



**BOOMERANG PLUS PLC**

**Report and Financial Statements**

**31 May 2010**

**REPORT AND FINANCIAL STATEMENTS 2010**

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## **WHO WE ARE**

Boomerang Plus Plc (“Boomerang+”) is one of the United Kingdom’s largest independent media companies based outside London.

Utilising our integrated production and post production facilities, we create entertainment, factual, sport, music, drama and children’s content for television, radio, print and the web .

This position has been reached through a strong management team which has brought together the creative and business expertise of a wide variety of media talent.

## **STRATEGY**

Our aims are to:

- produce compelling, high quality content across the range of platforms and genre;
- become a leading producer of Advertiser Funded Programming (“AFP”);
- become a leading provider of digital media content and services; and
- be the supplier of choice to the Network broadcasters looking to fill their quotas from the “Nations and Regions”.

## **FINANCIAL HIGHLIGHTS**

- Revenue of £21.41m (2009 - £19.76m).
- Operating profit of £0.61m (2009 - £1.14m).
- Adjusted operating profit\* of £0.78m (2009 - £1.25m).
- Profit before tax of £0.54m (2009 - £1.09m).
- Cash and cash equivalents of £3.07m (2009 - £3.03m).

## **OPERATIONAL HIGHLIGHTS**

- Good progress in diversifying the Group’s operations.
- Acquisition of Indus Films Limited in October 2009.
- Continued growth of Advertiser Funded Programming (“AFP”) both organically and through investment into the “Freeze” winter sports and music festival and acquisition of “Method”, the multimedia snowboarding publisher in September 2009.
- Award of three-year contract for £4 million (£1.33 million per year) to produce programming and links for Cyw, S4C’s pre-school service, reinforcing our position as one of the largest children’s content producers in the UK.
- 428 hours of television programming in calendar year 2009 (2008 – 371).

## **OUTLOOK**

- Strong pipeline of programme revenues of £50.0 million, including the current year to date.
- favourable regulatory environment of Nations and Regions Network quotas.
- strong balance sheet to fund future growth.
- Trading in the current year to date is in line with the Board’s expectations.

*\* adjusted for professional fees in relation to unsuccessful corporate transactions (2010 - £0.07m, 2009 - £0.07m), provision for impairment of investments (2010 - £0.07m, 2009 - £nil), amortisation of intangible assets arising on business acquisitions (2010 - £0.02m, 2009 - £0.02m), and share- based payments (2010 - £0.01m, 2009 - £0.02m).*

## **CHAIRMAN'S REPORT**

I am pleased to present the group's results for the year ended 31 May 2010, a full review of which can be found in the Business Review section on pages 3 to 5.

It has been a challenging environment for the UK television production sector in light of the continuing economic difficulties faced by broadcasters. Programme budgets and margins have remained under constant pressure and commissioning decisions have been subject to delay. As highlighted previously, this has inevitably had an adverse impact on Boomerang's revenue and profitability in the year under review.

Despite this backcloth, the Board has continued to advance successfully its previously stated strategy of diversifying the group's operations. This has been achieved through broadening our broadcaster customer base, expanding our genre expertise, consolidating our leading position in Advertiser Funded Programming (AFP) with an expanding portfolio of UK and global client brands, developing our reputation as a provider of digital media content and services, and continuing to invest in businesses that have future IP potential.

At the same time, we have maintained our strong position as a key supplier to S4C with the award during the year of two three-year contracts, totalling £16 million, for the provision of children's programming. This is a great endorsement of the creative talent within the company and makes Boomerang one of the UK's largest producers of children's content.

As anticipated, following the Government's Comprehensive Spending Review, S4C will have a reduced programming budget in the future and this will inevitably impact production companies based in Wales. I believe, however, that our position as one of the largest Nations and Regions television production companies in the UK, producing across a wide variety of genres including entertainment, drama, lifestyle, children's, sports and factual programming, will mitigate the impact on Boomerang of S4C's changed circumstances and will bring considerable benefits to the company over the coming years as the increased Ofcom quota requirements for broadcasters come in to force.

The company continues to benefit from a strong balance sheet with net cash and cash equivalents at the year-end of £3.07 million. This, together with the long-term revenue visibility provided by our £50 million pipeline of future commissions (including the current year to date), gives us a strong platform for the next phase of the group's growth as we start to see the anticipated returns from our diversification strategy. We will continue to look for further acquisition opportunities that both fit our strategic objectives and can add value to the group. Whilst I expect the macro environment to remain challenging for the foreseeable future, I am confident that the company is well-positioned to deliver significant long-term value for its shareholders.

Finally, I would like to thank all the Boomerang staff for the hard work and commitment that they have given to the company in what has been a demanding and challenging year for everyone. We are very fortunate to have such a great team of people showing so much passion for the Boomerang cause.

**Richard Huntingford**  
**Chairman**

## **BUSINESS REVIEW**

### **Financial Review – Key Performance Indicators**

As highlighted in the trading update released on 13 May 2010, the revenues and profits from a number of the Group's projects in the year under review were delayed into the current financial year. Despite this, the acquisition of Indus enabled us to grow revenues in the year ended 31 May 2010 by 8.4% to £21.41 million (2009 - £19.76 million).

One of the group's key performance indicators is gross profit which increased by 21.6% to £3.50m (2009 – 26.2% decrease). Gross profit margin for the year was 16.3% (2009 - £2.88 million). This increase was principally due to two of the group's projects under-performing financially in the prior year. However, there continues to be general downward pressure on programme budgets. Adjusted operating profits\* decreased 37.7% to £0.78m (2009 - £1.25m).

Other administrative expenses increased from £1.86 million to £2.93 million due to £0.56 million of costs associated with the acquisitions and new businesses in the year and accelerated investments into programming and business development of £0.4 million (2009 - £0.1 million). Costs of £0.07 million (2009 - £0.07 million) regarding professional fees in relation to unsuccessful corporate transactions and provision for impairment of investments of £0.07 million (2009 - £nil) were incurred in the year. Reported profit before tax for the year was £0.54 million (2009 - £1.09 million).

The group had cash and cash equivalents of £3.07 million at 31 May 2010 (2009 - £3.03 million). The group incurred capital expenditure of £1.65 million (2009 - £0.44 million) in the year to 31 May 2010, principally on studio, post-production and outside broadcast facilities in order to service the Children's contracts awarded by S4C. £1.11 million of this expenditure was funded by finance leases. Intangible fixed assets of £0.46 million, principally in respect of "Method" snowboarding magazine, were acquired in the year and acquisition and deferred consideration payments of £1.30 million and debt repayments of £0.37 million were also made during the year.

As at 31 May 2010 the group had net assets of £8.98 million (2009 - £8.66 million).

\* adjusted for professional fees in relation to unsuccessful corporate transactions (2010 - £0.07m, 2009 - £0.07m), provision for impairment of investments (2010 - £0.07m, 2009 - £nil), amortisation of intangible assets arising on business acquisitions (2010 - £0.02m, 2009 - £0.02m), and share-based payments (2010 - £0.01m, 2009 - £0.02m).

### **Programming**

The group's content production businesses, Boomerang, Fflic, Alfresco and Apollo, together with the recently acquired Indus, contributed towards a strong, multi-genre portfolio of programmes for our broadcast customers during the year.

We again produced a broad raft of multi-genre programming for S4C. These include "The Royal Welsh Show"; "Stwnsh" and "Cyw" Children's services; drama series "Teulu" and "Alys"; factual entertainment series "Tocyn", "Sioe'r Ty", "3 Lle" and "Cyfnewid"; music series "Bandit" and "Nodyn"; youth series "Gofod;" and sports series "Chwa", "Rasus" and "Ras i Lundain" amongst others.

We have had noted success in increasing our organic Network presence in a number of key genre during the period. In Comedy Drama we had our first network commission for BBC4/BBC2 - "A Child's Christmases in Wales" as a co-production with Tidy Productions; in Children's we won our first commission for CBBC "My Dad in Prison", building on our position as one of the largest children's producers in the UK; and in Factual we produced "Too Poor for Posh School?" for Channel 4's Cutting Edge strand. In Sports, we have produced "That Paralympic Show" for Channel 4, a multi-platform magazine series introducing the London 2012 Paralympics.

AFP programming had another year of record turnover. We won our first 3D commission to produce a Skateboard Documentary with legendary American Skateboarder Tony Hawk. Filming for Quiksilver's Tony Hawk's European Tour wrapped in July 2010 following a three-week tour across Berlin, Rome, Barcelona and Brighton. Other AFP productions during the last year included Roxy Jam Biarritz, the annual Women's World Longboard Championships, and a music festival held in the European surf mecca of Biarritz; the third series of Sony Ericsson World B-boy Championships; the global search for the best breakdancing crew in the world, filmed on location in New York, Japan, Korea, Europe and concluding in Brixton for the competition final; and Sony Playstation GT Academy, the virtual-to-reality motor racing competition once again hosted by F1 luminaries Eddie Jordan and Johnny Herbert and filmed across Australia, New Zealand, Europe and the UK. This organic growth has been complemented through investment into the "Freeze" winter sports and music festival and the acquisition of "Method", the multimedia snowboarding publisher.

**BUSINESS REVIEW**

Complementing this organic success, the addition of Indus to the group brought the world renowned and award-winning expertise of the producers of “Amazon” (with Bruce Parry), “Living with Monkeys”, “Coalhouse”, “Everest ER”, “Venom Hunter” and “Panorama: Chocolate, the Bitter Truth”. Current Indus productions include “Arctic” (with Bruce Parry) and “Snowdonia 1890”.

