

# mirada



**AUDIOVISUAL INTERACTION  
MADE EASY**

## ABOUT US

# MIRADA ENABLES BROADCASTERS, PLATFORM OWNERS, GAMING COMPANIES AND BRANDS TO MAXIMISE THE VALUE OF THEIR DIGITAL INTERACTION WITH CONSUMERS THROUGH THE TV, WEB AND MOBILE.

**MIRADA** designs, builds, deploys and manages solutions and services that enable broadcasters, platform owners, gaming companies and brands to maximise the value of interactions with consumers through digital devices, including the TV, web and mobile.

**MIRADA** enables its customers to meet their business goals through increasing the stickiness of services, monetize entertainment, build awareness and market services and products. Headquartered in London, mirada has commercial offices across Europe and Latin America and operates technical centres in the UK and Spain.

**MIRADA**'s solutions are used worldwide by the largest media and brands, including Disney International TV, Sky and MTV Networks.



# OUR YEAR

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# MIRADA AT A GLANCE

## Our business divisions

### Broadcasting



**mirada for Broadcasters** provide services for interactive synchronised content on multiple TV platforms.

mirada has been serving the broadcasting industry for many years and it is this experience that has allowed us to create services that we know really matter to consumers.

### Digital TV Platforms



**mirada for Digital TV Platforms** provides services and solutions for its customers to make TV programmes, provide powerful VoD services and enhance the EPG/user interface.

mirada products and solutions provide content owners and operators with navigational services to provide their customers with the content they are looking for.

mirada has developed products for the thriving Video on Demand market which are designed to both enhance the viewer experience and provide effective solutions for digital TV platforms.

#### Products include

- » Bingo
- » Player
- » Virtual Dealer
- » xPlayer

#### Customers include

- » ITV
- » Channel 4
- » UKTV
- » RedBee
- » BBC
- » RTVE
- » Antena3
- » Channel 5

#### Products include

- » xPlayer
- » VoD
- » managetv
- » NAVI
- » Iris

#### Customers include

- » Ono
- » Jazztel
- » Euskaltel
- » Quative
- » Sky
- » Net
- » R Cable
- » France Telecom
- » TCC
- » Digital +
- » Ericsson

## Gaming



**mirada for Gaming** focuses on developing innovative new video-rich gambling and gaming content for television, internet and mobile devices.

Since 2002, when it launched Avago – the first interactive gaming channel on SKY – mirada has been at the forefront of developing innovative, gambling and gaming content for TV, internet, mobile and IPTV.

Over the years we have delivered pioneering gaming products: we developed the synchronised, video-rich Monte Carlo Roulette and our scalable gaming engine and production tools were also at the heart of ITV1's Bingo Night Live.

### Products include

- » Virtual Dealer
- » Live studio host
- » Bingo

### Customers include

- » ITV
- » Gala Bingo
- » Virgin Media

## Interactive Marketing



**mirada for Interactive Marketing** is a leading provider of transaction, interaction and payment products and services for businesses dealing directly with members of the public.

Our product lines for brand owners, advertisers, retailers and their agencies cover all aspects of digital services whether it's a simple text to win mobile campaign, secure transactions via mobile, online and IVR. mirada provides multiple channel creative solutions for brands to dynamically engage with their customers, extend that communication and build a relationship which will deliver real value for the consumer and return on investment for the brand.

### Customers include

- » Boots
- » Britvic
- » Budweiser
- » Celador
- » Fox
- » Hardy's
- » L'oreal
- » Vodafone
- » Pathe
- » Land Rover
- » Scrumpty Jack
- » Pepsi
- » Condé Nast
- » Tango
- » Robinson's

# CHIEF EXECUTIVE OFFICER'S REPORT

José-Luis Vázquez



## Overview

I am pleased to report on our third full year of activity as mirada plc. After a transitional period covering our first two years of restructuring, mirada has expanded as an international group with a significant increase of activities outside of our original markets, the UK and Spain. This has been possible through the implementation of our product-focused strategy and to the development of our international partnerships with leading players like Ericsson.

The Group has concentrated its activity on the core business, improving its margins and maximising the usage of our main areas of expertise. The growth of our Digital TV business, the main area of our product-focused strategy, not only during the previous financial year but also during the first months of the present fiscal year, demonstrates that we are following the right path.

The partnership agreement with Ericsson in which mirada's innovative Electronic Program Guide, Navi, is included in Ericsson's IPTV product catalogue, the development of our multiscreen product (iris), and the international expansion of our Broadcast synchronisation tool (xplayer) are now leading our sales activities, gaining new customers in the United States, Italy, Mexico, Chile and Brazil.

I want to thank again our employees, customers, shareholders and partners for their continued support in the evolution of our business.

## Trading review

This year the Group's focus has been to concentrate on developing the core areas of the business which we believe have the greatest potential for growth, its Digital TV and Broadcast activities. We made a significant investment in improving our products to accommodate the needs of the market, and position the company on the cutting edge of our market sector. Towards the end of the year we started to commercialise our Digital TV products on a royalty-based model which will in the future lead to higher recurring revenues than our previous professional services based business. We have also made considerable effort to extend the reach of xplayer to markets beyond the UK where xplayer is the market leader.

Although overall revenues decreased during this period of focusing on the Digital TV and Broadcast businesses, gross margins increased to £4.0 million (77%) from £3.7 million (65%) in the prior year. I would like to stress how important our product-based strategy is to the future growth of

the company. Management considers it essential to continue investing in this strategy as the improvement in the potential margins and recurrent nature of the royalty based revenues will generate an important increase in the value of the Group for our stakeholders.

The Group is also focusing on increasing its international activities (everything outside of the UK and Spain, the original markets) the revenues from these activities increased by 40% to £1.6 million compared to £1.1 million in the prior year. During the period under review the Company announced two strategically important contract wins, one in Mexico with the cable operator Cablecom who will be the first customer to use our iris technology in Latin America, which we believe will be the first of many agreements for this product in the region; and secondly a remote recording (iPhone based) tool for a large South American telecommunication operator. Both agreements are perfectly replicable, using our core IPR, the majority of these revenues will be recognised in the current year. Additionally, in April and May, post period end, we announced two more deals, one with an important European satellite digital TV platform which is worth more than €0.8 million, and the other being our first significant sale of the Navi product through our IPTV partnership with Ericsson. We can now announce that this customer is GVT, a major telecommunications operator in Brazil, who launched its Digital TV service this month. Revenues earned through the Ericsson partnership include set-up fees and future royalty revenues based upon the number of subscribers using the Ericsson IPTV platform. Management expects that with the current deals in place, provided Ericsson's customers achieve their commercial expectations, it will represent revenues in excess of €4.0 million for mirada during the first four years of commercial activity. In addition to the Latin American expansion, the company started its activity in the United States, and we expect to announce our first relevant deals during the present period.

On 10 December 2010 we announced that Richard Alden, previously a Non-Executive Director of the Company, was appointed as Non-Executive Chairman. From 2000 to 2009 Richard was the Chief Executive Officer of Grupo Corporativo ONO S.A. ("ONO"), the largest alternative

telecoms (broadband/telephone/digital TV) operator in Spain. He is a prominent industry figure with a proven track record and a number of international contacts that will be invaluable as the Group progresses with its international expansion.

### Financial overview

During the period revenues were £5.1 million, down from £5.7 million in the previous year, however gross profit increased from £3.7 million to £4.0 million. Loss from continuing activities before interest, tax, depreciation and amortisation was £1.0 million compared to £0.5 million in the previous year. This result was partly due to substantial resources being allocated to both improving existing products and the development of new products for the Digital TV business. Assistance with the funding of this valuable development was received by way of a Spanish Government backed development loan of €0.5 million which is repayable in six equal instalments from June 2014 to December 2016.

Loss from continuing activities before interest, tax, depreciation and amortisation is a key performance indicator ("KPI") used by management and removes the impact of one-off and non-cash transactions (see note 6). Other KPIs used by management are as follows:

- Gross profit margin: The Group's continued move towards a product based strategy and its focus on the higher margin core activities has led to an increase in the gross profit margin from 65% in the year ended 31 March 2010 to 77% in the year under review.
- Overseas activities: Management believe that one of the major drivers for growth for the Group will come from its ability to increase its activities outside of mirada's traditional markets, being the UK and Spain. During the year revenues generated from these international customers increased by 40% to £1.6 million and amounted to 31% of the Group's total revenues compared to 20% in the prior year.

Retained loss for the year equalled £7.1 million (2010: £7.5 million), however this was after deducting a charge for the impairment of goodwill of £4.9 million (see note 13 for further details) and the loss from discontinued operations of £0.14 million (2010: £1.11 million).

# CHIEF EXECUTIVE OFFICER'S REPORT

- continued



## Financial overview (continued)

During the year, despite the current economic climate the Group received additional bank financing of £1.0 million, it was able to do this by demonstrating a robust business plan with a strong pipeline of revenues and the ability to earn recurrent future revenues based upon its new licencing model. During the year the Group also raised a further £0.3 million by way of a placing, participants in this placing included directors who invested £0.05 million, and issued further convertible loan notes totalling £0.2 million. In addition mirada has also entered into negotiations to secure additional bank facilities to provide for the general working capital requirements of the group and to support its continued product investment. mirada is also pursuing other fund raising options, including development grants, should sufficient bank facilities not be raised (see note 2).

## Operational Review

### Areas of business

mirada is an audiovisual interaction technology company providing both interactive products and software development services. We trade in complementary areas around the media business, with some smaller independent activities in certain other markets:

### Digital TV operators:

We have more than 10 years of experience in technologies from Interactive TV to advanced navigational services. We have a solid network of partners and we are internationally recognised for our skill base. Our products comprise user interfaces for content navigation and consumption over Digital TV receivers (TV and set-top boxes), Personal Computers (PCs) and Companion devices (tablets and smartphones). Our major products are Navi, integrated over the Ericsson IAP IPTV platform, and iris, our multiscreen proposition mainly addressed to the cable television markets.

### Broadcasters:

Our focus is the distribution and support of our xplayer product, a successful synchronisation tool for Channels that allows them to link the live programming to interactive services, from EPG information to PVR reminders or second screen (PC, companion devices) applications.

### Other areas:

mirada has experience and business activities in other areas: B2B Gaming, activities for which have reduced significantly post year end, Interactive Marketing and mirada connect which provides cashless payment solutions for the car parking market. Management believe, however, that the main areas of growth for the business will be in the Digital TV and Broadcast activities.

### Outlook

The Group experienced its first successes in its extension into the product-based strategy during the period which has continued into the current year with contracted revenues in the Digital TV business already substantially higher than the previous year. Our international expansion is continuing, reducing the reliance on our traditional UK and Spanish markets. We have important distribution contracts for our core business, with an increasing portfolio of opportunities, and projects up and running that are generating a solid ground for our financial sustainability.

The management continued its policy of cost control and is committed to optimise further the efficiency of our activities. In addition to that, we have secured additional funding from bank facilities and investment from Directors and management which goes some way to prove the confidence that the team have in the future of the Company.

Our global agreement with Ericsson in the IPTV market is evolving very positively, with a first important reference in the Brazilian market and many more joint opportunities across the world. We foresee that the revenues generated from this line will exceed our initial expectations as we increase the number of customers using our Navi technology.

We believe that the Group now has the products in place to allow it to grow at a good pace, and we will continue updating the market as we consolidate the increasing number of opportunities ahead of us.

### José-Luis Vázquez

#### Chief Executive Officer

30 September 2011



## BOARD OF DIRECTORS

### José-Luis Vázquez

#### Chief Executive Officer

José L. Vázquez has more than 15 years of experience in Telecomms and Interactivity markets, where he is a skilled professional. He founded Fresh in the year 2000 being the Chief Technical Officer, and became the Chief Executive Officer of the Company in 2004. José Luis holds a degree in Advanced Telecommunication Engineering (UPM) and a MBA (IESE).

