

9 December 2010

mirada plc

(AIM: MIRA)

("mirada" or "the Company")

### Preliminary Results for the year ended 31 March 2010

#### Restoration of Trading

mirada plc, the AIM-quoted leading audiovisual content interaction specialist, announces its preliminary results for the year ended 31 March 2010.

The Company is also pleased to announce that the suspension of trading of its Ordinary Shares on the AIM market, which commenced on 1 October 2010, has been lifted with effect from 7.30am on 9 December 2010, following the publication and posting of its annual report.

In addition, mirada plc announces the change of address for its registered office to Bentima House, 168-172 Old Street, London, EC1V 9BP.

#### Financial Highlights

- Revenue: £5.7m (2009: £8.5m)
- Gross profit: £3.7m (2009: £4.8m)
- Gross profit margins increased to 65% (2009: 57%)
- Administrative expenses reduced to £4.3m from £5.9m

#### Operational Highlights

- Signed significant worldwide distribution agreement with Ericsson to deliver a key interactive navigational interface for its customers throughout its IPTV platform
- Board strengthened with the addition of five new experienced Non-Executive Directors with a diverse skill set reflecting the Company's international and industry growth
- International sales steadily increasing; now accounts for 40% of sales
- Cost cutting measures in place and increased efficiency
- Raised €0.85 million via bank facilities post year end, in a time when banks are reluctant to lend

#### Commenting on the results, José-Luis Vázquez, Chief Executive Officer of mirada plc, said:

"I would like to take this opportunity to thank the shareholders for their patience. The delay in the release of this results announcement has been down to a number of factors, including a delay in the audit process. However, these factors have now been dealt with and I am pleased to be able to provide you with this update.

"The Group has made firm progress over the past 12 months and into the new financial year. We have signed a number of international deals and have begun to diversify the business overseas in order to mitigate any potential risk. The Management has reacted quickly to the economic situation and we have cut costs and increased efficiency, something that we plan to continue into 2011. The additional bank facilities secured at attractive interest rates post year end has strengthened our working capital position.

"The time and effort we have put into developing our IPTV suite of products and services is increasingly proving to be well placed and we are extremely encouraged by the global partnership deal

signed with Ericsson in September. This agreement has the potential to make a positive impact on the Group's financial position during the current financial year and, as the relationship develops, we believe that this agreement will generate further significant revenues in the future.

"We have a number of potential new agreements in the pipeline and we have been steadily building our international relationships. We believe that the Group is now financially stable and ready to grow and we are looking forward to updating the market on any future developments in due course."

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**About mirada**

mirada creates and manages services which enable consumers to interact with and purchase digital content on television, mobile, online and bespoke devices. mirada's products and solutions are used worldwide to deliver interactive TV, VOD, multi-player gaming, digital marketing and payment services. Its products and services have been deployed by some of the biggest names in digital media and broadcasting including Disney International TV, Sky, ITV and MTV Networks. Headquartered in London, mirada has commercial offices across Europe and Latin America and operates technical centres in the UK and Spain. For more information, visit [www.mirada.tv](http://www.mirada.tv).

## **Chief Executive Officer's report**

### **Overview**

I am pleased to report on our second full year of activity following the Group restructure from the merger with Fresh Interactive Technologies S.A. ("Fresh IT") in February 2008. After completing the transaction and bedding in the business, the Board has focused on the Group's core areas of expertise and profitable business lines, as well as empowering the international deployment of the Group's products and services. The difficult economic environment has led to a slower than expected execution of these expansion plans, however the Board is pleased with the progress made in the past 12 months and this challenging environment only makes the successes achieved more rewarding.

We have continued to rationalise the operating cost structure of the Group and have invested in strengthening our sales and technical team. By increasing our international activities in what we consider to be key growth markets, as well as significantly reducing our overheads, we are delivering a more efficient process and remain focused on our goal of achieving profitability.

We are grateful for the support of our employees, shareholders and partners and we believe that this transformational period will lead to a solid base from which we can build and grow the business.