Recent critical acclaim for a wide number of our programmes has continued this year with Welsh BAFTA 2009 wins for “Con Passionate”, “Y Saith Magnifico a Matthew Rhys” and six awards for “Martha, Jac a Sianco”; and “Rhestr Nadolig Wil” won a BAFTA Children’s award for best drama as well as a nomination at the inaugural KidScreen in New York.

**Digital media**

With our digital media partner, Cube Interactive, we continue to explore and develop opportunities in digital media including websites, web streaming and interactive media. Significant interactive contracts include content for the “Royal Welsh”, “Stwnsh” and “Cyw”.

Increasingly most of our programming, especially our AFP content, has a multi-platform element which is expected to increase further over the coming years.

**Post-production and facilities**

The group invested £1.65m during the year in expanding its post-production, camera and studio facilities and acquiring an outside broadcast truck. The group currently operates 69 edit suites, four pro-tools dub suites and four studios together with the outside broadcast truck. We have significantly increased capacity, HD capability and high-end finishing capability during the year. Our editing facilities now include a Baselight grading system, two DS Nitris systems and two Symphony Nitris systems. These cutting-edge facilities provide a quality finish to many of the productions across the group and for external clients.

The group’s camera facilities joint venture, Zoom, continued to expand in the year.

**Radio**

The group continues to supply a diverse range of radio productions, including programmes for BBC Radio Wales, Radio Cymru and Radio 4.

**Talent management**

Boom Talent, a management company representing singers, actors and presenters in film, television, theatre, radio, corporate and voice-over work, continues to establish itself.

**Regulatory environment**

Ofcom, the Industry Regulator, published phase 2 of its second public sector broadcasting review on 25 September 2009. This for the first time proposes a specific quota (3%) from outside England from 2010 for Channel 4 together with an increase in the outside London quota from 30% to 35%. Ofcom also “welcomes the BBC’s target to reach 50% out-of-London production, with 17% from the nations...”. This strengthens our belief that being based in the Nations, and Wales in particular, provides substantial opportunities for the group.

**Dividend policy**

The directors are not recommending the payment of a dividend for the year (2009 - £nil). The declaration of any future dividends will depend on the company’s and group’s results, its financial position, cash requirements, future prospects and other factors deemed to be relevant at that time. In due course, the directors intend to adopt a progressive dividend policy.

**BUSINESS REVIEW (continued)**

**Current trading and outlook**

Our position as a multi-genre independent television production company based in the Nations and Regions makes us ideally placed to take advantage of the Ofcom quotas that exist as we look to expand our Network programming.

Our success in securing new contracts and track record on recommissions provides the group with excellent visibility over revenues for the current financial year and the first half of 2011/12, a position not often experienced in our industry. Current trading is in line with the Board's expectations.

Organic network growth, the acquisition of Indus and growth in AFP programming has diversified the group's customer base and widened its intellectual product base. This will drive further growth in an increasingly global market and provide opportunities to increase our profit margins.

We will also continue to look for further acquisitions that can add value for shareholders in a fast-changing media marketplace.

Huw Eurig Davies  
Chief Executive Officer  
26 November 2010

Mark Fenwick  
Finance Director  
26 November 2010

**ADVISERS**

**NOMINATED ADVISER**

Altium Capital Limited  
30 St James' Square  
London  
SW1Y 4AL

**BROKER**

Evolution Securities Limited  
100 Wood Street  
London  
EC2V 7AN

**AUDITORS**

Deloitte LLP  
Cardiff, United Kingdom

**SOLICITORS**

Osborne Clarke  
One London Wall  
London  
EC2Y 5EB

**FINANCIAL PUBLIC RELATIONS**

Redleaf Communications  
9-13 St Andrew Street  
London  
EC4A 3AF

**REGISTRARS**

Capita Registrars  
Northern House  
Woodsome Park  
Fenay Bridge  
Huddersfield  
HD8 0LA

**DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the group for the year ended 31 May 2010.

**BUSINESS REVIEW AND PRINCIPAL ACTIVITY**

The principal activity of the group is that of independent television production. The company also holds investments in a number of UK subsidiaries, joint ventures and associates. Together, Boomerang Plus Plc and its subsidiaries comprise the group, as represented by these consolidated financial statements.

**BUSINESS REVIEW AND FUTURE DEVELOPMENTS**

A detailed review of the group's operations and key performance indicators is contained in the Chairman's Report and the Business Review on pages 3 to 5.

On 8 June 2009, Boom Extreme Publishing Limited was incorporated as a 75% subsidiary of Boomerang Plus Plc. On 10 September 2009, Boom Extreme Publishing Limited acquired the intellectual property and certain assets of Method, a multimedia publisher offering snowboarding news and action across print, motion, audio and interactive platforms, for a cash consideration of £477,477.

On 23 July 2009, Boomerang Plus plc acquired 25% of Big Freeze Limited for cash consideration of £320,000 as part of a joint venture with broadcaster Channel 4 and events organiser Sports Vision. Big Freeze Limited is a production company created to organise and produce the Freesports on 4 Freeze live event franchise, the UK's biggest winter sports and music festival, as well as other broadcast related and advertiser funded events.

On 19 October 2009, Boomerang Plus plc acquired the entire share capital of Indus Films Limited, an independent television production company. The initial consideration was £1,100,000 of which £880,000 was paid on completion and £220,000 was payable on 19 October 2010. Further consideration of up to £1,295,000 is payable in cash or shares based on the performance of Indus Films Limited in the three years post-completion.

There have been no other significant changes in the group's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely significant changes in the group's activities in the forthcoming year. The company will look to acquire similar TV production and complementary media companies, which will contribute to the group's growth and the products the group can offer broadcasters and other clients.

Information about the use of financial instruments by the company and its subsidiaries is given in note 22 to the financial statements.

**PRINCIPAL RISKS AND UNCERTAINTIES**

There are a number of potential risks and uncertainties which could have a material impact on the company's long-term performance.

**Competitor risks**

The group operates in a competitive market, with some 800 UK-based competitors. Competitor risk is minimised by the group's investment in creative staff and programme development.

**Customer relationship risks**

The television sector is heavily biased towards the four main terrestrial broadcasters (BBC, ITV, Channel 4 and Five) together with the digital multi-channel providers and the indigenous language public service broadcasters such as S4C in Wales. As such, the customer base is limited and hence an increased risk profile exists for the whole sector. Although reducing as a result of the Group's diversification strategy, S4C continues to be the group's largest customer. This gives rise to a concentration of customer risk, which is common in the industry. This risk is managed as the group supplies programming across a broad range of genre, as opposed to many competitors which produce in only one or a limited number of genres.

**DIRECTORS' REPORT (continued)****PRINCIPAL RISKS AND UNCERTAINTIES (continued)****Customer relationship risks (continued)**

Decreased advertising revenues and other funding pressures on broadcasters, including the funding reduction for S4C, recently announced by the DCMS, have led to reduced programme budgets and hence pressure on production margins. To address this, we continue to look at new and innovative ways of working that can add value for our customers whilst retaining our margins. In addition, as mentioned in the Business Review, "outside London" and "outside England" quotas are increasing and non-broadcaster income such as advertiser sponsored programming is growing, which will provide significant opportunities for the group.

**Treasury risks**

The group has an overdraft facility of £700,000 that is utilised from time to time, but is usually in a net cash position. Interest earned on cash deposits varies from time to time in line with underlying bank base rates.

Substantially all sales and costs are in sterling and hence the group is not subject to exchange rate risk.

**DIVIDENDS**

The directors do not recommend the payment of a dividend (2009 - £nil).

**CAPITAL STRUCTURE**

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year, are shown in note 23. The company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding or on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 24.

No person has any special right of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 10.

Under its Articles of Association, the company has authority to issue ordinary shares or make market purchases to an aggregate nominal value equal to ten per cent of the aggregate nominal ordinary share capital as shown in the audited accounts for the year ended 31 May 2010.

**SUPPLIER PAYMENT POLICY**

The group's policy is to settle terms of payment with suppliers when agreeing the terms of trade. Trade creditors of the group at 31 May 2010 were equivalent to 17 days (2009 – 7 days) purchases, based on the average daily amount invoiced by suppliers during the year.

**DIRECTORS' REPORT (continued)**

**DIRECTORS AND THEIR INTERESTS**

The current directors of the company, who served throughout the financial year, are as shown below.

The beneficial interests of the directors in the share capital of the company at the beginning and the end of the financial year were as follows:

	<b>31 May 2010 1p ordinary share options No.</b>	<b>31 May 2009 1p ordinary share options No.</b>	<b>31 May 2010 1p ordinary shares No.</b>	<b>31 May 2009 1p ordinary shares No.</b>
R Huntingford	-	-	-	-
H E Davies	-	-	2,334,484	2,334,484
G S Rees	-	-	918,000	918,000
M W Fenwick	86,566	86,566	357,000	357,000
R B Moore	-	-	13,111	13,111
L James	-	-	-	-

The directors held no shares in any other group company at any time during the financial year.

**SUBSTANTIAL SHAREHOLDERS**

As at 30 October 2010, notifications of beneficial interests in 3% or more of the company's issued share capital are as follows:

	<b>Ordinary shares No.</b>	<b>%</b>
H E Davies	2,334,484	26.19
G S Rees	918,000	10.30
G R Davies	918,000	10.30
M D Barnard & Co Limited	611,494	6.86
Rathbone	544,670	6.11
Finance Wales Investments Limited	479,868	5.38
Gartmore Investment Limited	444,312	4.98
D T F Richards	408,000	4.58
H T Jenkins	384,851	4.32
M W Fenwick	357,000	4.00
W R Protheroe	304,660	3.42
E H Protheroe	304,659	3.42

**DIRECTORS' REPORT (continued)****CORPORATE GOVERNANCE**

The company is not required to comply with the Combined Code on Corporate Governance issued by the Financial Reporting Council and accordingly does not report on how it has applied the principles therein or on the extent to which it has complied with the provisions therein throughout the year.