### Rafael Martin Sanz

#### Non-executive Director

Rafael Martin Sanz holds a degree in Economics and Business Studies from the Universidad Complutense de Madrid and is a member of the Spanish Association of Economists. He served as Chairman of Television y Sonido (TELSO) from 1990 to 2002. He was director of Page Ibercia, S.A., Amper, S.A. and Chairman of Avanzit TMT from 2000 to 2002. He has also held positions in the Spanish Local Government and is currently a director of the Spanish listed company Paraquesol Inomobiliara Proyectos, S.A and other companies.

### Javier Casanueva

#### Non-executive Director

Javier Casanueva is a partner at Baring Private Equity Partners Espana S.A. ("Baring"), and has extensive experience in transactions both in Europe and the USA. He has sat on the boards of numerous companies across a variety of sectors as a representative of Baring.

### Francisco Javier Herrero

#### Non-executive Director

Francisco Javier Herrero is an experienced CFO who brings a wealth of knowledge and contacts in the European marketplace.

### Carlos Vizcayno

#### Non-executive Director

Carlos Vizcayno is a lawyer and has served as General Counsel to companies for over ten years.

### Francis Coles

#### Non-executive Director

Francis Coles has nearly 30 years experience in corporate finance. He was a founder director of corporate finance advisory boutique New Boathouse Capital and latterly served as a director of AIM listed merchant bank Quayle Munro following its acquisition of New Boathouse Capital in 2007. Prior to that Francis was a director of Baring Brothers and subsequently Santander Investment where his responsibilities included debt and equity fundraisings and merger and acquisition activities in the European and Latin American markets.

### Richard Alden

#### Non-executive Chairman

Richard Alden has extensive international experience in developing and financing fast growing telecommunication companies particularly in Europe and North America. From 1998 to 2009 he was the Chief Executive Officer and a founding director of Grupo Corporativo ONO SA, the largest cable television and telecommunications operator in Spain.

# SENIOR MANAGEMENT

## **José-Luis Vázquez**

### **Chief Executive Officer**

José L. Vázquez he has more than 15 years of experience in Telecomms and Interactivity markets, where he is a skilled professional. He founded Fresh in the year 2000 being the Chief Technical Officer, and became the Chief Financial Officer of the Company in 2004. José-Luis holds a degree in Advanced Telecommunication Engineering (UPM) and a MBA (IESE).

## **José Gozalbo**

### **Chief Technical Officer**

José Gozalbo has been Chief Technical Officer of mirada since its creation. He holds a degree in Computer Science and he has in depth experience in Software Development and Digital TV markets. At mirada, José is responsible for the Company's overall technology strategy, product development and project management.

## **Graham Duncan**

### **Chief Financial Officer**

Graham Duncan is a chartered accountant having qualified with PricewaterhouseCoopers where he worked for five years in the audit and business advisory sector. Prior to joining mirada, Graham was the Chief Financial Officer of Parallel Media Group plc, an AIM listed sports marketing company, before this he was the Group Financial Controller for Sportal International Ltd.

## **Antonio Rodriguez**

### **Director of Digital TV**

Antonio comes from Jazztel PLC where he held the roles of Network Engineering Manager and Telco Platforms and OSS Manager. He has an extensive knowledge, with ten years of experience in telecommunication. Antonio Rodriguez holds a bachelor's degree in Telecommunications Engineering (UPM) and a MBA (IE).

## **Alison Boyce**

### **Director of Human Resources**

Alison holds an MA in Human Resource management, a BA Hons in Hospitality and Business and more than 15 years management experience. Prior to joining mirada, Alison was the UK HR Manager for YellowBrix inc, a US based information services provider, Human Resource Generalist for Sportal International Ltd, an online sports media company and before this she was a General Manager for Whitbread Plc.

# DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2011.

## Principal activities

The principal activities of the Group are the provision and support of products and services in the interactive media, advertising and gaming markets. For a more detailed description of the Group's activities refer to the Chief Executive Officer's Report on pages 4 to 6.

## Review of business and future developments

Reviews of the business, its results, future direction and key performance indicators are included in the Chief Executive Officer's Report on pages 4 to 6.

## Results and dividends

The consolidated income statement for the year is set out on page 16 and shows the loss for the year. No dividend is declared in respect of the year (2010: £nil).

## Principal risks and uncertainties

When the Board considers business risks going forward, the prominent risks include our dependence on people, the interactive services and gaming markets, and information technology.

### Dependence on people

The Group recognises the value of the commitment of their staff members and is conscious that it must keep the reward systems, both financial and motivational, in place to minimise this area of risk. Our share option schemes and investments in training are examples of this.

### Interactive media and gaming markets

The sectors in which the Group operates may undergo rapid and unexpected changes. It is possible therefore that either competitors will develop products similar to the Group, or its technology may become obsolete or less effective. The Group's success depends upon its ability to enhance its products and technologies and develop and introduce, on a timely and cost effective basis, new products and features that meet changing customer requirements and incorporate technological advances. As a result the Group continues to invest significantly in research and development.

### Information technology

Data security and business continuity pose inherent risks for the Group. The Group invests in, and keeps under review, formal data security and business continuity policies.

## Financial risk management objectives and policies

The Group's activities expose it to a number of financial risks including capital risk, credit risk, foreign currency exchange risk, interest rate risk and liquidity risk. The management of financial risk is governed by the Group's policies approved by the board of directors, which provide written principles to manage these risks. See note 20 for further details on the Group's financial instruments.

### Credit risk

The Group has some exposure to credit risk from credit sales. It is the Group's policy to assess the credit risk of new customers before entering into contracts. Historically, bad debts across the Group have been low.

### Capital risk

After making enquiries, the directors have formed a judgement at the time of approving the consolidated financial statements that there is a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. These resources include funding from the Group's overdraft facilities and the new facilities secured posted year end as identified in the Chief Executive Officer's Report on page 6. For this reason, the directors continue to prepare the consolidated financial statements on the going concern basis (see note 2).

### Foreign currency exchange risk

The majority of cash at bank is held in Sterling and Euro accounts. There are also trade balances in these currencies. As these currencies are now the Group's functional currencies, the Group has not entered into any forward exchange contracts. Any foreign exchange gains or losses are recognised in the consolidated income statement.

### Liquidity risk

Details on the Group's liquidity risk are provided in note 20.

# DIRECTORS' REPORT

## – continued

### Directors' and officers' indemnity insurance

The Group has taken out an insurance policy to indemnify the directors and officers of the company and its subsidiaries in respect of certain liabilities which may attach to them in their capacity as directors or officers of the Group, so far as permitted by law. This policy remained in force throughout the year and remains in place at the date of this report.

### Directors

The directors who held office during the period are given below:

#### Executive Directors

Mr José-Luis Vázquez *Chief Executive Officer*

#### Non-executive Directors

Mr Richard Alden *Non-Executive Chairman*

Mr Rafael Martín Sanz

Mr Javier Casanueva

Mr Javier Herrero

Mr Carlos Vizcayno

Mr Francis Coles

The interests of directors in the shares of the Group at 31 March 2011 are disclosed in the Directors' Remuneration Report on page 13.

### Substantial shareholdings

At 20 September 2011 the following shareholders held, directly or indirectly, three per cent or more interests in the issued share capital of the Company:

	Number of ordinary £1 shares	Percentage of issued ordinary share capital
Kasei 2000 S.L.	4,799,259	22.5%
Naropa Capital S.L.U	3,818,589	17.9%
Baring Iberia II Inversion en Capital F.C.R.	3,496,588	16.4%
Hanover Nominees Ltd	2,484,266	11.7%
Vidacos Nominees Limited	2,142,859	10.1%
Fresh Inversiones S.L.	1,180,242	5.5%
The Bank of New York (Nominees)	924,724	4.3%

### Political and charitable contributions

The Group made no political or charitable contributions during the year.

### Creditor payment policy and practice

The Group's policy is that payments to suppliers are made in accordance with the terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2011, the Group had an average of 125 days purchases outstanding in trade creditors (2010: 109 days).

### Employee involvement and disabled employees

Employees of the Group are regularly consulted by management and kept informed of matters affecting them and the overall development of the Group. The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, the Group's policy, wherever practicable, is to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees.

### Events since the balance sheet date

Significant events which have occurred since the balance sheet date are detailed in note 27.

### Auditors

Each of the persons who are directors at the date of approval of this report confirms that:

1. so far as the directors are aware, there is no relevant audit information of which the auditors are unaware; and
2. the directors have taken all the steps that they ought to have taken as directors in order to make them aware of any relevant audit information and to establish that the auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board:

**José-Luis Vázquez**

**Chief Executive Officer**

30 September 2011

# CORPORATE GOVERNANCE

## Introduction

The Board of Directors is accountable to shareholders for the good corporate governance of the Group. The principles of corporate governance are set out in the Financial Reporting Council's revised Combined Code on corporate governance issued in 2006. Under the rules of the Alternative Investment Market (AIM) the Group is not required to comply with the Code and the Board considers that the size of the Group does not warrant compliance with all of the Code's requirements but has voluntarily adopted appropriate sections of the Combined Code.

## Principles of the combined code

### The Board

The Board comprises the Chief Executive Officer, José-Luis Vázquez, the non-executive chairman, Richard Alden and five non-executive directors, Rafael Martín Sanz, Javier Casanueva, Javier Herrero, Carlos Vizcayno and Francis Coles. The non-executive directors are independent of management.

Non-executive directors are appointed on a contract with a three-month notice period. The terms and conditions of the appointment of the non-executive directors are available for inspection from the company secretary. Executive directors are appointed on contracts with a 12-month notice period. All directors are subject to re-election every three years. Directors appointed during the year are subject to re-election by the shareholders at the first opportunity after their appointment. The directors who are subject for re-election in the coming year are José-Luis Vázquez and Rafael Martín Sanz. Biographies for each director can be found on the Company's website. The Board has a schedule of matters specifically reserved to it for decision. All directors have access to the advice and services of the company secretary, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. If required, the directors are entitled to take independent advice, and if the Board is informed in advance the cost of the advice will be reimbursed by the Group. To discharge its governance function effectively, the board has laid down rules for its own activities in a governance process policy. Responsibility for implementing this policy is placed on the chief executive officer. This policy covers:

- the conduct of members at meetings
- the cycle of board activities and the setting of agendas
- the provision of timely information to the board
- board officers and their roles
- board committees, their tasks and composition

- qualifications for board membership and the process of the nomination committee
- the evaluation and assessment of board performance
- the remuneration of non-executive directors
- the process for directors to obtain independent advice
- the appointment and role of the company secretary
- approval of the annual budget and the regular update of forecasts

Board meetings are scheduled to take place once every two months, with additional meetings to attend to urgent matters. The respective attendance record of each director during the year was as follows:

### Directors' attendance

	Board Meetings		Audit Committee		Remuneration Committee	
	Attended	Possible	Attended	Possible	Attended	Possible
José-Luis Vázquez	7	7	—	—	—	—
Rafael Martín Sanz	7	7	—	—	—	—
Javier Casanueva	6	7	—	—	—	—
Javier Herrero	5	7	1	2	—	—
Carlos Vizcayno	6	7	—	—	—	—
Francis Coles	7	7	2	2	—	—
Richard Alden	6	7	—	—	—	—

To enable the Board to discharge its duties, the Chief Executive Officer describes to the Board how the expected outcome and goals are intended to be delivered through regular business plans, which also encompass an assessment of the Group's risks. During the year, the Board receives updates on progress towards these outcomes through actual and forecasted results.

The Chief Executive Officer is obliged to review and discuss with the Board all strategic projects or developments and all material matters currently or prospectively affecting the Group and its performance. This key dialogue specifically includes any materially under-performing business activities, and material matters of a social responsibility, environmental or ethical nature.

