

Date: 26 October 2009
On behalf of: Boomerang Plus plc ('Boomerang', 'the Company', or 'the Group')
Embargoed until: 0700hrs

Boomerang Plus plc

Preliminary Results

Boomerang Plus plc (AIM: BOOM.L), a profitable and vertically integrated, multi-genre, independent television production group operating within the Nations and Regions, today announces its preliminary results for the year ended 31 May 2009.

Financials

- Revenue of £19.76 million (2008: £20.93 million), a decrease of 5.6% predominantly due to delayed projects
- Operating profit of £1.14 million (2008: £1.40 million), a decrease of 19%
- Adjusted operating profit* of £1.25 million (2008: £2.20 million), a decrease of 43%
- Profit before tax of £1.10 million (2008: £1.30 million), a decrease of 16%
- Cash and cash equivalents of £3.03 million (2008: £6.33 million)

Operations

- Three-year contract for £12 million from S4C to produce programming and links for older children, reinforcing position as one of the largest children's content producers in the UK
- Revenue growth of 93% in Advertiser Funded Programming ('AFP') division to £1 million
- Produced 371 hours of television programming in calendar year 2008

** adjusted for exceptional administrative expenses (2009: £nil, 2008: £0.64 million), professional fees in relation to unsuccessful corporate transactions (2009: £0.07 million, 2008: £0.10 million), amortisation of intangible assets arising on business acquisitions (2009: £0.02 million, 2008: £0.04 million) and share-based payments (2009: £0.02 million, 2008: £0.02 million).*

Outlook

- High visibility of future commissions with a pipeline of £42.9 million of programming revenue including £16.9 million for the current financial year
- Favourable regulatory environment
- Strong balance sheet to fund future growth
- Post year end incorporation of Freesports on 4 Freeze live event joint venture
- Post year end acquisition of multimedia producer, Method
- Post year end acquisition of Indus Films Limited
- Current trading is in line with the Board's expectations.

Huw Eurig Davies, Chief Executive Officer of Boomerang Plus, commented:

"Boomerang has enjoyed some very positive and exciting developments over recent months despite the tough financial climate.

“We are very well positioned with good revenue visibility, a strong balance sheet and a market offering which is highly favoured by the regulatory environment. This provides an excellent platform for the next phase of the Group’s growth.”

- Ends -

For further information, please contact:

Boomerang Plus plc

Huw Eurig Davies, Chief Executive
Mark Fenwick, Finance Director

Via Redleaf Communications

Redleaf Communications

Anna Dunkin/ Samantha Robbins

020 7566 6731

boomerang@redleafpr.com

Altium Capital

Tim Richardson/ Melanie Szalkiewicz

020 7484 4040

Evolution Securities

Adam Lloyd

020 7071 4317

Boomerang Plus plc

- Boomerang, founded in 1994, has extensive experience in producing content in a variety of genres, including extreme sports, youth programming, music, entertainment, children’s programming, and drama.
- The market for independent television production companies in the Nations and Regions has grown following quotas from the regulator Ofcom, which require that, depending on the broadcaster, between 10 per cent. and 50 per cent. of qualifying programming hours must be sourced from outside the M25 boundary.
- Boomerang is ranked in the top three independent television production companies, by revenue, in the Nations and Regions according to the Broadcast Survey (Nations and Regions) 2009.
- Boomerang’s strategy is both to achieve strong organic growth by leveraging the Group’s existing customer base coupled with strategic acquisitions, with a view to becoming a major supplier to UK networks looking to satisfy their Nations and Regions quotas.

Chairman's Statement

I was delighted to take on the role of Non-Executive Chairman of Boomerang in October 2008 and I am pleased to present the Group's results for the year ended 31 May 2009.

It has been a difficult year for all UK broadcasters and this has inevitably had a knock-on effect on the television production sector, leading to increased pressure on programming budgets and margins, as well as creating a more uncertain commissioning environment. Boomerang has not been immune to the impact of this.

In light of this, and following a year of substantial growth in 2008, the Group has concentrated on integrating its existing businesses, growing its Advertiser Funded Programming ('AFP') division and delivering and developing a strong pipeline of projects for its key customers in order to provide long-term visibility.

