

Company Registration No. 06077708 (England & Wales)

MGM CHANNEL POLAND LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

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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 RSM Tenon Audit Limited
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 YEAR ENDED 31 DECEMBER 2009

The directors present their report and financial statements for the year ended 31 December 2009

Principal activities, business review and future developments

The principal activity of the company during the year was the provision of programme content for the operation of The MGM HD Channel. MGM HD is primarily a 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 year which ended with a profit before tax of \$399,361. The directors expect 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.

However as the company does not sell advertising in all of the time which is currently available to it under the Ofcom rules, it may be that any change to the regulation of advertising minutage by Ofcom will not have a material adverse effect on the company.

Financial risk management

Details of financial instruments and policies with regard to financial risk management are given in note 7 to the financial statements.

Results and dividends

The results for year are set out on page 4. The directors do not recommend the payment of a dividend.

Directors

The following directors held office since 1 January 2009

Directors

K M Depczynski
C H P Farmer
M Baxter
D R Warner
D Miller-Jones
B G Tuchman
M K Sojka

(Resigned 1 October 2009)

MGM CHANNEL POLAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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 year. 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 year.

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 whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business

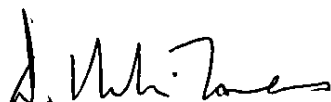
The directors confirm that they have complied with the above requirements in preparing the financial statements

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 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.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



D Miller-Jones
Director

Date 25/11/2010

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 year ended 31 December 2009 set out on pages 4 to 14. 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 member, 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 member 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 Statement of Director's Responsibilities set out on page 2, 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 Practises 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 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 Company's affairs as at 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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.



Sarf Malik (Senior Statutory Auditor)
for and on behalf of RSM Tenon Audit Limited

Date *29 November 2010*

Statutory Auditor

66 Wigmore Street
London
W1U 2SB

MGM CHANNEL POLAND LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	Year ended 31 December 2009 USD\$	Period ended 31 December 2008 USD\$
Revenue		3,862,916	6,653,445
Cost of sales		(3,302,217)	(6,063,315)
Gross profit		<u>560,699</u>	<u>590,130</u>
Administrative expenses		(161,348)	(59,105)
Operating Profit		<u>399,351</u>	<u>531,025</u>
Other interest receivable		10	-
Profit before taxation	2	<u>399,361</u>	<u>531,025</u>
Taxation	3	(111,821)	(117,819)
Profit for the year		<u>287,540</u>	<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 RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital USD\$	Retained earnings USD\$	Total equity USD\$
For the year ended 31 December 2009			
Balance at 1 January 2009	198	413,206	413,404
Profit for the year		287,540	287,540
Balance at 31 December 2009	198	700,746	700,944

	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 year	-	413,206	413,206
Balance at 31 December 2008	198	413,206	413,404

MGM CHANNEL POLAND LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	31 Dec 2009		31 Dec 2008	
		USD\$	USD\$	USD\$	USD\$
Current assets					
Programming inventory		588,883		799,379	
Trade and other receivables	4	311,385		198	
Prepayments		283,897		28,833	
Cash and cash equivalents		21,140		1	
Total current assets		1,205,305		828,411	
Current liabilities					
Trade and other payables	5	228,588		269,438	
Taxation		248,854		117,819	
Accruals		26,919		27,750	
Total current liabilities		504,361		415,007	
Net current assets			700,944		413,404
Net assets			700,944		413,404
Equity					
Called up share capital	6	198		198	
Retained earnings		700,746		413,206	
			700,944		413,404
Total equity and liabilities					

These financial statements were approved and authorised for issue by the Board of Directors on 25/11/2010

Signed on behalf of the Board of Directors



D Miller-Jones
Director

Company Registration No: 06077708

MGM CHANNEL POLAND LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	31 Dec 2009		31 Dec 2008	
	USD\$	USD\$	USD\$	USD\$
Net cash flows from operating activities				
Profit before taxation	399,361		531,025	
(Increase)/ decrease in stock inventory	210,496		(799,379)	
Increase in trade and other receivables	(566,251)		(28,833)	
Increase / (decrease) in trade and other payables	(22,467)		297,188	
Net cash inflow from operating activities		21,139		1
Net increase in cash and cash equivalents		21,139		1
Cash, cash equivalents and bank overdrafts at beginning of year		1		-
Cash, cash equivalents and bank overdrafts at end of year		21,140		1

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 Summary of significant accounting policies

1.1 Statement of Compliance – Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS

In the current year, 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 2009, all of which were endorsed by the European Union

The same accounting policies, presentation and methods of computation are followed as were applied in the preparation of the Company's financial statements for the year ended 31 December 2008 except for the impact of the adoption of the standards described below which became effective as of 1 January 2009

- IAS 1 (revised) Presentation of financial statements (effective from 1 January 2009 onwards)

Other standards and interpretations that became applicable for 2009 with no effect on the financial statements.