The Board also sets out how the Chief Executive Officer's performance will be monitored and recognises that, in the multitude of changing circumstances, judgement will always be involved. The systems set out by the board are designed to manage, rather than to eliminate, the risk of failure to achieve the goals. They provide reasonable, rather than absolute, assurance against material misstatement or loss.

# CORPORATE GOVERNANCE

## – continued

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

### Remuneration Committee

During the year the Remuneration Committee, the report of which is on page 13, comprised the following non-executive directors:

Richard Alden (Chairman)  
Javier Casanueva  
Carlos Vizcayno

The remuneration committee is responsible for the terms and conditions and remuneration of the executive directors and senior management and the granting of share options to the Group's executive directors and employees. The Remuneration Committee may consult external agencies when ascertaining market salaries. The chairman of the Remuneration Committee will be available at the AGM to answer any shareholder questions.

### Audit Committee

During the year the Audit Committee comprised the following non-executive directors:

Francis Coles (Chairman)  
Javier Herrero

Biographies detailing the respective qualifications of the Audit Committee members are available for viewing on our website. The board considers that the membership of the Audit Committee as a whole has sufficient recent and relevant financial experience to fulfil its duties.

The Committee is provided with sufficient resources to undertake its duties. It has access to the services of the company secretary, and all other employees. The committee may take legal or professional advice when it believes it necessary to do so.

The Committee meets as required, but not less than two times a year. Other directors may also attend committee meetings by invitation, but the committee also meets privately for discussions with the external auditors who attend all its meetings.

The main roles and responsibilities of the Committee are to:

- monitor the integrity of the Group's financial statements;
- review the Group's internal financial controls and risk management systems; and
- oversee the Group's relationship with the external auditors.

The main activities of the committee in the year ended 31 March 2011 were:

- assessing the effectiveness of the significant financial reporting issues related to the preparation of the Group's

financial statements;

- assessing the effectiveness of the systems established to identify, assess, manage and monitor financial and non-financial risks;
- monitoring the integrity of the Group's internal financial controls;
- reviewing with the external auditors the findings of their work and the effectiveness of the external audit process;
- reviewing arrangements for staff of the Group to raise concerns, in confidence, about possible improprieties in matters of financial reporting of other matters;
- reviewing the need for, and the feasibility of, an internal audit function; and
- reviewing the independence and objectivity of the external auditor.

### Internal control

The Board acknowledges its responsibility for the Group's system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

An ongoing process, in accordance with the guidance of the Turnbull Committee on internal control, has been established for identifying, evaluating and managing the significant risks faced by the Group. The process has been in place for the full year under review and up to the date of approval of the Report and Financial Statements. The Board regularly reviews the process.

The key elements of the risk management processes and system of internal control procedures include:

- a clear organisational structure and lines of responsibility;
- the identification through reporting procedures of major financial, commercial, legal and operational risks;
- the operation of a comprehensive budgeting and financial reporting system and the comparison of actual results against budget;
- the regular updates of budgets, cash flow forecasts and performance targets, which is reviewed by the Board; and
- the authorisation and monitoring of investment policy, acquisition and disposal proposals, and major capital expenditure.

The key processes used by the Board to review the effectiveness of the system of internal controls include the following:

- the review of the results of the risk assessment;
- review of the actual results against budget and results of the investigation of material differences for the period; and
- the review of issues raised by the external auditors.

# DIRECTORS' REMUNERATION REPORT

The Remuneration Committee decides the remuneration policy that applies to executive directors and senior management. The Remuneration Committee meets as necessary in order to consider and set the annual remuneration for executive directors and senior managers, having regard to personal performance and industry remuneration rates. In determining that policy it considers a number of factors including:

- the basic salaries and benefits available to executive directors and senior management of comparable companies;
- the need to attract and retain directors and others of an appropriate calibre; and
- the need to ensure all executives' commitment to the success of the Group.

Non-executive directors are appointed on contracts with a three-month notice period and may be awarded fees as determined by the Board.

Executive directors are appointed on contracts with a 12-month notice period.

## Directors' Remuneration

The following table summarises the remuneration receivable by the directors for the year ended 31 March 2011.

		Salary & fees	Benefits	Sums paid to a third party for Directors' services	Year ended 31 March 2011	Year ended 31 March 2010
		£000	£000	£000	£000	£000
<b>Executive</b>						
Michael Sinclair	Resigned 4 Feb 10	—	—	—	—	28
José-Luis Vázquez <sup>(1)</sup>		197	—	—	197	140
<b>Non-executive</b>						
Richard Blake	Resigned 4 Feb 10	—	—	—	—	24
Rafael Martín Sanz		—	—	—	—	—
Javier Casanueva		—	—	—	—	—
Javier Herrero		—	—	—	—	—
Carlos Vizcayno		—	—	—	—	—
Francis Coles		23	—	—	23	—
Richard Alden		—	—	35	35	3
		220	—	35	255	195

<sup>1</sup> Of the £197,000 included in salaries and fees in relation to José-Luis Vázquez £60,000 remains unpaid at the year end.

## Directors' interests

The interests of the directors who held office during the year in the shares of the Group at 31 March 2011 were as follows:

	Number of ordinary shares	
	31 March 2011	31 March 2010
José-Luis Vázquez*	1,180,242	1,180,242
Richard Alden	143,159	—
Rafael Martín Sanz**	4,799,259	4,799,259
Francis Coles	125,000	—

\* Shares held by Fresh Inversiones S.L., a company under the control of José-Luis Vázquez.

\*\* Shares held by Kasei 2000 S.L. Asesoría Digital S.L. owns one-third of the issued share capital of Kasei 2000 S.L., Asesoría Digital S.L. is owned by Rafael Martín Sanz and his wife. Rafael Martín Sanz is a director of Kasei 2000 S.L.

# STATEMENT OF DIRECTORS' RESPONSIBILITIES

## Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

## Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MIRADA PLC

We have audited the financial statements of mirada plc for the year ended 31 March 2011 which comprise consolidated income statement, consolidated statement of comprehensive income and expense, consolidated statement of changes in equity, consolidated statement of financial position, consolidated statement of cash flows, the company balance sheet and the related notes. 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 preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections 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 in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, 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](http://www.frc.org.uk/apb/scope/private.cfm).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been

properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of Matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in Note 2 to the financial statements concerning the group's ability to continue as a going concern. As discussed in Note 2, the appropriateness of the going concern basis is reliant on the group being able to secure additional funding through bank facilities or other fund raising options during the year. Although negotiations are at an advanced stage and the Directors are confident that the Group will be able to raise sufficient funds no binding agreements are in place at the date of approval of these financial statements. These disclosures identify certain factors that indicate the existence of material uncertainties 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 were unable to continue as a going concern.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the 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.

Andrew Viner (*senior statutory auditor*)

For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
30 September 2011

*BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)*

# CONSOLIDATED INCOME STATEMENT

Year ended 31 March 2011

	Notes	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Revenue</b>	5	<b>5,116</b>	5,740
Cost of sales		(1,163)	(2,028)
<b>Gross profit</b>		<b>3,953</b>	3,712
Net gaming income		15	102
Depreciation	14	(118)	(254)
Amortisation of deferred development costs	13	(617)	(455)
Impairment of goodwill	13	(4,911)	(5,157)
Share based payment charge	23	—	(95)
Other administrative expenses		(4,975)	(4,306)
<b>Total administrative expenses</b>		<b>(10,621)</b>	(10,267)
<b>Operating loss</b>	6	<b>(6,653)</b>	(6,453)
Finance income	10	97	172
Finance expense	11	(410)	(74)
<b>Loss before taxation</b>		<b>(6,966)</b>	(6,355)
Taxation	11	—	—
<b>Loss for the financial period from continuing operations</b>		<b>(6,966)</b>	(6,355)
<b>Discontinued operations</b>			
Loss for financial period from discontinued operations	8	(135)	(1,112)
<b>Loss for year</b>		<b>(7,101)</b>	(7,467)
		Year ended 31 March 2011 £	Year ended 31 March 2010 £
<b>Loss per share</b>			
Loss per share for the year - basic & diluted	12	0.35	0.38

The above amounts are attributable to the equity holders of the parent.

The notes on pages 20 to 48 form part of these financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2011

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Loss for the period	(7,101)	(7,467)
Other comprehensive (expense)/income	(48)	(310)
<b>Total comprehensive expense for the year</b>	<b>(7,149)</b>	<b>(7,777)</b>
<b>Attributable to equity holders of the parent</b>	<b>(7,149)</b>	<b>(7,777)</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2011

	Share capital £000	Share premium account £000	Share option reserve £000	Foreign exchange reserve £000	Merger reserve £000	Retained earnings £000	Total £000
At 1 April 2010	34,923	—	2,109	891	2,472	(29,457)	10,938
Loss for the financial period	—	—	—	—	—	(7,101)	(7,101)
Movement in foreign exchange reserve	—	—	—	(48)	—	—	(48)
Cancellation of share capital against profit and loss account	(34,725)	—	—	—	—	34,725	—
Issue of shares	15	285	—	—	—	—	300
Share issue costs	—	(12)	—	—	—	—	(12)
<b>At 31 March 2011</b>	<b>213</b>	<b>273</b>	<b>2,109</b>	<b>843</b>	<b>2,472</b>	<b>(1,833)</b>	<b>4,077</b>

	Share capital £000	Shares to be issued £000	Share option reserve £000	Foreign exchange reserve £000	Merger reserve £000	Share premium account £000	Retained earnings £000	Total £000
At 1 April 2009	34,923	281	2,014	1,201	2,472	—	(22,271)	18,620
Loss for the financial period	—	—	—	—	—	—	(7,467)	(7,467)
Share based payment	—	—	95	—	—	—	—	95
Movement in foreign exchange reserve	—	—	—	(310)	—	—	—	(310)
Write back of shares to be issued	—	(281)	—	—	—	—	281	—
<b>At 31 March 2010</b>	<b>34,923</b>	<b>—</b>	<b>2,109</b>	<b>891</b>	<b>2,472</b>	<b>—</b>	<b>(29,457)</b>	<b>10,938</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2011

Company number 3609752

	Notes	31 March 2011 £000	31 March 2010 £000
Property, plant and equipment	14	180	228
Goodwill	13	7,506	12,417
Intangible assets	13	1,236	1,313
<b>Non-current assets</b>		<b>8,922</b>	<b>13,958</b>
Trade & other receivables	15	1,531	2,095
Cash and cash equivalents	25	68	103
<b>Current assets</b>		<b>1,599</b>	<b>2,198</b>
<b>Total assets</b>		<b>10,521</b>	<b>16,156</b>
Loans and borrowings	17	(619)	(536)
Trade and other payables	16	(2,773)	(2,760)
<b>Current liabilities</b>		<b>(3,392)</b>	<b>(3,296)</b>
<b>Net current liabilities</b>		<b>(1,793)</b>	<b>(1,098)</b>
<b>Total assets less current liabilities</b>		<b>7,129</b>	<b>12,860</b>
Interest bearing loans and borrowings	18	(2,408)	(960)
Embedded conversion option derivative	18	(292)	(339)
Provisions	18	(352)	(623)
<b>Non-current liabilities</b>		<b>(3,052)</b>	<b>(1,922)</b>
<b>Total liabilities</b>		<b>(6,444)</b>	<b>(5,218)</b>
<b>Net assets</b>		<b>4,077</b>	<b>10,938</b>
<b>Equity attributable to equity holders of the Company</b>			
Share capital	21	213	34,923
Shares to be issued		273	—
Other reserves	22	5,424	5,472
Retained earnings	2	(1,833)	(29,457)
<b>Equity</b>		<b>4,077</b>	<b>10,938</b>

These financial statements were approved and authorised for issue on 30 September 2011.  
Signed on behalf of the Board of Directors.