We have created a well diversified group, which is amongst 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.

The long-term value of this strategic positioning has been reinforced by the public sector broadcasting review carried out by Ofcom, together with the Digital Britain report, which have both increased the quota requirements for broadcasters to commission programmes from the Nations and Regions and also strongly reinforced S4C's remit, securing its position as an integral part of the digital broadcasting future.

During the year, the Group has continued to invest in new markets such as AFP, digital media and talent management, all of which are playing increasingly important roles in the broadcasting and production business models of the future. We will continue to seek out acquisitions that are both a good strategic fit for the Group and can add value for shareholders.

Subsequent to the year-end, we were delighted in July 2009 to be awarded, in open tender, a three year £12 million contract from S4C for the provision of programming and links for older children. This is a great endorsement of the creative talent within the Company and makes us one of the UK's largest producers of children's content, a position that we will seek to exploit internationally through co-productions and sales.

After a challenging 12 months, we now have a strong foundation for the future with high visibility over future commissions having a pipeline of £42.9 million of production revenues, including £16.9 million for the current financial year. This, together with the recent acquisition of Indus Films, provides an excellent platform for the next phase of the Group's growth.

Creative-led businesses are all about people and I would therefore like to take the opportunity to thank the executive team, under the leadership of Huw Eurig Davies, and most importantly all of our staff, for their hard work, commitment and passion for Boomerang over the past year.

Richard Huntingford
Non-Executive Chairman

26 October 2009

Business Review

Financial Review

Against the backdrop of the global economic downturn, the year to 31 May 2009 was one of consolidation and integration of our businesses. Turnover decreased 5.6% to £19.76 million (2008: £20.93 million), impacted by a small number of cancelled and delayed projects, most of which will occur in the current financial year.

One of the Group's key performance indicators is gross profit which decreased by £1.02 million to £2.88 million, down by 26% on the prior year. Gross profit margins for the year were 14.6% (2008: 18.6%). This reduction was impacted by two of the Group's projects underperforming financially as well as the delays and cancellations mentioned above and general downward pressure on programme budgets. Adjusted operating profits* decreased 43% to £1.25 million (2008: £2.20 million).

Costs of £0.07 million (2008: £0.10 million) were incurred in the period in relation to professional fees in relation to unsuccessful corporate transactions. The prior year exceptional items included £0.64 million of costs associated with listing on AIM in November 2007 and £0.1 million of costs in relation to an unsuccessful merger. Reported profit before tax for the year was £1.1 million (2008: £1.30 million).

The Group had cash and cash equivalents of £3.03 million at 31 May 2009 (2008: £6.33 million). Deferred consideration payments in respect of acquisitions in prior periods of £0.15 million and debt repayments of £0.3 million were also made during the year. The Group incurred capital expenditure of £0.9 million in the year to 31 May 2009, principally on expansion and upgrade of its post production facilities.

As at 31 May 2009, the Group had net assets of £8.66 million (2008: £7.75 million).

** adjusted for exceptional administrative expenses (2009: £nil, 2008: £0.64 million), professional fees in relation to unsuccessful corporate transactions (2009: £0.07 million, 2008: £0.10 million), amortisation of intangible assets arising on business acquisitions (2009: £0.02 million, 2008: £0.04 million) and share-based payments (2009: £0.02 million, 2008: £0.02 million).*

Programming

All the Group's content production businesses, Boomerang, Fflic, Alfresco and Apollo, have contributed towards a strong, multi-genre portfolio of programmes for our broadcast customers during the year. Highlights include:

Sports and AFP

Boomerang's Sports department completed the seventh series of the Royal Television Society's award-winning "Freesports on 4" for Channel 4 and is currently in production of an eighth series. We have long and trusted relationships with major brands such as Red Bull, Quiksilver, Billabong, Xbox and Sony.

During the year Boomerang produced "4 Sport:Road to 2012" for Channel 4 featuring Olympic hopefuls for London 2012 and two documentaries following Welsh Olympic hopefuls – "Y Ras i

Lundain” for S4C. Also in production for S4C is a second series of the extreme sports show, “Chwa”.