### **Trading review**

The second year after the Group restructuring has been dedicated to completing the turnaround, which was initiated during the previous year, and has resulted in a much more efficient structure. mirada has concentrated its activities on its core business areas, closing activities where margins were low or even negative. At the same time, this year has seen the consolidation of our international expansion strategy, focused on increasing value through the development of our business in growth areas, such as Latin America.

During the period there has been a complete reconfiguration of our Board of Directors. We welcomed Mr. Richard Alden, Mr. Francis Coles, Mr. Javier Casanueva, Mr. Javier Herrero and Mr. Carlos Vizcayno to the Board as Non-Executive Directors. These new additions provide the Board with international, commercial and financial insight that has proven to be very useful in stabilising the business and looking at growth opportunities as we build our international footing.

We are pleased to report that the integration objectives, as stated at the time of the merger with Fresh IT, are now complete. Management has however continued to strive for further improvement in efficiency, making additional cost savings in the current period. Annual overheads for continuing activities decreased by 27 per cent from £5.9 million in the year ended 31 March 2009 to £4.3 million in the year ended 31 March 2010, and the gross profit margin increased from 57 per cent to 65 per cent in the same period.

During the period under review, the Group has announced a number of important international agreements within Latin America, Western Europe and the Middle East, and we will continue to seek additional opportunities to expand our international offering.

In September 2009 we signed our first international deal for our Gaming division. mirada is licensing its Virtual Dealer Roulette ("VDR") product for distribution in Eastern Europe, and expects to replicate this deal across other international regions. Furthermore, during the period, the Group signed agreements with a number of international telecommunication partners and we look forward to exploring more of these opportunities in the current financial year.

Additionally, in September 2010, post period end, we announced a global partnership deal with Ericsson, a leading telecom vendor, to deploy mirada's technology to Ericsson's IPTV customers. The agreement is royalty based and has the potential to change the shape of the Group going forward. The announcement was well received by both Ericsson's and mirada's customers at the IBC trade show in Amsterdam held during September 2010.

### **Financial overview**

During the period, revenues were £5.74 million, down from £8.46 million in the previous year. The Group has however reduced its loss before interest, tax, depreciation, amortisation and share-based payment charges from £0.67 million in the year ended 31 March 2009 to £0.49 million in the period under review, despite the difficult economic environment.

Loss before interest, tax, depreciation, amortisation and share-based payment charges is a key performance indicator (“KPI”) used by management and removes the impact of one off and non-cash items (see note 5). Other KPIs used by management are as follows:

- Gross profit margin: The Group is continuing to focus on its product-based strategy; this has led to an increase in the gross profit margin from 57 per cent in the year ended 31 March 2009 to 65 per cent in the period under review.

- Administration expenses: It is the aim of management to make the Group’s cost structure as efficient as possible without impacting on the quality of the services provided. During the year to March 2010 administrative expenses from continuing operations were reduced from £5.9 million in 2009 to £4.3 million.

- Overseas activities: In previous periods the Group has been over reliant on revenues earned from the highly competitive UK market. Management is now focused on diversifying the business by extending the Group’s activities internationally. In the current year the percentage of revenues earned from overseas activities increased from 26 per cent in 2009 to 40 per cent in the period under review.

The retained loss for the year equalled £7.5 million (year ended 31 March 2009: £2.3 million), however this does include a goodwill impairment charge of £5.2 million and losses from discontinued activities of £1.1 million. The goodwill impairment has largely arisen from the Group’s decision to exit from the Business to Consumer gaming market and the cessation of the studios and payout operations. The results of the studios and payout operations are included in discontinued activities in the consolidated income statement.

Post the year end the Group has obtained additional bank financing totalling €0.85 million (£0.73 million), of these facilities €0.1 million (£0.09 million) is due to be repaid within one year. The interest rate payable on all of these facilities is under 6% per annum. Additionally, post year end, the Group has secured a development loan for €0.5 million (£0.43 million). This loan is repayable in six equal half yearly instalments from 30 June 2014 to 31 December 2016 and has an initial annual interest charge of Euribor plus 0.75%.

## **Operational Review:**

### **Areas of business**

mirada is an audiovisual interaction technology company. We trade in complementary areas, and have assets and interests across five operational divisions:

#### **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 core software for digital TV includes, amongst others, Electronic Programming Guides (“EPG”), Video on Demand (“VOD”) and Personal Video Recorders (“PVR”). We are increasingly evolving towards a multi-screen approach via TV, internet and mobile technologies.