**José-Luis Vázquez**

**Chief Executive Officer**

The notes on pages 20 to 48 form part of these financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2011

	Note	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Cash flows from operating activities</b>			
Loss for the period		(7,101)	(7,467)
Adjustments for:			
Depreciation of property, plant and equipment		118	254
Impairment of property, plant and equipment		—	556
Amortisation of intangible assets		617	455
Impairment of goodwill		4,911	5,157
Profit on disposal of subsidiaries		(444)	—
Share-based payment charges		—	95
Finance income		(97)	(172)
Finance expense		410	74
Operating cash flows before movements in working capital		(1,586)	(1,048)
Decrease in trade and other receivables		265	669
Increase/(decrease) in trade and other payables		293	(1,693)
<b>Cash used in operations</b>		<b>(1,028)</b>	<b>(2,072)</b>
Interest and similar expenses paid		(142)	(74)
<b>Net cash used in operating activities</b>		<b>(1,170)</b>	<b>(2,146)</b>
<b>Cash flows from investing activities</b>			
Interest and similar income received		2	172
Cash held in disposed subsidiaries		(1)	—
Purchases of property, plant and equipment		(61)	(56)
Purchases of other intangible assets		(601)	(720)
<b>Net cash used in investing activities</b>		<b>(661)</b>	<b>(604)</b>
<b>Cash flows from financing activities</b>			
Issue of convertible loans		200	1,220
Issue of share capital		300	—
Costs of share issue		(12)	—
Loans received		1,466	60
Repayment of loans		(36)	—
Repayment of capital element of finance leases		(23)	(57)
<b>Net cash from financing activities</b>		<b>1,895</b>	<b>1,223</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>64</b>	<b>(1,527)</b>
Cash and cash equivalents at the beginning of the period	25	(433)	1,137
Exchange gains/(losses) on cash and cash equivalents		3	(43)
<b>Cash and cash equivalents at the end of the period</b>	25	<b>(366)</b>	<b>(433)</b>

Cash and cash equivalents comprise cash at bank less bank overdrafts.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2011

## 1. General information

mirada plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is Bentima House, 168-172 Old Street, London, EC1V 9BP. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 9.

The Directors have chosen to present these financial statements in the functional currency of the primary economic environment in which the Group operates, which is Pounds Sterling. All balances are shown in thousands unless otherwise stated. Foreign operations are included in accordance with the policies set out in note 2.

## 2. Significant accounting policies

### Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board as adopted by European Union ("IFRSs") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRSs.

### Going concern

During the year ended 31 March 2011 the Group recorded a loss before interest, taxation, depreciation, impairment of goodwill, amortisation and discontinued operations of £1.01 million and a loss after taxation of £7.10 million. At 31 March 2011 the Group had total net assets of £4.08 million and net current liabilities of £1.79 million, and during the year ended 31 March 2011 had an operating cash outflow before movements in working capital of £1.59 million.

In assessing the going concern of the Group, the directors have prepared forecast information for the period ending twelve months from their approval of these financial statements. As part of producing these forecasts the directors have considered both the recent and expected contract wins and the likely cash inflows to be derived from the Group's forecasted trading activities. Given the nature of the Group's activities, there is a degree of uncertainty surrounding the timing and amount of such cash inflows. In addition Mirada plc has also entered into negotiations to secure additional bank facilities to provide for the general working capital requirements of the group and to support its continued product investment, it is also pursuing other fund raising options should sufficient bank facilities not be raised. Although the negotiations are at an advanced stage and the Directors are confident

that sufficient funds will be raised, no binding agreements are in place at the date of approval of these financial statements. On the basis of these forecasts and the underlying assumptions together with the anticipated additional financing, the directors believe that the Group will have sufficient funding to continue in operational existence for at least twelve months from the date of approval of these financial statements.

The directors have concluded that a material uncertainty exists that may cast significant doubt on the Group's ability to continue to trade as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. However, given the current opportunities available to secure additional financing for the Group, the directors continue to adopt the going concern basis of accounting.

The principal accounting policies adopted are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March 2011. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

### Business combinations

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

Goodwill arising on acquisition is recognised as an asset and initially measured at cost and is accounted for according to the policy below.

## Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

### Depreciation

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

- Office & computer equipment      33.3% per annum
- Short-leasehold improvements      10% per annum

The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial period end.

### Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, intangible fixed assets and liabilities of a subsidiary, or acquired sole trade business at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the Group income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## Intangible assets

Intangible assets with a finite useful life represent items which have been separately identified under IFRS 3 arising in business combinations, or meet the recognition criteria of IAS 38, "Intangible Assets". Intangible assets acquired as part of a business combination are initially recognised at their fair value and subsequently amortised on a straight line basis over their useful economic lives. Intangible assets that meet the recognition criteria of IAS 38, "Intangible Assets" are carried at cost less amortisation and any impairment losses. Intangible assets comprise of completed technology, acquired software, capitalised development costs and goodwill.

### Amortisation

Amortisation of intangible assets acquired in a business combination is calculated over the following periods on a straight line basis:

Completed technology      - over a useful life of 4 years  
Amortisation of other intangible assets (computer software) is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life, which equates to 25% to 50% per annum.

### Internally-generated intangible assets – research and development expenditure

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

Any internally-generated intangible asset arising from the Group's development projects are recognised only if all of the following conditions are met:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The intention to complete the intangible asset and use or sell it.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the Group can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of three to four

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

years. If a development project has been abandoned then any unamortised balance is immediately written off to the income statement. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

### **Impairment of tangible and intangible assets excluding goodwill**

At each balance sheet date, the Group reviews the carrying amounts of its tangible 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).

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 not 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 in the income statement 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 the asset (cash-generating unit) in prior periods. 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.

### **Financial instruments**

Financial assets and financial liabilities are recognised on the Group's balance sheet at fair value when the Group becomes a party to the contractual provisions of the instrument.

#### **Trade receivables**

Trade receivables represent amounts due from customers

in the normal course of business. All amounts are initially stated at their fair value and are subsequently carried at amortised cost, less provision for impairment which is calculated on an individual customer basis, where there is objective evidence.

#### **Cash and cash equivalents**

Cash and cash equivalents include cash at hand and deposits held at call with banks with original maturities of three months or less.

#### **Financial liabilities and equity 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 Group after deducting all of its liabilities.

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

Financial instruments issued by the Group are treated as equity only to the extent that they do not meet the definition of a financial liability. The Group's ordinary shares, A deferred shares and deferred shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded in the share premium reserve.

Incremental external costs directly attributable to the issue of new shares (other than in connection with a business combination) are recorded in equity as a deduction, net of tax, to the share premium reserve.

#### **Bank Borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at fair value less direct issue costs. Finance charges are accounted for on an accruals basis in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **Trade payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

#### **Convertible debt**

When the terms of the convertible debt result in conversion into a variable number of shares, the proceeds of the convertible debt are initially allocated into liability (debt) and derivative components at fair value. The debt

component is calculated by reference to the net present value of the cash flows arising from the convertible loan. These cash flows were discounted at a rate of 20%. The derivative component of the convertible debt is calculated by deducting the debt component from the proceeds received. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost. The derivative component is also included within liabilities, but is measured at fair value at each reporting date, with changes in the fair value of the derivative component being recognised in the consolidated income statement.

### Leases

Leases taken by the Group are assessed individually as to whether they are finance leases or operating leases. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease rental payments are recognised as an expense in the income statement on a straight-line basis over the lease term. The benefit of lease incentives is spread over the term of the lease.

### Taxation

The tax expense represents the sum of the current tax and deferred tax charges.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 that affects neither the tax profit nor the

accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

### Revenue recognition

#### Interactive service revenues

Interactive service revenues relate to the revenues earned from all the operating units with the exception of B2C gaming revenues. Interactive service revenues are divided into 3 types, fixed-priced contracts, self-billing revenues and the sale of licences.

Fixed-price contract revenues are recognised as these services are provided or in accordance with the contract. Revenue is recognised when the significant risks and rewards of products and services have been passed to the buyer and can be measured reliably.

In respect of self-billing revenues, the Group are informed by the customer of the amount of revenue to invoice and the revenues are recognised in the period these services are provided.

Where the revenue relates to the sale of a licence, the licence element of the sale is recognised as income when the following conditions have been satisfied:

Where the revenue relates to the sale of a licence, the licence element of the sale is recognised as income when the following conditions have been satisfied:

- the software has been provided to the customer in a form that enables the customer to utilise it;
- the ongoing obligations of the Group to the customer are minimal; and
- the amount payable by the customer is determinable and there is a reasonable expectation of payment.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### Deferred revenue

Certain revenues earned by the Group are invoiced in advance. As outlined in the revenue recognition policy above, revenues are recognised in the period in which the Group provides the services to the customer, revenues relating to services which have yet to be provided to the customer are deferred.

### Retirement benefit costs

The Group operates defined contribution pension schemes. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the period.

Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

### Foreign exchange

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the result and the financial position of each group company are expressed in pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

On translation of balances into the functional currency of the entity in which they are held, exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. Conversely, when a gain or loss on a non-monetary item is recognised in the income statement, any exchange component of that gain or loss is recognised in the income statement.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used.

Exchange differences arising on translating the opening balance sheets and the current year income statements at the closing rate are classified as equity and transferred to the Group's foreign exchange reserve. Such translation differences are recognised as income or an expenses in the period in which the operations is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

### 3. Standards not yet effective to the Group

#### Standards, amendments and interpretations to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning after 1 April 2010 or later periods and which the Group has decided not to adopt early. These are:

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on accounting for the extinguishment of a financial liability by the issue of equity instruments. The Group will apply IFRIC 19 from 1 April 2011. It is not expected to have a material impact on the Group's financial statements.
- *Revised IAS 24 Related Party Disclosures* (effective for accounting periods beginning on or after 1 January 2011). This revision modifies the definition of a related party. The Group will apply IAS 24 (revision) from 1 April 2011. It is not expected to have a material impact on the Group's financial statements.
- *Amendments to IFRIC 14 IAS 19 Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2011). This standard is endorsed by the EU. This amendment is not applicable to the Group as it is not subject to minimum funding requirements.
- *IFRS 9 Financial Instruments: Classification and Measurement* (effective for accounting periods beginning on or after 1 January 2013). This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The Group will apply IFRS 9 from 1 April 2013.
- *IFRS 7 Financial Instruments: Disclosures* This amendment enhances the disclosure requirements in respect of transfers of financial assets. The Group will apply IFRS 7 (amendment) from 1 April 2012. It is not expected to have a material impact on the Group's financial statements.

#### 4. Critical accounting judgements and key sources of estimation uncertainty

##### Critical judgements in applying the Group's accounting policies

In the application of the Group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis.

##### Key sources of estimation uncertainty

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies that has the most significant effect on the amounts recognised in the financial statements.

##### Impairment of goodwill and intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and 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 cash-generating unit. This includes the directors' best estimate on the likelihood of current deals in negotiation not yet concluded. Actual events may vary materially from management expectation.

##### Useful economic life of intangibles

Intangible assets are amortised over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness.

##### Capitalised development costs

Any internally generated intangible asset arising from the Group's development projects are recognised only once all the conditions set out in the accounting policy Internally Generated Intangible Assets are met. The amortisation period of capitalised development costs is determined by reference to the expected flow of revenues from the product based on historical experience. Furthermore, the Group reviews at the end of each financial year the capitalised development costs for each product for any loss of value compared to net book value at that time,

based on expected future contribution less the total expected costs.

