eroded.

The group's margins are also dependant on the on-going cost of bandwidth. If these were to increase, the group's margins would diminish.

-Telecoms
The group's operations are significantly dependant on premium rate Interactive Voice Response and Short Message Service based income derived from revenue sharing agreements with fixed line and mobile operators and intermediary companies. These agreements are subject to change which, if averse, could erode group margins.

- Overseas Expansion
The group's overseas business activities come with an additional set of risks from the core UK business. These comprise of heightened regulatory and credit risk. In addition there is the challenge of forming the right partnerships abroad to further the interests of the group. These risks continue to be monitored by the Board.

Technology risks

The group continues to invest in maintaining and enhancing its broadcast and telecom infrastructure in order to maintain its competitiveness in the market. That said, any catastrophic failure that took excessive time to remedy could impact on-going revenues for a period of time.

Approved by the Board and signed on its behalf by

Andrew Wilson

Chief Executive Officer
1 May 2014

Directors and advisors

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
Executive Director
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 the 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 PricewaterhouseCoopers. 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 Chairman
Mike Neville has extensive experience in the capital markets and is a director of a number of public and private companies. His background is in the telecommunications, technology and media arena, where he has worked for the last 20 years specialising in strategy, mergers and acquisitions and turnaround situations. He has worked for companies such as Cable & Wireless and 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
35 Soho Square
London W1D 3QX

Nominated Adviser and Broker
Zeus Capital
23 Berkeley Square
London
W1J 6HE

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

Independent Auditor
Baker Tilly UK Audit LLP
25 Farringdon Street
London EC4A 4AB

Bankers
Barclays
United Kingdom House
180 Oxford Street
London W1D 1EA

Solicitors
Memery Crystal LLP
44 Southampton Buildings
London WC2A 1AP

Wallace LLP
1 Portland Place
London W1B 1PN

Corporate governance

The policy of the Board is to manage the affairs of the Company having regard to Quoted Company Alliance. The Director's support the principles underlying these requirements insofar as is appropriate for a group of the size of Cellcast Plc.

The workings of the board and its committees:

The board

The board comprises the non-executive chairman, the chief executive officer, the chief operating officer and the chief financial officer.

Concern relating to the executive management of the company may be raised with the senior independent non-executive director. The directors' biographies are set out on page 7. 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 pages 11 and 12 and a statement of going concern is given on pages 11 and 19.

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 senior independent non-executive director has 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 senior independent non-executive director 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 is represented by Mike Neville. 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 is represented by Mike Neville. The committee 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 director.

Nomination committee

The nomination committee is represented by Mike Neville. 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 Chief Executive's Statement and Review of Operations include a detailed review of the business and future developments. There is a regular dialogue with shareholders.

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 group, 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 2013

The directors present their report and consolidated financial statements for the year ended 31 December 2013.

Directors

The following directors have held office since 1 January 2013:
Andrew Wilson
Bertrand Folliet
Mike Neville
Emmanuelle Guicharnaud

Principal activities

The principal activity of the group is the production and broadcast of Participation TV formats where revenues are derived from paid audience interaction billed through fixed line or mobile phones.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 15. No dividend is proposed (2012: nil).

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 18 of the financial statements.

Political and charitable donations

During the year group made no political or charitable donations (2012: nil).

Related party transactions

Transactions with related parties are disclosed in note 22.

Substantial shareholdings

The company has been notified of the following substantial interests as at 7 March 2014.

	Shareholding %	Ordinary shares of 3p each
Gary Lyons	15.85%	12,285,000
SMS Media Limited (note 1)	15.71%	12,180,062
Atlas Group of Companies Limited	11.15%	8,645,635
Harkness Trading Limited (note 2)	8.63%	6,687,500
Guy Thomas	5.69%	4,413,412
David Hearne	4.10%	3,175,000

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 19 to the financial statements.

Directors' Insurance

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

Credit payment policy

The group's policy is to ensure that suppliers are paid, in the absence of dispute, in line with the terms negotiated with the individual supplier. Trade creditor days based on creditors at 31 December 2013 were 83 days (2012: 40 days).