#### **Broadcasters and content producers:**

We base our offering on a set of products and services that complement traditional broadcasting with a synchronised layer to create digital TV, mobile and internet interactivity. Our core product is xplayer and our synchronisation technology is widely deployed across the major broadcasters in the UK.

#### **Gaming brands:**

We provide video-rich audiovisual gaming and gambling content and technology for television, mobile and the internet. Content includes our highly successful Roulette and Bingo products which deliver multi-platform content and technology, using our synchronised multi-platform interaction capabilities.

#### **Interactive marketing:**

Our customers are agencies, brand owners and media buyers, who utilise our interactive advertising tools over mobile, internet and digital TV environments. In a market where references are key, we are pleased to say that our services have been deployed by leading brands across the world, including Condé Nast and Pepsi.

#### **mirada connect:**

mirada connect provides transactional technology to parking platforms and services. We work with major partners, such as NCP, APCOA and Meteor, to provide mobile cashless parking, permits management and Penalty Charge Notice payment services.

### ***Digital TV business***

We are pleased to announce that our Digital TV unit has seen an increase in activity during the recent months and we expect to continue its international expansion during 2011. We have signed partnership agreements, such as the Ericsson agreement mentioned above.

We have also announced deals to provide EPG, VOD and PVR technologies over different middlewares and conditional accesses. This, we believe, reinforces our neutrality and flexibility, which is widely welcomed by our partners and many final customers in this area. The period has seen the Group make important investments in the development of its set-top-box (“STB”) technologies. This has consolidated our technical capabilities and prepared the technical grounds that are now leading to new customer contracts and international distribution agreements.

Additionally, the Group has secured significant agreements with partners including Sky Italia and Sogecable (in Spain) to develop a continued flow of services which should lead to an increase in the gross profits in the current year.

### ***Broadcast business***

The broadcast industry has been adversely affected by the global recession which, in turn, led to a decrease in the revenues generated from our studio and playout activities. In order to mitigate this risk and reduce losses, the Board decided to cease these operations.

In respect of our other broadcast activities, this year has seen the popularisation of the usage of green button services across several channels in the UK, principally as reminders and PVR triggers related to promoted content. Our xplayer technology has been key in many of these deployments and we expect it to increase its presence amongst the most popular broadcasters, not only in the UK but internationally.

With the recent appointment of Mr. Paul Hastings as the Group’s new Sales Manager in the UK, our presence in the media market has been strengthened. Paul has a demonstrable track record and vast experience in the interactive media world. Paul will be concentrating on strengthening and developing new formats in the Interactive Digital market in the UK, a fast growth area within the industry.

### ***Gaming business***

As stated in previous reports, the Group has been gradually exiting the Business to Consumer market, enabling it to avoid competing with its potential Business to Business customers in the interactive gaming market - this process is now complete. The Group’s focus is now to utilise its growing presence in the Digital TV and Broadcast markets to allow us to distribute our gaming technology to customers in these markets.

Our first major overseas deal with an Eastern European group was announced in September 2009. The team has increased its expertise in overseas gaming activities for third parties, and this has been reinforced with a new Head of Gaming, Mr. Simon Grieve.

Over the last 12 months we have seen progress in the expected change to the gambling legislation across Western Europe, with key markets such as France and Italy establishing the legal framework to govern remote gaming; and other markets such as Spain expected to follow shortly. These are significant developments towards a clear set of regulations for gambling activities in the international market place and we believe that mirada is clearly positioned to offer its expertise in these markets, as well as in Latin America, both directly and through partnership agreements.

### ***Interactive marketing***

The Interactive Marketing unit has consolidated its relationships in both the UK and the Italian markets. In the UK we have reinforced our activity with Britvic, which has expanded the number of its brands that use our mobile technologies. The Group also won business with Virgilio and Condé Nast in Italy, and through continuing our relationship with these customers into the present financial year, we are expecting new campaigns in twelve countries across Europe and the Far East.