Following the success of “4Sport: Road to 2012” we were commissioned by McCain to produce the “Track and Field show” on Channel 4. This was one of a number of important commissions by our AFP division during the year, including “Sony Ericsson B-boy Championships” and “Sony Playstation GT Academy” – both of which have been recommissioned.

Post year-end we have made exciting announcements: setting up Big Freeze Limited, with Channel 4 and Sportsvision, and acquiring Method, a multimedia producer specialising in snowboarding. Both these businesses will utilise the core skills of our AFP division and enable us to maximise the value of our brands.

Drama

Apollo, which is now the specialist drama department responsible for all of the Group’s drama output, has delivered a critically acclaimed 90-minute film for S4C entitled “Martha, Jac a Sianco” and the third series of their Rose d’Or award-winning drama, “Con Passionate” which follows a Welsh male voice choir. Both productions were successful at the Welsh Baftas with “Martha, Jac a Sianco” winning a staggering six awards.

The second series of both “Teulu”, a ten-part 60-minute drama set around a doctor’s surgery in Aberaeron, and “Dau dy a Ni”, a ten-part thirty-minute teen drama set in a foster home in the Welsh valleys, were both filmed in the period for S4C, and “Teulu” has been subsequently recommissioned for a third series.

Other one-off dramas delivered by the Group during the year for S4C included “Ryan a Ronnie”, “Y Rhwyd”, “Omlet”, “Cymru Fach” and “Beryl, Cheryl and Meryl”.

Comedy, Entertainment and Music

For S4C, the Group produced a Christmas special of the award-winning “PC Leslie Wynne Show”, the second series of a ten-part travel quiz show “0 ond 1” and an eight-part comedy chat show “Tudur Owen o’r Doc”.

A two-part celebrity reality show on a cattle ranch won a Welsh Bafta. “Saith Magnifico” featured Matthew Rhys and was filmed in Arizona as part of a substantial Christmas schedule from the Group for S4C.

The Boomerang ‘in production’ portfolio includes:

- “Bandit” – four specials of its late-night youth music show featuring Welsh music festivals
- “Nodyn” – the second series of the music show showcasing the best in contemporary Welsh music
- “Gofod” – series one of a twice weekly irreverent youth magazine show
- “Tenor” – a four-part factual entertainment series for BBC Wales fronted by Only Men Aloud’s charismatic conductor Tim Rhys Evans searching for the secrets of the tenor voice
- “Elvis Weekend” – a one-off special (also BBC Wales) showing what happens when thousands of fans take over a seaside town for three days of Elvis-mania
- “Seren Bethlehem” – an eight-part flagship series featuring the village of Bethlehem in West Wales as the locals prepare to produce a very special nativity show

- “Tudur Owen o’r Doc” – series two with the stand up comedian Tudur Owen and guests
- “PC Leslie Wynne” – a second one-hour Christmas comedy special
- “Cyngerdd y Cardis” – a celebratory gathering of past National Eisteddfod winners of the prestigious Blue Ribbon singing competition

Lifestyle

Fflic has produced another season of its high-end, lifestyle programming for S4C. As extensions of existing successful strands, “04 Wal Gwestai” looks at the architecture and design of hotels around the world; “Y Dref Gymreig” investigates historical and vernacular house-building in Welsh towns; and “Cwprdd Dillad” considers an individual’s life through their wardrobe.

For the current year Fflic is in production for two new series: “Cartrefi Cefn Gwlad Cymru” and “Tocyn”.

Children’s

In November 2008, Boomerang started the second year of its £4 million contract for S4C’s “Planed Plant” children’s continuity links. This contract has been extended until April 2010 when the new £4 million per annum expanded contract for programming and links for older children will start.

Series produced or in production in the period include “Yn yr Ardd”, “Heini”, “Dawnstastig 2”, “Jac Russell”, “Garej”, “123” and RTS award winning “ABC”.

The 2009 Broadcast Survey highlighted the Group as one of the largest children’s content producers in the UK. Building on this expertise, we are currently in production for our first CBBC commission “Children of Prisoners”.

Series currently in production by Fflic include “Garej 2”, “Ant ac Al ar y Ffordd”, “Y Salon” and “Yn yr Ardd 2”, and by Boomerang: “Twm Tisian”, “Ty Cyw” and a 60-minute film “Ble mae Cyw?”