Going concern

During the year ended 31 December 2013 the group recorded a loss of £2,490,950. While the group had net cash of £404,153 as at 31 December 2013 it had net current liabilities of £2,545,640. Subsequent to the year end the group sold its rights to operate a Freeview Channel to Entertainment Networks Limited, a subsidiary of Sony Pictures Television for £2,980,000. Post payment of legal fees (£100,000) and settling of certain outstanding creditors (£880,000) will provide the group with a cash sum of £2m. It will primarily be used for selected investment in new related cross media opportunities and not to fund the group's long-term working capital requirements.

The directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2013 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 required as a result of the reduction in the performance of the UK television business together with the continued reduction in operational costs implemented over the year and assumes the maintenance of existing relationships with key suppliers.

After making enquiries, the Directors have concluded that the group has adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the group financial statements.

Directors' responsibilities
The directors are responsible for preparing the Strategic Report and 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
1 May 2014

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 15 to 38. 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 auditor

As more fully explained in the Directors' Responsibilities Statement set out on pages 11 and 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at http://www.frc.org.uk/Our-Work/Codes-Standards/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-forauditors/Scope-of-audit/UK-Private-Sector-Entity-(issued-1-December-2010).aspx

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 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 modified, we have considered the adequacy of the disclosures made in the accounting policy on going concern on page 19 concerning the group and company's ability to continue as a going concern. The group incurred a net loss of £2,490,950 during the year ended 31 December 2013 and, at that date, the group's current liabilities exceeded its total assets by £1.8m and it had net current liabilities of £2.5m.

These conditions, along with the other matters explained in the accounting policy on going concern on page 19, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statement does not include the adjustments that would result if the group or company were 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 Strategic Report and 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

DAVID CLARK (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

1 May 2014

Consolidated statement of comprehensive income

For the year ended 31 December 2013

	Note	2013	2012
		£	£
Revenue	1	15,544,328	19,162,938
Cost of sales		(15,680,450)	(17,766,096)
Gross (loss) / profit		(136,122)	1,396,842
Operating costs and expenses:			
General and administrative		(837,950)	(1,019,808)
TV exploration in overseas countries, new ventures and one-off regulatory costs	7	(1,131,215)	(275,656)
Equity settled share-based payment charge		-	(9,365)
Amortisation & depreciation		(377,470)	(602,995)
Total operating costs and expenses		(2,346,635)	(1,907,824)
Operating loss		(2,482,757)	(510,982)
Gain on sale of intellectual property		-	457,084
Interest receivable & similar income	5	448	650
Interest payable and similar charges	6	(8,641)	(2,027)
Loss before tax	4	(2,490,950)	(55,275)
Taxation	8	-	-
Loss for the year and total comprehensive income attributable to owners of the parent		(2,490,950)	(55,275)
Loss per share attributable to owners of the parent Basic & diluted (pence)	9	(3.3)p	(0.1)p

All revenue derives from continuing operations.

Consolidated statement of financial position
As at 31 December 2013

	Note	2013	2012
Assets		£	£
Non-current assets			
Intangible assets	10	132,298	423,812
Property, plant and equipment	11	284,512	172,720
Investments	13	202,627	-
		619,437	596,532
Current assets			
Trade and other receivables	15	2,072,670	3,059,186
Cash and cash equivalents		404,153	798,125
		2,476,823	3,857,311
Non-current assets classified as held for sale	14	170,000	220,336
Total assets		3,266,260	4,674,179
Capital and reserves			
Called up share capital	19	2,285,398	2,285,398
Share premium account		5,533,626	5,533,626
Merger reserve		1,300,395	1,300,395
Warrant Reserve		13,702	13,702
Retained earnings		(10,889,324)	(8,398,374)
Equity attributable to owners of the parent		(1,756,203)	734,747
Liabilities			
Current liabilities			
Trade and other payables	16	5,022,463	3,881,559
Borrowings	17	-	57,873
Total liabilities		5,022,463	3,939,432
Total equity and liabilities		3,266,260	4,674,179

The financial statements on pages 15-38 were approved and authorised for issue by the board on 1 May 2014.