##### Provisions

There is currently a potential liability arising from an onerous lease obligation. Management have taken their best estimate concerning the potential liability and subsequent outflow of cash. This provision will be re-evaluated at each reporting date. Should events signify that the provision differs from management's current assessment this could lead to future gains or losses recognised in the income statement.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 5. Segmental reporting

#### Reportable segments

For management purposes the Group is currently organised into four operating divisions based upon the varying products and services provided by the Group – Gaming, Digital TV, Broadcast & Content and Mobile (which includes Interactive Marketing and Mirada Connect). The products and services provided by each of these divisions are described on pages 2 & 3. The segment headed other relates to corporate overheads, assets and liabilities.

Segmental results for the year ended 31 March 2011 are as follows:

	Gaming £000	Digital TV £000	Broadcast & content £000	Mobile £000	Other £000	Group £000
Revenue	888	2,410	1,334	484	—	5,116
Gross profit	537	2,384	692	340	—	3,953
Net gaming income	15	—	—	—	—	15
Profit/(loss) before interest, tax, depreciation & share-based payment charges	279	525	418	32	(2,261)	(1,007)
Impairment of goodwill	(2,716)	—	(2,195)	—	—	(4,911)
Depreciation	—	(55)	—	—	(63)	(118)
Amortisation	—	(590)	—	—	(27)	(617)
Finance income	—	—	—	—	97	97
Finance expense	—	—	—	—	(410)	(410)
Discontinued operations	—	—	(135)	—	—	(135)
<b>Segmental (loss)/profit</b>	<b>(2,437)</b>	<b>(120)</b>	<b>(1,912)</b>	<b>32</b>	<b>(2,664)</b>	<b>(7,101)</b>

Segmental results for the year ended 31 March 2010 are as follows:

	Gaming £000	Digital TV £000	Broadcast & content £000	Mobile £000	Other £000	Group £000
Revenue	1,820	1,857	1,580	483	—	5,740
Gross profit	778	1,857	750	327	—	3,712
Net gaming income	102	—	—	—	—	102
Profit/(loss) before interest, tax, depreciation & share-based payment charges	497	381	441	(13)	(1,798)	(492)
Impairment of goodwill	(4,105)	—	(1,052)	—	—	(5,157)
Depreciation	—	(57)	—	—	(197)	(254)
Amortisation	—	(420)	—	—	(35)	(455)
Share based payment charges	—	—	—	—	(95)	(95)
Finance income	—	169	—	—	3	172
Finance expense	—	—	—	—	(74)	(74)
Discontinued operations	—	—	(1,112)	—	—	(1,112)
<b>Segmental (loss)/profit</b>	<b>(3,608)</b>	<b>73</b>	<b>(1,723)</b>	<b>(13)</b>	<b>(2,196)</b>	<b>(7,467)</b>

There is no significant inter-segment revenue included in the segments which is required to be eliminated.

The Group has three major customers (a major customer being one that generates revenues amounting to 10% or more of total revenue) that account for £0.81 million (2010: £1.43 million), £0.72 million (2010: £0.93 million) and £0.56 million (2010: £0.13 million) of the total Group revenues respectively.

The segment assets and liabilities at 31 March 2011 are as follows:

	Gaming £000	Digital TV £000	Broadcast & content £000	Mobile £000	Other £000	Group £000
Additions to non-current assets	—	634	—	9	51	694
Total assets	—	6,396	2,140	1,610	375	10,521
Total liabilities	2	1,360	505	63	4,514	6,444

Capital expenditure comprises additions to property, plant and equipment and intangible assets.

The segment assets and liabilities at 31 March 2010 are as follows:

	Gaming £000	Digital TV £000	Broadcast & content £000	Mobile £000	Other £000	Group £000
Additions to non-current assets	—	709	—	—	67	776
Total assets	2,793	6,266	4,670	1,638	789	16,156
Total liabilities	89	740	837	69	3,483	5,218

Segment assets and liabilities are reconciled to the Group's assets and liabilities as follows:

	Assets 31 March 2011 £000	Liabilities 31 March 2011 £000	Assets 31 March 2010 £000	Liabilities 31 March 2010 £000
Segment assets and liabilities	10,146	1,930	15,367	1,735
Other:				
• Intangible assets	12	—	94	—
• Property, plant & equipment	79	—	117	—
• Other financial assets & liabilities	284	4,514	578	3,483
Total other	375	4,514	789	3,483
<b>Total Group assets and liabilities</b>	<b>10,521</b>	<b>6,444</b>	<b>16,156</b>	<b>5,218</b>

Assets allocated to a segment consist primarily of operating assets such as property, plant and equipment, intangible assets, goodwill and receivables.

Liabilities allocated to a segment comprise primarily trade payables and other operating liabilities.

## Geographical disclosures

	External revenue by location of customer		Non-current assets by location of assets	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
UK	2,610	3,423	3,569	8,563
Spain	925	1,187	5,353	5,395
Continental Europe	1,189	633	—	—
Middle East	45	77	—	—
Americas	347	420	—	—
	<b>5,116</b>	<b>5,740</b>	<b>8,922</b>	<b>13,958</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 6. Operating loss

The operating loss is stated after charging/(crediting) the following:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Depreciation of owned assets	95	231
Depreciation of assets held under finance lease	23	23
Amortisation of intangible assets	617	455
Impairment of goodwill	4,911	5,157
Share based payment charge	—	95
Operating lease charges	259	352
Foreign exchange loss/(gain)	42	(235)
Research and development costs	252	217

Analysis of auditors' remuneration is as follows:

	Year ended 31 March 2010 £000	Year ended 31 March 2010 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements	15	15
Fees payable to the Company's auditors and its associates for other services:		
• The audit of the Company's subsidiaries pursuant to legislation	42	65
• Tax services	—	25
<b>Total fees</b>	<b>57</b>	<b>105</b>

Reconciliation of operating loss for continuing operations to loss before interest, taxation, depreciation, amortisation and share-based payment charges:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Operating loss	(6,653)	(6,453)
Depreciation	118	254
Amortisation of deferred development costs	617	455
Impairment of goodwill	4,911	5,157
Share based payment charge	—	95
<b>Loss before interest, taxation, depreciation, amortisation and share-based payment charges</b>	<b>(1,007)</b>	<b>(492)</b>

Adjusted loss before interest, taxation, depreciation, amortisation and share-based payment charges has been presented to provide additional information to the reader.

## 7. Staff costs and employee information

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Staff costs (including directors) comprise:		
Wages and salaries	3,279	3,290
Social security costs	568	538
Other pension costs	30	28
<b>Staff costs</b>	<b>3,877</b>	<b>3,856</b>

The Group operates a defined contribution pension scheme for certain employees. No directors are members of this scheme. The outstanding amount of pension contributions accruing at the year end was £9,000 (2010: £5,000).

The average number of persons, including executive directors, employed by the Group during the year was:

	Year ended 31 March 2010 £000	Year ended 31 March 2010 £000
<b>By activity</b>		
Office and management	10	10
Platform and development	57	57
Sales and marketing	12	14
	<b>79</b>	<b>81</b>

### Directors and key management personnel remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the company listed on page 7, the Chief Technical Officer, the Chief Financial Officer, the VP Sales and Business Development and the Head of Gaming.

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Salaries and fees	641	596
Defined contribution pension cost	2	—
Other benefits	—	4
Amounts paid to third parties in respect of directors' services	35	24
Share based payment expense (note 23)	—	95
	<b>678</b>	<b>719</b>

The directors' remuneration is disclosed in note ii of the Company accounts.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 8. Discontinued operations

On 16 August 2010 two of the Group's subsidiaries, Digital Interactive Studio Centre Ltd and The Gaming Channel Ltd, were placed into voluntary liquidation, this led to the cessation of the Group's studio and payout activities. The comparatives for these activities are included within the consolidated income statement in the line item "loss for the year from discontinued operations".

The post-tax result of discontinued operations was determined as follows:

	Year ended 31 March 2010 £000	Year ended 31 March 2010 £000
Revenue	31	262
Gross profit	31	262
Administrative expenses	(610)	(1,374)
Gain on disposal	444	—
<b>Loss for financial year</b>	<b>(135)</b>	<b>(1,112)</b>

The gain on disposal of the subsidiaries was determined as follows:

	The Gaming Channel Ltd		Digital Interactive Studio Centre Ltd	
	£000	£000	£000	£000
Consideration – cash	—		—	
<b>Net liabilities disposed of:</b>				
Intangible assets	35		—	
Property, plant and equipment	—		21	
Trade and other receivables	20		274	
Cash & cash equivalents	1		—	
Trade and other payables	(200)		(595)	
		<b>(144)</b>		<b>(300)</b>
Gain on disposal		<b>144</b>		<b>300</b>
<b>The net cash flow comprises:</b>				
Bank balance disposed of		<b>(1)</b>		<b>—</b>

### 9. Finance income

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Bank interest receivable	2	—
Other finance income	95	172
	<b>97</b>	<b>172</b>

## 10. Finance expense

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Interest and finance charges on bank loans and overdrafts	99	55
Convertible loan interest	172	6
Finance leases	4	3
Other interest payable	135	10
	<b>410</b>	<b>74</b>

Finance charges include all fees directly incurred to facilitate borrowing. These include professional fees paid to accounting practices, bank arrangement fees and fees to secure required guarantees.

## 11. Taxation

The tax assessed on the loss on ordinary activities for the period differs from the standard rate of tax of 28%.

The differences are reconciled below:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Loss before taxation	(7,101)	(7,467)
Loss on ordinary activities multiplied by 28% (2010: 28%)	(1,988)	(2,091)
Effect of expenses not deductible for tax purposes	1,403	1,708
Effect of non-taxable income	(124)	—
Losses not recognised	709	383
Current period tax	—	—

### Deferred taxation

Deferred taxation provided in the financial statements is £nil (2010: £nil) and the amounts not recognised are as follows:

Group	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Depreciation in excess of capital allowances	1,769	1,887
Losses	10,871	10,990
	<b>12,640</b>	<b>12,877</b>

The gross value of tax losses carried forward at 31 March 2011 equals £48.6 million (2010: £46.0 million)

### Deferred tax asset

The deferred tax asset has not been recognised on the grounds that there is insufficient evidence at the balance sheet date that it will be recoverable. The asset would start to become potentially recoverable if, and to the extent that, the Group were to generate taxable income in the future.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 12. Loss per share

	Year ended 31 March 2011 Total	Year ended 31 March 2010 Total
Loss for period	<b>£7,101,000</b>	£7,467,000
Weighted average number of shares	<b>20,010,964</b>	19,805,485
Basic & diluted loss per share	<b>£0.35</b>	£0.38
Loss for period from continuing operations	<b>£6,966,000</b>	£6,355,000
Weighted average number of shares	<b>20,010,964</b>	19,805,485
Basic & diluted loss per share	<b>£0.35</b>	£0.32

### Adjusted loss per share

Adjusted loss per share is calculated by reference to the loss from continuing activities before interest, taxation, impairment of goodwill, depreciation and amortisation (see note 6).

	Year ended 31 March 2011 Total	Year ended 31 March 2010 Total
Adjusted loss for period	<b>£1,007,000</b>	£492,000
Basic & diluted loss per share	<b>£0.05</b>	£0.02

The Company has 302,540 (2010: 315,167) potentially dilutive ordinary shares arising from share options issued to staff. The Company also has potentially dilutive ordinary shares arising from the convertible loan, see note 20. These have not been included in calculating the diluted earnings per share as the effect is anti-dilutive.

The deferred shares are not included in the earnings per share or diluted earnings per share. These shares have no voting rights and are non-convertible and therefore do not form part of the ordinary share capital used for the loss per share calculation.

Basic and diluted loss per share from discontinued operations was £0.007 (2010: £0.06).

