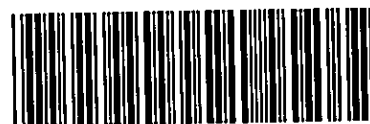


Company Registration No. 06077708 (England & Wales)

MGM CHANNEL POLAND LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

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MGM CHANNEL POLAND LIMITED

COMPANY INFORMATION

Directors	C H P Farmer M Baxter D R Warner D Miller-Jones C Anting
Company number	06077708
Registered office	5 New Street Square London EC4A 3TW
Auditors	RSM Tenon Audit Limited 66 Chiltern Street London W1U 4JT
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 2011

The directors present their report and financial statements for the year ended 31 December 2011

Principal activities, business review and future developments

The principal activity of the company during the year was 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 is pleased with the result for the year which ended with a profit before tax of \$103,960 (2010: \$104,118). The directors expect growth through 2012 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.

The improved operating performance of the channel is due to a large extent in the growth in subscribers on the n DTH platform, which is the primary pay television platform on which the channel is distributed in Poland.

Key performance indicators

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. As far as can be predicted, the directors do not foresee any change to the rules and regulations for MGM HD that would have a material adverse impact on its business.

Along with purely financial parameters the company has also defined performance figures that cannot be measured directly in financial terms. These particularly include channel audience shares. These shares are analysed constantly as a part of early risk detection, and at the same time serve as performance indicators of the channels programming quality and brand value in generating revenue.

Despite the economic crisis which has resulted in a much higher level of commercial competition the development in audience share was satisfactory during 2011.

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 5. The directors do not recommend the payment of a dividend.

Directors

The following directors have held office since 1 January 2011:

K M Depczynski	(Resigned 27 April 2011)
C H P Farmer	
M Baxter	
D R Warner	
D Miller-Jones	
B G Tuchman	(Resigned 11 November 2011)
C Anting	(Appointed 27 April 2011)

MGM CHANNEL POLAND LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and 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 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

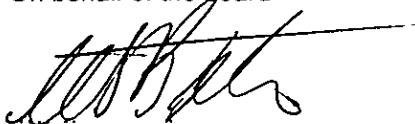
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies 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.

This report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

On behalf of the board



M Baxter
Director

Date 25 September 2012

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 2011 set out on pages 5 to 16. 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, 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 Statement of Directors' 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 and express an opinion on 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of its loss 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.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1.1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements comply with IFRSs as issued by the IASB.

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.

MGM CHANNEL POLAND LIMITED

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

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 or
- the directors were not entitled to prepare the financial statements in accordance with the small company's regime and take advantage of the small companies' exemption in preparing the directors' report



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

Date 25 September 2012

Statutory Auditor

66 Chiltern Street
London
W1U 4JT

MGM CHANNEL POLAND LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 USD\$	2010 USD\$
Revenue		4,200,902	4,064,095
Cost of sales		(3,912,175)	(3,800,678)
Gross profit		<u>288,727</u>	<u>263,417</u>
Administrative expenses		(183,923)	(154,549)
Operating Profit	2	<u>104,804</u>	<u>108,868</u>
Other interest receivable		87	194
Other interest payable		(931)	(4,944)
Profit before taxation		<u>103,960</u>	<u>104,118</u>
Taxation	3	(302,484)	(337,752)
Loss for the year and total comprehensive income for the year		<u>(198,524)</u>	<u>(233,634)</u>

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

MGM CHANNEL POLAND LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

	Share capital USD\$	Retained earnings USD\$	Total equity USD\$
For the year ended 31 December 2011			
Balance at 1 January 2011	198	467,112	467,310
Loss for the year	-	(198,524)	(198,524)
Balance at 31 December 2011	198	268,588	268,786
For the year ended 31 December 2010			
	Share capital USD\$	Retained earnings USD\$	Total equity USD\$
Balance at 1 January 2010	198	700,746	700,944
Loss for the year	-	(233,634)	(233,634)
Balance at 31 December 2010	198	467,112	467,310