Signed on its behalf by:

Andrew Wilson

Chief Executive Officer
1 May 2014

Emmanuelle Guicharnaud

Finance Director
1 May 2014

Consolidated statement of changes in equity for the year ended 31 December 2013

	Amounts attributable to the owners of the parent					
	Share Capital £	Share Premium £	Merger Reserve £	Warrant Reserve £	Retained Earnings £	Total £
Balance at 1 January 2013	2,285,398	5,533,626	1,300,395	13,702	(8,398,374)	734,747
Loss for the year and total comprehensive income	-	-	-	-	(2,490,950)	(2,490,950)
Balance at 31 December 2013	2,285,398	5,533,626	1,300,395	13,702	(10,889,324)	(1,756,203)

Consolidated statement of changes in equity for the year ended 31 December 2012

	Amounts attributable to the owners of the parent					
	Share Capital £	Share Premium £	Merger Reserve £	Warrant Reserve £	Retained Earnings £	Total £
Balance at 1 January 2012	2,285,398	5,533,626	1,300,395	13,702	(8,352,464)	780,657
Loss for the year and total comprehensive income	-	-	-	-	(55,275)	(55,275)
Transactions with owners						
Equity settled share-based payment charge	-	-	-	-	9,365	9,365
Balance at 31 December 2012	2,285,398	5,533,626	1,300,395	13,702	(8,398,374)	734,747

Consolidated statement of cash flows
For the year ended 31 December 2013

		2013 £	2012 £
Net cash inflow / (outflow) from operations	21a	22,133	(8,894)
Interest received		448	650
Net cash inflow / (outflow) from operating activities		22,581	(8,244)
Net cash (outflow) / inflow from investing activities	21b	(350,039)	133,077
Net cash used in financing activities	21c	(8,641)	(2,027)
Net (decrease) / increase in cash and cash equivalents		(336,099)	122,806
Cash and cash equivalents at beginning of year	21d	740,252	617,446
Cash and cash equivalents at end of year		404,153	740,252

Notes to the consolidated financial statements

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.

Standards issued but not yet effective
The following standards, amendments and interpretations to existing standards have been published but are not effective and have not been early adopted by the group.

- IFRS 2 Share-based payment (effective 1 July 2014)
- IFRS 3 Business Combinations (effective 1 July 2014)
- IFRS 8 Operating Segments (effective 1 July 2014)
- IFRS 9 Financial instruments (effective 1 January 2015)*
- IFRS 10 Consolidated financial statements (effective 1 January 2014)
- IFRS 11 Joint arrangements (effective 1 January 2014)
- IFRS 12 Disclosure of interests in other entities (effective 1 January 2014)
- IFRS 13 Fair Value Measurement
- IFRS 14 Regulatory deferral accounts * (effective 1 January 2016)
- IFRIC21 Levies *
- IAS 24 related Party Disclosures (effective 1 July 2014)
- IAS 27 Separate financial statements – Amended (effective 1 January 2014)
- IAS 28 Interests in associates and joint ventures – Amended (effective 1 January 2014)
- IAS 32 Financial instruments presentation (effective 1 January 2014)
- IAS 36 Impairment of assets (effective 1 January 2014)
- IAS 38 Intangible Assets (effective 1 July 2014)
- IAS 39 Financial instruments recognition and measurement (effective 1 January 2014)

**not yet endorsed by the EU*

It is not anticipated at the present time that the adoption of the above standards, amendments and interpretations of existing standards will have a material impact on the group or company financial statements in the period of initial application.

There were no standards or amendments which were effective in the year which had a significant impact on the group's results for the year.

Going concern
During the year ended 31 December 2013, the group recorded a loss of £2,490,950. While the group had net cash of £404,153 as at 31 December 2013 it had net current liabilities of £2,545,640. Subsequent to the year end the group sold its rights to operate a Freeview channel to Entertainment Networks Limited, a subsidiary of Sony Pictures Television for £2,980,000. Post payment of legal fees (£100,000) and settling of certain outstanding creditors (£880,000), this will provide the group with a cash sum of £2m. It will primarily be used for selected investment in new related cross media opportunities and not to fund the group's long-term working capital requirements.

The directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2013 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 assessment is based upon forecasts following the reduction in the revenue of the UK television business together with the continued reduction in operational costs implemented over the year; it also assumes the maintenance of existing relationships with key suppliers.

After making enquiries, the Directors have concluded that the group has adequate resources to continue trading for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the group financial statements.

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 acquisition 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 the creation of a merger reserve being retained.

Investments
Investment classified as fair value through profit or loss are measured at fair value with gains and losses being recognised in profit and loss. Investments which are held for the long term and which management do not exercise significant control are carried at cost. An impairment review is carried out annually.