Factual

For BBC Wales, Boomerang has produced “Chiefs”, with David Williams (a former BBC broadcaster); “Kick into Reading” linking storytelling with football through famous storyteller Pat Ryan and the players and coaches of Cardiff City FC; and “The Member for Happiness”, a documentary marking the death of the flamboyant Welsh MP Leo Abse.

For S4C the Group has produced the one-offs “Camp Bastion” following members of the Territorial Army’s ‘203’ Field Hospital in Afghanistan; Griffith Jenkins Griffith where actor Matthew Rhys explores the life of the Welsh entrepreneur who helped transform Los Angeles from a cow town into a metropolis; “Y Bleddiaid” following bikers, a biography on Hywel Teifi Edwards and “Lawrence o Arabia” where Welsh born Ali Yassine follows in the footsteps of T E Lawrence.

For Channel 4’s Cutting Edge strand, Boomerang is in production of “Harrow Scholarships” a documentary made with access to Britain’s most expensive public school. This film focuses on a scholarship that offers boys from less well-off families a fully funded place amongst the public school elite.

Events

In July 2008, Boomerang produced the live broadcast of the “Royal Welsh Agricultural Show” for the third year of a four-year contract with S4C which included over 60 hours of live TV broadcast, live web streaming and interactive coverage. The Group’s joint venture company, Hanner:Hanner, produced in May 2009 the live broadcast of the “Eisteddfod Genedlaethol yr Urdd” for the fourth year of a four-year contract.

Post-production and facilities

The Group further expanded its in-house post-production department during the period, investing in high-end suites, expanding High Definition capability and increasing central unity storage. These cutting-edge facilities provide a high quality finish to productions across the Group and for external clients.

The Group’s in-house studios continued to be highly utilised, mainly to service the “Planed Plant” contract, and the Group’s camera facilities joint venture, Zoom, continued to expand in its first full year of operation.

Radio

The Group continues to supply a diverse range of radio programmes, particularly for BBC Radio Wales and Radio Cymru, and during the year produced its first content for Radio 5.

Talent management

In its second full year of trading, Boom Talent, a management company representing actors and presenters in film, television, theatre, radio, corporate and voice-over work, continues to establish itself and to increase its profile and client base – which has now grown to 29.

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”, “Eisteddfod Genedlaethol yr Urdd” and “Planed Plant”.

Indus acquisition

On 20 October 2009, Boomerang announced the acquisition of Indus Films Limited, the Welsh-based, network-focused, award winning production company for an initial consideration of £1.1m. This acquisition significantly expands Boomerang’s customer base and genre offering and will further enhance our position as the supplier of choice to the Network Broadcasters looking to fill their quotas for the Nations and Regions. The acquisition is expected to be earnings enhancing for Boomerang in the financial year ending 31 May 2010.

Regulatory environment

Ofcom, the Industry Regulator, published Phase 2 of its second public sector broadcasting review on 25 September 2008. 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...”. Together with a very positive review from Ofcom of S4C, 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 (2008: £nil). The declaration of any future dividends will depend on the Company 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.

Going concern

The group has considerable financial resources together with a long-term relationship with its key customer. Due to the nature of the group’s business, management have visibility over its pipeline of productions over the foreseeable future, which is fully funded by its customers. As a consequence, the directors believe the company is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors, after making enquiries, have a reasonable expectation that the company will have adequate resources to continue operating for the foreseeable future and therefore the going concern basis has been adopted in preparing the accounts.

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 regulations within the market in which we operate.

Our success in securing new contracts and track record on recommissions provides the Group with excellent visibility over revenues for the next financial year and the first half of 2011, a position not often experienced in our industry.

Integration of our businesses is continuing well, and our talented teams of people are developing many new ideas for our clients, which is helping us to grow our business organically. Our AFP division continues to grow and the additions of Big Freeze Limited and Method should ensure that we can further exploit our core skills in this area. The acquisition of Indus Films Limited will significantly diversify the Group’s customer base and broaden its genre offerings to include adventure, environmental, living history, natural history and the arts.