However, the company's directors are committed to applying the underlying principles of the Combined Code, having regard to the size of the company, an illustration of which is given below.

The company has three independent, non-executive directors, R Huntingford, R B Moore and L James, and the Board meets regularly approving strategy, accounts, budgets and acquisitions amongst other matters.

Audit, Remuneration and Nomination committees have been established, chaired by R Huntingford. The Audit committee consists of R Huntingford and R B Moore whereas the Remuneration and Nomination committees comprise all three non-executive directors.

The Audit Committee's responsibilities include monitoring the integrity of the company's and group's financial statements, reviewing the external auditors' independence, objectivity and effectiveness and making recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor.

The Remuneration Committee is responsible for reviewing the performance of the executive directors and setting the scale and structure of their remuneration, including bonus arrangements.

The directors comply, and procure compliance with, Rule 21 of the AIM Rules for Companies relating to dealings by directors and other applicable employees in the company's securities and, to this end, the company has adopted an appropriate share-dealing code.

**INTERNAL CONTROL**

The Board of directors is responsible for the group's system of internal control and for reviewing its effectiveness and notes that the system can only provide a reasonable but not an absolute assurance against material misstatement or loss. The directors have reviewed the effectiveness of the system of internal control which has been in operation throughout the year. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the group. The process, which accords with the "Turnbull" guidelines, is regularly reviewed by the Board at its meetings and steps are taken to deal with areas of improvement which come to the Board's attention.

**GOING CONCERN**

The group has considerable financial resources together with long-term relationships with its key customers. Due to the nature of the group's business, management has visibility over its pipeline of productions over the foreseeable future, which is fully funded by its customers.

The group and company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group and company should be able to operate within the level of its current facility. The directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**DIRECTORS' REPORT (continued)**

**AUDITORS**

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditors are unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's 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.

Deloitte LLP have indicated their willingness to continue in office as the company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

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

Mark Fenwick  
Financial Director  
26 November 2010

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

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. The directors are required to prepare the group financial statements under IFRSs (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **CONSOLIDATED INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BOOMERANG PLUS PLC**

We have audited the financial statements of Boomerang Plus Plc for the year ended 31 May 2010 which comprise the consolidated income statement, the consolidated and company statement of changes in equity, the consolidated and company balance sheets, the consolidated and company cash flow statements and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

### **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 May 2010 and of the group's and the parent company's profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter 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.

**Nigel Thomas (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditors  
Cardiff, United Kingdom  
26 November 2010

**CONSOLIDATED INCOME STATEMENT**  
**Year ended 31 May 2010**

	Note	2010 £'000	2009 £'000
<b>Continuing operations</b>			
Revenue	2	21,409	19,759
Cost of sales		(17,912)	(16,882)
		<u>3,497</u>	<u>2,877</u>
<b>GROSS PROFIT</b>			
Administrative expenses			
Other administrative expenses		(2,928)	(1,862)
Professional fees in relation to unsuccessful corporate transactions		(73)	(66)
Provision for impairment of investments		(70)	-
Amortisation of intangibles arising on business acquisitions	12	(20)	(21)
Equity-settled share-based payments	24	(7)	(23)
		<u>(3,098)</u>	<u>(1,972)</u>
Total administrative expenses		(3,098)	(1,972)
Other operating income		227	232
Share of results of joint ventures and associates		(18)	3
		<u>608</u>	<u>1,140</u>
<b>OPERATING PROFIT</b>			
Investment revenue	7	3	25
Finance costs	8	(76)	(71)
		<u>535</u>	<u>1,094</u>
<b>PROFIT BEFORE TAX</b>			
Tax	10	(218)	(207)
		<u>317</u>	<u>887</u>
<b>PROFIT FOR THE YEAR</b>			
Attributable to:			
Equity holders of the parent		<u>317</u>	<u>887</u>
Earnings per share			
Basic	11	<u>3.56p</u>	<u>9.96p</u>
Diluted		<u>3.50p</u>	<u>9.70p</u>
Adjusted - basic		<u>5.47p</u>	<u>11.20p</u>
Adjusted - diluted		<u>5.38p</u>	<u>10.91p</u>

There were no items of comprehensive income in the current or prior year other than the profit for the year and, accordingly, no statement of comprehensive income is presented.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Year ended 31 May 2010**

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>Group</b>					
Balance at 1 June 2008	89	3,931	1,217	2,510	7,747
Profit for the financial year	-	-	-	887	887
New shares issued	-	2	-	-	2
Equity-settled share-based payments	-	-	-	23	23
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 June 2009	89	3,933	1,217	3,420	8,659
Profit for the financial year	-	-	-	317	317
New shares issued	-	1	-	-	1
Equity-settled share-based payments	-	-	-	7	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 2010	<u>89</u>	<u>3,934</u>	<u>1,217</u>	<u>3,744</u>	<u>8,984</u>

The group has taken advantage of section 612 of the Companies Act 2006 and therefore the excess over the nominal value of shares issued other than for cash has been allocated to the merger reserve.

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
<b>Company</b>					
Balance at 1 June 2008	89	3,931	1,217	2,309	7,546
Profit for the financial year	-	-	-	771	771
New shares issued	-	2	-	-	2
Equity-settled share-based payments	-	-	-	23	23
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 June 2009	89	3,933	1,217	3,103	8,342
Profit for the financial year	-	-	-	1,185	1,185
New shares issued	-	1	-	-	1
Equity-settled share-based payments	-	-	-	7	7
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 2010	<u>89</u>	<u>3,934</u>	<u>1,217</u>	<u>4,295</u>	<u>9,535</u>

**BALANCE SHEETS**  
**31 May 2010**

		<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2010 £'000</b>	<b>Company 2009 £'000</b>
	<b>Note</b>				
<b>NON-CURRENT ASSETS</b>					
Goodwill	12	3,049	2,131	1,270	-
Other intangible assets	12	2,444	1,161	18	18
Property, plant and equipment	13	2,931	1,686	2,532	1,356
Investments	14	371	147	5,798	4,779
		<u>8,795</u>	<u>5,125</u>	<u>9,618</u>	<u>6,153</u>
<b>CURRENT ASSETS</b>					
Inventories	15	9	-	-	-
Trade and other receivables	16	4,158	3,625	3,610	3,033
Current tax assets		219	219	-	-
Cash and cash equivalents	16	3,070	3,027	665	1,250
		<u>7,456</u>	<u>6,871</u>	<u>4,275</u>	<u>4,283</u>
<b>TOTAL ASSETS</b>		<u><u>16,251</u></u>	<u><u>11,996</u></u>	<u><u>13,893</u></u>	<u><u>10,436</u></u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	18	4,615	2,106	1,889	1,125
Current tax liabilities		84	407	(1)	149
Interest-bearing loans and borrowings	17	492	307	460	303
Deferred consideration	21	333	209	333	209
		<u>5,524</u>	<u>3,029</u>	<u>2,681</u>	<u>1,786</u>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	17	742	175	681	175
Other payables	18	47	17	47	17
Deferred tax liabilities	19	232	116	227	116
Deferred consideration	21	722	-	722	-
		<u>1,743</u>	<u>308</u>	<u>1,677</u>	<u>308</u>
<b>TOTAL LIABILITIES</b>		<u><u>7,267</u></u>	<u><u>3,337</u></u>	<u><u>4,358</u></u>	<u><u>2,094</u></u>
<b>NET ASSETS</b>		<u><u>8,984</u></u>	<u><u>8,659</u></u>	<u><u>9,535</u></u>	<u><u>8,342</u></u>

**BALANCE SHEETS (continued)**  
**31 May 2010**

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<b>EQUITY</b>					
Share capital	23	89	89	89	89
Share premium account		3,934	3,933	3,934	3,933
Merger reserve		1,217	1,217	1,217	1,217
Retained earnings		3,744	3,420	4,295	3,103
<b>TOTAL EQUITY</b>		<u>8,984</u>	<u>8,659</u>	<u>9,535</u>	<u>8,342</u>

The financial statements of Boomerang Plus Plc, registered number 2936337, were approved by the Board of Directors and authorised for issue on 26 November 2010

Signed on behalf of the Board of Directors

H E Davies  
 Director

M W Fenwick  
 Director

**CONSOLIDATED CASH FLOW STATEMENT**  
**Year ended 31 May 2010**

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'00
<b>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</b>	27	2,615	(2,828)	621	(1,675)
<b>INVESTING ACTIVITIES</b>					
Interest received		3	25	-	13
Dividends received		-	-	994	450
Purchase of property, plant and equipment		(544)	(183)	(472)	(173)
Acquisition of subsidiaries (see note 25)		(768)	-	(932)	-
Acquisition of joint ventures and associates		(326)	(33)	(325)	-
Acquisition of subsidiaries - deferred consideration payments	21	(209)	(146)	(209)	(146)
Acquisition of intangible fixed assets		(458)	-	(12)	-
Proceeds on disposal of property, plant and equipment		1	54	-	51
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(2,301)	(283)	(956)	195
<b>FINANCING ACTIVITIES</b>					
Repayments of obligations under finance leases		(372)	(340)	(351)	(315)
Proceeds on issue of shares		1	3	1	2
Grants received		100	150	100	150
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		(271)	(187)	(250)	(163)
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		43	(3,298)	(585)	(1,643)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		3,027	6,325	1,250	2,893
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		3,070	3,027	665	1,250

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

### 1. GENERAL INFORMATION

Boomerang Plus Plc is a company incorporated in the United Kingdom under the Companies Act 2006, the shares of which are publicly traded on AIM. The address of the registered office is 218 Penarth Road, Cardiff CF11 8NN. The nature of the UK group's operations and its principal activities are set out in the business review and principal activity section on page 7 of the directors' report.