We have progressed, developing technically demanding advertising formats to support the largest Pepsi mobile promotion, the ‘Max it for a Million’ campaign, in support of its sponsorship of the World Twenty20 Cricket World Cup.

During the year the division has increased the range of services it provides to its customers, including web campaigns and downloadable mobile applications, thus delivering significantly increased revenues in comparison to the previous financial year.

### **Outlook**

The Group has made firm progress over the past 12 months and into the new financial year. We have signed a number of international deals and have begun to diversify the business overseas in order to mitigate any potential risk. The Management has reacted quickly to the economic situation and we have cut costs and increased efficiency, something that we plan to continue into 2011. The additional bank facilities secured at attractive interest rates post year end has strengthened our working capital position.

The time and effort we have put into developing our IPTV suite of products and services is increasingly proving to be well placed and we are extremely encouraged by the global partnership deal signed with Ericsson in September. This agreement has the potential to make a positive impact on the Group's financial position during the current financial year and, as the relationship develops, we believe that this agreement will generate further significant revenues in the future.

We have a number of potential new agreements in the pipeline and we have been steadily building our international relationships. We believe that the Group is now financially stable and ready to grow and we are looking forward to updating the market on any future developments in due course.

**José-Luis Vázquez**  
**Chief Executive Officer**

**Consolidated Income Statement**  
**Year ended 31 March 2010**

	Note	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
<b>Revenue</b>		5,740	8,460
Cost of sales		(2,028)	(3,657)
<b>Gross profit</b>		3,712	4,803
Net gaming income		102	462
Depreciation		(254)	(349)
Amortisation of deferred development costs		(455)	(251)
Impairment of goodwill		(5,157)	-
Restructuring costs		-	(117)
Share based payment charge		(95)	(165)
Other administrative expenses		(4,306)	(5,939)
<b>Total administrative expenses</b>		<b>(10,267)</b>	<b>(6,821)</b>
<b>Operating loss</b>		<b>(6,453)</b>	<b>(1,556)</b>
Finance income		172	117
Finance expense		(74)	(825)
<b>Loss before taxation</b>		<b>(6,355)</b>	<b>(2,264)</b>
Taxation		-	-
<b>Loss for the year from continuing operations</b>		<b>(6,355)</b>	<b>(2,264)</b>
<b>Discontinued operations</b>			
(Loss)/profit for year from discontinued operations	6	(1,112)	9
<b>Loss for year</b>		<b>(7,467)</b>	<b>(2,255)</b>
<b>Loss per share</b>		<b>Year ended 31 March 2010 £</b>	<b>Year ended 31 March 2009 £</b>
Loss per share for the year from continuing operations			
- basic & diluted	7	0.38	0.11

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

**Consolidated statement of comprehensive income and expense**

	<b>Year ended 31 March 2010 £000</b>	<b>Year ended 31 March 2009 £000</b>
Currency translation differences	(310)	941
<b>Other comprehensive (expense)/income</b>	<b>(310)</b>	<b>941</b>
Loss for the period	(7,467)	(2,255)
<b>Total comprehensive expense for the year</b>	<b>(7,777)</b>	<b>(1,314)</b>
<b>Attributable to equity holders of the parent</b>	<b>(7,777)</b>	<b>(1,314)</b>

### Consolidated statement of changes in equity

	Share capital £000	Shares to be issued £000	Share option reserve £000	Foreign exchange reserve £000	Other reserves £000	Share premium account £000	Profit and loss account £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>

	Share capital £000	Shares to be issued £000	Share option reserve £000	Foreign exchange reserve £000	Other reserves £000	Share premium account £000	Profit and loss account £000	Total £000
At 1 April 2008	34,923	281	1,849	260	2,927	79,731	(100,202)	19,769
Loss for the financial period	-	-	-	-	-	-	(2,255)	(2,255)
Share based payment	-	-	165	-	-	-	-	165
Movement in foreign exchange reserve	-	-	-	941	-	-	-	941
Cancellation of share premium account against profit and loss account	-	-	-	-	-	(79,731)	79,731	-
Cancellation of capital redemption reserve against profit and loss account	-	-	-	-	(455)	-	455	-
<b>At 31 March 2009</b>	<b>34,923</b>	<b>281</b>	<b>2,014</b>	<b>1,201</b>	<b>2,472</b>	<b>-</b>	<b>(22,271)</b>	<b>18,620</b>