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 October 2009

Mark Fenwick
Finance Director
26 October 2009

BOOMERANG PLUS PLC
Consolidated income statement
Year ended 31 May 2009

	Note	2009 £'000	2008 £'000
Continuing operations			
Revenue		19,759	20,931
Cost of sales		(16,882)	(17,034)
		<u>2,877</u>	<u>3,897</u>
Gross profit			
Administrative expenses			
Other administrative expenses		(1,862)	(1,874)
Exceptional administrative expenses	2	-	(642)
Professional fees in relation to unsuccessful corporate transaction		(66)	(97)
Amortisation of intangibles arising on business acquisitions		(21)	(38)
Equity-settled share-based payments		(23)	(23)
		<u>(1,972)</u>	<u>(2,674)</u>
Total administrative expenses		(1,972)	(2,674)
Other operating income		232	133
Share of results of joint ventures and associates		3	48
		<u>1,140</u>	<u>1,404</u>
OPERATING PROFIT			
Investment revenue		25	32
Finance costs		(71)	(133)
		<u>1,094</u>	<u>1,303</u>
PROFIT BEFORE TAX			
Tax	3	(207)	(617)
		<u>887</u>	<u>686</u>
PROFIT FOR THE YEAR			
Attributable to:			
Equity holders of the parent		<u>887</u>	<u>686</u>
Earnings per share	4		
Basic		<u>9.96p</u>	<u>8.77p</u>
Diluted		<u>9.70p</u>	<u>8.31p</u>
Adjusted – basic		<u>11.20p</u>	<u>18.99p</u>
Adjusted – diluted		<u>10.91p</u>	<u>17.78p</u>

BOOMERANG PLUS PLC
Consolidated statement of changes in equity
Year ended 31 May 2009

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total equity £'000
Group					
Balance at 1 June 2007	68	969	1,217	1,801	4,055
Profit for the financial year	-	-	-	686	686
New shares issued (*)	21	2,962	-	-	2,983
Equity-settled share-based payments	-	-	-	23	23
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 May 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 31 May 2009	<u>89</u>	<u>3,933</u>	<u>1,217</u>	<u>3,420</u>	<u>8,659</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.

(*) Amount is stated net of share issue costs of £150,000

BOOMERANG PLUS PLC
Consolidated balance sheet
31 May 2009

	2009	2008
	£'000	£'000
NON-CURRENT ASSETS		
Goodwill	2,131	2,108
Other intangible assets	1,161	1,229
Property, plant and equipment	1,686	1,662
Investments	147	124
	<u>5,125</u>	<u>5,123</u>
CURRENT ASSETS		
Inventories	-	3
Trade and other receivables	3,625	2,851
Current tax assets	219	-
Cash and cash equivalents	3,027	6,325
	<u>6,871</u>	<u>9,179</u>
TOTAL ASSETS	<u>11,996</u>	<u>14,302</u>
CURRENT LIABILITIES		
Trade and other payables	2,106	4,894
Current tax liabilities	407	589
Interest-bearing loans and borrowings	307	278
Deferred consideration	209	174
	<u>3,029</u>	<u>5,935</u>
NON-CURRENT LIABILITIES		
Interest-bearing loans and borrowings	175	290
Other payables	17	68
Deferred tax liabilities	116	103
Deferred consideration	-	159
	<u>308</u>	<u>620</u>
TOTAL LIABILITIES	<u>3,337</u>	<u>6,555</u>
NET ASSETS	<u>8,659</u>	<u>7,747</u>
EQUITY		
Share capital	89	89
Share premium account	3,933	3,931
Merger reserve	1,217	1,217
Retained earnings	3,420	2,510
TOTAL EQUITY	<u>8,659</u>	<u>7,747</u>

BOOMERANG PLUS PLC
Consolidated cash flow statement
Year ended 31 May 2009

	2009	2008
	£'000	£'000
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	5 (2,828)	1,044
INVESTING ACTIVITIES		
Interest received	25	32
Purchase of property, plant and equipment	(183)	(346)
Acquisition of subsidiaries	-	(2)
Acquisition of associates	(33)	-
Acquisition of subsidiaries - deferred consideration payments	(146)	(837)
Acquisition of intangible fixed assets	-	(69)
Proceeds on disposal of property, plant and equipment	54	184
NET CASH USED IN INVESTING ACTIVITIES	<u>(283)</u>	<u>(1,038)</u>
FINANCING ACTIVITIES		
Repayments of obligations under finance leases	(340)	(329)
Repayment of borrowings	-	(350)
Proceeds on issue of shares	3	2,983
Grants received	150	80
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	<u>(187)</u>	<u>2,384</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(3,298)	2,390
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,325</u>	<u>3,935</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>3,027</u></u>	<u><u>6,325</u></u>