#### ADOPTION OF NEW AND REVISED STANDARDS

In the current year the following new and revised standards and interpretations have been adopted and have affected the amounts reported in these financial statements.

##### *Standards affecting presentation and disclosure*

IAS 1 (revised 2007) Presentation of Financial Statements	IAS 1 (2007) has introduced a number of changes in the adoption of the format and content of the financial statements.
IFRS 8 Operating Segments	IFRS 8 is a disclosure standard. It has not resulted in a change of the group's reportable segments.
Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)	The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk.

At the date of the authorisation of the financial statements, the following standards and interpretations, which have not been applied in the financial statements, were in issue but not yet effective:

IFRS 1 (amended)/IAS 27 (amended)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 3 (revised 2008)	Business Combinations
IFRS 9	Financial Instruments
IAS 24 (revised)	Related Party Disclosures
IAS 27 (revised 2008)	Consolidated and Separate Financial Statements
IAS 28 (revised 2008)	Investment in Associates
IAS 32 (amendment)	Classification of Rights Issues
IAS 39 (amendment)	Eligible Hedge Items
IFRIC 14	Prepayments of a Minimum Funding Requirement
IFRIC 17	Distributions of Non-cash Assets to Owners
IFRIC 18	Transfers of Assets from Customers
IFRIC 19	Extinguishing Liabilities with Equity Instruments

##### Improvement to IFRSs (April 2009)

The directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the group except for the treatment of acquisition of subsidiaries and associates when IFRS 3 (revised 2008), IAS 27 (revised 2008) and IAS 28 (revised 2008) come into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended 31 May 2010

#### 2. ACCOUNTING POLICIES

##### **Basis of accounting**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted, which have been applied consistently in the current and the prior financial year, are outlined below.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

##### **Going concern**

The group's business activities, together with the factors likely to affect its future development, performance and position, its financial position at the balance sheet date, its cash flows and the liquidity position, are set out in the chairman's report on page 2, the business review on pages 3 to 5 and the directors' report on pages 7 to 11. In addition, note 22, Financial Instruments, includes the group's objectives and policies and process around managing capital risk; its financial risk management objectives; and its exposure to market, credit and liquidity risk.

The group has considerable financial resources together with long-term relationships with its key customers. Due to the nature of the group's business, management has visibility over its pipeline of productions over the foreseeable future, which is fully funded by its customers.

The group and company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group and company should be able to operate within the level of its current facility. The directors have a reasonable expectation that the group and company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### **Business combinations**

The acquisition of subsidiaries 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 by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. Provisions for deferred consideration is recognised at the date of acquisition when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

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, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

The group has taken advantage of section 612 of the Companies Act 2006 and so the excess over the nominal value of shares issued other than for cash has been allocated to the merger reserve.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair values of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised in the income statement immediately.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended 31 May 2010

#### 2. ACCOUNTING POLICIES (continued)

##### **Jointly controlled entities**

A joint venture is an entity over which the group has joint control, and joint ability to govern financial and operating policy decisions of the economic activity so as to obtain benefits from it.

The group accounts for its jointly controlled entities by means of an equity method of accounting.

##### **Investments in associates**

An associate is an entity over which the group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting except when classified as held for sale. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the group's share of the fair values of the identifiable net assets of the associate at the date of acquisition (i.e. discount on acquisition) is credited in profit or loss in the period of acquisition.

Where a group company transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

##### **Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of identifiable assets and liabilities of a subsidiary and jointly controlled entities 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 in the 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

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

Goodwill arising on business combinations before the date of transition to IFRS has been retained at the value that would arise applying the principles of UK GAAP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010****2. ACCOUNTING POLICIES (continued)****Revenue and revenue recognition**

Revenue (which excludes VAT) represents amounts receivable for work carried out in the production and post-production of television and radio programmes, commission from talent management and publishing income and is recognised over the period of the related activity. Revenue is measured by reference to the fair value of consideration received or receivable from customers. Profits are recognised on long-term contracts where the final outcome can be assessed with reasonable certainty. In calculating this, the percentage of completion method is used to calculate the profit based upon the proportion of costs incurred to the total estimated costs. Cost includes direct staff and external costs. Gross profit on production activity is recognised over the period of the production and in accordance with the underlying contract. Cost overspends on productions are recognised as they arise and cost underspends recognised when it is known with reasonable certainty the final position of the relevant contract. Final production fees are recognised on completion of the productions in line with the underlying contractual agreement. Where productions are in progress and where sales invoiced exceed the cost of work completed, the excess is shown as deferred income. Where the value of work completed exceeds the invoiced amount, the excess is shown as accrued income. When it is probable that total production costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Revenue in respect of distribution and licensing income is recognised when the group has earned the right to recognise the revenue and has complied with the terms of the licence agreement and represents amounts receivable under such contracts.

**Grants**

Grants in respect of capital expenditure are credited to a deferred income account and are released to the income statement over the expected useful lives of the relevant assets. Grants of a revenue nature are credited to income in the year to which they relate.

**Operating profit**

Operating profit is stated after charging/(crediting) the share of results of joint ventures and charging provisions for impairment in investments in associates, but before investment income and finance costs.

**Pensions**

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

**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.

Assets held under finance leases are recognised as assets in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a financial lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

### 2. ACCOUNTING POLICIES (continued)

#### Taxation

The tax expense represents the sum of the tax currently payable, and deferred tax.

The tax currently payable is based on taxable profit for the year. 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.

A group subsidiary, Boom Films Limited, is a special purpose vehicle involved in the production of Theatrical Films. As such Boom Films Limited receives film tax credits based on a percentage of production expenditure. These credits are recognised in the income statement as part of the tax charge for the year once sufficient evidence exists to support the income recognition.

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 generally 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.

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

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.

#### Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any recognised impairment loss. They are depreciated to their residual value using the straight-line method over their expected useful lives as follows:

Leasehold property improvements	-	Over the period of the lease
Plant and machinery	-	14.3% to 20% straight-line
Fixtures and fittings	-	15% to 20% straight-line
Motor vehicles	-	20% to 25% straight-line
Computer equipment	-	20% to 25% straight-line

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset, and is recognised in the income statement.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended 31 May 2010

#### 2. ACCOUNTING POLICIES (continued)

##### Development costs

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

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

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are recognised on a straight-line basis over their useful lives of three years. The costs of developing programmes not meeting the IAS 38 "Intangible Assets" criteria are written off to the income statement.

##### Programme catalogue

Investments in programme catalogues are capitalised at cost less provision for impairment. The cost is amortised over three years, the expected period of distribution income.

##### Separable intangibles

When an acquisition is made, a review is undertaken to identify separately identifiable non-monetary assets that meet the definition under IAS 38 "Intangible assets". In respect of acquisitions made in the period since transition to IFRS, customer relationships and non-compete agreements were recognised as being separately identifiable. The fair value was determined on a basis that reflects the amounts the acquirer would have paid for the assets in arm's length transactions between knowledgeable willing parties.

Contractual customer relationships are amortised over their useful economic lives. Non-contractual customer relationships have an indefinite life and are subject to an annual impairment review. Non-compete agreements are amortised over the life of the agreement, which is an average of two years.

##### Other intangibles

Costs of acquiring rights to commission income from talent management contracts are amortised over three years, the period the group will benefit from the contracts. Costs of building commercial websites are amortised over two years, the period the group will benefit from the websites. Costs of acquiring publishing rights are capitalised and amortised over 20 years, being the period that the company will benefit from the right.

##### 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 indications exist, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

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 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010****2. ACCOUNTING POLICIES (continued)****Impairment of tangible and intangible assets excluding goodwill (continued)**

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 years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

**Investments**

Investments in subsidiaries and associates are held as non-current assets and are stated at cost less provision for any impairment.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct material costs. Net realisable value represents the estimated selling price less all estimated costs of completion.

**Financial instruments**

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provision of the instrument.

*Trade receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits held at call with banks.

*Trade payables*

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

*Equity instruments*

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

**Provisions**

Provisions are recognised when the group has a present obligation as a result of a past event and it is probable that the group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended 31 May 2010

#### 2. ACCOUNTING POLICIES (continued)

##### Share-based payments

The group has applied the requirements of IFRS 2 “Share-based payments”. In accordance with the transitional provision, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The group issues equity-settled, share-based payments to certain employees. Equity-settled, share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled, share-based payments is expensed on a straight-line basis over the vesting period, based on the group’s estimate of share that will eventually vest.

Fair value is measured by use of a Black-Scholes model. 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.

#### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

##### Critical judgements in applying the company’s accounting policies

In the process of applying the company’s accounting policies, which are described in note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

##### Revenue recognition

Production revenue is recognised over the period of the related production activity which requires management to consider the costs incurred to the balance sheet date and estimate the costs to completion of the production, as described in note 2.

In making these judgements, management considered the detailed criteria for the recognition of revenue set out in IAS 18 “Revenue” and the principles of IAS 11 “Construction contracts” for further guidance as it applies to both revenue and expenses. Following detailed review of the group’s production contracts, the directors are satisfied that recognition of revenue as reported is appropriate.

##### Identification and measurement of separate intangible assets acquired in a business combination

IFRS 3 “Business Combinations” requires the acquirer to recognise separately an intangible asset of the acquiree at the acquisition date if it meets the definition of an intangible asset in IAS 38 “Intangible Assets” and its fair value can be measured reliably.

