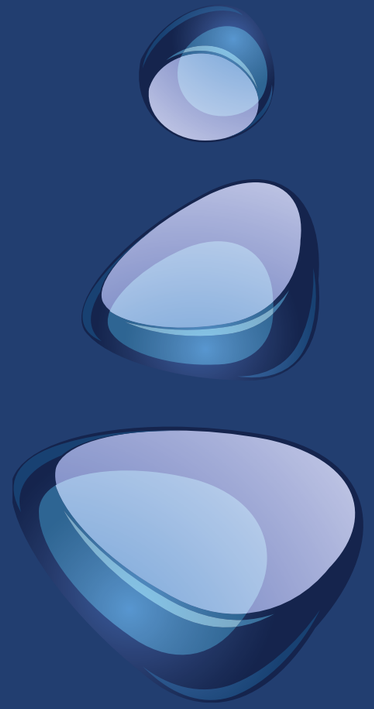
Cellcast plc Annual Report and Accounts

For the year ended 31 December 2010

cellcast

a proven innovator in interactive media



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Chief Executive's Statement

2010 Results

The group performed well in 2010 in the face of challenging conditions. Operating revenues, which continued to be earned almost entirely from interactive broadcasting activities in the UK, grew to £19.2 million, an increase of 14% on 2009. Gross profits increased to £1.4 million, compared to a gross loss of £311,000 in 2009, reflecting the substantial investment in new distribution channels in 2009. The group posted an operating loss of £444,000 in 2010, a significant reduction on the prior year's operating loss of £2.2 million. The second half of 2010 showed an operating break-even compared to a first half operating loss of £443,000.

The group continues to focus closely on operating costs and expenses, and in 2010 reduced general and administrative costs by 16.4% to £1 million (2009 - £1.2 million). Around 25% of these were personnel costs, and the group has been operating with a minimum level of permanent staff (20 at 31 December 2010) from its single office in Great Portland Street. Amortisation and depreciation expenses of £801,000 – an increase of £96,000 on 2009 - predominantly reflect the amortisation of the group's capitalised internally generated development costs, which at 31 December 2010 had a net book value of £1.2 million (2009 - £1.9m), and the accelerated amortisation in respect of Mailcast, £188,000.

After taking into account net interest costs and the share of profits in Cellcast Asia Holdings ("CAH") (see below), the total loss for 2010 was £244,000 (2009 - £1.6 million). 2010 loss per share was 0.4p (2009 – 2.1p).

See the Review of Operations on pages 5 to 7 of this report for a fuller description of the group's operations and technological developments.

Cellcast Asia Holdings

The group owned 37.5% of CAH at 31 December 2010, and its share of CAH's profits for 2010 was £282,000, a 37% decline on the prior year's £451,000. Given that there was no distribution by CAH during the year, the carrying value of the group's holding in CAH at 31 December 2010 was £1million (2009 - £692,000).

Funding

The strong second-half performance in the UK and associated positive cash-flows enabled the group to repay the outstanding balance on the Headstart loan by the end of the year. The trade factoring facility was also repaid during the year and the group's £150,000 overdraft facility was undrawn at 31 December 2010.

Outlook

At the end of March 2011, the group had experienced 12 consecutive months of operating profit in the UK. The Board recognises the efforts of management and staff and looks forward to a continuation of this trend, with a return to full year profitability in 2011.

Sadly our well-loved Chairman, Julian Paul, passed away in March 2011, and the Board wishes to take this opportunity to offer our condolences to his family and express our deep thanks for his wisdom and dedicated support through the six years since Cellcast plc listed on AIM.

Andrew Wilson
Chief Executive Officer
2nd June 2011

Julian Braithwaite Paul
(18th May 1945- 17th March 2011)

Review of Operations

Group Overview

The group's core business continues to be the production and distribution of participatory television formats across multiple digital platforms in the United Kingdom. Our principal focus is a commitment to sustainable profitability driven by a combination of proven and innovative content, aggressive cost management and expanded distribution.

UK Operations

The group maintained its position as a leading provider of interactive television programming in the United Kingdom, a market with the highest level of digital television penetration in Europe (88%) and a substantial multichannel environment.

Central to management's strategy in 2010 was a focus on increasing the efficiencies of our distribution and associated bandwidth costs, which make up the single largest part of our cost of sales. We were also able to achieve savings on staffing costs, efficiencies in production processes, and the deployment of new technologies across all channels.

The regulatory threats to the core business appear, at this time, to be manageable, which supports our view that the revenues are sustainable. Given that we have successfully secured distribution of our services across the key digital platforms in the UK, we see limited growth in TV-derived revenues in the domestic market and are now focusing on international markets and the opportunities to export our proven operating model. Growth in the UK will be driven by leveraging our TV presence to build revenues on the internet and via new mobile services.

International Operations

The group's 37.5% owned associate company in India, Cellcast Asia Holdings ("CAH"), recorded an impressive 83% growth in revenue but was unable to maintain the margin and profitability achieved in 2009/10. In 2010, CAH (which has a 31 March year end) grew revenue from US$8.4 million in the year 2009/10 to US$15.3 million in 2010/11. However profitability declined from US$2m in 2009/2010 to US$900,000 in 2010/2011. First quarter 2011 revenues were US$4.1m with a net profit of US$120,000.