Intangible assets
1) 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.

2) 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 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	10% 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.

Non-current assets held for sale
Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and presented separately in the Statement of Financial Position from other assets and liability.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset (or disposal group) is available for immediate sale in its present condition and management is committed to the sale and expect the asset (or disposal group) to qualify for recognition as a completed sale within one year from the date of classification.

Financial Instruments
Financial assets and financial liabilities are recognised when the group has become a party to the contractual provisions of the instrument.

Financial assets

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.

Financial liabilities

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

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.

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 re-valued 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 re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

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.

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 2013	31 December 2012
Euro	1.1982	1.2307
Dollar (USD)	1.6519	1.6244

Revenue recognition
Revenue represents the amounts receivable in relation to broadcast related income and other exploitation, through rent or sale, of rights, associated with the ownership of television channels.
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; (See page 19)
- Realisable amounts of investments and held for sale assets. Management have considered the recoverable amount in relation to the investment in 2 Giraffes and the held for sale assets in relation to expected future cash flows and consider the assets to be held at realisable amounts.

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

The group's revenues are almost entirely in the UK from broadcasting related activities on Sky and Freeview channels.

The financial information is presented to the executive management team who are responsible for making financial decisions 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 executive management team comprises the chief executive officer, the chief operating officer and the chief financial officer.

The group has 3 significant telecom aggregators, generating 70% of the group's television and broadcast revenue. The 3 telecom aggregators contribute £5,923,117, £3,544,962, and £1,362,728 of the group's total revenue (2012: 80% representing £9,249,341, £5,774,531 and £583,301).

Revenue is further split below between revenue generated:

	2013	2012
	£	£
Interactive broadcasting	14,499,228	18,797,938
Channel sales and rental	1,045,000	365,000
	15,544,228	19,162,938

2. Staff costs

	2013	2012
	£	£
Wages and salaries (including directors)	880,525	915,364
Social security costs	186,674	189,636
Other pension costs	80,990	70,990
Share option charge	-	9,365
	1,148,189	1,185,355

Staff costs of £351,663 (2012: £338,343) are included in general and administrative expenses and £796,526 (2012: £847,012) are included in cost of sales.

Average monthly number of employees by activity (including directors):

	2013	2012
Production	4	4
Technical	10	10
Management	3	4
Administration	4	4
	21	22

	2013	2012
Key management:	£	£
Salaries and other short-term employee benefits	496,538	508,056
Post employment benefits	80,000	70,000
Share option expense	-	9,365
	576,538	587,421

3. Directors' emoluments

2013	Salary & Fees	Pension Contribution	Sub total	Social security costs	Total
	£	£	£	£	£
Andrew Wilson	93,000	55,000	148,000	12,286	160,286
Emmanuelle Guicharnaud	97,000	25,000	122,000	12,286	134,286
Bertrand Folliet	60,000	-	60,000	-	60,000
Michael Neville	36,000	-	36,000	-	36,000
Total	286,000	80,000	366,000	24,572	390,572

2012	Salary & Fees	Pension Contribution	Sub total	Social security costs	Total
	£	£	£	£	£
Andrew Wilson	100,000	50,000	150,000	12,825	162,825
Emmanuelle Guicharnaud	100,000	20,000	120,000	12,825	132,825
Bertrand Folliet	60,000	-	60,000	-	60,000
Michael Neville	36,000	-	36,000	-	36,000
Total	296,000	70,000	366,000	25,650	391,650

See Note 20 for details of share options granted to the directors.

4. Loss before tax

Loss before tax is stated after charging/(crediting):	2013	2012
	£	£
Depreciation – owned assets	66,954	54,237
Licences amortisation	45,226	59,048
Amortisation of internally generated development costs	265,290	489,710
Profit on sale of intellectual property	-	(457,084)
Auditor's remuneration – statutory audit of parent and consolidated accounts	25,000	25,000
Other services supplied pursuant to legislation: Interim review	5,000	5,000

5. Interest receivable and similar income

	2013	2012
	£	£
Bank interest received	448	650

6. Interest payable and similar charges

	2013	2012
	£	£
Bank charges & interest paid	8,641	2,027

7. TV exploration in overseas countries, new ventures and on-off regulatory costs

In the year, additional expenditure of £702,000 was incurred in exploring an overseas opportunity in South America. This venture was not successful and therefore this amount has been shown as an exceptional item. In addition, a £238,000 receivable balance held as at 31 December 2012 has been written off in relation to this venture. Legal action is being pursued to recover this amount but no amount has been recognised as at 31 December 2013.