MGM CHANNEL POLAND LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2011

	Notes	2011 USD\$	2010 USD\$
Current assets			
Programming inventory		758,833	603,950
Trade and other receivables	4	2,499	168,761
Prepayments		65,757	267,448
Cash and cash equivalents		189,580	7,251
Total current assets		1,016,669	1,047,410
Current liabilities			
Trade and other payables	5	334,255	565,950
Accruals		413,628	14,150
Total current liabilities		747,883	580,100
Net current assets		268,786	467,310
Net assets		268,786	467,310
Equity			
Called up share capital	6	198	198
Retained earnings		268,588	467,112
Total equity		268,786	467,310

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006

Approved and authorised for issue by the Board of Directors on *25 September 2012*

Signed on behalf of the Board of Directors


M Baxter
Director

Company Registration No' 06077708

MGM CHANNEL POLAND LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 USD\$	2010 USD\$
Net cash flows from operating activities			
Profit before taxation		103,960	104,118
(Increase)/decrease in stock inventory		(154,883)	(15,067)
Decrease/(increase) in trade and other receivables		238,154	291,371
Increase/(decrease) in trade and other payables		167,783	324,593
Cash inflow from operations		355,014	705,015
Tax paid		(172,685)	(718,904)
Net cash inflow /(outflow) from operating activities		182,329	(13,889)
Net increase/(decrease) in cash and cash equivalents		182,329	(13,889)
Cash, cash equivalents and bank overdrafts at beginning of year		7,251	21,140
Cash, cash equivalents and bank overdrafts at end of year		189,580	7,251

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011, 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 2010

Interpretations early adopted by the company

There were no standards or interpretations early adopted by the company in 2011

The following standards and interpretations became applicable for 2011 but had no effect on the financial statements.

- Amendment to IFRS 1 First Time Adoption of International Financial Reporting Standards – IFRS 7 exemptions (applicable for annual periods beginning on or after 1 July 2010)
- Amendment to IAS 24 Related Party Disclosures (applicable for annual periods beginning on or after 1 January 2011) This Standard supersedes IAS 24 Related Party Disclosures as issued in 2003
- Amendments to IAS 32 Financial Instruments Presentation – Classification of Rights Issues (applicable for annual periods beginning on or after 1 February 2010)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual periods beginning on or after 1 July 2010)
- Amendments to IAS 1 Presentation of Financial Statements (effective 1 January 2011)
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement (effective 1 January 2011)
- IFRS 7 Financial Instruments Disclosures (effective 1 July 2010)
- IAS 34 (revised in 2009) Interim Financial Reporting (effective 1 January 2011)
- IFRIC 13 (revised 2009) Customer Loyalty Programmes (effective 1 January 2011)
- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement (applicable for annual periods beginning on or after 1 January 2011)

The company has elected not to adopt in 2011 any standards or interpretations in advance of their effective application dates:

- IFRS 9 Financial Instruments (applicable for annual periods on or after 1 January 2015)
- IFRS 10 Consolidated financial statements (effective 1 January 2013)
- IFRS 11 Joint arrangements (effective 1 January 2013)
- IFRS 12 Disclosure of interests in other entities (effective 1 January 2013)
- IFRS 13 Fair value measurement (effective 1 January 2013)
- IAS 19 (as revised in 2011) Employee benefits (effective 1 January 2013)
- IAS 27 (as revised in 2011) Separate Financial Statements (effective 1 January 2013)
- IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures (effective 1 January 2013)
- Amendment to IFRS 7 Financial Instruments Disclosures – Derecognition (applicable for annual periods beginning on or after 1 January 2012)
- Amendment to IFRS 1 First Time Adoption of International Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First Time Adopters (applicable for annual periods beginning on or after 1 July 2011)

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 Summary of significant accounting policies (continued)

- Amendment to IAS 12 Income Taxes – Deferred Tax Recovery of Underlying Assets (applicable for accounting periods beginning on or after 1 January 2012)
- Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities (applicable for accounting periods beginning on or after 1 January 2014)
- Amendment to IFRS 1 – Government Loans (applicable for accounting periods beginning on or after 1 January 2013)
- Amendment to IFRS 1 – Presentation of Items of Other Comprehensive Income (applicable for accounting periods beginning on or after 1 July 2012)

1.2 General Principles

Historical cost convention

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below

Foreign currencies

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 recognised in the income statement.