The primary reason for this margin erosion and subsequent profit decline is that, as a consequence of India's continued economic growth, demand for media and specifically TV airtime is outstripping supply. Whilst CAH is a clear leader in the participation TV sector in India, both by traffic volume and revenue, and thus faces little competition in its sector, it has to compete for airtime with advertising-supported programming that may provide better yields for TV networks in the current advertising market.

For this reason the management of CAH has determined that to secure its future it needs to establish proprietary routes to market which in essence means to own and operate its own TV channels (much like Cellcast UK does). There is a significant cost to launching a national channel in India as achieving maximum coverage involves securing a position on several DTH platforms. CAH is now seeking funding to support this initiative.

CAH remains well positioned to maintain a leading role in the growing participation TV sector in India.

Cellcast Middle East ("CME"), in which Cellcast UK has an 18% minority stake, had a very difficult year resulting from political unrest in its home base in Lebanon and across the region. As a result, it sustained a loss of US$200,000 in 2010. Continuing regional instability makes it difficult to predict when the business will return to profitability.

Technology Division

During the year under review, our primary task was addressing the upgrade cycle of both the broadcast and IT infrastructure focussed on broadcast playout, on screen graphics systems and asset management.

After an initial test phase, we began the migration from the existing Playout system to a new Apple-based system. The new system will lead to an overall saving on running costs, while the merging of content scheduling and graphics systems, significantly reduces the hardware requirements. On the operational side, we are now embarked on the complete overhaul of the main operational and monitoring centre as well as the rewiring of the broadcast and communications servers and systems. The overhaul of these systems is necessary to reduce the risk of hardware failure. It is pleasing to report that over the last eight years, with the legacy of adding and enhancing systems, our operations platform has been reliable with no significant periods of downtime.

The group continues its investment in the main platforms used by the business. The Cellcast Interactive System was significantly adapted to work with the new Playout and graphics systems.

On the analytical system side, we successfully implemented the bulk of the Nucleus services, 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. The ability of this system to provide real time performance data has greatly enhanced the productivity of our producers who are now able to rapidly analyse response levels and increase the efficacy of the studio output. The bulk of these developments have been undertaken in-house.

In 2009 we completed an auxiliary product, Mailcast. 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 2010 we have been focusing on our key business and bringing Mailcast to market has taken longer than anticipated. Due to uncertainties over the timing of future revenues, we have accelerated the amortisation on the intangible assets associated with this project in 2010.

Risk factors

The following risk factors 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 group invests significantly in both compliance and maintenance of good relationships with regulators, and during the last couple of years its compliance record has been good. The sectors the group is involved in are constantly evolving so there remains 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 ongoing cost of bandwidth. If such 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.

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 ongoing revenues for a period of time.

CAH put option

There remains a risk that in the event that CAH does not continue to perform, Canaan may exercise its right, subject to applicable AIM Rules, including shareholder approval, to put its share in CAH back to Cellcast PLC for USD 5.2 million. This right is exercisable from August 2012 and is described in notes 21 and 31 of this report.

Outlook for 2011

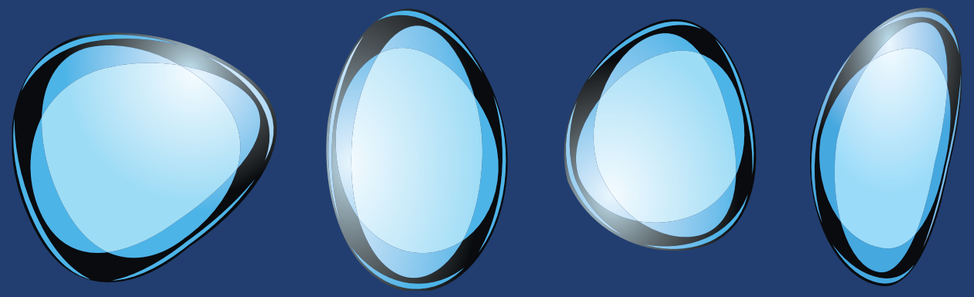
The UK business is now showing signs of stability and enjoying the cost efficiencies derived from its strong sector presence across multiple distribution platforms.

The group will continue to focus on the development of 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. Having increased revenues and achieved profitability in the second half of 2010, the group has continued to grow revenue and profitability in the first half of 2011 despite the challenging economic environment. We do however expect some erosion of margins in the second half of 2011, a result of emerging competition and the increasing cost of bandwidth.

A successful management strategy and the hard work of our talented staff during the past year has enabled the group to retain its leading position in the UK interactive services industry, a standing we are determined to maintain through 2011.

Andrew Wilson
Chief Executive Officer
2nd June 2011

Bertrand Folliet
Executive Director
2nd June 2011



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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 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 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 18 years specialising in strategy, mergers and acquisitions and turnaround 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, 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

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Corporate governance

The group 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 group.

The workings of the board and its committees

The board

During the year to 31 December 2010 and until Julian Paul passed away in March 2011 the board comprised the non-executive chairman, the chief executive officer, the chief operating officer, the chief financial officer, and one other independent non-executive director.

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 9. 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 14 and 15 and a statement of going concern is given on pages 14 and 24.

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

During the year and until March 2011 the audit committee comprised Julian Paul and Mike Neville, and was 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

During the year and until March 2011 the remuneration committee comprised Julian Paul and Mike Neville, and was chaired by Julian Paul. 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

During the year and until March 2011 the nomination committee comprised Julian Paul and Mike Neville, and was 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 Chief Executive'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 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 2010

The directors present their report and consolidated financial statements for the year ended 31 December 2010.

