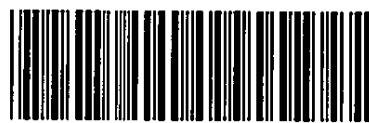


Company Registration No. 06077708 (England & Wales)

MGM CHANNEL POLAND LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

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MGM CHANNEL POLAND LIMITED

COMPANY INFORMATION

Directors	K M Depczynski	(Appointed 1 October 2009)
	C H P Farmer	(Appointed 1 November 2009)
	M Baxter	(Appointed 1 November 2009)
	D R Warner	(Appointed 1 November 2009)
	D Miller-Jones	(Appointed 1 November 2009)
	B G Tuchman	

Company number 06077708

Registered office 5 New Street Square
London
EC4A 3TW

Auditors HLB Vantis Audit plc
66 Wigmore Street
London
W1U 2SB

Solicitors Taylor Wessing
5 New Street Square
London
EC4A 3TW

MGM CHANNEL POLAND LIMITED

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MGM CHANNEL POLAND LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the period ended 31 December 2008

Principal activities and review of the business

The company commenced trading on 1 April 2008. The principal activity of the company during the period was the provision of programme content for the operation of The MGM HD Channel. MGM HD is a primarily movie driven subscription and advertising supported linear television channel which is transmitted with a capability to be received in both standard definition and high definition formats on an encrypted basis with Polish language voice over narration (and/or subtitles) and distributed to subscribers of DTH, cable, ADSL, MMDS and SMATV television systems in Poland.

The channel has been licensed as a television licensable content service (License No. 1138) by the Office of Communications in the United Kingdom (Ofcom) and the broadcast of the channel is subject to compliance with the orders, directions, codes and guidelines issued by Ofcom and/or the Broadcast Committee of Advertising Practice from time to time.

The board are pleased with the result for the period which ended with a profit before tax of \$531,025. The directors expect continued growth through 2010 due to the expansion of operations and opportunities to acquire high quality content which will result in an increase in viewing figures for the MGM Channel and appeal to advertisers.

Ofcom, the UK television's regulator has indicated that it may look at harmonising the amount of advertising minutage allowed to be broadcast between commercial public sector broadcasters in the United Kingdom and other commercial broadcasters licensed by Ofcom. If Ofcom decide to reduce the amount of advertising allowed to be broadcast then there may be a financial impact on the company. Ofcom has announced that it will delay its inquiry into this matter and any decision will not take effect until 1 January 2012.

Financial risk management

Details of financial instruments and policies with regard to financial risk management are given in note 8 to the financial statements.

Results and dividends

The results for period are set out on page 5. The directors do not recommend the payment of a dividend.

Directors

The following directors held office since 1 April 2008

Directors

K M Depczynski	(Appointed 1 October 2009)
C H P Farmer	(Appointed 1 November 2009)
M Baxter	(Appointed 1 November 2009)
M K Sojka	(Resigned 1 October 2009)
D R Warner	(Appointed 1 November 2009)
D Miller-Jones	(Appointed 1 November 2009)
B G Tuchman	

MGM CHANNEL POLAND LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

Directors' responsibilities

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

Company law requires directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements the directors are required to

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State that the financial statements comply with IFRSs as adopted by the European Union and IFRSs issued by IASB
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

The directors confirm that they have complied with the above requirements in preparing the financial statements

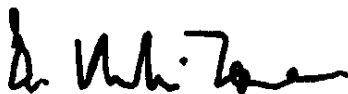
The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditors

In the case of each person who was a director at the time this report was approved

- so far as that director was aware there was no relevant available information of which the company's auditors were unaware, and
- that director had taken all steps that the director ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors were aware of that information

On behalf of the board



D Miller-Jones
Director

Date 23 June 2010

MGM CHANNEL POLAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MGM CHANNEL POLAND LIMITED

We have audited the financial statements of MGM Channel Poland Limited for the period ended 31 December 2008 set out on pages 5 to 15. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

MGM CHANNEL POLAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MGM CHANNEL POLAND LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985 of the state of the company's affairs as at 31 December 2008 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