Currency

The financial statements are presented in USD\$. The year end exchange rate was USD\$1.55 (2010: USD\$1.57) to the pound and the average exchange rate for the year was USD\$1.60 (2010: USD\$1.55) to the pound.

1.3 Going concern

The directors are actively investigating various strategic options for the company to seek new opportunities which may arise to expand the business. The going concern basis of preparing the financial statements is considered appropriate by the directors.

1.4 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

- determining write-downs on 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.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Summary of significant accounting policies (continued)

1.5 Income Statement

Revenue recognition

Revenue is recognised when it is probable that the economic benefits from a transaction will flow to the enterprise and the amount of the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of VAT and other sales-related taxes.

Revenue resulting from sales of advertising services and programming is recognised in the year in which the advertising is broadcast or programming is delivered. Where advertising services and programming are exchanged for advertising services of a similar nature and value the transaction is not regarded as a transaction which generates revenue.

Other revenues are recognised generally upon the delivery of products to customers or performance of services, net of VAT and discounts. Interest income is recognised on an accrual basis unless collectables are in doubt, and dividend income when the shareholder's right to receive payments is established.

Taxation

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

The current tax expense 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 expenditure that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively 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 are recognised for the unused tax losses carried forward and unused tax credits, in so far as it is expected that future taxable profits will be available against which these unused tax losses carried forward and unused tax credits can be offset. For this purpose, the management bases its opinion on factors such as long-term planning strategy and opportunities.

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.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

1 Accounting policies (Continued)

1.6 Balance sheet

Programming inventory

Programming inventory is stated at the lower of cost and net realisable value

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.

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 licence 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 amortised when the rights are available for transmission.

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

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

Rights to broadcast individual programs or events – amortised on first showing of the program or evenly over the licence period.

Film rights – amortisation is linear during the licence term, unless the licence 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 licence term (such as sports season) – amortisation is linear during the licence 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 recoverable value, defined as the higher of fair value less cost to sell and their value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. 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 current assets based on their expected use and amortisation year. Amortisation of program rights is included in cost of sales.

Receivables

Short-term receivables are recognised initially at fair value and subsequently measured at amortised cost less any provision for impairment. Impairment provisions are recognised when there is objective evidence that the Company will be unable to collect all of the amounts due under the terms of the receivable, the amount of such provision being the difference between the net carrying amount and the present value of expected future cash flows associated with the impaired receivable.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Summary of significant accounting policies (Continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all its liabilities.

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

Provisions

Provisions are recognised in the balance sheet when the company has a present obligation (legal or constructive) resulting from a past event and which is expected to result in a future outflow of resources which can be reliably estimated.

2 Profit from operations for the year is stated after charging:

	2011 USD\$	2010 USD\$
Amortisation of inventory	1,230,184	1,465,244
Auditors' remuneration	16,000	12,000
Loss on foreign exchange transactions	2,083	24,409
	<u> </u>	<u> </u>

3 Taxation

	2011 USD\$	2010 USD\$
UK corporation tax	-	30,699
Foreign tax suffered	302,484	307,053
	<u> </u>	<u> </u>
	302,484	337,752
	<u> </u>	<u> </u>

The difference between the total tax expense shown and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	2011 USD\$	2010 USD\$
Profit/(loss) before taxation	103,960	104,118
	<u> </u>	<u> </u>
Tax on profit on ordinary activities at average UK corporation tax rate of 26.50% (2010: 28%)	27,549	29,153
Effects of (Income)/expenses not taxable for tax purposes	132	1,546
Unrelieved tax losses	23,665	-
Foreign tax suffered not recoverable	251,138	307,053
	<u> </u>	<u> </u>
Total tax expense for the year	302,484	337,752
	<u> </u>	<u> </u>

Foreign tax suffered represents withholding tax suffered at source on overseas revenue which is considered to be irrecoverable against UK corporation tax.