Directors

The following directors have held office since 1 January 2010:
Julian Paul FCA (Chairman) (died 17 March 2011)
Andrew Wilson
Bertrand Folliet
Mike Neville
Emmanuelle Guicharnaud

Principal activities and review of the business

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.

The review of the group's activities and performance for the year and its prospects for 2011 is contained in the Chief Executive's Statement on page 3 and the Review of Operations on pages 5, 6 and 7. These deal with the business risks facing the company.

Results and dividends

The consolidated statement of comprehensive income for the year is set out on page 19. No dividend is proposed (2009: Nil).

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. The board is pleased with the increased growth in revenue as a result of expanding the programming base and growth in revenue per programme. With the streamlining of operations gross profit has improved along with EBITDA and profitability at the operating level. These KPIs continue to be monitored along with our compliance record and the monitoring of the group's technology.

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 16 of the financial statements.

Political and charitable donations

During the year group made no political or charitable donations (2009: nil).

Related party transactions

Transactions with related parties are disclosed in note 22.

Share capital

Details of share capital are given in note 17 to the financial statements.

Directors' insurance

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

Substantial shareholdings

The company has been notified of the following substantial interests as at 20th May 2011.

	Shareholding %	Ordinary Shares of 3p each
Jason Cropper	8.99%	6,965,000
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	5.84%	4,523,412

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.

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 2010 were 53 days (2009: 73 days).

Going concern

Following the loss for the year and the group having net current liabilities of £2,079,285 at 31st December 2010 the directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2010 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group current working capital and credit facilities in place are sufficient for the foreseeable future. This assumption is based upon updated forecasts following the improved performance of the UK television business that has resulted from expanded distribution together with the reduction in operational costs implemented over the year. The group's Indian associate continues to grow its revenues. 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 2011

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 19 to 62. 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 laws 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 14 and 15, 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 the parent company's affairs as at 31 December 2010 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 disclosure made on page 24 of the financial statements concerning the group's ability to continue as a going concern. The company incurred a loss attributable to the owners of the parent of £310,323 during the year ended 31 December 2010 and, at that date, the group's current liabilities exceeded its current assets by £2,079,285. These conditions indicate the existence of a material uncertainty which may cast significant 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.

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
2nd June 2011

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2010 £	2009 £
Revenue		19,194,521	16,810,064
Cost of sales		(17,824,893)	(17,121,563)
Gross profit/ (loss)		1,369,628	(311,499)
Operating costs and expenses:			
General and administrative		(1,000,704)	(1,196,883)
Equity settled share-based payment charge		(12,003)	(17,297)
Amortisation and depreciation		(613,324)	(704,672)
Accelerated amortisation in relation to Mailcast		(187,650)	-
Total operating costs and expenses		(1,813,681)	(1,918,852)
Operating loss		(444,053)	(2,230,351)
Interest receivable & similar income	5	10	22
Interest payable & similar charges	6	(147,991)	(101,923)
Share of profit in associates	12	281,711	451,068
Loss before tax		(310,323)	(1,881,184)
Taxation			
R&D tax credit		-	270,747
Total taxation	7	-	270,747
Loss for the year attributable to owners of the parent		(310,323)	(1,610,437)
Other comprehensive income net of related tax Exchange difference on translating foreign operations	12	66,486	(14,057)
Total comprehensive income attributable to the owners of the parent company		(243,837)	(1,624,494)
Loss per share Basic & diluted	8	(0.4)p	(2.1)p

Consolidated statement of financial position

Assets	Note	As at 31 December 2010 £	2009 £
Non-current assets			
Intangible assets	9	1,460,604	2,128,419
Property, plant and equipment	10	128,145	179,813
Investments in associates	12	1,040,003	691,806
		2,628,752	3,000,038
Current assets			
Trade and other receivables	13	2,611,841	2,365,352
Cash and cash equivalents		110,333	199,556
		2,722,174	2,564,908
Total Assets		5,350,926	5,564,946
Capital and reserves			
Called up share capital	17	2,285,398	2,265,398
Share premium account		5,533,626	5,498,626
Merger reserve		1,300,395	1,300,395
Cumulative translation reserve		88,504	22,018
Warrant Reserve		13,702	41,190
Retained earnings		(8,672,158)	(8,401,326)
Equity attributable to owners of the parent		549,467	726,301
Liabilities			
Current liabilities			
Trade and other payables	14	4,701,459	4,683,435
Borrowings	15	100,000	155,210
Total liabilities		4,801,459	4,838,645
Total equity and liabilities		5,350,926	5,564,946

The financial statements were approved and authorised for issue by the board on 2nd June 2011

Andrew Wilson
Chief Executive Officer
2nd June 2011

Emmanuelle Guicharnaud
Finance Director
2nd June 2011

cellcast

Consolidated statement of changes in equity

Consolidated statement of changes in equity for the year ended 31 December 2010

	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 2010	2,265,398	5,498,626	1,300,395	22,018	41,190	(8,401,326)	726,301
Loss for the year	-	-	-	-	-	(310,323)	(310,323)
Exchange difference on translating foreign operations	-	-	-	66,486	-	-	66,486
Total comprehensive income	-	-	-	66,486	-	(310,323)	(243,837)
Transactions with owners							
– Proceeds of shares issued on exercise of warrants	20,000	35,000	-	-	(27,488)	27,488	55,000
– Equity settled share-based payment charge	-	-	-	-	-	12,003	12,003
Total transactions with owners	20,000	35,000	-	-	(27,488)	39,491	67,003
Balance at 31 December 2010	2,285,398	5,533,626	1,300,395	88,504	13,702	(8,672,158)	549,467