A further amount of £130,000 has been incurred in the year in relation to an investigation by Ofcom.

The remaining amount relates to the disposal of the asset held for sale and the on-going costs associated with the remaining asset held for sale.

8. Taxation

	2013	2012
	£	£
Current tax charge	-	-

Factors affecting the tax charge for the year

	2013	2012
	£	£
Loss on ordinary activities before taxation	(2,490,950)	(55,275)
Group loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 23.25% (2012: 24.5%)	(579,146)	(13,542)
Effects of:		
Non deductible expenses	79,795	11,248
Carried forward losses not recognised	499,351	-
Share option expense	-	2,294
Tax charge	-	-

At 31 December 2013, the group had estimated tax trading losses of £6.0 million (2012: £3.9 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.

9. Loss per share

The calculations of adjusted basic and diluted losses per ordinary share are based on the following results:

	2013	2012
	£	£
Loss for the financial year	(2,490,950)	(55,275)
Weighted average number of ordinary shares	76,471,557	76,471,557
Basic and diluted loss per share (pence)	(3.3)p	(0.1)p

Due to the losses incurred in 2013 and 2012 there was no dilutive effect from the issued share options and warrants. The total potential number of dilutive ordinary shares at the year end was 12,783,699 (2012: 12,783,699).

10. Intangible assets

	Licences	Development Costs	Total
	£	£	£
Cost			
At 1 January 2012	651,761	2,624,712	3,276,473
Additions	-	49,002	49,002
At 31 December 2012	651,761	2,673,714	3,325,475
Additions	-	19,002	19,002
At 31 December 2013	651,761	2,692,716	3,344,477
Amortisation			
At 1 January 2012	495,264	1,857,641	2,352,905
Charge for the year	59,048	489,710	548,758
At 31 December 2012	554,312	2,347,351	2,901,663
Charge for the year	45,226	265,290	310,516
At 31 December 2013	599,538	2,612,641	3,212,179
Net book value at 31 December 2013	52,223	80,075	132,298
Net book value at 31 December 2012	97,449	326,363	423,812
Net book value at 1 January 2012	156,497	767,071	923,568

11. Property, plant & equipment

	Broadcasting equipment
	£
Cost	
At 1 January 2012	1,665,778
Additions	54,669
At 31 December 2012	1,720,447
Additions	178,746
At 31 December 2013	1,899,193
Depreciation	
At 1 January 2012	1,493,490
Charge for the year	54,237
At 31 December 2012	1,547,727
Charge for the year	66,954
At 31 December 2013	1,614,681
Net book value at 31 December 2013	284,512
Net book value at 31 December 2012	172,720
Net book value at 1 January 2012	172,288

12. Subsidiary companies

At 31 December 2013 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 2013, Cellcast UK owned the following other interests:

Company	Country of incorporation	Class	Shares and voting rights held %	Type of holding	Principal business
Cellcast TV SA	Argentina	Ordinary	51%	Subsidiary	Dormant
Cellcast International Limited	United Kingdom	Ordinary	100%	Subsidiary	Dormant
Sumo TV Limited	United Kingdom	Ordinary	100%	Subsidiary	Dormant

13. Investments

On 10 September 2013, the Group invested £202,627 to obtain 35% of the shareholding of 2Giraffes LLP. 2Giraffes LLP is a large global provider of mobile internet content that will have over 15 million monthly unique users spread over 20 countries by the end of December 2014. This investment is held beneficially for Cellcast plc by Citiwise Enterprise Limited which owned by Andrew Wilson, a director.

This holding is treated as an investment as the Group does not have any significant influence on the operations of 2Giraffes LLP.

The group still 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.

14. Non-current assets held for sale

£170,000 (2012: £220,336) of intangible assets have been classified as non-current assets held for sale as management were committed to a plan to a plan to sell them at the reporting date and they were being actively marketed at a price which was considered to be reasonable. One of the two assets held at 31 December 2012 was sold in July 2013 and it is anticipated that the remaining asset will be sold within the next twelve months for at least its carrying value; as such no impairment loss has been recognised.