BOOMERANG PLUS PLC

Notes to the preliminary announcement

1. BASIS OF PREPARATION

The financial information set out in this announcement does not constitute the company's statutory accounts for the years ended 31 May 2009 or 31 May 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) Companies Act 2006.

The Group income statement, balance sheets and cash flow statements for the years ended 31 May 2009 and 31 May 2008 have been prepared on a basis consistent with the accounting policies disclosed in the Group's annual report for the year ended 31 May 2008.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in November 2009.

2. EXCEPTIONAL ITEMS

	2009	2008
	£'000	£'000
Costs associated with AIM listing	-	642

Costs associated with AIM listing were costs not directly attributable to the raising of equity.

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009	2008
	£'000	£'000
Current taxation		
United Kingdom corporation tax:		
Current tax on income for the year at 28% (2008 – 28%/30%)*	194	618
Adjustment in respect of prior years	-	(23)
Total current tax	<u>194</u>	<u>595</u>
Deferred tax		
Origination and reversal of timing differences	13	40
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	(18)
	<u>13</u>	<u>22</u>
Total charge for the year	<u><u>207</u></u>	<u><u>617</u></u>

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

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:

	2009	2008
	£'000	£'000
Profit on ordinary activities before tax	1,094	1,303
Tax on profit on ordinary activities before tax at 28% (2008 – 28%/30%)	306	387
Factors affecting charge for the year		
Expenses not deductible for tax purposes	34	249
Non-deductible amortisation and impairment charges	6	11
Capital allowances (in excess of)/less than depreciation	17	(45)
Unutilised tax losses	7	12
Other	(8)	4
Marginal relief	(2)	-
UK Film tax credit adjustment	(166)	-
Adjustment in respect of prior years	-	(23)
Origination and reversal of timing differences	-	40
Adjustments to the estimated recoverable amounts of deferred tax assets arising in previous periods	-	(18)
Total tax charge for the year	194	617

4. EARNINGS PER SHARE

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

	2009	2008
	£'000	£'000
<i>Earnings</i>		
Profit for the year	887	686
Preferred share finance cost	-	17
Diluted profit	887	703
Exceptional administrative expenses	66	739
Amortisation of intangibles arising on business acquisitions	21	38
Equity-settled share-based payments	23	23
Adjusted profit	997	1,503
<i>Number of shares</i>	No.	No.
Weighted average number of ordinary shares for the purpose of basic earnings per share	8,903,478	7,824,974
Effect of dilutive potential ordinary shares:		
Share options	238,178	631,148
Dilutive weighted average number of shares	9,141,655	8,456,122
Earnings per ordinary share – basic	9.96p	8.77p
Earnings per ordinary share – diluted	9.70p	8.31p
Adjusted earnings per share – basic	11.20p	18.99p
Adjusted earnings per share – diluted	10.91p	17.78p

The Group have 12,797 options in issue but these are not considered to be dilutive and have been excluded from the weighted average number of shares for the purpose of diluted earnings per share calculation.

5. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	2009	2008
	£'000	£'000
Profit from operations	1,140	1,404
Adjustment for:		
Amortisation of intangible fixed assets	68	65
Depreciation of property, plant and equipment	396	363
Profit on property, plant and equipment disposals	(37)	(7)
Government grants	(165)	(38)
Results of joint venture	5	(48)
Equity-settled share-based payments	23	23
	<hr/>	<hr/>
Operating cash flows before movement in working capital	1,430	1,762
Increase in receivables	(775)	(1,034)
(Decrease)/increase in payables	(2,823)	870
Decrease in inventory	3	2
	<hr/>	<hr/>
Cash generated by operations	(2,165)	1,600
Income taxes paid	(592)	(423)
Interest paid	(71)	(133)
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(2,828)</u>	<u>1,044</u>