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 cash flows

		2010	2009
		£	£
Net cash inflow from operations	19a	140,459	392,665
Income taxes		-	270,747
Interest received		10	22
Net cash inflow from operating activities		140,469	663,434
Net cash outflow from investing activities	19b	(81,491)	(225,240)
Net cash used in financing activities	19c	(148,201)	(169,916)
Net (decrease) / increase in cash and cash equivalents		(89,223)	268,278
Cash and cash equivalents at beginning of period		199,556	(68,722)
Cash and cash equivalents at end of period		110,333	199,556

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 and are mandatory for accounting periods beginning after 1 January 2011 or later periods, but they have not been early adopted by the group:

IFRS 3	Business Combination (improvement effective 1 July 2010)
IFRS 9	Financial Instruments (effective 1 January 2013)
IFRS 7	Financial Instruments Disclosures (improvement effective 1 January 2011 and amendment effective 1 July 2011)
IAS 1	Presentation of Financial Statements (improvement effective 1 January 2011)
IAS12	Income Taxes (amendment effective 1 January 2012)
IAS 24	Related Party Transactions (revised) (effective 1 January 2011)
IAS 27	Consolidated and Separate Financial Statements (improvement effective 1 July 2010)
IAS 34	Interim Financial Reporting (improvement effective 1 January 2011)
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010)
IFRIC 13	Customer Loyalty Programme (improvement effective 1 January 2011)
IFRIC 14	Amendment – Prepayments of a Minimum Funding Requirement (effective 1 January 2011)
IFRS 1	First time adoption of International Financial Reporting Standards (amendments effective 1 July 2010 and1 January 2011)
IFRS 10	Consolidated financial statements (effective 1 January 2013)
IFRS 11	Joint arrangements (effective 1 January 2013)
IFRS 12	Disclosure of interests in other entities (effective 1 January 2013)
IFRS 13	Fair value measurement (effective 1 January 2013)

It is not anticipated 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.

Going concern

Following the loss for the year of £310,323 and the group having net current liabilities of £2,079,285 the directors have carefully considered whether or not it is appropriate to adopt the going concern basis in preparing the 2010 financial statements. The directors have reviewed the group's detailed cash forecast to ensure that the group current working capital and credit facilities in place are sufficient for the foreseeable future. This assumption is based upon updated forecasts following the improved performance of the UK television business that has resulted from expanded distribution together with the reduction in operational costs implemented over the year. Whilst the Directors believe that the going concern basis is appropriate, the existence of losses in the year and the significant net current liabilities as at 31 December, represents a material uncertainty which may cast doubt upon the group's ability to continue as a going concern and that, therefore, the group may be unable to discharge its liabilities in the normal course of business.

After making enquiries and considering the uncertainties described above, the Directors have concluded that the group has adequate resources to continuing 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 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	10% 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.

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

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.

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 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.

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 2010	31 December 2009
Euro	1. 1675	1. 1279
Indian Rupee	69.9974	75.0440

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;
- Realisable amount of intangible assets and impairment review;
- Realisable amount of investment in associates;
- Likelihood of exercise of put option by Canaan Partners (note 21)
- Valuation of share-based payments;

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 activities are almost entirely in the UK from interactive broadcasting 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 75% of the group's television and broadcast revenue. The 3 telecom aggregators contribute £7,313,318, £5,641,490 and £1,390,351 of the group's total revenue. (2009: £4,493,289; £4,487,605 and £3,199,941)

2) Staff costs

	2010	2009
	£	£
Wages and salaries (including directors)	772,303	810,988
Social security costs	158,224	168,092
Other pension costs	20,350	13,990
Share option expenses	12,003	17,297
	962,880	1,010,367

None of the above staff costs in relation to development costs were capitalised in accordance with IAS 38 Intangible assets (2009: £32,872). Staff costs are included in general and administrative expenses (2010: £262,538, 2009: £382,836) and cost of sales (2010: £700,342, 2009: £627,531).

Average monthly number of employees by activity (including directors)	2010	2009
Production	5	6
Technical	7	8
Management	4	4
Administration	4	5
	20	23

	2010	2009
Key management	£	£
Salaries and other short-term employee benefits	516,292	513,002
Post employment benefits	19,360	13,000
Share option expense	12,003	17,297
	547,655	543,299

3) Directors' emoluments

2010	Salary & Fees	Bonus	Pension Contribution	Sub total	Social security costs	Total
	£	£	£	£	£	£
Andrew Wilson	102,500	-	10,000	112,500	12,389	124,889
Emmanuelle Guicharnaud	75,000	-	7,200	82,200	8,868	91,068
Bertrand Folliet	39,170	-	-	39,170	-	39,170
Julian Paul	36,000	-	-	36,000	-	36,000
Michael Neville	25,000	-	-	25,000	-	25,000
	277,670	-	17,200	294,870	21,257	316,127

See Note 18 for details of share options granted to the directors.