HLB Vantis Audit plc

HLB Vantis Audit plc
Chartered Accountants
Registered Auditor

Date *24 June 2010*

66 Wigmore Street
London
W1U 2SB



MGM CHANNEL POLAND LIMITED

INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

	Notes	Period ended 31 December 2008 USD\$
Revenue		6,653,445
Cost of sales		(6,063,315)
Gross profit		<u>590,130</u>
Administrative expenses		(59,105)
Profit before taxation	2	<u>531,025</u>
Taxation	3	(117,819)
Profit for the period		<u>413,206</u>

The income statement has been prepared on the basis that all operations are continuing operations

MGM CHANNEL POLAND LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2008

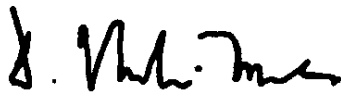
	Share capital USD\$	Retained earnings USD\$	Total equity USD\$
For the period ended 31 December 2008			
Balance at 1 April 2008	198	-	198
Profit for the period	-	413,206	413,206
Balance at 31 December 2008	198	413,206	413,404
For the year ended 31 March 2008			
Balance at 1 April 2007	-	-	-
Issue of equity share capital	198	-	198
Balance at 31 March 2008	198	-	198

MGM CHANNEL POLAND LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2008

	Notes	31 Dec 2008 USD\$	31 March 2008 USD\$
Current assets			
Programming inventory		799,379	-
Trade and other receivables	4	198	198
Prepayments		28,833	-
Cash and cash equivalents		1	-
Total current assets		828,411	198
Current liabilities			
Trade and other payables	5	269,438	-
Taxation		117,819	-
Accruals		27,750	-
Total current liabilities		415,007	-
Net current assets		413,404	198
Net assets		413,404	198
Equity			
Share capital	6	198	198
Retained earnings		413,206	-
		413,404	198

Approved by the Board and authorised for issue on 23 June 2010.



D Miller-Jones
Director

Company Registration No 06077708

MGM CHANNEL POLAND LIMITED

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2008

	Notes	31 Dec 2008 USD\$	31 Dec 2008 USD\$	31 March 2008 USD\$	31 March 2008 USD\$
Net cash flows from operating activities					
Profit before taxation		531,025		-	
Increase in stock inventory		(799,379)		-	
Increase in prepayments		(28,833)		(198)	
Increase in trade and other payables		297,188		-	
Net cash inflow from operating activities			1		(198)
Proceeds on issue of shares			-		198
Net cash outflow from investing activities			-		198
Net increase in cash and cash equivalents			1		-
Cash, cash equivalents and bank overdrafts at beginning of year			-		-
Cash, cash equivalents and bank overdrafts at end of year			1		198

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period covered by these financial statements.

1.1 Statement of Compliance – Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union, IFRIC interpretations and the Companies Act 1985 applicable to companies reporting under IFRS.

In the current period, the company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2008, all of which were endorsed by the European Union.

Application of new IFRS rules

The company has not yet proceeded to early application of the following new standards and interpretations which, on the date of approval of these financial statements, had been issued, but were not yet effective:

- Adaptation of IAS 27 Consolidated and Separate Financial Statements (effective for periods starting on or after 1 July 2009)
- Adaptation of IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Portable Financial Instruments and Obligations Arising on Liquidation (effective for periods starting on or after 1 January 2009)
- IFRS 3 Business Combinations (effective for business combinations with takeover date on or after the beginning of the first financial period following 1 July 2009). This standard supersedes IFRS 3 Business Combinations as issued in 2004.
- IFRS 8 Operating Segments (effective for periods starting on or after 1 January 2009). This standard supersedes IAS 14 Segment Reporting.
- Adaptation to IAS 23 Borrowing Costs (effective for periods starting on or after 1 January 2009)
- IFRIC 13 Customer Loyalty Programmes (effective for periods starting on or after 1 July 2008)
- IAS 1 Presentation of Financial Statements (effective for periods starting on or after 1 January 2009). This standard replaces IAS 1 Presentation of financial statements (revised in 2003) and adapted in 2005.
- Adaptation of IFRS 2 Share Based Payment – Vesting Conditions and Cancellations (effective for periods on or after 1 January 2009), Group Cash Settled Share Based Payment Transactions (effective for periods on or after 1 January 2010)
- Adaptation of IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (effective for periods on or after 1 July 2008)
- Adaptation of IAS 39 Financial Instruments: Recognised and Measurement – Eligible Hedged Items (effective for annual periods beginning on or after 1 July 2009)
- Improvements to IFRS (2008) (effective for annual periods beginning on or after 1 January 2009)
- Adaptation to IFRS 1 First time Adoption of IFRS and IAS 27 Consolidated and Separate Financial Statement (effective for annual periods beginning on or after 1 January 2009)
- IFRS 1 First time Adoption of IFRS (restricted standard 2008) (effective for annual periods beginning on or after 1 January 2009)
- Adaptation to IFRS 7 Financial Instruments: Disclosures – Improvements to Disclosures (effective for annual periods beginning on or after 1 January 2009)
- IFRS 13 Customer Loyalty Programmes (effective for periods starting on or after 1 July 2008)
- IFRS 15 Agreement for the Construction of Real Estate (effective for annual periods beginning on or after 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009)

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2008

1 Accounting policies (Continued)

Application of new IFRS rules (Continued)

- IFRIC 18 Transfers of Assets from Customer (effective for transfers on or after 1 July 2009)
- Adaptation to IFRIC 9 Reassessment of Embedded Derivatives and ISA 39 Financial Instruments Recognition and Measurement (effective for annual periods closing on or after 30 June 2009)
- Adaptation to IAS 38 – Intangible assets (effective for annual periods beginning on or after 1 January 2009)
- Adaptation to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods on or after 1 July 2009)
- Adaptation to IFRSs' were issued on May 2008 and April 2009 and their requirements are effective over a range of dates, with the earliest effective date being for annual periods beginning on or after 1 January 2009. They comprise a number of amendments to IFRSs, which result from the IASB's annual improvements project

On the basis of a first estimate, the future application of the above-mentioned standards and interpretations will have no material impact on the financial statements

Going concern

The financial statements have been prepared on the going concern basis as a shareholder ITI Neovision Sp zoo has pledged that it will continue to provide adequate financial support to the company for at least 12 months from the date of approval of these financial statements. The support should enable the company to meet its liabilities as they fall due. The directors have no reason to believe that this financial support will not continue in the future and consider it appropriate to adopt the going concern basis.

However, should the shareholders fail to provide such support the going concern basis used in the preparation of the financial statements may be invalid. As a result adjustments may have to be made to reduce the value of assets to their realisable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

1.2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

1.3 Revenue recognition

Revenue resulting from sales of advertising services and programming is recognised in the period in which the advertising is broadcast or programming is delivered. Other revenues are recognised generally upon the delivery of products to customers or performance of services, net of VAT and discounts. Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement, interest income on an accrual basis unless collectables are in doubt, and dividend income when the shareholder's right to receive payments is established.

1.4 Advertising costs

Advertising costs are expensed when incurred.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

1 Accounting policies (Continued)

1.5 Foreign currency

Transactions in foreign currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Exchange gains and losses on short term foreign currency borrowings and deposits are included with net interest payable. Exchange differences on all other transactions, except relevant foreign currency loans, are taken to operating profit.

The financial statements are presented in USD\$. The period end exchange rate was USD\$ 1 4378 to the pound and the average exchange rate for the period was USD\$ 1 8145 to the pound.

1.6 Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are 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 goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, 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 company intends to settle its current assets and liabilities on a net basis.

1.7 Intangible assets

Expenditure on acquired broadcasting licenses are capitalised and amortised using the straight-line method over their expected useful economic lives.

	Term
Broadcasting licenses	Ten years

Broadcasting licences are tested for impairment on an annual basis.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

1 Accounting policies (Continued)

1.8 Programming inventory

Programming inventory includes acquired program rights, co-production and capitalised production costs. Programming inventory is reviewed for impairment losses every period or whenever events or changes indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The individual accounting policies adopted for each of these categories are summarised below.