### 13. Intangible assets

	Deferred development costs £000	Completed Technology £000	Total Intangible assets £000	Goodwill £000
<b>Cost</b>				
At 1 April 2010	5,892	633	6,525	45,528
Additions	601	—	601	—
Disposals	(2,987)	—	(2,987)	(16,445)
Foreign exchange	(8)	(4)	(12)	—
At 31 March 2011	3,498	629	4,127	29,083
<b>Accumulated amortisation</b>				
At 1 April 2010	4,885	327	5,212	33,111
Disposals	(2,954)	—	(2,954)	(16,445)
Provided during the year	465	152	617	4,911
Foreign exchange	13	3	16	—
At 31 March 2011	2,409	482	2,891	21,577
<b>Net book value</b>				
At 31 March 2011	1,089	147	1,236	7,506
At 31 March 2010	1,007	306	1,313	12,417

Completed technology will be fully amortised as at 31 March 2012.

	Deferred development costs £000	Completed Technology £000	Total Intangible assets £000	Goodwill £000
<b>Cost</b>				
At 1 April 2009	5,201	665	5,866	45,528
Additions	720	—	720	—
Foreign exchange	(29)	(32)	(61)	—
At 31 March 2010	5,892	633	6,525	45,528
<b>Accumulated amortisation</b>				
At 1 April 2009	4,592	178	4,770	27,954
Provided during the year	297	158	455	5,157
Foreign exchange	(4)	(9)	(13)	—
At 31 March 2010	4,885	327	5,212	33,111
<b>Net book value</b>				
At 31 March 2010	1,007	306	1,313	12,417
At 31 March 2009	609	487	1,096	17,574

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 13. Intangible assets (continued)

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years. The forecasts are based on current contracts and management's estimate of revenues relating to opportunities that are currently being pursued. The cash flow forecasts are extrapolated for the following years based on an estimated growth rate of 5% (2010: 5%). This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast pre-tax cash flows for all CGUs is 16% (2010: 16%).

Following the impairment review of the carrying value of goodwill, the following impairments were considered appropriate:

	Digital TV £000	Broadcast & content £000	Gaming £000	Interactive Marketing £000	Connect £000	Group £000
Carrying value at 1 April 2010	4,068	4,100	2,716	977	556	12,417
Impairment	—	(2,195)	(2,716)	—	—	(4,911)
Carrying value at 31 March 2011	4,068	1,905	—	977	556	7,506

The impairment loss of £2.2 million for the Broadcast and Content unit relates to the Group's decision to cease the playout and return path activities.

The impairment loss of £2.7 million for the Gaming unit relates to the expiry on 31 March 2011 of the contract it had with Gala and management's decision to focus on the core areas of the business.

## 14. Property, plant and equipment

	Office & computer equipment £000	Short-leasehold improvements £000	Total £000
<b>Cost</b>			
At 1 April 2010	4,403	989	5,392
Additions	93	—	93
Disposals	(3,096)	(943)	(4,039)
Foreign exchange	(2)	—	(2)
At 31 March 2011	1,398	46	1,444
<b>Depreciation</b>			
At 1 April 2010	4,183	981	5,164
Provided during the year	109	8	117
Disposals	(3,075)	(943)	(4,018)
Foreign exchange	1	—	1
At 31 March 2011	1,218	46	1,264
<b>Net book value</b>			
At 31 March 2011	180	—	180
At 31 March 2010	220	8	228

Included in the net book value of property, plant and equipment are amounts of £46,000 (2010: £38,000) held under finance lease and hire purchase contracts. Depreciation of £23,000 (2010: £23,000) has been charged on these assets.

	Office & computer equipment £000	Short-leasehold improvements £000	Total £000
<b>Cost</b>			
At 1 April 2009	4,361	1,023	5,384
Additions	52	4	56
Disposals	—	(38)	(38)
Foreign exchange	(10)	—	(10)
At 31 March 2010	4,403	989	5,392
<b>Depreciation</b>			
At 1 April 2009	4,042	352	4,394
Provided during the year	144	110	254
Impairment	—	556	556
Foreign exchange	(3)	(37)	(40)
At 31 March 2010	4,183	981	5,164
<b>Net book value</b>			
At 31 March 2010	220	8	228
At 31 March 2009	319	671	990

The impairment of £556,000 in year ended 31 March 2010 related to the cessation of the studio and playout operations in July 2010.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 15. Trade & other receivables

	31 March 2011 £000	31 March 2010 £000
Trade receivables	1,402	1,501
Allowance for bad debts	(248)	(214)
	1,154	1,287
Other receivables	141	393
Prepayments and accrued income	236	415
	1,531	2,095

#### Trade receivables

Trade receivables net of allowances are held in the following currencies:

	31 March 2011 £000	31 March 2010 £000
Sterling	252	638
Euro	902	649
<b>Total</b>	<b>1,154</b>	<b>1,287</b>

The fair values of trade and other receivables are the same as book values as credit risk has been addressed as part of impairment provisioning and, due to the short term nature of the amounts receivable, they are not subject to other ongoing fluctuations in market rates.

Before accepting any new customer, the Group uses a credit approval process to assess the potential customer's credit quality and defines credit limits by customer.

Included in the Group's trade receivable balance are debtors with a carrying amount of £26,000 (2010: £92,000) which are past due at the reporting date. The Group does not hold any collateral over these balances. The average age of these receivables is 69 days (2010: 81 days).

Ageing of past due but not impaired trade receivables:

	31 March 2011 £000	31 March 2010 £000
30-60 days	22	51
60-90 days	—	18
90+ days	4	23
<b>Total</b>	<b>26</b>	<b>92</b>

## 15. Trade & other receivables (continued)

Movement in allowance for doubtful debts:

	31 March 2011 £000	31 March 2010 £000
Balance at beginning of period	214	275
Utilised in period	—	(46)
Charge/(credit) for period	34	(15)
<b>Balance at the end of the period</b>	<b>248</b>	<b>214</b>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date.

Ageing of impaired receivables:

	31 March 2011 £000	31 March 2010 £000
30-60 days	—	—
60-90 days	—	—
90-120 days	—	2
+120 days	248	212
<b>Total</b>	<b>248</b>	<b>214</b>

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable set out above.

## 16. Trade and other payables - current

	31 March 2011 £000	31 March 2010 £000
Trade payables	1,017	1,369
Other payables	295	264
Other taxation and social security taxes	669	411
Accruals	425	369
Deferred income	340	324
Finance lease creditor	27	23
	<b>2,773</b>	<b>2,760</b>

The fair values of trade and other payables are the same as book values as due to the short term nature of the amounts payable, they are not subject to other ongoing fluctuations in market rates.

The directors consider that the carrying amount of trade payables approximates to their fair value.

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 124 days (2010: 112 days).

Maturity analysis of the financial liabilities is as follows:

	31 March 2011 £000	31 March 2010 £000
Up to 3 months	1,377	1,606
3 to 6 months	91	152
6 to 12 months	296	267
<b>Total</b>	<b>1,764</b>	<b>2,025</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 17. Loans and borrowings

	31 March 2011 £000	31 March 2010 £000
Bank overdrafts	434	536
Bank loans	185	—
	<b>619</b>	536
The borrowings are repayable as follows:		
On demand or within one year	619	536

The above bank overdrafts are denominated in Euros and are unsecured.

	31 March 2011 %	31 March 2010 %
The weighted average interest rates paid were as follows:		
Bank overdrafts	4.7	5.7
Bank loans	5.8	—
The directors estimate the fair value of the Group's borrowings as follows:		
Bank overdrafts	434	536
Bank loans	185	—
	<b>619</b>	536

Interest-bearing bank loans and overdrafts are initially recorded at fair value less direct issue costs.

At 31 March 2011 the Group had undrawn committed borrowing facilities of £10,000 (2010: £94,000).

## 18. Non-current liabilities

	31 March 2011 £000	31 March 2010 £000
Interest bearing loans and borrowings:		
Convertible loan	1,084	883
Bank loan	865	60
Other loans	439	—
Finance lease creditor	20	17
	<b>2,408</b>	960
Embedded conversion option derivative	292	339
Other non-current payables:		
Other taxation and social security taxes	—	283
Other payables	—	340
Provisions	352	—
	<b>352</b>	623
<b>Total non-current payables</b>	<b>3,052</b>	1,922

Further information on the convertible loan and embedded conversion option derivative is given in note 20.

Other loans relate to a loan received by the Group's Spanish operation to assist in funding the continued development of the Group's Digital TV products.

Provisions relate to a potential liability arising from an onerous lease obligation. Management have taken their best estimate concerning the potential liability and the subsequent outflow of cash. This provision will be reviewed at each reporting date. Should events significantly differ from management's current assessment this could lead to future gains or losses arising in the income statement.

## 18. Non-current liabilities (continued)

Borrowings are repayable as follows:

	31 March 2011 £000	31 March 2010 £000
<b>Bank overdrafts</b>		
On demand or within one year	441	536
Between one and two years	—	—
	<b>441</b>	<b>596</b>
<b>Bank loans</b>		
On demand or within one year	241	—
Between one and two years	498	60
Between two and five years	432	—
	<b>1,171</b>	<b>60</b>
<b>Other loans</b>		
Between two and five years	464	—
	<b>464</b>	<b>—</b>
<b>Convertible loans</b>		
Between two and five years	1,988	1,830
	<b>1,988</b>	<b>1,830</b>
<b>Finance leases</b>		
On demand or within one year	27	23
Between one and two years	20	17
	<b>47</b>	<b>40</b>
<b>Total borrowings including finance leases</b>		
On demand or within one year	709	559
Between one and two years	518	77
Between two and five years	2,884	1,830
	<b>4,111</b>	<b>2,466</b>

## 19. Retirement benefit schemes

The Group operates defined contribution pension schemes. The pension charge for the period represents contributions payable by the Group to the schemes and amounted to £30,000 (2010: £28,000).

At 31 March 2011, contributions amounting to £9,000 (2010: £5,000) were payable and included in other liabilities.

## 20. Financial instruments

### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17 and 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in note 22.

### Externally imposed capital requirement

The Group is not subject to externally imposed capital requirements.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements. Further details on critical accounting judgements and estimation uncertainty are detailed in note 4.

### Categories of financial instruments

	Carrying value	
	31 March 2011 £000	31 March 2010 £000
<b>Financial assets</b>		
Loans and receivables:		
• Trade and other receivables	1,371	1,780
• Cash and cash equivalents	68	103
	<b>1,439</b>	<b>1,883</b>
<b>Financial liabilities</b>		
Financial liabilities at amortised cost:		
• Trade and other payables	1,764	2,025
• Borrowings due within one year	619	536
• Borrowings due after one year	2,408	960
• Other payables due after one year	352	623
	<b>5,143</b>	<b>4,144</b>
Financial liabilities at fair value through profit or loss:		
• Embedded conversion option derivative	292	339
	<b>5,435</b>	<b>4,483</b>

### Convertible loan

On 21 March 2010 the Company entered into a convertible loan agreement for £1,500,000, of which £1,220,000 had been drawn down as at 31 March 2010. On 9 February 2011 a further £200,000 was drawn down. A summary of the terms of the convertible loan is as follows:

- The convertible loan is repayable on 18 March 2015;
- Annual interest rate of 10 per cent;
- Convertible into ordinary shares in the Company from the third anniversary of the date of issue at a conversion price of the lower of £1.10 or a 20% discount to the mid-market share price at the time of conversion;
- The Company is able under certain circumstances to repay the convertible loan at par on the third anniversary;
- If the mid-market price is below £1.10 the Company has the option to cancel the lenders' conversion rights by repaying the convertible loan plus a 20% premium; and
- Under the terms of the convertible loan the Company has given a fixed and floating charge over the assets of the Group.