2009	Salary & Fees	Bonus	Pension Contribution	Sub total	Social security costs	Total
	£	£	£	£	£	£
Andrew Wilson	100,000	-	10,000	110,000	12,069	122,069
Emmanuelle Guicharnaud	72,000	-	600	72,600	8,485	81,085
Bertrand Folliet	89,171	-	-	89,171	-	89,171
Julian Paul	36,000	-	-	36,000	-	36,000
Michael Neville	25,000	-	-	25,000	-	25,000
	322,171	-	10,600	332,771	20,554	353,325

4) Loss before tax

	2010	2009
Loss before tax is stated after charging/(crediting):	£	£
Depriciation - owned assets	69,115	139,446
Depreciation - assets on hire purchase contracts	-	17,096
Licences amortisation	64,889	77,548
Amortisation of internally generated development costs	666,970	470,582
Total amortisation and depreciation charge for the year	800,974	704,672
Auditor's remuneration – statutory audit of parent and consolidated accounts	40,000	35,000
Audit services provided to subsidiaries	25,000	25,000
Other services supplied pursuant to such legislation: Interim review	6,000	6,000
Foreign exchange loss	24,112	17,304

5) Interest receivable and similar income

	2010	2009
	£	£
Bank interest received	10	22

6) Interest payable and similar charges

	2010	2009
	£	£
Interest on convertible loan and term loan notes	30,233	43,884
Bank charges & interest paid	71,059	54,971
Unwinding of the issue costs on the term loan notes	44,790	-
Finance leases	1,909	3,068
	147,991	101,923

7) Taxation

	2010	2009
	£	£
Tax charge		
R&D tax credit	-	(270,747)
Tax credit	-	(270,747)

Factors affecting the tax charge for the year

Loss on ordinary activities before taxation	(310,323)	(1,881,184)
Less: share of profit of associated undertakings	(281,711)	(451,068)
Group loss on ordinary activities before tax	(592,034)	(2,332,252)
Group loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 28% (2009:28%)	(165,770)	(653,030)
Effects of:		
Non deductible expenses	50,287	10,730
Tax losses carried forward	113,322	301,899
Losses surrendered for Research & Development tax credit		335,558
R&D tax credit		(270,747)
Share option expense	2,161	4,843
Tax credit	-	(270,747)

The R&D tax credit received in 2009 related to the year ended 31 December 2007 (£144,413) and 31 December 2008 (£126,334). At 31 December 2010, the group had estimated tax trading losses of £3.9 million (2009: £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 per share

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

	2010 (£)	2009
Loss for the financial period	(310,323)	(1,610,437)
Weighted average number of ordinary shares	76,471,557	75,513,224
Basic loss per share	(0.4)p	(2.1)p
Diluted loss per share	(0.4)p	(2.1)p

Due to the losses incurred in 2010 and 2009 there was no dilution effect from the issued share options and warrants.
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 per share.
The potential number of dilutive ordinary shares at the year end was 13,623,869 (2009: 14,023,869).

9) Intangible assets

	Licences	Internally Generated Development Costs	Total
	£	£	£
Cost			
At 1 January 2009	629,266	2,352,905	2,982,171
Additions	7,675	208,278	215,953
At 31 December 2009 and 1 January 2010	636,941	2,561,183	3,198,124
Additions	14,820	49,224	64,044
At 31 December 2010	651,761	2,610,407	3,262,168
Amortisation			
At 1 January 2009	286,284	235,291	521,575
Amortisation for year	77,548	470,582	548,130
At 31 December 2009 and 1 January 2010	363,832	705,873	1,069,705
Amortisation for year	64,889	479,320	544,209
Accelerated amortisation in relation to Mailcast	-	187,650	187,650
At 31 December 2010	428,721	1,372,843	1,801,564
Net book value at 31 December 2010	223,040	1,237,564	1,460,604
Net book value at 31 December 2009	273,109	1,855,310	2,128,419
Net book value at 1 January 2009	342,982	2,117,614	2,460,596

10) Property, plant & equipment

	Broadcasting equipment	Computer equipment	Totals
	£	£	£
Cost			
At 1 January 2009	1,533,967	205,130	1,739,097
Additions	9,287	-	9,287
At 31 December 2009 and 1 January 2010	1,543,254	205,130	1,748,384
Additions	17,447	-	17,447
At 31 December 2010	1,560,701	205,130	1,765,831
Depreciation			
At 1 January 2009	1,272,975	139,054	1,412,029
Charge for year	122,409	34,133	156,542
At 31 December 2009 and 1 January 2010	1,395,384	173,187	1,568,571
Charge for year	55,831	13,284	69,115
At 31 December 2010	1,451,215	186,471	1,637,686
Net book value at 31 December 2010	109,486	18,659	128,145
Net book value at 31 December 2009	147,870	31,943	179,813
Net book value at 1 January 2009	260,992	66,076	327,068

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

	Broadcasting equipment
	£
Cost	
At 1 January 2009 and 1 January 2010 and 31 December 2010	126,401
Depreciation	
At 1 January 2009	109,305
Charge for the year	17,096
At 31 December 2009 and at 1st January 2010	126,401
Charge for the year	-
At 31 December 2010	126,401
Net book value at 31 December 2010	-
Net book value at 31 December 2009	-
Net book value at 1 January 2009	17,096

11) Subsidiary companies

At 31 December 2010 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 2010, 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	Television & broadcasting
Cellcast International Limited	United Kingdom	Ordinary	100%	Subsidiary	Television & broadcasting
TV You! Limited	United Kingdom	Ordinary	100%	Subsidiary	Television & broadcasting

12) Associates

	2010	2009
Share of net assets	£	£
1 January	691,806	254,795
Share of results post tax	281,711	451,068
Exchange translation	66,486	(14,057)
31 December	1,040,003	691,806