**Consolidated statement of financial position**

		<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Property, plant and equipment		228	990
Goodwill	8	12,417	17,574
Intangible assets	8	1,313	1,096
<b>Non-current assets</b>		<b>13,958</b>	<b>19,660</b>
Trade & other receivables		2,095	2,833
Cash and cash equivalents		103	1,508
<b>Current assets</b>		<b>2,198</b>	<b>4,341</b>
<b>Total assets</b>		<b>16,156</b>	<b>24,001</b>
Loans and borrowings		(536)	(371)
Trade and other payables		(2,760)	(4,089)
<b>Current liabilities</b>		<b>(3,296)</b>	<b>(4,460)</b>
<b>Net current liabilities</b>		<b>(1,098)</b>	<b>(119)</b>
<b>Total assets less current liabilities</b>		<b>12,860</b>	<b>19,541</b>
Interest bearing loans and borrowings	9	(960)	(39)
Embedded conversion option derivative	9	(339)	-
Other non-current payables	9	(623)	(882)
<b>Non-current liabilities</b>		<b>(1,922)</b>	<b>(921)</b>
<b>Total liabilities</b>		<b>(5,218)</b>	<b>(5,381)</b>
<b>Net assets</b>		<b>10,938</b>	<b>18,620</b>
<b>Equity attributable to equity holders of the company</b>			
Share capital	10	34,923	34,923
Shares to be issued		-	281
Reserves		5,472	5,687
Retained earnings		(29,457)	(22,271)
<b>Equity</b>		<b>10,938</b>	<b>18,620</b>

These financial statements were approved and authorised for issue on 8 December 2010.

Signed on behalf of the Board of Directors

**José-Luis Vázquez**  
Chief Executive Officer

## Consolidated statement of cashflows

	Year ended 31 March 2010	Year ended 31 March 2009
Note	£000	£000
<b>Cash flows from operating activities</b>		
Loss for the period	(7,467)	(2,255)
Adjustments for:		
Depreciation of property, plant and equipment	254	349
Impairment of property, plant and equipment	556	-
Amortisation of intangible assets	455	251
Impairment of goodwill	5,157	-
Share-based payment charges	95	165
Finance income	(172)	(117)
Finance expense	74	72
Operating cash flows before movements in working capital	(1,048)	(1,535)
Decrease in trade and other receivables	669	369
Decrease in trade and other payables	(1,693)	(3,782)
<b>Cash used in operations</b>	<b>(2,072)</b>	<b>(4,948)</b>
Interest and similar expenses paid	(74)	(72)
<b>Net cash used in operating activities</b>	<b>(2,146)</b>	<b>(5,020)</b>
<b>Cash flows from investing activities</b>		
Interest and similar income received	172	117
Purchases of property, plant and equipment	(56)	(435)
Purchases of other intangible assets	(720)	(720)
<b>Net cash used in investing activities</b>	<b>(604)</b>	<b>(1,038)</b>
<b>Cash flows from financing activities</b>		
Issue of convertible loans	1,220	-
Bank loans acquired	60	-
Repayment of loans	-	(300)
Repayment of capital element of finance leases	(57)	(212)
<b>Net cash from/(used in) financing activities</b>	<b>1,223</b>	<b>(512)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,527)</b>	<b>(6,570)</b>
Cash and cash equivalents at the beginning of the period	1,137	6,920
Exchange (losses)/gains on cash and cash equivalents	(43)	787
<b>Cash and cash equivalents at the end of the period</b>	<b>(433)</b>	<b>1,137</b>

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

## **Notes to the consolidated financial statements**

### **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 financial information set out in these preliminary results does not constitute the company's statutory accounts for 2010 or 2009. Statutory accounts for the years ended 31 March 2010 and 31 March 2009 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2009 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 237(2) or 237(3) of the Companies Act 1985. The Independent Auditors' Report on the Annual Report and Financial Statements for 2010 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2009 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2010 will be delivered to the Registrar in due course.

The financial information in these preliminary results has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the years ended 31 March 2010.