The proceeds of the convertible loan are allocated into liability (debt) and derivative components at fair value. The debt component is accounted for as a financial liability measured at amortised cost. The derivative component is also included within liabilities, but is measured at fair value at each reporting date, with changes in the fair value of the derivative component being recognised in the consolidated income statement.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 20. Financial instruments (continued)

At the date of issue of the additional £200,000 the debt component of the convertible loan was valued at £152,000, management calculated this value by reference to the net present value of the cash flows arising from the convertible loan. These cash flows were discounted at a rate of 20%. The derivative component of the convertible debt of £48,000 was calculated by deducting the debt component of £152,000 from the proceeds of £200,000. Due to the negligible time period between the issue of the additional £200,000 convertible loan and the year end no change in the fair value of the derivative component is deemed to have taken place so no gains or losses have been recognised in the consolidated income statement.

#### Financial risk management objectives

The Group monitors and manages the risks relating to the financial instruments held. The principal risks include currency risk (on financial assets and trade payables), credit risk (on financial assets) and interest rate risk (on financial assets and borrowings). These risks are discussed in further detail below.

By virtue of the nature of the Group's operations, it is generally not exposed to price risk.

It is not Group policy to trade in financial instruments.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group does not use forward foreign exchange contracts to hedge exchange rate risk.

#### Foreign currency risk management

The Group has undertaken certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. During the year ended 31 March 2011 the Group has not utilised forward exchange contracts to manage exchange rate exposures.

The carrying amounts of the Group's material foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Euro denominated assets and liabilities	(1,795)	(1,275)	1,056	881

### Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the Euro. The sensitivity analysis includes only outstanding Euro denominated monetary items and adjusts their translation at the period end for a 10% change in the Euro/Sterling rate. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative. The sensitivities below are based on the exchange rates at the balance sheet used to convert the asset or liability to sterling.

	Profit and loss impact	
	2011 £000	2010 £000
Euro	694	565

### Interest rate risk management

At 31 March 2011 the Group was exposed to interest rate risk as the interest payable on some of the Group's loans and borrowings are linked to Euribor. The Group's loans and borrowings where interest payable is linked to Euribor include the bank overdrafts, the development loan and bank loans totalling £195,000. The remaining bank loans totalling £855,000 and the convertible loans pay fixed rates of interest.

Neither interest rate swaps contracts nor forward interest rate contracts are used to hedge any risks arising.

If interest rates changed by 1% (100 basis points) the profit and loss impact would not be material to the Group's results.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group faces exposure to credit risk on its trade receivables and cash equivalents.

The risk of financial loss arising from defaults on trade receivables is mitigated by the Group using a credit approval process to assess the potential customers' credit quality and also establishes credit limits by customer. The limits and credit scores attributed to customers is reviewed bi-annually however, the sales ledger is reviewed at least monthly to ensure all receivables are recoverable.

Please refer to note 15 for further details on trade receivables, including analyses of bad debts, ageing and profile by currency.

The Group believes the credit risk on liquid funds, being cash and cash equivalents, to be limited because the counterparties are banks with high-credit ratings assigned by international credit-rating agencies. However, the concentration of credit risk by counterparty does exceed 10% of the overall cash and cash equivalents balance (being £7,000 at 31 March 2011 and £10,000 at 31 March 2010) in some cases. Given the recent "credit crunch" the table below shows the balance of counterparties at the balance sheet date in excess of 10% of the overall balance, together with the Standard and Poor's credit rating symbols.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 20. Financial instruments (continued)

Counterparty	Location	Rating	31 March 2011		31 March 2010	
			% of overall cash & cash equivalents	Carrying amount £000	% of overall cash & cash equivalents	Carrying amount £000
Barclays Bank plc	UK	AA-	82.0%	56	89.3%	92

#### Liquidity risk management

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. As part of this monitoring the Group ensures that the financial liabilities due to be paid can be met by existing cash and cash equivalents, forecasted receipts from customers and borrowing facilities. At present the Group is looking to increase its borrowing facilities to ensure that it can continue to meet its financial obligations as they fall due.

Tables showing the maturity profile of the Group's financial liabilities are included in notes 16 and 18.

### 21. Share capital

At the General Meeting and Extraordinary General Meeting of mirada plc held on 12 January 2011 authority was received for the Company to undertake a capital reorganisation and capital cancellation.

#### Capital reorganisaton

The capital reorganisation had the effect of reducing the nominal value of the ordinary shares from £1.00 to 1 pence per ordinary share. In order to maintain the same number of fully participating ordinary shares after the capital reorganisation as there were before such reorganisation, each ordinary share was subdivided into one new ordinary share and ninety-nine B Deferred Shares.

Immediately before the capital cancellation there were 19,805,485 £1.00 ordinary shares in issue. Immediately after the capital cancellation there were 19,805,485 £0.01 ordinary shares and 1,960,743,015 £0.01 B Deferred shares.

#### Capital cancellation

The capital cancellation comprised the cancellation against the Company's profit and loss account of the existing 8,210,178,477 0.1p A Deferred Shares, 690,822,639 £0.01 Deferred Shares and the new 1,960,743,015 £0.01 B Deferred Shares created by the capital reorganisation. This capital reorganisation was completed on 2 March 2011, as confirmed by an Order of the High Courts of Justice.

A breakdown of the authorised and issued share capital in place as at 31 March 2011 is as follows:

	31 March 2011 Number	31 March 2011 £000	31 March 2010 Number	31 March 2010 £000
<b>Authorised</b>				
Ordinary shares of £0.01 (2010: £1) each	—	—	25,789,822	25,790
A Deferred shares of 0.1p each	—	—	8,210,178,477	8,210
Deferred shares of 1p each	—	—	900,000,000	9,000
	—	—	9,135,968,299	43,000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £0.01 (2010: £1) each	21,305,485	213	19,805,485	19,805
A Deferred shares of 0.1p each	—	—	8,210,178,477	8,210
Deferred shares of 1p each	—	—	690,822,639	6,908
	21,305,485	213	8,920,806,601	34,923

In the Company's General Meeting held on 12 January 2011 a resolution was passed to amend the Articles to remove the statement of authorised share capital of the Company and any related references thereto within the Articles. The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and these amendments reflected this.

On 9 February 2011 the Company raised £300,000 via the issue of 1,500,000 £0.01 ordinary shares at a price of £0.20 each. Participants included in this issue included Richard Alden, the Non-Executive Chairman, and Francis Coles, a non-executive director, who both subscribed for 125,000 ordinary shares.

Below is a reconciliation of the movement in the ordinary share capital, B deferred shares and share premium balances during the year ended 31 March 2011.

	B Deferred Shares		Ordinary Shares		Share premium £000
	Number of shares	Nominal value £000	Number of shares	Nominal value £000	
Balance at 1 April 2010	—	—	19,805,485	19,805	—
Balance at date of capital reorganisation	—	19,607	19,805,485	198	—
9 February 2011 share issue	1,960,743,015	—	1,500,000	15	285
Costs of share issue	—	—	—	—	(12)
2 March 2011 capital cancellation	(1,960,743,015)	(19,607)	—	—	—
Balance at 31 March 2011	—	—	21,305,485	213	273

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 March 2011 - continued

## 22. Reserves

	Share option reserve £000	Foreign exchange reserve £000	Merger reserve £000	Total other reserves £000	Share premium account £000	Profit and loss account £000
At 1 April 2010	2,109	891	2,472	5,472	—	(29,457)
Loss for the financial period	—	—	—	—	—	(7,101)
Cancellation of A deferred shares	—	—	—	—	—	8,210
Cancellation of deferred shares	—	—	—	—	—	6,908
Cancellation of B deferred shares	—	—	—	—	—	19,607
Issue of shares	—	—	—	—	285	—
Costs of share issue	—	—	—	—	(12)	—
Movement in foreign exchange reserve	—	(48)	—	(48)	—	—
<b>At 31 March 2011</b>	<b>2,109</b>	<b>843</b>	<b>2,472</b>	<b>5,424</b>	<b>273</b>	<b>(1,833)</b>

	Share option reserve £000	Foreign exchange reserve £000	Merger reserve £000	Total other reserves £000	Profit and loss account £000
At 1 April 2009	2,014	1,201	2,472	5,687	(22,271)
Loss for the financial period	—	—	—	—	(7,467)
Share based payment	95	—	—	95	—
Write back of shares to be issued	—	—	—	—	281
Movement in foreign exchange reserve	—	(310)	—	(310)	—
<b>At 31 March 2010</b>	<b>2,109</b>	<b>891</b>	<b>2,472</b>	<b>5,472</b>	<b>(29,457)</b>

### Share premium

The amount subscribed for share capital in excess of nominal value.

### Share option reserve

The fair value of equity-settled awards is recognised on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of any non market-based vesting conditions. The corresponding credit is recorded in equity in the share option reserve.

### Foreign exchange reserve

This reserve relates to exchange differences arising on the translation of the balance sheet of Fresh at the closing rate and the translation of the income statement of Fresh at the average rate.

### Merger reserve

Under the provisions of s612 of the Companies Act 2006, the premium that arose on the shares issued as consideration in the acquisition of Fresh Interactive Technologies S.A. has been taken to the merger reserve.

## 23. Share based payments

### Equity settled share option scheme

In prior periods the Company has granted share options to employees and directors through approved and unapproved share option schemes. The exercise of options for all options granted during the 15 months ended 31 March 2008 is subject to a performance criterion being satisfied. The exercise of options granted prior to 1 January 2007 is not subject to any performance criterion. If the options remain unexercised after a period of ten years from the date of grant the options expire. The options are forfeited if the employee leaves before the options vest.

### IFRS2 - Share based payment

In accordance with IFRS 2 the Group has elected not to apply IFRS 2 to options granted on or before 7 November 2002 or to options which had vested by 1 January 2006.

Details of the share options outstanding during the period for options issued since 7 November 2002 are as follows:

	Year ended 31 March 2011			Year ended 31 March 2010		
	No. of share warrants	No. of share options	Weighted average exercise price (£)	No. of share warrants	No. of share options	Weighted average exercise price (£)
Outstanding at the beginning of period	—	315,167	5.03	54,666	316,234	8.02
Granted during period	—	—	—	—	—	—
Lapsed during period	—	(12,627)	90.09	(54,666)	(1,067)	22.44
Exercised during period	—	—	—	—	—	—
Outstanding at the end of the period	—	302,540	1.48	—	315,167	5.03
Exercisable at the end of the period	—	302,540	1.48	—	315,167	5.03

The options outstanding at 31 March 2011 and at 31 March 2010 had a range of exercise prices from £1.096 to £487.50.

The options outstanding at 31 March 2011 had a weighted average remaining contractual life of 6.7 years (2010: 7.8 years).

For the year ended 31 March 2011, the Group has recognise a total expense of £Nil (2010: £95,000) related to equity-settled share-based payment transactions.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### 24. Operating lease arrangements

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 March 2011 £000	31 March 2010 £000
Within one year	135	284
In second to fifth years inclusive	67	704
	<b>202</b>	<b>988</b>

Operating lease payments represent rentals payable by the Group for its office properties. Leases of buildings are subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

### 25. Notes supporting cash flow statement

Cash and cash equivalents comprise:

	31 March 2011 £000	31 March 2010 £000
Cash available on demand	68	103
Overdrafts	(434)	(536)
	<b>(366)</b>	<b>(433)</b>
Net cash increase/(decrease) in cash and cash equivalents	67	(1,570)
Cash and cash equivalents at beginning of year	(433)	1,137
<b>Cash and cash equivalents at end of year</b>	<b>(366)</b>	<b>(433)</b>

There were no significant non-cash transactions in the year.

#### Cash and cash equivalents

Cash and cash equivalents are held in the following currencies:

	31 March 2011 £000	31 March 2010 £000
Sterling	55	94
Euro	13	9
<b>Total</b>	<b>68</b>	<b>103</b>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

### 26. Related parties

On 9 February 2011 the Company raised £300,000 via the issue of 1,500,000 £0.01 ordinary shares at a price of £0.20 each. Participants included in this issue included Richard Alden, the Non-Executive Chairman, and Francis Coles, a non-executive director, who both subscribed for 125,000 ordinary shares.