The group's interest in associates at 31 December 2009 and 31 December 2010 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 2010 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:

	2010	2009
	£'000	£'000
Total assets	2,287	1,545
Total liabilities	(1,248)	(528)
Revenue	3,397	1,917
Profit for the year	282	451

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

	2010	2009
	£	£
Trade receivables	961,901	689,773
Prepayments and accrued income	1,580,129	1,505,385
Other receivables	69,811	170,194
	2,611,841	2,365,352

14) Trade and other payables

	2010	2009
	£	£
Trade payables	2,756,244	2,517,029
Other taxes & social security	712,087	501,392
Other payables	483,345	1,005,000
Accruals & deferred income	749,782	660,014
	4,701,458	4,683,435
Credit payment profile in days	53 days	73 days

Recourse factoring facility

At 31 December 2010, the group had repaid its recourse factoring facility of £450,000 for up to 70% of the value of the approved debt due from a single customer and no amount remained outstanding as at the year end. Included in the other payables as at 31 December 2009 in respect of the factoring facility was £315,000.

15) Borrowings

	2010	2009
	£	£
Term loan notes	-	155,210
Short term directors loan (see note 22)	100,000	-
	100,000	155,210
Convertible loan note	£	£
Liability component brought forward at 1 January	-	247,297
Repayments of principal on convertible loan notes	-	(240,000)
	-	7,297
Interest charge	-	37,484
Interest paid	-	(44,781)
Liability component as at 31 December	-	-
Term loan note	£	£
Proceeds on issue of term loan note	155,210	200,000
Unwinding of issue costs	44,790	6,400
Repayments of principal on term loan notes	(200,000)	(10,000)
Less transaction costs – warrant costs	-	(41,190)
	-	155,210
Interest charge	30,233	6,400
Interest paid	(30,233)	-
Liability component as at 31 December	-	155,210

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 facility, the company granted to the holders of the term 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. A further 1,000,000 warrants were exercised in July 2010. During the year the term loan was repaid in full in line with the terms of the facility.

16) Financial risk management

The group's financial instruments as at 31 December 2010 mainly comprise cash, and short term director's loan and various items arising directly from its operations, such as trade receivables and trade payables. The details of the director's loan are in note 22. 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 2010	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	2,542	-	2,542	2,542
Other receivables	Sterling	70	-	70	70
Cash balances	Sterling	110	-	110	110
Financial liabilities					
Trade payables	Sterling	-	(2,756)	(2,756)	(2,756)
Other payables	Sterling	-	(483)	(483)	(483)
Short term directors loan	Sterling	-	(100)	(100)	(100)
Accruals	Sterling	-	(750)	(750)	(750)
	Sterling	2,722	(4,089)	(1,367)	(1,367)

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)
		2,565	(4,337)	(1,772)	(1,772)

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 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:

	2010	2009
	£'000	£'000
Trade receivables and accrued income	2,542	2,195
Other receivables	70	170
Cash and cash equivalent	110	200
	2,722	2,565

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 impairment loss. Debts amounting to £18,051 have been written off during 2010 (2009: £121,486). There are no provisions for trade receivables during the current or prior years.

	2010	2009
Ageing of the trade receivables is as follows:	£'000	£'000
Current	914	570
Up to 3 months	28	104
Up to 6 months	6	2
Up to 9 months	14	14
	962	690

The total of the trade receivables which was past due at 31 December 2010 but not impaired was £48,000 (2009: £120,000). The group believes that the balances are ultimately recoverable. Of £2,542,000 of the trade receivables and accrued income at the year end, £2,500,000 was collected by 31 March 2011. 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 2010.

(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:

	2010			2009		
	Within 6 months	6 months to 1 year	Total	Within 6 months	6 months to 1 year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	(2,756)	-	(2,756)	(2,517)	-	(2,517)
Short term directors loan	(100)	-	(100)	-	-	-
Term loan	-	-	-	-	(155)	(155)
Other payables	(483)	-	(483)	(690)	-	(690)
Recourse factoring facility	-	-	-	(315)	-	(315)
Accruals	(750)	-	(750)	(660)	-	(660)
Cash flows on financial liabilities	(4,809)	-	(4,809)	(4,182)	(155)	(4,337)

(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 2010	Currency	Floating rate	Fixed rate	Non-interest bearing	Total
		£'000	£'000	£'000	£'000
Financial assets					
Trade receivables and accrued income	Sterling	-	-	2,542	2,542
Other receivables	Sterling	-	-	70	70
Cash balances	Sterling	110	-	-	110
Financial liabilities					
Trade payables	Sterling	-	-	(2,756)	(2,756)
Other payables	Sterling	(300)**	-	(183)	(483)
Short term directors loan	Sterling	-	(100)*	-	(100)
Accruals	Sterling	-	-	(750)	(750)
		(190)	(100)	(1,077)	(1,367)

* Interest will be payable as set out in note 22
** Interest is payable on these payables at 3% above LIBOR

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)

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

	31 December 2010	31 December 2009
	£'000	£'000
Impact on equity and profit after tax		
1% increase in the base rate of interest	2	8
1% decrease in the base rate of interest	(2)	(8)

(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 £1,005,000 (2009: £692,000). CAH's transactions are mainly conducted in Indian Rupees.