The movements in assets held for sale during the year are as follows:

	£
Total assets classified as held for sale as at 31 December 2012	220,336
Disposals	(147,136)
Additional expenditure capitalised in the year	50,000
Total assets classified as held for sale as at 31 December 2013	170,000

The additional amount capitalised is a deposit which will be refunded on sale and therefore it has been capitalised as part of the asset held for sale.

15. Trade and other receivables

	2013	2012
	£	£
Trade receivables	456,982	1,336,050
Prepayments and accrued income	1,440,862	1,328,037
Other receivables	174,826	395,099
	2,072,670	3,059,186

16. Trade and other payables

	2013	2012
	£	£
Trade payables	3,744,070	2,093,172
Other taxes & social security	258,152	477,088
Other payables	326,810	330,933
Accruals	693,431	980,366
	5,022,463	3,881,559
Credit payment profile in days	83 days	40 days

17. Borrowings

	2013	2012
	£	£
Bank overdraft	-	57,873

18. Financial risk management

The group's financial instruments as at 31 December 2013 and 2012 mainly comprise cash borrowings, and various items arising directly from its operations, such as trade receivables and trade payables. 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 2013	Currency	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total carrying value £'000
Financial assets				
Trade receivables and accrued income	Sterling	1,505	-	1,505
Other receivables	Sterling	175	-	175
Cash balances	Sterling	300	-	300
	Dollar	104	-	104
Financial liabilities				
Trade payables	Sterling	-	(3,744)	(3,744)
Other payables	Sterling	-	(326)	(326)
Accruals	Sterling	-	(693)	(693)
		2,084	(4,763)	(2,679)

As at 31 December 2012	Currency	Loans and receivables £'000	Other financial liabilities at amortised cost £'000	Total carrying value £'000
Financial assets				
Trade receivables and accrued income	Sterling	2,266	-	2,266
Other receivables	Sterling	395	-	395
Cash balances	Dollar	798	-	798
Financial liabilities				
Trade payables	Sterling	-	(2,093)	(2,093)
Other payables	Sterling	-	(331)	(331)
Short term directors loan	Sterling	-	(980)	(980)
Borrowings	Sterling	(58)	-	(58)
		3,401	(3,404)	(3)

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.

The interest rate risk relates to the overdraft facility on a Base Rate basis.

(c) Credit risk

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

	2013 £'000	2012 £'000
Trade receivables and accrued income	1,505	2,266
Other receivables	175	395
Cash and cash equivalents	404	798
	2,084	3,459

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.

Trade receivables are regularly reviewed for impairment loss. No amounts have been written off during 2013 (2012: £49,168). There are no provisions for trade receivables at 31 December 2013 or 2012.

Ageing of the trade receivables and accrued income is as follows:

	2013 £'000	2012 £'000
Current	1,144	2,194
Up to 3 months	227	3
Up to 6 months	27	69
Up to 9 months	107	-
	1,505	2,266

The total of the trade receivables which were past due at 31 December 2013 but not impaired was £134,000 (2012: £69,000). Of £1,505,000 of the trade receivables and accrued income at the year end, £1,336,000 was collected by 31 March 2014. 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 2013.

(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:

	2013 Within 6 months £'000	2012 Within 6 months £'000
Trade and other payables	(3,744)	(2,093)
Borrowings	-	(58)
Other payables	(585)	(331)
Accruals	(693)	(980)
Cash flows on financial liabilities	(5,022)	(3,462)

While trade payables have increased in the year, payment plans have been agreed with key suppliers – see page 19 for further details on the going concern status of the group.

(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 only interest bearing loan is in Other Payables and amounts to £300,000 (2012: £300,000). The interest rate is 3% above LIBOR.
Therefore the impact of a 1% interest rate increase would represent an annual sum of £3,000 (2012: £3,000).

(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. In 2013, the currency risk of the group relates to the cash balances it holds in USD.

	31 December 2013 £'000	31 December 2012 £'000
10% increase USD foreign exchange rate against pound sterling	10	79
10% decrease USD foreign exchange rate against pound sterling	(10)	(79)

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

Capital management

The group's main objective when managing capital is to protect returns to shareholders by ensuring the group will continue to trade for the foreseeable future.
The group considers its capital to include share capital, share premium, retained earnings, and other equity reserves. Net debt includes short and long-term borrowings (including overdrafts and lease obligations) net of cash and cash equivalents.