IAS 38 defines an intangible asset as ‘an identifiable non-monetary asset without physical substance.’

An asset meets the identifiability criterion in the definition only if it:

- a) is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- b) arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

IFRS 3 requires the acquirer to determine the fair value of intangibles by reference to an active market as defined in IAS 38; or, if no active market exists, on a basis that reflects the amounts the acquirer would have paid for the assets in arm’s length transactions between knowledgeable willing parties, based on the best information available.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended 31 May 2010

#### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

##### Identification and measurement of separate intangible assets acquired in a business combination (continued)

The separate intangible assets acquired as part of business combinations effected after the transition to IFRSs are detailed in note 12. The values of the separate intangible assets were estimated on the following basis:

##### Non compete

**agreements:** using a “discounted cash flow”; by estimating the potential cash flows that could be lost if the agreements had not been in place. This requires the entity to estimate the future cash flows and a suitable discount rate in order to calculate present value.

##### Customer

**relationships:** using an “excess earnings income approach”; by estimating the cash flows expected to be generated from the relationships net of a reasonable return on other assets also contributing to that stream of cash flows, discounted at an appropriate rate of return. This requires the entity to estimate the future cash flows and a suitable discount rate in order to calculate present value.

Determining the useful economic life of intangibles arising on business combinations requires an estimation. Non-contractual customer relationships with broadcasters are considered to have an indefinite life and are subject to an annual impairment review.

##### Impairment of goodwill

The group tests annually for impairment or more frequently if there are indications that goodwill may be impaired.

The recoverable amount of the goodwill is determined from value in use calculations. The key assumptions and estimates for the value in use calculations are those regarding the discount rates, growth rates and expected changes to sales 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 cash-generating units.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management (which take into account the group’s pipeline of productions, past experience and industry growth forecasts) for the next three years and extrapolates cash flows for the following seven years assuming annual growth of 2.5% per annum from that date.

##### Estimation of future deferred contingent consideration payments

As of the 31 May 2010 balance sheet date the group has recorded estimated future payments related to the acquisition of Indus Films Limited. When discounted to present value the total of these payments is estimated at £0.8 million and that amount is reflected on the balance sheet at 31 May 2010. Since the payments will be dependent on the actual future financial performance of the business an estimate is required to approximate future business conditions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Year ended 31 May 2010

#### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

In 2010, the group adopted IFRS 8 'Operating Segments'. The impact of the accounting standard is purely presentational. The principal activity of the group is that of independent television production. At 31 May 2010 the group is organised into one business segment. This is based upon the Group's internal organisation and management structure and the primary way in which the Chief Operating Decision Maker is provided with financial information. The Chief Operating Decision Maker has been defined as the Board of Executive Directors.

As the group only operates in one business segment, no additional business segmental analysis has been shown.

All material business activities are located within the UK and therefore the group operates in a single geographical segment.

The group has two major customers, the BBC and S4C, which individually account for more than 10% of the group's revenue. The total revenue in the year from these two customers was £19,297,000 (2009 - £17,761,000) which represents 90% (2009 - 90%) of the group's total revenue.

#### 5. OPERATING PROFIT

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>This has been arrived at after charging/(crediting)</b>		
Government grants - capital	(117)	(165)
Government grants - revenue	(87)	(25)
Depreciation of property, plant and equipment		
- owned assets	276	254
- leased assets	170	142
Amortisation of intangible fixed assets	61	68
Loss/(profit) on sale of property, plant and equipment	2	(37)
Staff costs (see note 6)	5,373	4,580
Auditors' remuneration - audit services	46	44
Auditors' remuneration - non-audit services	13	21
	<u>          </u>	<u>          </u>
	<b>£'000</b>	<b>£'000</b>
<b>Auditors' remuneration</b>		
The analysis of auditors' remuneration is as follows:		
Fees payable to the company's auditors for the audit of the group's annual accounts	22	20
Fees payable to the company's auditors for the audit of the company's annual accounts	24	24
	<u>          </u>	<u>          </u>
Total audit fees	46	44
	<u>          </u>	<u>          </u>
Other services:		
Tax advisory services	-	6
Tax compliance services	13	15
	<u>          </u>	<u>          </u>
Total non-audit fees	13	21
	<u>          </u>	<u>          </u>

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the financial statements are required to disclose such fees on a consolidated basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2010 £'000</b>	<b>Company 2009 £'000</b>
<b>Directors' emoluments (executive and non-executive directors)</b>				
Emoluments	405	384	405	384
Contributions to money purchase pension schemes	26	25	26	25
Other benefits in kind	17	22	17	22
	<u>448</u>	<u>431</u>	<u>448</u>	<u>431</u>

The directors held 86,566 of outstanding options at the year-end (2009 – 86,566). No share options were exercised during the year by the directors (2009 - £nil). Details are as follows:

	<b>Basic salary £'000</b>	<b>Benefits in kind £'000</b>	<b>Defined contribution pension £'000</b>	<b>Total 2010 £'000</b>	<b>Total 2009 £'000</b>
Huw Eurig Davies	111	12	10	133	152
Mark Fenwick	97	8	9	114	122
Gareth Rees	82	12	7	101	92
Richard Huntingford	60	-	-	60	25
Roger Moore	20	-	-	20	20
Linda James	20	-	-	20	20
	<u>390</u>	<u>32</u>	<u>26</u>	<u>448</u>	<u>431</u>
		<b>Group No.</b>	<b>Group No.</b>	<b>Company No.</b>	<b>Company No.</b>
Number of directors in defined contribution pension scheme		<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
		<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
<b>Average number of persons employed (including directors)</b>					
Directors	6	6	6	6	6
Production	121	102	94	94	76
Administration	13	6	2	2	2
	<u>140</u>	<u>114</u>	<u>102</u>	<u>102</u>	<u>84</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>				
Wages and salaries	4,759	4,020	3,237	2,683
Social security costs	490	433	338	292
Pension costs	116	104	65	59
Equity-settled share-based payments	8	23	8	23
	<u>5,373</u>	<u>4,580</u>	<u>3,648</u>	<u>3,057</u>

**7. INVESTMENT REVENUE**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Interest on bank deposits	<u>3</u>	<u>25</u>

**8. FINANCE COSTS**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Interest on obligations under finance lease and hire purchase contracts	39	46
Other interest and similar charges	6	5
Deferred consideration finance charges	<u>31</u>	<u>20</u>
	<u>76</u>	<u>71</u>

**9. COMPANY PROFIT AND LOSS ACCOUNT**

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. Boomerang Plus Plc reported a profit for the financial year ended 31 May 2010 of £1,185,000 (2009 - £771,000).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**10. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	Note	2010 £'000	2009 £'000
<b>Current taxation</b>			
United Kingdom corporation tax:			
Current tax on income for the year at 28% (2009 - 28%)		100	194
Adjustment in respect of prior years		3	-
		<u>103</u>	<u>194</u>
<b>Total current tax</b>			
<b>Deferred tax</b>			
Origination and reversal of timing differences		115	13
	19	<u>115</u>	<u>13</u>
		<u>218</u>	<u>207</u>

The difference between the total tax shown above and the amount calculated by applying the standard rate of United Kingdom corporation tax to the profit before tax is as follows:

	£'000	£'000
Profit on ordinary activities before tax	535	1,094
Tax on profit on ordinary activities before tax at 28% (2009 - 28%)	150	306
<b>Factors affecting charge for the year</b>		
Expenses not deductible for tax purposes	27	34
Non-deductible amortisation and impairment charges	25	6
Capital allowances (in excess of)/less than depreciation	(103)	17
Tax losses	23	7
Other	(20)	(8)
Marginal relief	-	(2)
UK Film tax credit adjustment	-	(166)
Adjustment in respect of prior years	3	-
Origination and reversal of timing differences	(2)	-
	<u>103</u>	<u>194</u>

Included within the current tax charge in 2009 is a credit of £219,000. This relates to the UK Film tax credit earned within Boom Films Limited, a subsidiary company.

The reduction in the corporation tax rate from 28% to 27%, from 1 April 2011 is not anticipated to materially affect the tax charge.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**11. EARNINGS PER SHARE**

The calculation of the basic, diluted and adjusted earnings per share is based on the following data:

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<i>Earnings</i>		
Profit for the year	317	887
Exceptional administrative expenses	73	66
Amortisation of intangibles arising on business acquisitions	20	21
Provision for impairment of investments	70	-
Equity-settled share-based payments	7	23
	<u>487</u>	<u>997</u>
<i>Number of shares</i>		
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,911,902	8,903,478
Effect of dilutive potential ordinary shares:		
Share options	153,798	238,178
	<u>9,065,700</u>	<u>9,141,656</u>
Dilutive weighted average number of shares		
Earnings per ordinary share – basic	<u>3.56p</u>	<u>9.96p</u>
Earnings per ordinary share – diluted	<u>3.50p</u>	<u>9.70p</u>
Adjusted earnings per share – basic	<u>5.47p</u>	<u>11.20p</u>
Adjusted earnings per share – diluted	<u>5.38p</u>	<u>10.91p</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**12. GOODWILL AND OTHER INTANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Goodwill £'000</b>	<b>Customer relationships £'000</b>	<b>Non- compete agreements £'000</b>	<b>Programmes catalogue £'000</b>	<b>Other £'000</b>	<b>Publishing rights £'000</b>	<b>Total £'000</b>
<b>Cost</b>							
At 1 June 2008	2,108	1,197	37	46	74	-	3,462
Additions	23	-	-	-	-	-	23
At 1 June 2009	2,131	1,197	37	46	74	-	3,485
Additions	918	862	24	-	-	458	2,262
Disposals	-	-	-	-	(59)	-	(59)
At 31 May 2010	3,049	2,059	61	46	15	458	5,688
<b>Amortisation</b>							
At 1 June 2008	-	66	28	4	27	-	125
Charge for the year	-	12	9	12	35	-	68
At 1 June 2009	-	78	37	16	62	-	193
Charge for the year (*)	-	16	4	12	12	17	61
Disposal in the year	-	-	-	-	(59)	-	(59)
At 31 May 2010	-	94	41	28	15	17	195
<b>Carrying amount</b>							
At 31 May 2010	3,049	1,965	20	18	-	441	5,493
At 31 May 2009	2,131	1,119	-	30	12	-	3,292

(\*) Amortisation of intangibles arising on business acquisitions of £20,000 (2009 - £21,000) relate to the amortisation of customer relationships and non-compete agreements.