Copies of this announcement are available at the registered offices of the Company for a period of 14 days from the date hereof.

### **2. Significant accounting policies**

#### **Basis of accounting**

The principal accounting policies adopted in the preparation of this preliminary announcement are set out below.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

During the year ended 31 March 2010 the Group recorded a loss before interest, taxation, depreciation, impairment of goodwill, amortisation, share-based payment charges and discontinued operations of £0.49 million and a loss after taxation of £7.47 million. At 31 March 2010 the Group had total net assets of £10.94 million and net current liabilities of £1.10 million, and during the year ended 31 March 2010 had an operating cash outflow before movements in working capital of £1.05 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 the recent 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. The directors have also considered the impact of the cessation in July 2010 of the loss making studio business and the associated cost savings. On the basis of these forecasts and the underlying assumptions, the directors believe that the Group will have sufficient funding, through its overdraft facilities and loans, to continue in operational existence for at least twelve months from the date of approval of these financial statements. On this basis, the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

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 2010. 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.

### **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 and acquired software.

### **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 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**

#### ***Convertible debt***

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

### **3. 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***

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.

### ***Share-based payment***

The Group issues equity-settled share-based payments to certain employees (including directors). These payments are measured at fair value at the date of grant by use of the Black-Scholes pricing model. This fair value cost 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 expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. A corresponding credit is recorded in equity in the share option reserve.

## **4. 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 in the CEO Statement on page 3. The segment headed other relates to corporate overheads, assets and liabilities.

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

	<b>Gaming £'000</b>	<b>Digital TV £'000</b>	<b>Broadcast &amp; content £'000</b>	<b>Mobile £'000</b>	<b>Other £'000</b>	<b>Group £'000</b>
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)
Segmental profit/(loss)	(3,608)	73	(611)	(13)	(3,308)	(7,467)

The segmental results for the year ended 31 March 2009 are as follows:

	<b>Gaming £'000</b>	<b>Digital TV £'000</b>	<b>Broadcast &amp; content £'000</b>	<b>Mobile £'000</b>	<b>Other £'000</b>	<b>Group £'000</b>
Revenue	2,829	2,216	3,031	384	-	8,460
Gross profit	1,379	2,216	957	251	-	4,803
Net gaming income	462	-	-	-	-	462
Profit/(loss) before interest, tax, depreciation & share-based payment charges	1,189	889	(20)	(106)	(2,626)	(674)
Impairment of goodwill	-	-	-	-	-	-
Depreciation	-	(53)	-	-	(296)	(349)
Amortisation	-	(239)	-	-	(12)	(251)
Share based payment charge	-	-	-	-	(165)	(165)
Restructuring costs	-	-	-	-	(117)	(117)
Finance income	-	-	-	-	117	117
Finance expense	-	-	-	-	(825)	(825)
Discontinued operations	-	-	-	-	9	9
Segmental profit/(loss)	1,189	597	(20)	(106)	(3,915)	(2,255)

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

The Group has two major customers (a major customer being one that generates revenues amounting to 10% or more of total revenue) that account for £1.43 million (2009: £2.30 million) and £0.93 million (2009: £1.61 million) of the total Group revenues respectively.

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

	<b>Gaming £'000</b>	<b>Digital TV £'000</b>	<b>Broadcast &amp; content £'000</b>	<b>Mobile £'000</b>	<b>Other £'000</b>	<b>Group £'000</b>
Additions to non-current	-	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

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

The segment assets and liabilities at 31 March 2009 are as follows:

	<b>Gaming £'000</b>	<b>Digital TV £'000</b>	<b>Broadcast &amp; content £'000</b>	<b>Mobile £'000</b>	<b>Other £'000</b>	<b>Group £'000</b>
Additions to non-current	-	687	-	-	541	1,228
Total assets	7,113	6,647	5,874	1,590	2,777	24,001
Total liabilities	577	1,273	929	20	2,582	5,381