	31 December 2013 £'000	31 December 2012 £'000
Borrowings	-	58
Total debt	-	58
Less: cash and cash equivalents	(404)	(798)
Net cash	(404)	(740)
Total equity	(1,756)	735

19. Share capital & Reserves

Authorised	2013 £	2013 No of shares	2012 £	2012 No of shares
Ordinary shares of 1p each	1,489,736	148,973,552	1,489,736	148,973,552
Deferred Shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	3,000,000	224,486,776	3,000,000	224,486,776
Issued				
Ordinary shares of 1p each	775,134	77,513,224	775,134	77,513,224
Deferred Shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	2,285,398	153,026,448	2,285,398	153,026,448

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 20.

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.

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

20. 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.

During the year ended 31 December 2013 the company had share-based payment arrangements, all of which have vested, and expire 10 years after grant as follows:

EMI share option plan

Date of grant	10/10/05	15/05/06	10/10/06	08/11/07	25/07/08	27/10/10
Number granted	1,142,238	70,000	775,000	884,510	1,200,000	1,000,000

General share option plan

Date of grant	15/09/05	04/04/06	15/05/06	10/10/06	08/11/07	25/07/08	27/10/10
Number granted	535,206	17,391	110,000	325,000	1,600,000	1,800,000	900,000

Options are forfeited if the employee leaves the group before the option vest.

Share warrant scheme	
Date of grant	19/11/09
Number granted	3,000,000
Contractual life	5 years
Performance vesting conditions	None

All the warrants are exercisable.
Further details of share options and warrants in issue during the year are as follows:

Share options	2013		2012	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at 1 January	7,698,869	0.07	7,698,869	0.07
Forfeited during the year	(3,168,377)	-	-	-
Outstanding at 31 December	4,530,492	0.07	7,698,869	0.07

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 3.53 years (2012: 5.57 years).

The following EMI options, save those granted to Mike Neville 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
	0.040	450,000	27/10/10
Bertrand Pierre Folliet	0.715	56,338	15/09/05
	0.040	450,000	27/10/10
Emmanuelle Guicharnaud	0.710	98,591	15/09/05
	0.030	400,000	24/07/08
	0.040	50,000	27/10/10
Mike Neville	0.715	7,042	15/09/05
	0.685	40,000	15/05/06
	0.030	400,000	24/07/08
	0.040	50,000	27/10/10

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

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

	2013	2012
	£	£
Share option and warrant expense	-	9,365

21. Cash flows

	2013	2012
	£	£
a Reconciliation of net loss before tax to net cash outflow from operating activities		
Loss before tax	(2,490,950)	(55,275)
Interest receivable and similar income	(448)	(650)
Interest payable and similar charges	8,641	2,027
Amortisation and depreciation	377,470	602,995
Proceeds on sale of intellectual property	-	(457,084)
Share option expenses	-	9,365
Decrease in trade and other receivables	986,516	216,901
Increase / (decrease) in trade and other payables	1,140,904	(327,173)
Net cash inflow / (outflow) from operating activities	22,133	(8,894)

b Cash flow from investing activities

	2013	2012
Proceeds on sale of assets held for sale	123,200	-
Proceeds on sale of intellectual property	-	457,084
Purchase of property, plant and equipment	(178,746)	(54,669)
Purchase of assets held for sale	(72,864)	(220,336)
Purchase of intangible assets	(19,002)	(49,002)
Purchase of investments	(202,627)	-
Net cash (outflow) / inflow from investing activities	(350,039)	133,077

c Cash flow from financing activities

	2013	2012
	£	£
Interest paid	(8,641)	(2,027)
Net cash used in financing activities	(8,641)	(2,027)

d Cash and cash equivalents

	2013	2012
Cash at bank	404,153	798,125
Borrowings	-	(57,873)
Cash and cash equivalents at end of year	404,153	740,252

22. Related party transactions

SMS Media Limited
In 2013 sales to SMS Media Limited amounted to £1,396 (2012: £1,334) and management charges totalled £176,850 (2012: £193,930). At the year end £18,000 (2012: £45,500) 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, from Sky Telemedia (UK) Ltd amounted to £99,000 (2012: £198,000). At the year end nil (2012: nil) was owed to Sky Telemedia (UK) Ltd. Sky Telemedia (UK) Ltd is a wholly owned subsidiary of SMS Media Limited.