- IFRS 1 First-time Adoption of International Financial Reporting Standards (applicable for accounting years beginning on or after 1 January 2009)
- Improvements to IFRS (2007-2008) (normally applicable for accounting years beginning on or after 1 January 2009)
- Amendments to IFRS 1 First Time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (normally prospective application for annual periods beginning on or after 1 January 2009)
- Amendment to IFRS 2 Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009)
- Amendment to IFRS 7 Financial Instruments Disclosures – Improving Disclosures about Financial Instruments (applicable for accounting years beginning on or after 1 January 2009)
- Amendments to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Statements – Puttable financial instruments and obligations arising on liquidation (annual periods beginning on or after January 2009)
- IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)
- IFRIC 15 Agreements for the construction of real estate (applicable for accounting years beginning on or after 1 January 2009)
- IFRIC 16 Hedges of a net investment in a foreign operation (applicable for accounting years beginning on or after 1 October 2008)
- IFRIC 18 Transfers of Assets from Customers (applicable for Transfers received on or after 1 July 2009)
- Amendment to IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments Recognition and Measurement (applicable for accounting years ending on after 30 June 2009)

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 Summary of significant accounting policies

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 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 assessments and principal sources of uncertainty

Drawing up the financial statements in accordance with IFRS requires the management to make the necessary estimates and assessments. The management bases its estimates on past experience and other reasonable assessment criteria. These are reviewed periodically and the effects of such reviews are taken into account in the financial statements of the period concerned. Future events liable to have a financial impact on the company are also included in this.

The estimated results of this may consequently diverge from the actual results. Assessments and estimates were made, inter alia, regarding

- assessment of the need for impairments in respect of programming inventory,
- determining provisions for irrecoverable receivables,

There is a significant probability that the estimates and assessments will bring about an adjustment in the value of the assets and liabilities in future financial years.

1.3 Revenue recognition

Revenue resulting from sales of advertising services and programming is recognised in the year 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 YEAR ENDED 31 DECEMBER 2009

1 Accounting policies (Continued)

1.5 Foreign currency

Transactions in currencies other than USD\$ are accounted for 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 (the closing rate). 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 year end exchange rate was USD\$ 1.61 to the pound and the average exchange rate for the year was USD\$ 1.56 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 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 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 year 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 YEAR ENDED 31 DECEMBER 2009

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 year 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 year 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 year 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 year. 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 YEAR ENDED 31 DECEMBER 2009

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

	31 Dec 2009 USD\$	31 Dec 2008 USD\$
Auditors' remuneration	12,919	11,500

3 Taxation

	31 Dec 2009 USD\$	31 Dec 2008 USD\$
UK corporation tax at 28%	111,821	117,819

4 Trade and other receivables

	31 Dec 2009 USD\$	31 Dec 2008 USD\$
Amounts owed by related undertakings	311,187	-
Other receivables	198	198
	311,385	198

5 Trade and other payables

	31 Dec 2009 USD\$	31 Dec 2008 USD\$
Trade payables	34,719	-
Amounts owed to related undertakings	193,869	269,438
	228,588	269,438

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2009

6 Called up share capital

	31 Dec 2009 £	31 Dec 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 terms 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 YEAR ENDED 31 DECEMBER 2009

9 Related Party Disclosures

During the year the company acquired programming rights from MGM Networks Inc , the immediate parent company, amounting to \$1,038,304 (2008, \$2,894,984)

During the year the company incurred service fees of \$1,938,247 (2008, \$3,749,893) payable to ITI Neovision Sp zoo, a significant shareholder, for the provision of technical services related to the operation of the MGM Channel. The company acquired programming rights of \$nil (2008, \$104,000) from Neovision UK Limited, a wholly owned subsidiary of ITI Neovision Sp zoo and incurred office service charges of \$89,869 (2008 \$Nil) for the use of shared facilities. In addition the company made sales to ITI Neovision Sp zoo of \$3,811,964 (2008, \$6,653,445) in respect of programme content and advertising services provided.

At the year end the company was owed \$311,187 by ITI Neovision Sp zoo (2008, \$165,438 owed to ITI Neovision Sp zoo) and \$193,869 (2008, \$104,000) to Neovision UK Limited.

10 Capital commitments

At the year end the company was committed to the purchase of programming rights from MGM Networks Inc , amounting to \$1,158,493 per annum over two years.