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

	<b>Assets 31 March 2010 £'000</b>	<b>Liabilities 31 March 2010 £'000</b>	<b>Assets 31 March 2009 £'000</b>	<b>Liabilities 31 March 2009 £'000</b>
Segment assets and liabilities	15,367	1,735	21,224	2,799
Other:				
Intangible assets	94	-	99	-
Property, plant & equipment	117	-	838	-
Other financial assets & liabilities	578	3,483	1,840	2,582
Total other	789	3,483	2,777	2,582
<b>Total Group assets and liabilities</b>	<b>16,156</b>	<b>5,218</b>	<b>24,001</b>	<b>5,381</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 2010 £'000	31 March 2009 £'000	31 March 2010 £'000	31 March 2009 £'000
UK	3,423	6,244	8,563	14,442
Spain	1,187	1,984	5,395	5,218
Continental Europe	633	9	-	-
Middle East	77	223	-	-
Americas	420	-	-	-
	<u>5,740</u>	<u>8,460</u>	<u>13,958</u>	<u>19,660</u>

## 5. Operating loss

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

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Operating loss	(6,453)	(1,556)
Depreciation	254	349
Amortisation of deferred development costs	455	251
Impairment of goodwill	5,157	-
Restructuring costs	-	117
Share based payment charge	95	165
	<u>(492)</u>	<u>(674)</u>

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

## 6. Discontinued operations

In July 2010 the Group discontinued its studios and playout activities. The comparatives for these activities are included within the consolidated income statement in the line item “(loss)/profit for the year from discontinued operations”.

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

	<b>Year ended 31 March 2010 £000</b>	<b>Year ended 31 March 2009 £000</b>
Revenue	262	2,005
Gross profit	262	1,170
Administrative expenses	(1,374)	(1,161)
(Loss)/profit for financial year	(1,112)	9

## 7. Loss per share

	<b>Year ended 31 March 2010 Total</b>	<b>Year ended 31 March 2009 Total</b>
Loss for period	£7,467,000	£2,255,000
Weighted average number of shares	19,805,485	19,805,485
Basic & diluted loss per share	£0.38	£0.11
Loss for period from continuing operations	£6,355,000	£2,264,000
Weighted average number of shares	19,805,485	19,805,485
Basic & diluted loss per share	£0.32	£0.11

The Company has 315,167 (2009: 370,900) potentially dilutive ordinary shares, being share options issued to staff and share warrants. 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 £0.06 (2009: £nil).

## 8. Intangible assets

	<b>Deferred development costs £000</b>	<b>Completed Technology £000</b>	<b>Total Intangible assets £000</b>	<b>Goodwill £000</b>
<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	<u>5,892</u>	<u>633</u>	<u>6,525</u>	<u>45,528</u>
<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	<u>4,885</u>	<u>327</u>	<u>5,212</u>	<u>33,111</u>
<b>Net book value</b>				
At 31 March 2010	<u>1,007</u>	<u>306</u>	<u>1,313</u>	<u>12,417</u>
At 31 March 2009	<u>609</u>	<u>487</u>	<u>1,096</u>	<u>17,574</u>
	<b>Deferred development costs £000</b>	<b>Completed Technology £000</b>	<b>Total Intangible assets £000</b>	<b>Goodwill £000</b>
<b>Cost</b>				
At 1 April 2008	4,481	567	5,048	45,528
Additions	720	-	720	-
Foreign exchange	-	98	98	-
At 31 March 2009	<u>5,201</u>	<u>665</u>	<u>5,866</u>	<u>45,528</u>
<b>Accumulated amortisation</b>				
At 1 April 2008	4,481	10	4,491	27,954
Provided during the year	101	150	251	-
Foreign exchange	10	18	28	-
At 31 March 2009	<u>4,592</u>	<u>178</u>	<u>4,770</u>	<u>27,954</u>
<b>Net book value</b>				
At 31 March 2009	<u>609</u>	<u>487</u>	<u>1,096</u>	<u>17,574</u>
At 31 March 2008	<u>-</u>	<u>557</u>	<u>557</u>	<u>17,574</u>

Following the adoption of IFRS 8, the Group has revised its operating segments. As such, the information in this note has been restated accordingly. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to each Cash Generating Unit (“CGU”) as follows:

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Digital TV	4,068	4,068
Broadcast and Content	5,152	5,152
Gaming	6,821	6,821
Interactive Marketing	977	977
Connect	556	556
	<u>17,574</u>	<u>17,574</u>

The Digital TV and Broadcast and Content units make up the Group's Media business segment. The Interactive Marketing and Connect units make up the Group's Mobile business segment.