In March 2010 Naropa Cartera S.L.U., which owns 17.9% of the issued share capital of the Company, and Baring Iberia II Inversion en Capita F.C.R., which owns 16.4% of the issued share capital of the Company, subscribed for convertible loans of £480,000 and £215,000 respectively. During the current year interest was accrued but unpaid at a rate of 10% per annum.

### 27. Events after the balance sheet date

Post the year end the Group obtained additional bank financing totalling €0.91 million (£0.80 million), of these facilities €0.20 million (£0.18 million) is due to be repaid within one year. The interest rate payable on all of these facilities is under 6%.

# COMPANY BALANCE SHEET

As at 31 March 2011

	Notes	31 March 2011 £000	31 March 2010 £000
Intangible fixed assets	iv	13	12
Tangible fixed assets	v	77	92
Investments	vi	8,529	10,724
<b>Fixed assets</b>		<b>8,619</b>	<b>10,828</b>
Debtors	vii	215	735
Cash at bank and in hand		55	76
<b>Current assets</b>		<b>270</b>	<b>811</b>
<b>Total assets</b>		<b>8,889</b>	<b>11,639</b>
Creditors – amounts due within one year	viii	(8,433)	(6,837)
<b>Net current liabilities</b>		<b>(8,163)</b>	<b>(6,026)</b>
<b>Total assets less current liabilities</b>		<b>456</b>	<b>4,802</b>
Interest bearing loans and borrowings	ix	(1,488)	(1,239)
Other liabilities	ix	(352)	(340)
<b>Creditors – amounts due in more than one year</b>		<b>(1,840)</b>	<b>(1,579)</b>
<b>Total liabilities</b>		<b>(10,273)</b>	<b>(8,416)</b>
<b>Net (liabilities)/assets</b>		<b>(1,384)</b>	<b>3,223</b>
<b>Capital and reserves</b>			
Issued capital	22	213	34,923
Shares to be issued		273	—
Share option reserve	xi	2,109	2,109
Profit and loss account	xi	(3,979)	(33,809)
<b>Shareholders' (deficit)/funds</b>	xii	<b>(1,384)</b>	<b>3,223</b>

These financial statements were approved and authorised for issue on 30 September 2011.

Signed on behalf of the Board of Directors.

**José-Luis Vázquez**

Chief Executive Officer

# NOTES TO COMPANY FINANCIAL STATEMENTS

Year ended 31 March 2011

## i. Accounting policies

### Basis of accounting

The separate financial statements of the Company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards and law.

The principle accounting policies are summarised below.

### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated to write off the cost of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned.

The principal annual rates used for this purpose are:

Office & computer equipment - 33.3%

### Deferred taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences on retranslation of assets and liabilities are taken to the profit and loss account in the year in which they arise.

### Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

### Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

### Financial instruments

The Company's financial instruments comprise cash and liquid resources together with debtors and creditors that arise directly from its operations.

The company does not enter into derivative or hedging transactions. It has been, throughout the year under review, the company's policy that no trading in financial instruments shall be undertaken. The company places the majority of its cash on interest-bearing, short-term and instant-access deposit. Funds are transferred to and from deposit on a daily basis. The company's objective is to minimise the risk of loss to the company by limiting the company's credit exposure to quality institutions maintaining a very high credit rating. The main risk arising from the company's financial instruments is interest rate risk.

## i. Accounting policies (continued)

### Financial instruments (continued)

The company's policy in relation to interest rate risk is to monitor short and medium-term interest rates and to place cash on deposit for periods that optimise the amount of interest earned, while maintaining access to sufficient funds to meet day-to-day cash requirements.

Movements in the exchange rates can affect the company's balance sheet. The magnitude of this risk is not presently significant to the company and therefore no specific measures are currently undertaken to manage this risk.

### ii. Staff costs and employee information

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Wages and salaries	627	401
Social security costs	69	49
Other pension costs	11	—
<b>Staff costs</b>	<b>707</b>	<b>450</b>

The Group operates a defined contribution pension scheme for certain employees. No directors of the Company are members of this scheme. The outstanding amount of pension contributions accruing at the year end was £Nil (2010: £Nil).

The average number of persons, including executive directors, employed by the company during the year was:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>By activity</b>		
Office and management	9	7
Sales and marketing	4	4
	<b>13</b>	<b>11</b>

### Directors' remuneration

The emoluments received by the directors who served during the year were as follows:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
<b>Executive directors:</b>		
Salaries & fees	197	140
Sums paid to third parties for directors' services	—	24
Pensions and benefits	—	4
<b>Non-executive directors:</b>		
Aggregate emoluments	58	27
	<b>255</b>	<b>195</b>

# NOTES TO COMPANY FINANCIAL STATEMENTS

## Year ended 31 March 2011 - continued

### ii. Staff costs and employee information (continued)

Emoluments payable to the highest paid director are as follows:

	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Aggregate emoluments	197	140

There were no Company contributions to the pension scheme or benefits on behalf of the highest paid director.

### iii. Loss attributable to members of the parent company

As permitted by Section 408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account for the year. The Company reported a loss after tax for the financial year ended 31 March 2011 of £4.90 million (2010: £11.66 million).

### iv. Intangible fixed assets

	Deferred development costs £000
<b>Cost</b>	
At 1 April 2010	16
Additions	6
At 31 March 2011	22
<b>Depreciation</b>	
At 1 April 2010	4
Provided during the year	5
At 31 March 2011	9
<b>Net book value</b>	
At 31 March 2011	13
At 31 March 2010	12

### v. Tangible fixed assets

	Office & computer equipment £000
<b>Cost</b>	
At 1 April 2010	1,739
Additions	43
Disposals	(994)
At 31 March 2011	788
<b>Depreciation</b>	
At 1 April 2010	1,647
Provided during the year	58
Disposals	(994)
At 31 March 2011	711
<b>Net book value</b>	
At 31 March 2011	77
At 31 March 2010	92

## vi. Investments

	£000
<b>Cost</b>	
At 1 April 2010	44,824
Disposals	(11,833)
At 31 March 2011	32,991
<b>Amounts provided</b>	
At 1 April 2010	34,100
Provided in year	2,195
Disposals	(11,833)
At 31 March 2011	24,462
<b>Net book value</b>	
At 31 March 2011	8,529
At 31 March 2010	10,724

The amount provided in the year of £2,195,000 relates to an impairment of the Company's investment in Digital Interactive Television Group Ltd, this provision is in line with the goodwill impairment outlined in note 13 of the consolidated accounts.

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Country of incorporation	Nature of business
MieTV Limited	Ordinary shares	100%	UK	Dormant
Fancy a Flutter Limited	Ordinary shares	100%	UK	Dormant
Whoosh Group Limited	Ordinary shares	100%	UK	Mobile telephone technology provider
Digital Interactive Television Group Limited	Ordinary shares	100%	UK	Interactive TV services
Digital Interactive Studio Centre Limited	Ordinary shares	100%	UK	In administration
Digital Television Production Company Limited	Ordinary shares	100%	UK	Interactive TV services
Digital Impact (UK) Limited	Ordinary shares	100%	UK	Interactive TV services
Go Interactive TV Limited	Ordinary shares	100%	UK	Dormant
Interactive Television Infrastructure Limited	Ordinary shares	100%	UK	Interactive TV services
The Gaming Channel Limited	Ordinary shares	100%	UK	In administration
Mirada Connect Limited	Ordinary shares	100%	UK	Payment solutions provider
Fresh Interactive Technologies S.A.	Ordinary shares	100%	Spain	Interactive TV services

## vii. Debtors

	31 March 2011 £000	31 March 2010 £000
Trade debtors	134	313
Amounts owed by subsidiary undertakings	—	259
Accrued income	8	30
Other debtors	7	22
Prepayments	66	111
	<b>215</b>	<b>735</b>

# NOTES TO COMPANY FINANCIAL STATEMENTS

## Year ended 31 March 2011- continued

### viii. Creditors - amounts falling due within one year

	31 March 2011 £000	31 March 2010 £000
Trade creditors	427	515
Amounts owed to subsidiary undertakings	7,429	5,995
Accruals and deferred income	328	272
Other taxation and social security	222	24
Other creditors	—	8
Obligations under finance leases and hire purchase contracts	27	23
	<b>8,433</b>	<b>6,837</b>

### ix. Creditors - amounts falling due in more than one year

	31 March 2011 £000	31 March 2010 £000
Convertible loans	1,468	1,222
Obligations under finance leases and hire purchase contracts	20	17
Other creditors	352	340
	<b>1,840</b>	<b>1,579</b>

Borrowings are repayable as follows:

	31 March 2011 £000	31 March 2010 £000
<b>Other creditors</b>		
Between one and two years	352	340
	<b>352</b>	<b>340</b>
<b>Convertible loans</b>		
Between two and five years	1,468	1,222
	<b>1,468</b>	<b>1,222</b>
<b>Finance leases</b>		
On demand or within one year	27	23
Between one and two years	20	17
	<b>47</b>	<b>40</b>
<b>Total borrowings including finance leases</b>		
On demand or within one year	27	23
Between one and two years	372	357
Between two and five years	1,468	1,222
	<b>1,867</b>	<b>1,602</b>

## x. Deferred taxation

Deferred taxation provided in the financial statements is £nil (2010: £nil) and the amounts not recognised are as follows:

	<b>31 March 2011 £000</b>	31 March 2010 £000
Accelerated capital allowances	<b>318</b>	326
Losses	<b>6,098</b>	6,311
	<b>6,416</b>	6,637

### Deferred tax asset

The deferred tax asset has not been recognised on the grounds that there is insufficient evidence at the balance sheet date that it will be recoverable. The asset would start to become potentially recoverable if, and to the extent that, the Group were to generate taxable income in the future.

## xi. Reserves

	Share premium £000	Share option reserve £000	Profit and loss account £000
At 1 April 2010	—	2,109	(33,809)
Loss for the financial period	—	—	(4,895)
Cancellation of A deferred shares	—	—	8,210
Cancellation of deferred shares	—	—	6,908
Cancellation of B deferred shares	—	—	19,607
Issue of shares	285	—	—
Costs of share issue	(12)	—	—
<b>At 31 March 2011</b>	<b>273</b>	<b>2,109</b>	<b>(3,979)</b>

## xii. Reconciliation of movements in shareholders' (deficit)/funds

	<b>2011 £000</b>	2010 £000
Loss for the period	<b>(4,895)</b>	(11,658)
New shares issued	<b>300</b>	—
Share issue costs	<b>(12)</b>	—
Additions to capital reserves re share option charge	—	95
Net reduction in shareholders' funds	<b>(4,607)</b>	(11,563)
Opening shareholders' funds	<b>3,223</b>	14,786
Closing shareholders' (deficit)/funds	<b>(1,384)</b>	3,223

## xiii. Post balance sheet events

Post the year end the Group obtained additional bank financing totalling €0.91 million (£0.80 million), of these facilities €0.20 million (£0.18 million) is due to be repaid within one year. The interest rate payable on all of these facilities is under 6%.

# OFFICERS AND PROFESSIONAL ADVISERS

## Directors

Mr Richard Alden	Non-Executive Chairman
Mr José-Luis Vázquez	Chief Executive Officer
Mr Rafael Martín Sanz	Non-Executive Director
Mr Javier Casanueva	Non-Executive Director
Mr Javier Herrero	Non-Executive Director
Mr Carlos Vizcayno	Non-Executive Director
Mr Francis Coles	Non-Executive Director

## Company Secretary

Mr Graham Duncan

## Nominated Adviser and Broker

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London  
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## Joint Broker

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## Lawyers

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## Company Registrars

**Capita Registrars Limited**  
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## Registered Office

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## Notes



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