1.9 Acquired program rights

Program rights include rights to transmit television channels, rights to broadcast individual programs or events, and rights to broadcast multiple sport and other events during the license term (such as during a sports season). Acquired program rights and the corresponding obligations are recognised as assets and liabilities at their present values when the rights are available for transmission.

Available rights, the use of which is deferred, are presented as rights available for use and are not amortised until they are used.

Amortisation period is generally the term of the license, whilst the method of amortisation reflects the expected inflow of economic benefits to the company as a result of utilisation of the license.

Rights to transmit television channels – amortisation is linear during the license term.

Rights to broadcast individual programs or events – amortised on first showing of the program or event.

Film rights – amortisation is linear during the license term, unless the license is for a limited number of showings. In the case of a limited number of showings, amortisation of rights is charged in whole on first showing or is allocated to multiple showings, if the inflow of economic benefits to the company related to respective showings can be reliably estimated.

Rights to broadcast multiple events during the license term (such as sports season) – amortisation is linear during the license term.

Not later than at the end of each fiscal period the acquired program rights are reviewed for impairment losses by comparing their carrying value with their realisable value, defined as the higher of fair value less cost to sell and their value in use. Impairment testing should also be performed each time when as a result of changes in legal environment or economic conditions the carrying value of the rights may be lower than their realisable value.

Program licences are classified as fixed or current assets based on their expected use and amortisation period. Amortisation of program rights is included in cost of production and television broadcasting.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

2 Operating profit for the period is stated after charging/(crediting):

	31 Dec 2008 USD\$
Auditors' remuneration	11,500

3 Taxation

	31 Dec 2008 USD\$
UK corporation tax at 28%	117,819

4 Trade and other receivables

	31 Dec 2008 USD\$	31 March 2008 USD\$
Other receivables	198	198
	198	198

5 Trade and other payables

	31 Dec 2008 USD\$	31 March 2008 USD\$
Amounts owed to related undertakings	269,438	-
Corporation tax	117,819	-
Accruals and deferred income	27,750	-
	415,007	-

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

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

6 Called up share capital

	31 Dec 2008 £	31 March 2008 £
Authorised		
1,000 Ordinary shares of £1 each	1,000	1,000
Allotted, called up and fully paid	USD\$	USD\$
100 Ordinary shares of £1 each	198	198

7 Financial instruments

The company's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of the financial instruments is to raise finance for the company's operations.

The company's operations expose it to a variety of financial risks that include the effects of changes in foreign currency exchange rates, credit risk, liquidity risk and interest rate risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related costs, and exposure to exchange rate fluctuations.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Foreign currency exchange risk

The company policy is to mitigate exposure to exchange rate fluctuations by regular review of commitments denominated in other currencies undertaken in conjunction with a review of exchange movements over time. The company is prepared to reduce exposure where the results of the review indicate that it would be prudent to do so. This would include early settlement of liabilities or restrictions on credit period offered.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Liquidity risk

The company actively maintains a mixture of long term and short term working capital finance that is designed to ensure it has sufficient available funds for operations and planned expansions.

8 Control

The immediate parent company is MGM Networks Inc, a company incorporated in the USA, by virtue of its 55% interest in share capital.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 DECEMBER 2008

9 Related Party Disclosures

During the period the company acquired programming rights from MGM Networks Inc , the immediate parent company, amounting to \$2,894,984

During the period the company incurred service fees of \$3,749,893 payable to ITI Neovision Sp zoo, a significant shareholder, for the technical operation of the MGM Channel. The company acquired programming rights of \$104,000 from Neovision UK Limited, a wholly owned subsidiary of ITI Neovision Sp zoo. In addition the company made sales to ITI Neovision Sp zoo of \$6,653,445 in respect of programme content and advertising services provided.

At the period end the company owed \$165,438 to ITI Neovision Sp zoo and \$104,000 to Neovision UK Limited.

10 Capital commitments

At the period end the company was committed to the purchase of programming rights from MGM Networks Inc , amounting to \$1,124,750 per annum over three years.