**Goodwill, customer relationships and non-compete agreements**

Goodwill, customer relationships and non-compete agreements arise on acquisition (business combination). Included in customer relationships are non-contractual relationships of £1,893,000 (2009 - £1,035,000). These relationships are key to the long-term future of the relevant businesses and are therefore considered to have an indefinite life and are subject to an annual impairment review. Contractual customer relationships are amortised over the life of the existing contract, which is one year. Non-compete agreements are amortised over the life of the agreement, which is an average of two years.

Additions to goodwill, customer relationships and non-compete agreements in the year relate to the acquisition of Indus Films Limited. See note 25 for further detail.

Additions to publishing rights relate to the acquisition of the publishing rights to the Method Magazine.

Goodwill and non-contractual relationships acquired in a business combination are allocated at acquisition to the cash generating units ("CGUs") that are expected to benefit from the business combination. Before recognition of any impairment losses, the carrying amount of goodwill and non-contractual relationships has been allocated as follows:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**12. GOODWILL AND OTHER INTANGIBLE FIXED ASSETS (continued)**

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
<b>Goodwill</b>		
Boomerang	1,835	1,835
Mwnai Cyfyngedig	296	296
Indus Films Limited	918	-
	<u>3,049</u>	<u>2,131</u>
	<b>£'000</b>	<b>£'000</b>
<b>Non-contractual customer relationships</b>		
Boomerang	1,035	1,035
Indus Films Limited	858	-
	<u>1,893</u>	<u>1,035</u>

The “Boomerang” CGU includes Fflic Cyfyngedig, Cynhyrchiadau Alfresco Productions Cyfyngedig and Ffilmiau Apollo Cyfyngedig as this is operated as one business unit.

The group tests goodwill and non-contractual customer relationships 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 and extrapolates cash flows for the following seven years based on an estimated growth rate of 2.5% per annum. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows of each of the CGUs as defined above was 12%.

**Programme catalogue**

Programme catalogue relates to investment in programmes held for distribution.

**Other intangibles**

Other intangible fixed assets relate to rights to commission income from talent management contracts and the costs of building commercial websites.

**Publishing rights**

Publishing rights are capitalised and amortised over 20 years, being the period that the company will benefit from the right.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**12. GOODWILL AND OTHER INTANGIBLE FIXED ASSETS (continued)**

<b>Company</b>	<b>Goodwill £'000</b>	<b>Pro- gramme catalogue £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 June 2008 and 1 June 2009	-	25	25
Transfer from group company	-	20	20
Transfer from investments	1,270	-	1,270
	<hr/>	<hr/>	<hr/>
At 31 May 2010	1,270	45	1,315
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At 1 June 2008	-	4	4
Charge for the year	-	3	3
	<hr/>	<hr/>	<hr/>
At 1 June 2009	-	7	7
Transfer from group company	-	8	8
Charge for the year	-	12	12
	<hr/>	<hr/>	<hr/>
At 31 May 2010	-	27	27
	<hr/>	<hr/>	<hr/>
<b>Carrying amount</b>			
At 31 May 2010	1,270	18	1,288
	<hr/>	<hr/>	<hr/>
At 31 May 2009	-	18	18
	<hr/>	<hr/>	<hr/>

The transfer to goodwill relates to the reclassification of investment in Cynhyrchiadau Alfresco Productions Cyfyngedig from investments to goodwill following the transfer of all new contracts to Boomerang Plus Plc.

The "Boomerang" CGU includes Fflic Cyfyngedig, Cynhyrchiadau Alfresco Productions Cyfyngedig and Ffilmiau Apollo Cyfyngedig as this is operated as one business unit. Consideration of impairment of the goodwill is as set out for the group on pages 33 and 34.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**13. PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Leasehold property improve- ments £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 June 2008	382	1,531	344	110	171	2,538
Additions	9	364	5	9	50	437
Disposals	-	(127)	-	(54)	-	(181)
At 1 June 2009	391	1,768	349	65	221	2,794
Additions	58	1,492	26	26	52	1,654
Disposals	-	-	-	(9)	-	(9)
Acquisition of subsidiary	-	97	40	-	59	196
At 31 May 2010	449	3,357	415	82	332	4,635
<b>Depreciation</b>						
At 1 June 2008	70	543	114	69	80	876
Charge for the year	33	241	64	14	44	396
Eliminated on disposal	-	(118)	-	(46)	-	(164)
At 1 June 2009	103	666	178	37	124	1,108
Charge for the year	33	286	60	12	55	446
Eliminated on disposal	-	-	-	(6)	-	(6)
Acquisition of subsidiary	-	85	29	-	42	156
At 31 May 2010	136	1,037	267	43	221	1,704
<b>Net book value</b>						
At 31 May 2010	313	2,320	148	39	111	2,931
At 31 May 2009	288	1,102	171	28	97	1,686

Included within the net book value of £2,931,000 (2009 - £1,686,000) are the following assets held under hire purchase and finance lease agreements:

	<b>Lease- hold property improve- ments £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
At 31 May 2010	29	1,882	3	41	1,955
At 31 May 2009	32	805	-	25	862

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**13. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Company</b>	<b>Leasehold property improve- ments £'000</b>	<b>Plant and machinery £'000</b>	<b>Fixtures and fittings £'000</b>	<b>Motor vehicles £'000</b>	<b>Computer equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
At 1 June 2008	277	1,245	249	88	119	1,978
Additions	8	360	3	9	48	428
Disposals	-	(127)	-	(39)	-	(166)
At 1 June 2009	285	1,478	252	58	167	2,240
Additions	49	1,341	22	27	46	1,485
At 31 May 2010	334	2,819	274	85	213	3,725
<b>Depreciation</b>						
At 1 June 2008	38	449	169	55	51	762
Charge for the year	19	187	23	11	34	274
Eliminated on disposal	-	(118)	-	(34)	-	(152)
At 1 June 2009	57	518	192	32	85	884
Charge for the year	19	225	16	12	37	309
At 31 May 2010	76	743	208	44	122	1,193
<b>Net book value</b>						
At 31 May 2010	258	2,076	66	41	91	2,532
At 31 May 2009	228	960	60	26	82	1,356

Included within the net book value of £2,532,000 (2009 - £1,356,000) are the following assets held under hire purchase and finance lease agreements:

	<b>Leasehold property improvements £'000</b>	<b>Plant and machinery £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
At 31 May 2010	29	1,767	41	1,837
At 31 May 2009	32	717	25	774

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**14. INVESTMENTS**

<b>Group</b>	<b>Investment in joint ventures £'000</b>	<b>Investment in associates £'000</b>	<b>Investments £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 June 2008	54	102	70	226
Acquisitions in the year	-	27	-	27
Share of (loss)/profit	(10)	6	-	(4)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 June 2009	44	135	70	249
Acquisitions	-	325	-	325
Write-off of investment in associate	-	(102)	-	(102)
Share of profit/(loss)	33	(64)	-	(31)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2010	77	294	70	441
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Impairment and amortisation</b>				
At 1 June 2008 and 1 June 2009	-	102	-	102
Impairment in the year	-	-	70	70
Write-off of investment in associate	-	(102)	-	(102)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 2010	-	-	70	70
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 May 2010	77	294	-	371
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 May 2009	44	33	70	147
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year the group invested £325,000 for a 25% shareholding in Big Freeze Limited.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**14. INVESTMENTS (continued)**

<b>Company</b>	<b>Investment in associates £'000</b>	<b>Investment in subsidiaries £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 June 2008	102	4,757	4,859
Adjustments	-	22	22
Write-off of investment in associates	(102)	-	(102)
	<hr/>	<hr/>	<hr/>
At 1 June 2009	-	4,779	4,779
Additions in the year	326	1,963	2,289
Transfer to goodwill	-	(1,270)	(1,270)
	<hr/>	<hr/>	<hr/>
At 31 May 2010	326	5,472	5,798
	<hr/>	<hr/>	<hr/>
<b>Impairment and amortisation</b>			
At 1 June 2008	102	-	102
Write-off of investment in associates	(102)	-	(102)
	<hr/>	<hr/>	<hr/>
At 1 June 2009 and 31 May 2010	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
At 31 May 2010	326	5,472	5,798
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 May 2009	-	4,779	4,779
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The company acquired Indus Films Limited during the year. See note 25 for further information.