In the year to 2013 and as at 31 December 2013, the investment in 2 Giraffe (£202,627) and the assets held for sale (£170,000) were held by companies controlled by the directors, Andrew Wilson and Bertrand Folliet, for the benefit of Cellcast plc.

23. Events after the reporting period

On 27 March 2014 Cellcast UK Limited, entered into an agreement with Entertainment Networks Ltd, a subsidiary of Sony Pictures Television, under which Cellcast UK Limited has agreed to early termination of its exclusive rights (which it has held since 2006) to manage and operate the Freeview channel known as Movie Mix in consideration for a one off payment of £2,980,000. Post payment of legal fees (£100,000) and settling of certain outstanding creditors (£880,000) will provide the group with a cash sum of £2m. It will primarily be used for selected investment in new related cross media opportunities and not to fund the group’s long-term working capital requirements.

Company balance sheet
As at 31 December 2013

Company Number: 05342662

	Note	2013	2012
		£	£
Fixed assets			
Investments in subsidiary	25	1,211,281	1,211,281
Current assets			
Debtors – amounts falling due after more than one year	26	2,949,078	2,949,078
Net assets		4,160,359	4,160,359
Capital and reserves			
Called up share capital	27	2,285,398	2,285,398
Share premium account	28	5,533,626	5,533,626
Warrant reserve	28	13,702	13,702
Profit and loss account	28	(3,672,367)	(3,672,367)
Shareholders' funds	29	4,160,359	4,160,359

The financial statements on page 15 - 38 were approved and authorised for issue by the board on 1 May 2014.

Signed of behalf by:

Andrew Wilson

Chief Executive Officer
1 May 2014

Emmanuelle Guicharnaud

Finance Director
1 May 2014

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 result for the year are given in note 28.

No cash flow statement has been prepared as the FRS1 exemption has been taken.

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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

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

Financial instruments
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

25. Investments

Investments in subsidiary

	£
At 1 January and 31 December 2013	1,211,281

	£
At 1 January 2012	1,201,916
Contribution in relation to share option charge	9,365
At 31 December 2012	1,211,281

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 12. The company has taken the exemption under section 479 of the Companies Act 2006 not to produce audited accounts. The parent company is guaranteeing the year end debts of the subsidiary company.

26. Debtors

	2013	2012
	£	£
Amounts falling due after more than one year:		
Amounts owed by group undertaking	2,949,078	2,949,078

Following a review of the amounts due by the group undertaking, the directors have considered the projected performance of Cellcast UK Limited and are confident that the amounts will be recovered. The directors deemed that it is appropriate to classify the amounts due after more than one year as this reflects the timescale on which recovery is expected to occur.

27. Share capital

	2013		2012	
Authorised	£	No of shares	£	No of shares
Ordinary shares of 1p each	1,489,736	148,973,552	1,489,736	148,973,552
Deferred shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	3,000,000	224,486,776	3,000,000	224,486,776
Issued				
Ordinary shares of 1p each	775,134	77,513,224	775,134	77,513,224
Deferred shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	2,285,398	153,026,448	2,285,398	153,026,448

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 20.

28. Reserves

	Share Premium	Warrants	Profit and Loss account	Total
	£		£	£
Balance at 1 January and 31 December 2013	5,533,626	13,702	(3,672,367)	1,874,961

	Share Premium	Warrants	Profit and Loss account	Total
	£		£	£
Balance at 1 January 2012	5,533,626	13,702	(2,181,732)	3,365,596
Share option reserve	-	-	9,365	9,365
Loss for the year	-	-	(1,500,000)	(1,500,000)
Balance at 31 December 2012	5,533,626	13,702	(3,672,367)	1,874,961

29. Statement of movement in equity shareholders' funds

	2013	2012
	£	£
Loss for the year	-	(1,500,000)
Share option reserve	-	9,365
Net deductions to shareholders' funds	-	(1,490,635)
Opening equity shareholders' funds	4,160,359	5,650,994
Closing equity shareholders' funds	4,160,359	4,160,359

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 ground that consolidated financial statements are prepared by the ultimate parent company.

Notes

35 Soho Square
London W1D 3QX

Tel: +44 (0)203 3769 420

www.cellcast.tv

Company registration No. 05342662
(England and Wales)