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 five years and extrapolates cash flows for the following years based on an estimated growth rate of 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% (2009: 20%).

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

	<b>Digital TV £000</b>	<b>Broadcast &amp; Content £000</b>	<b>Gaming £000</b>	<b>Interactive Marketing £000</b>	<b>Connect £000</b>	<b>Total</b>
Carrying value at 1 April 09	4,068	5,152	6,821	977	556	17,574
Impairment	-	(1,052)	(4,105)	-	-	(5,157)
Carrying value at 31 March 10	<u>4,068</u>	<u>4,100</u>	<u>2,716</u>	<u>977</u>	<u>556</u>	<u>12,417</u>

The impairment loss of £1,052,000 for the Broadcast and Content unit relates to the Group's decision to cease its studios and playout operations.

The impairment loss of £4,105,000 for the Gaming unit is mainly due to the Group's decision to stop its B2C operations and the high level of competition in the B2B gaming market.

## 9. Non-current liabilities

	<b>31 March 2010 £000</b>	<b>31 March 2009 £000</b>
Interest bearing loans and borrowings:		
Convertible loan	883	-
Bank loan	60	-
Finance lease creditor	17	39
	<hr/> 960	<hr/> 39
Embedded conversion option derivative	<hr/> 339	<hr/> -
Other non-current payables:		
Other taxation and social security taxes	283	299
Other payables	340	583
	<hr/> 623	<hr/> 882
Total non-current payables	<hr/> <hr/> 1,922	<hr/> <hr/> 921

### ***Convertible loan***

On 21 March 2010 the Company entered into a convertible loan agreement for £1,500,000, of which £1,220,000 has been 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 £1,220,000 proceeds of the convertible loan have been 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.

At the date of issue the debt component of the convertible loan was valued at £881,000, 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 £339,000 was calculated by deducting the debt component of £881,000 from the proceeds of £1,220,000. Due to the negligible time period between the issue of the 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.

## 10. Share capital

A breakdown of the authorised and issued share capital in place as at 31 March 2010 is as follows:

	<b>31 March 2010 Number</b>	<b>31 March 2010 £000</b>	<b>31 March 2009 Number</b>	<b>31 March 2009 £000</b>
<b>Authorised</b>				
Ordinary shares of £1 each	25,789,822	25,790	25,789,822	25,790
A Deferred shares of 0.1p each	8,210,178,477	8,210	8,210,178,477	8,210
Deferred shares of 1p each	900,000,000	9,000	900,000,000	9,000
	<u>9,135,968,299</u>	<u>43,000</u>	<u>9,135,968,299</u>	<u>43,000</u>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of £1 each	19,805,485	19,805	19,805,485	19,805
A Deferred shares of 0.1p each	8,210,178,477	8,210	8,210,178,477	8,210
Deferred shares of 1p each	690,822,639	6,908	690,822,639	6,908
	<u>8,920,806,601</u>	<u>34,923</u>	<u>8,920,806,601</u>	<u>34,923</u>

## 11. Related parties

In March 2010 Naropa Cartera S.L.U., which owns 19.3% of the issued share capital, and Baring Iberia II Inversión en Capital F.C.R., which owns 17.7% of the issued share capital, subscribed for convertible loans totalling £480,000 and £215,000 respectively. Interest is charged on these convertible loans at 10% per annum.

## 12. Events after the balance sheet date

On 16 August 2010 two of the group's subsidiaries were placed into voluntary liquidation, Digital Interactive Studio Centre Limited and The Gaming Channel Limited.

Post the year end the Group obtained additional bank financing totalling €0.85 million (£0.73 million), of these facilities €0.1 million (£0.09 million) is due to be repaid within one year. The interest rate payable on all of these facilities is under 6% per annum. Additionally, post year end, the Group has secured a development loan for €0.5 million (£0.43 million). This loan is repayable in six equal half yearly instalments from 30 June 2014 to 31 December 2016 and has an initial annual interest charge of Euribor plus 0.75%.