The investment in respect of Cynhyrchiadau Alfresco Productions Cyfyngedig was transferred to goodwill as the remaining trade of the company was hived up into Boomerang Plus Plc on 1 June 2009.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**14. INVESTMENTS (continued)**

The company's investments in group companies relate to:

<b>Subsidiaries</b>	<b>Holding (£1 ordinary shares)</b>	<b>Activity</b>	<b>Country of incorporation</b>
Fflic Cyfyngedig	100%	Television production	Wales
Cynhyrchiadau Boomerang Cyfyngedig	100%	Holding company	Wales
Cynhyrchiadau Alfresco Productions Cyfyngedig*	100%	Dormant	Wales
218 Holdings Limited	100%	Holding company	Wales
Mwnai Cyfyngedig*	100%	Post production	Wales
Ffilmiau Apollo Cyfyngedig	100%	Holding company	Wales
Teledu Apollo Cyfyngedig*	100%	Television production	Wales
Boom Films Limited	100%	Theatrical Films	Wales
Boom Freesports Limited	88%	Rights management	Wales
Boom Talent Limited	51%	Talent management	Wales
Indus Films Limited	100%	Television production	Wales
Boom Extreme Publishing Limited	75%	Multimedia publishing	Wales
<b>Joint ventures</b>			
Hanner:Hanner Cyfyngedig*	50%	Television production	Wales
Adnoddau Zoom Cyfyngedig*	50%	Television facilities	Wales
Calon/Boom JV Limited*	50%	Distribution	Wales
<b>Associates</b>			
Media4Enterprises Limited*	40%	Holding company	Wales
Media4Creative Limited*	40%	Media training, education and production	Wales
Big Freeze Limited	25%	Event production	England

\*indirectly held.

**15. INVENTORIES**

<b>Group</b>	<b>2010 £'000</b>	<b>2009 £'000</b>
Consumables	9	-

**16. OTHER FINANCIAL ASSETS**

**Trade and other receivables**

	<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2010 £'000</b>	<b>Company 2009 £'000</b>
Trade receivables	1,846	1,354	745	644
Other receivables	447	1,070	1,516	1,361
Prepayments and accrued income	1,865	1,201	1,349	1,028
	<u>4,158</u>	<u>3,625</u>	<u>3,610</u>	<u>3,033</u>

The group's and the company's principal financial assets are cash and cash equivalents, trade receivables and other receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

## 16. OTHER FINANCIAL ASSETS (continued)

**Trade and other receivables (continued)****Trade receivables**

The average credit period taken on group sales was 27 days (2009 – 22 days). An allowance has been made for estimated irrecoverable amounts of £59,000 (2009 - £15,000) based on a specific review of each trade receivable. The movement in the year is the income statement charge for the year. Gross trade receivables were £1,905,000 (2009 - £1,369,000).

The average credit period taken on company sales was 18 days (2009 – 16 days). An allowance has been made for estimated irrecoverable amounts of £4,000 (2009 - £nil) based on a specific review of each trade receivable. Gross trade receivables were £749,000 (2009 - £644,000).

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

The group's credit risk is primarily attributable to its trade and other receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the group's management based on prior experience and its assessment of the current economic environment. There is a concentration of receivables credit risk with the group's principal customer, S4C.

At 31 May 2010, trade receivables of £1,304,000 (2009 - £463,000) were within the group's standard payment terms of 30 days and trade receivables of £409,000 (2009 - £159,000) were within the company's standard payment terms. The directors believe that no further impairment provision is required. Included in the group and company trade receivable balance are debtors which are past due at the reporting date for which the group has not made an impairment provision. The majority of these amounts is outstanding due to outstanding programme paperwork and, as such, is still considered recoverable.

The age of trade receivables past due but not considered impaired is as follows:

	<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2010 £'000</b>	<b>Company 2009 £'000</b>
Less than three months	446	456	281	302
Three months to six months	20	155	9	126
Six months to one year	51	42	32	15
Over one year	25	238	14	42
	<u>542</u>	<u>891</u>	<u>336</u>	<u>485</u>

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the group's maximum exposure to credit risk.

**Other receivables**

Other receivables do not include any impaired amounts or any amounts past due. Group other receivables mainly comprise amounts owed from joint ventures, and company other receivables mainly comprise amounts owed from group companies (see note 28 for further detail).

**Cash and cash equivalents**

These comprise cash in hand and deposits held at call with banks. The carrying amount of these assets approximates their fair value. The group has composite guarantees with companies within the group which represent contingent liabilities. The guarantee at the year-end is £519,000 (2009 - £185,000).

The credit risk on liquid funds is limited because, whilst the majority of liquid funds are held with the group's principal bankers, Coutts, they are also held with various other counterparties, all of which are banks with high credit-ratings assigned by international credit-rating agencies. There is no significant concentration of credit risk on liquid funds.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**17. INTEREST-BEARING LOANS AND BORROWINGS**

	<b>Group</b> <b>2010</b> <b>£'000</b>	<b>Group</b> <b>2009</b> <b>£'000</b>	<b>Company</b> <b>2010</b> <b>£'000</b>	<b>Company</b> <b>2009</b> <b>£'000</b>
<b>Current liabilities</b>				
Hire purchase and finance lease agreements	492	307	460	303
<b>Non-current liabilities</b>				
Hire purchase and finance lease agreements	742	175	681	175

The hire purchase and finance lease obligations are repayable as follows:

	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Hire purchase contracts and finance leases</b>				
Within one year	492	307	460	303
Between one and two years	405	146	369	146
Between two and five years	337	29	312	29
	<u>1,234</u>	<u>482</u>	<u>1,141</u>	<u>478</u>

Obligations under finance lease and hire purchase contracts are secured on the related assets. See note 20 for further detail on finance lease contracts.

**18. OTHER FINANCIAL LIABILITIES**

**Trade and other payables**

	<b>Group</b> <b>2010</b> <b>£'000</b>	<b>Group</b> <b>2009</b> <b>£'000</b>	<b>Company</b> <b>2010</b> <b>£'000</b>	<b>Company</b> <b>2009</b> <b>£'000</b>
<b>Current liabilities</b>				
Trade payables	830	315	349	189
Other taxation and social security	1,018	401	433	238
Other creditors	40	79	37	71
Accruals and deferred income	2,727	1,311	1,070	627
	<u>4,615</u>	<u>2,106</u>	<u>1,889</u>	<u>1,125</u>
<b>Non-current liabilities</b>				
Other creditors	47	17	47	17

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 17 days (2009 – 7 days) for the group and 13 days (2009 – 6 days) for the company. There are no trade payables past due for either group or company. The directors consider that the carrying amount of trade and other payables approximates their fair value for the group and company. The trade payables, other taxation and social security, will be settled within the next year. The group's and company's financial liabilities are carried at amortised cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

## 19. DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the group and company and movements thereon during the current and prior reporting period.

	Accelerated capital allowances £'000	Short- term timing differences £'000	Total £'000
<b>Group</b>			
Balance at 1 June 2008	104	(1)	103
Charge to the income statement	13	-	13
	<hr/>	<hr/>	<hr/>
Balance at 1 June 2009	117	(1)	116
Acquisition of subsidiary	1	-	1
Charge to the income statement	114	1	115
	<hr/>	<hr/>	<hr/>
At 31 May 2010	232	-	232
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Company</b>			
Balance at 1 June 2008	89	(1)	88
Charge to the income statement	28	-	28
	<hr/>	<hr/>	<hr/>
Balance at 1 June 2009	117	(1)	116
Charge to the income statement	110	1	111
	<hr/>	<hr/>	<hr/>
At 31 May 2010	227	-	227
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## 20. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments			
	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Amounts payable under finance leases:				
Within one year	526	333	489	328
In the second to fifth years inclusive	762	182	699	182
	<hr/>	<hr/>	<hr/>	<hr/>
Total value of lease obligations	1,288	515	1,188	510
Less: future finance charges	(54)	(33)	(47)	(32)
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligations	1,234	482	1,141	478
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

It is the group's policy to lease certain property, plant and machinery under finance leases. The average lease term is three years. For the year ended 31 May 2010, the average effective borrowing rate was 6.8% (2009 – 8.1%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The carrying amount of the borrowings approximates their fair value.

The contractual payments in respect of finance leases based on the undiscounted cash flows and the earliest date on which the group and company can be required to pay are shown above.

All lease obligations are denominated in sterling. The fair value of the group's lease obligations approximates their carrying amount. The group's obligations under finance leases are secured by the lessors' rights over the leased assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

## 21. DEFERRED CONSIDERATION

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<b>Current liabilities</b>				
Deferred consideration	333	209	333	209
<b>Non-current liabilities</b>				
Deferred consideration	722	-	722	-
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Deferred consideration</b>				
Within one year	333	209	333	209
Between one and two years	(25)	-	(25)	-
Between two and five years	747	-	747	-
	1,055	209	1,055	209
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Movement in deferred consideration</b>				
At 1 June	209	333	209	333
Adjustment	-	22	-	22
Payment	(209)	(146)	(209)	(146)
Deferred consideration finance charge	24	-	24	-
Purchase of subsidiary (note 25)	1,031	-	1,031	-
At 31 May	1,055	209	1,055	209

## 22. FINANCIAL INSTRUMENTS

**Capital risk management**

The group and company 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 cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, are disclosed in the statement of changes in equity.

**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.

**Financial risk management objectives**

The Board manages the financial risks of the group and company. These risks may include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

**Market risk**

The group and company activities do not expose it to the financial risks of changes in foreign currency exchange rates and interest rates. If these risks arise in future, the Board will consider whether it is appropriate to enter into derivative financial instruments to manage its exposure to interest rate and foreign currency risk.

As the group and company are not susceptible to foreign currency exchange rates and interest rates, no sensitivity analysis has been provided.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

## 22. FINANCIAL INSTRUMENTS (continued)

**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 and company. The group and company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group and company only transact with entities that are rated the equivalent to investment grade and above. The group and company exposure and the credit ratings of their counterparties are continuously monitored.