The company has estimated losses of \$180,000 (2010: \$92,000) available for carry forward against future trading profits.

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

4 Trade and other receivables

	2011 USD\$	2010 USD\$
Amounts owed by related undertakings	-	36,265
Taxation recoverable	2,499	132,298
Other receivables	-	198
	<u>2,499</u>	<u>168,761</u>

5 Trade and other payables

	2011 USD\$	2010 USD\$
Trade payables	(3,583)	31,275
Amounts owed to related undertakings	337,838	534,675
	<u>334,255</u>	<u>565,950</u>

6 Called up share capital

	2011 USD\$	2010 USD\$
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	198	198
	<u>198</u>	<u>198</u>

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

7 Financial instruments

The directors' financial risk management objective is to minimise the risks to which the company is exposed in the use of financial instruments without impeding the trading position of the company

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 and liquidity 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 offered

Credit risk

The company is not exposed to significant credit risk

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

Interest rate risk

The company is not exposed to significant interest rate risk

The company has not entered into derivatives transactions and has not traded in financial instruments during the year under review

Capital Risk Management

The company aims to manage its overall capital so as to ensure that the company continue to operate as a going concern, whilst providing an adequate return to shareholders

The Company's capital structure represents the equity attributable to the shareholders of the company together with borrowings and cash and cash equivalents. The structure is reviewed on an ongoing basis to ensure that an appropriate level of gearing is being used

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. At the year-end, the ultimate parent company was Metro-Goldwyn-Mayer Studios Inc, a company incorporated in the USA

On 1 August 2012, MGM Networks Inc was purchased by Chellomedia and the ultimate parent company is now Liberty Global Inc, a company incorporated in the USA

MGM CHANNEL POLAND LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

9 Transactions with Directors

Directors' fees were paid as management fees to limited companies controlled by two of the directors

The company paid \$18,932 (2010 \$18,466) to DMJ Management Ltd for the services of Donald Miller-Jones, and \$36,400 (2010 \$22,054) to New Joint Media Ltd, for the services of David Warner

10 Related Party Disclosures

During the year the company acquired programming rights from MGM Networks Inc , the immediate parent company, amounting to \$1,385,068 (2010 \$1,281,581)

During the year the company incurred service fees of \$2,136,917 (2010 \$2,035,159) payable to ITI Neovision Sp zoo, a significant shareholder, for the provision of technical services related to the operation of the MGM Channel In addition the company made sales to ITI Neovision Sp zoo of \$4,202,690 (2010 \$4,052,146) in respect of programme content and advertising services provided

The company also incurred office service charges of \$43,482 (2010 \$29,212) payable to Neovision UK, a subsidiary of ITI Neovision Sp zoo, for the use of shared facilities

During the year the company made advertising sales of \$252 to Cyfrowy DOM Sp zoo (2010 \$36,265), a fully owned subsidiary of ITI Neovision Sp zoo

The company also incurred net advertising expenses under a bartering arrangement of \$16,944 (2010 \$4,260) to Telewizja Religia Sp zoo, a member of the ITI Neovision Sp zoo group At the year end the company owed \$6,973 (2010 \$1,709) to Telewizja Religia Sp zoo

At the year end the company owed \$217,773 to ITI Neovision Sp zoo (2010 \$327,723) and \$113,091 (2010 \$205,344) to Neovision UK Limited

11 Capital commitments

At the year end the company was committed to the purchase of programming rights from MGM Networks Inc , amounting to \$6,922,548 over five years (2010 \$1,265,916 over one year)