	31 December 2010	31 December 2009
	£'000	£'000
Impact on equity and profit after tax		
10% increase Indian Rupee foreign exchange rate against pound sterling	100	68
10% decrease Indian Rupee foreign exchange rate against pound sterling	(100)	(68)

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 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 2010	31 December 2009
	£'000	£'000
Recourse factory facility	-	315
Borrowings	100	155
Total debt	100	470
Less: cash and cash equivalents	(110)	(200)
Net (cash) / debt	(10)	270
Total equity	549	726
Debt to capital ratio	(0.02)	0.37

17) Share capital & Reserves

	2010		2009	
Authorised	£	No shares	£	No 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	755,134	75,513,224
Deferred Shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	2,285,398	153,026,448	2,265,398	151,026,448

During the year the company issued 2,000,000 ordinary share of 1p each at 2.75p on the exercise of warrants in the year

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 18.

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

18) 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 2010 the company had share-based payment arrangements which are described below.

EMI share option plan

Date of grant	10/10/05	15/5/06	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
Contractual life	10 years	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	£0.0209
Estimated fair value per option- Tranche 2	£ 0.250	£ 0.340	£ 0.040	£ 0.030	£ 0.0044	£0.0243
Estimated fair value per option- Tranche 3	£ 0.270	£ 0.380	£ 0.050	£ 0.030	n/a	n/a
Performance vesting conditions	None	None	None	None	None	None

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	27/10/10
Number granted	535,206	17,391	110,000	325,000	1,600,000	1,800,000	900,000
Contractual life	10 years	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	£0.0209
Estimated fair value per option- Tranche 2	£ 0.330	£ 0.510	£ 0.400	£ 0.050	£ 0.030	£ 0.0044	£0.0243
Estimated fair value per option- Tranche 3	£ 0.360	£ 0.500	£ 0.400	£ 0.050	£ 0.030	n/a	n/a
Performance vesting conditions	None	None	None	None	None	None	None

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. This is with the exception of the share option scheme granted on the 25 July 2008 and 27 October 2010 whereby the options vest with the employee in two equal tranches on the first and second anniversary of the grant. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the group before the options vest.

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
Performance vesting conditions	None	None	None	None

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. If the warrants remain unexercised after a period of five years from the date of grant, the warrants expire.

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	27/10/10
Share price at grant date	£ 0.710	£ 0.685	£ 0.080	£ 0.053	£ 0.01	£0.04
Exercise price	£ 0.710	£ 0.685	£ 0.080	£ 0.053	£ 0.03	£0.04
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	80%	80%	80%	80%	80%	90%
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.22%	4.62%	4.53%	4.75%	4.94%	1.94%
Sub-optimal coefficient	1.7	1.7	1.7	1.7	1.7	1.7
Forfeiture rate (per tranche)	27%,40%,59%	15%,79%,100%	0% ,52%,52%	0%,10%,23%	0%	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	27/10/10
Share price at grant date	£ 0.715	£ 0.863	£ 0.685	£ 0.080	£ 0.053	£ 0.01	£0.04
Exercise price	£ 0.715	£ 0.863	£ 0.685	£ 0.080	£ 0.053	£ 0.03	£0.04
Contractual life	10 years	10 years	10 years	10 years	10 years	10 years	10 years
Expected volatility	80%	80%	80%	80%	80%	80%	90%
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Risk-free interest rate	4.16%	4.37%	4.62%	4.53%	4.75%	4.94%	1.94%
Sub-optimal coefficient	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Forfeiture rate (per tranche)	15%,21%,22%	0%	0%,0%,56%	0%	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:

	2010		2009	
Share options	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	6,148,869	0.08	6,856,400	0.12
Granted during the year	1,900,000	0.04	-	-
Forfeited during the year	(300,000)	0.038	(707,531)	0.51
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Outstanding at 31 December	7,748,869	0.07	6,148,869	0.08
Exercisable at 31 December	7,561,359	0.18	5,733,189	0.22

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 7.58 years (2009: 7.71 years).

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 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
	0.040	450,000	27/10/10
Betrand 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
Julian Paul	0.715	70,423	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 assumed volatility rate was based on an average of comparable listed companies over a period commensurate to the terms of the options and warrants.

	2010		2009	
Share warrants	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at January 1	7,875,000	0.053	4,875,000	0.08
Granted during the year	-	-	3,000,000	0.0275
Forfeited during the year	-	-	-	-
Exercised during the year	(2,000,000)	0.0275	-	-
Outstanding at 31 December	5,875,000	0.07	7,875,000	0.053
Exercisable at 31 December	5,875,000	0.07	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 1.72 years.

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

	2010	2009
	£	£
Share option and warrant expense	12,003	17,297

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'.

19) Cash flows

	Year ended 31 December 2010	2009
	£	£
a) Reconciliation of net loss to net cash outflow from operating activities		
Loss before tax	(310,323)	(1,881,184)
Interest receivable and similar income	(10)	(22)
Interest payable and similar charges	147,991	101,923
Share of operating gains in associates	(281,711)	(451,068)
Amortisation and depreciation	800,974	704,672
Share option expense	12,003	17,297
(Increase) / decrease in trade and other receivables	(246,490)	633,987
Increase in trade and other payables	18,025	1,267,060
Net cash inflow from operating activities from continuing operations	140,459	392,665
b) Cash flow from investing activities		
Purchase of property, plant and equipment	(17,447)	(9,287)
Purchase of intangible assets	(64,044)	(215,953)
Net cash outflow from investing activities	(81,491)	(225,240)
c) Cash flow from financing activities		
Capital element of finance leases	-	(17,096)
Interest paid	(103,201)	(95,523)
Repayment of loan	(200,000)	(247,297)
Proceeds from the issue of term loan note	-	200,000
Proceeds from the issue of share capital	55,000	
Proceeds from directors loan	100,000	
Less issue costs	-	(10,000)
Net cash used in financing activities	(148,201)	(169,916)

20) Capital commitments

At 31 December 2010, the group had no outstanding capital commitments (2009: nil).