The group and company have a concentration of credit risk with their principal customer, S4C. The credit risk with S4C is limited as S4C is a public service broadcaster. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Board of directors. The group and company manage liquidity risk by maintaining adequate cash reserves and continuously monitor forecast and actual cash flows. They have no bank borrowings at present.

The group and company expect to meet their obligations from their cash reserves and their operating cash flows. This is currently not a significant risk.

The only interest-bearing liabilities relate to the hire purchase and finance lease arrangements as detailed in note 20.

**Fair value of financial instruments**

The fair values of non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values. The group does not presently have any derivative financial instruments.

## 23. CALLED UP SHARE CAPITAL

	<b>Group 2010 £'000</b>	<b>Group 2009 £'000</b>	<b>Company 2010 £'000</b>	<b>Company 2009 £'000</b>
<b>Authorised</b>				
30,000,000 ordinary shares of 1p each	300	300	300	300
<b>Called up, allotted and fully paid</b>				
8,914,731 (2009 – 8,911,231) ordinary shares of 1p each	89	89	89	89

On 22 March 2010, 3,500 1p ordinary shares were issued for cash pursuant to the exercise of an option at an average exercise price of 28p per share.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**24. SHARE-BASED PAYMENTS**

The group, through Boomerang Plus Plc, has a share option scheme for certain employees.

The fair values of services received in return for share options granted to employees are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model (with the expectations of early exercise incorporated into the model).

Details of the share options outstanding during the year were as follows:

	2010		2009	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
Outstanding at beginning of the year	405,894	66.7	415,894	65.7
Forfeited during the year	(3,500)	28.1	-	-
Exercised during the year	(3,500)	31.3	(10,000)	25
Outstanding at the end of the year	<u>398,894</u>	67.3	<u>405,894</u>	66.7
Exercisable at the end of the year	<u>398,894</u>	67.3	<u>268,614</u>	37.5

1p shares under option	Grant date	Exercise price	Vesting conditions
<b>EMI share options</b>			
99,500	30 June 2005	25p	Vested
149,317	29 September 2006	36p	Vested
137,280	15 October 2007	124p	Vested
<b>Unapproved share options</b>			
12,797	29 September 2006	156p	Vested

The options outstanding at 31 May 2010 had a weighted average contractual life of 6.3 years (2009 - 7.3 years).

The principal assumptions used in assessing the fair value of share options, using the Black-Scholes model, were as follows:

	2010	2009
Weighted average share price	124p	124p
Weighted average exercise price	124p	124p
Expected volatility	25%	25%
Expected life	2-4 years	2 - 4 years
Risk-free interest rate	4.5%	4.5%
Expected dividend yield	0%	0%

Share options lapse on the tenth anniversary of the date of grant or on employees leaving the group. 3,500 options lapsed during the year following employees leaving the group (2009 – nil).

Expected volatility was determined by reference to the historical volatility of listed competitors' share prices. 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.

The group recognised total expenses of £7,000 (2009 - £23,000) related to equity-settled, share-based payment transactions during the year. No share options were granted during the current or prior financial year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**25. ACQUISITION OF SUBSIDIARIES**

On 19 October 2009, Boomerang Plus Plc acquired the entire share capital of Indus Films Limited, an independent television production company. The initial consideration was £1,100,000 of which £880,000 was paid on completion and £220,000 was paid on 19 October 2010. Further consideration of up to £1,295,000 is payable in cash or shares based on the performance of Indus Films Limited in the three years post completion. The directors have estimated based on forecasts that £802,000 of the contingent consideration will become payable and this has been provided in the accounts. The transaction has been accounted for by the purchase method of accounting.

Outlined below are the provisional fair values of assets acquired. No fair value adjustments have been booked.

	<b>Book and fair value £'000</b>
<b>Net assets acquired</b>	
Property, plant and equipment	40
Receivables	434
Cash and cash equivalents	164
Payables	(465)
Hire purchase	(13)
Deferred tax	(1)
	<hr/>
	159
Goodwill	918
Customer relationships	862
Non compete agreements	24
	<hr/>
Total consideration	1,963
	<hr/> <hr/>
<b>Satisfied by</b>	
Cash	880
Deferred consideration	229
Deferred contingent consideration	802
	<hr/>
Purchase consideration	1,911
Directly attributable costs	52
	<hr/>
Total consideration	1,963
	<hr/> <hr/>
	<b>£'000</b>
<b>Net cash outflow arising on acquisition</b>	
Cash consideration	880
Costs	52
Cash and cash equivalents acquired	(164)
	<hr/>
	768
	<hr/> <hr/>

The goodwill arising on the acquisitions relates to creative talent and opportunities which do not meet the criteria for recognition as separate intangible fixed assets.

See note 3 and 12 for further detail on separable intangible assets recognised

Indus has contributed £2,761,204 to revenue and £22,826 to profit before tax for the period from the date of acquisition to the balance sheet date. If the acquisition had been completed by the first day of the financial year, group revenue and group profit before tax would be £993,021 higher and £24,437 lower respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 May 2010

## 26. OPERATING LEASE ARRANGEMENTS

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised as an expense in the year	260	224

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases in respect of office properties which fall due as follows:

	£'000	£'000
Land and buildings		
Within one year	197	170
Between one and two years	155	94
Between two and five years	206	60
	<u>558</u>	<u>324</u>

## 27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
<b>Profit from operations</b>	608	1,140	373	551
Adjustment for:				
Amortisation of intangible fixed assets	61	68	12	3
Depreciation of property, plant and equipment	446	396	309	274
Loss/(profit) on property, plant and equipment disposals	2	(37)	-	(37)
Government grants	(117)	(165)	(113)	(150)
Results of joint venture	20	5	-	-
Provision for impairment of investment	70	-	-	-
Equity-settled share-based payments	7	23	7	23
	<u>1,097</u>	<u>1,430</u>	<u>588</u>	<u>664</u>
Operating cash flows before movement in working capital				
Decrease in receivables	(79)	(775)	(577)	(827)
Increase/(decrease) in payables	2,109	(2,823)	809	(1,265)
(Increase)/decrease in inventory	(9)	3	-	-
	<u>3,118</u>	<u>(2,165)</u>	<u>820</u>	<u>(1,428)</u>
Cash generated by operations				
Income taxes paid	(451)	(592)	(152)	(182)
Interest paid	(52)	(71)	(47)	(65)
	<u>2,615</u>	<u>(2,828)</u>	<u>621</u>	<u>(1,675)</u>

Additions to plant and machinery during the year amounting to £1.11 million were financed by new finance leases.

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010****28. RELATED PARTY TRANSACTIONS****Group**

The ultimate parent company of the group is Boomerang Plus Plc. There is no one controlling party.

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and other related parties are disclosed below.

Included in other receivables is £6,424 (2009 - £9,835) owed by Hanner:Hanner Cyfyngedig, £70,409 (2009 - £149,352) owed by Adnoddau Zoom Cyfyngedig and £250,005 (2009 - £250,005) owed by Calon/Boom JV Limited which are 50% joint ventures of Boomerang Plus Plc. Also included in other receivables is £43,333 (2009 - £33,333) owed by Media4Enterprises Limited which is a 40% associate of Boomerang Plus Plc, and £46,250 from Big Freeze Limited, which is a 25% associate.

R Huntingford, a director of the company, provided consultancy services of £5,000 (2009 - £13,750) during the year in addition to his remuneration as non-executive Chairman.

E Walford, a close family member of a director, provided services of £nil (2009 - £1,732) as a freelance presenter to the group. Holly Accountants, a close family member of a director, provided consultancy services of £13,900 (2009 - £13,750) to the group.

The remuneration of the directors, who are key management personnel of the group, is set out in note 6.

Sales of goods to related parties were made at the group's usual list prices, no discounts being given. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Year ended 31 May 2010**

**28. RELATED PARTY TRANSACTIONS (continued)**

Company	2010		2009	
	Sale of services £'000	Purchase of services £'000	Sale of services £'000	Purchase of services £'000
Teledu Apollo Cyfyngedig	168	-	85	-
Fflic Cyfyngedig	287	-	341	8
Cynhyrchiadau Alfresco Productions Cyfyngedig	-	-	186	-
Mwnici Cyfyngedig	24	-	-	468
Boom Talent Limited	-	360	-	-
Boom Freesports Limited	-	30	-	25
Indus Films Limited	3	-	-	-
	<u>482</u>	<u>390</u>	<u>612</u>	<u>501</u>

  

Company	2010		2009	
	Amounts owed by related parties £'000	Amounts owed to related parties £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000
Fflic Cyfyngedig	149	-	-	1
Mwnici Cyfyngedig	-	1	-	6
Teledu Apollo Cyfyngedig	-	31	27	-
Cynhyrchiadau Alfresco Productions Cyfyngedig	-	2	130	-
218 Holdings Limited	41	-	41	-
Boom Talent Limited	82	-	59	-
Boom Freesports Limited	-	3	26	-
Hanner:Hanner Cyfyngedig	6	-	10	-
Adnoddau Zoom Cyfyngedig	-	-	149	-
Calon/Boom JV Limited	250	-	250	-
Boom Films Limited	219	-	27	-
Cynhyrchiadau Boomerang Cyfyngedig	27	-	27	-
Media4Enterprises Limited	43	-	33	-
Boom Extreme Publishing Limited	607	-	-	-
Indus Films Limited	4	-	-	-
Big Freeze Limited	46	-	-	-
	<u>1,474</u>	<u>37</u>	<u>779</u>	<u>7</u>

Sales of goods to related parties were made at the company's usual list prices, no discounts being given. Purchases were made at market price discounted to reflect the quantity of goods purchased and the relationships between the parties.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of the amounts owed by related parties.