21) 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 the underlying management forecasts of Cellcast Interactive India Private Limited to 2012, the directors do not consider that any material value is attached to this option at 31 December 2010.

22) Related party transactions

SMS Media Limited

In 2010 sales to SMS Media Limited amounted to £8,452 (2009:£12,341) and management charges totalled £194,130 (2009: £197,980). At the year end, £57,730 (2009: £37,560) 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 £277,239 (2009: £324,998) and recharges relating to credit card expenses amounted to £231,482 (2009: £236,967). At the year end, £52,762 (2009: £51,453) was owed to Sky Telemedia (UK) Limited. Sky Telemedia (UK) Limited is a wholly owned subsidiary of SMS Media Limited.

Andrew Wilson

On 7 June 2010, Andrew Wilson made a £100,000 loan to the company. This was repaid on 19 July 2010. On 5 November 2010, Andrew Wilson made a £150,000 loan to the company. An amount of £50,000 was repaid on 23 December, leaving an amount outstanding at 31 December 2010 of £100,000. Both loans carried an interest rate of 13% and were unsecured and repayable on demand. The interest rate is an average rate calculated on the company's previous arrangements with Headstart, Bibby Financial Services and HSBC.

23) Events after the reporting period

There were no events after the reporting period.

Company Balance Sheet

Company Number: 05342662

	Note	As at 31 December 2010	2009 (restated)
Fixed assets		£	£
Investments in subsidiary	24	1,174,566	1,162,563
Current assets			
Debtors – amounts falling due after more than one year	25	6,747,407	6,922,626
Cash at bank and in hand		1,671	1,685
		6,749,078	6,924,311
Creditors: amounts falling due within one year	26	-	(155,210)
Net current assets		6,749,078	6,769,101
Net assets		7,923,644	7,931,664
Capital and reserves			
Called up share capital	27	2,285,398	2,265,398
Share premium account	28	5,533,626	5,498,626
Warrant Reserve	28	13,702	41,190
Profit and loss account	28	90,918	126,450
		7,923,644	7,931,664

The financial statements were approved and authorised for issue by the board on 2nd June 2011

Andrew Wilson
Chief Executive Officer
2nd June 2011

Emmanuelle Guicharnaud
Finance Director
2nd June 2011

Notes to the Company financial statement

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 28.

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.

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.

24) Investments

Investments in subsidiary	£
At 1 January 2010	1,162,563
Contribution in relation to share option charge	12,003
At 31 December 2010	1,174,566

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

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

	2010	2009 (restated)
Amounts falling due after more than one year:	£	£
Amounts owed by group undertaking	6,747,407	6,922,626

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. A prior year reclassification has been made in this respect.

26) Creditors falling due within one year

	2009	2009
	£	£
Term loan	-	155,210

Full details of loans are included in note 15

27) Share capital

	2010		2009	
Authorised	£	No shares	£	No 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	755,134	75,513,224
Deferred shares of 2p each	1,510,264	75,513,224	1,510,264	75,513,224
	2,285,398	153,026,448	2,265,398	151,026,448

During the year the company issued 2,000,000 ordinary sha res of 1p each at 2.75p on the exercise of warrants in the year.

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 18.

28) Reserves

	Share Premium	Warrants	Profit and Loss account	Total
	£	£	£	£
Balance at 1 January 2010	5,498,626	41,190	126,450	5,666,266
Loss for the period	-	-	(75,023)	(75,023)
Transfer from warrants reserve	-	(27,488)	27,488	-
Share option charge	-	-	12,003	12,003
Share issue	35,000			35,000
Balance at 31 December 2010	5,533,626	13,702	90,918	5,638,246

	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

29) Statement of movement in equity shareholders' funds

	31 December 2010	31 December 2009
	£	£
Loss for the period	(75,023)	(43,826)
Proceeds from shares issued	55,000	-
Warrant issue charge	-	41,190
Share option charge	12,003	17,297
Net (deductions) / additions to shareholders' funds	(8,020)	14,661
Opening equity shareholders' funds	7,931,664	7,917,003
Closing equity shareholders' funds	7,923,644	7,931,664

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 the underlying management forecasts of Cellcast Interactive India Private Limited to 2012, the directors do not consider that any material value is attached to this option at 31 December 2010.

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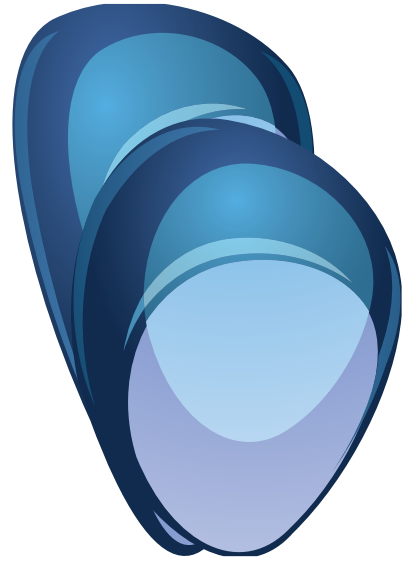
Company registration No. 05342662 (England and Wales)