

Company Registration No. 4058698 (England and Wales)

**Media Corporation plc**

# **Report and Accounts**

**For the year ended 30 September 2009**

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## Directors and Advisers

**Directors:**

Jason Drummond	<i>Non-Executive Chairman</i>	
Justin Drummond	<i>Chief Executive Officer</i>	
Nilesh Jagatia	<i>Group Finance Director</i>	
Michael Hawkes	<i>Non-Executive Director</i>	(Resigned 17 August 2009)
John Palmer	<i>Non-Executive Director</i>	(Appointed 17 August 2009)
Chris Gorman OBE	<i>Non-Executive Director</i>	(Appointed 13 <sup>th</sup> October 2009)

**Company Secretary:** Nilesh Jagatia

**Registered Office:** 77 Queen Victoria Street  
London EC4V 4AY

**Registered in England:** Company number – 4058698

**Nominated Advisor & Broker:** Astaire Plc  
30 Old Broad Street  
London  
EC2N 1HT

**Solicitors to the Company:** Michelmores LLP  
Woodwater House  
Pynes Hill  
Exeter  
EX2 5WR

**Registered Auditors:** Gerald Edelman  
25 Harley Street  
London  
W1G 9BR

**Registrars:** Capita IRG plc  
Bourne House  
34 Beckenham Road  
Beckenham, Kent  
BR3 4TU

**Bankers:** Barclays Bank plc  
Corporate Banking  
Po Box 673, Town Gate House  
Church Street East, Woking.  
Surrey GU21 1XW

# Operational Highlights

## Financial highlights

- Operating Loss before exceptional items £2.3m ( 2008: loss £2.6m) -reduced 11%
- Operating Loss after exceptional items £2.7m ( 2008: loss £11.5m) -reduced 77%
- Cash Balances at the year end £1.7m ( 2008: £3.8m)
- Consolidated Net Assets £5.9m (2008: £7.9m)

## Business highlights

- Investment in Internet Advertising technology increased ad-serving capacities
- Acquisition after the year end of Purple Lounge Ltd, a premium internet online gaming brand
- Removal of the Google ban after the year end which had adversely affected Gambling.com & Creditcardexpert.com

# Chairman's Statement

Media Corporation made good progress during 2009 despite the downturn. The first half of the year saw challenging trading conditions. However, following a strategic review by the Board, the second half of the financial year generated significantly improved results. This upturn was due to organic growth across all business units as well as a tactical cost reduction programme implemented by the Board and senior management team.

## Eyeconomy

The Group's largest business division, the advertising network Eyeconomy, saw a considerable improvement in trading in the second half of the 2009 financial year with revenues increasing significantly.

Eyeconomy has run sizable and very successful advertising campaigns for a number of leading brands including Vodafone, British Gas and UPS. This division currently has a very strong pipeline of forward orders and it is anticipated by the Board that this trend will continue throughout 2010.

## Publishing

The publishing business is starting to show the benefits of the significant investment that the Group has made. The re-design, development and high quality editorial content produced by the in-house publishing team has been well received and the Group's websites continue to grow substantially.

- **Sport.co.uk** - As a result of excellent content and search engine optimisation Sport.co.uk has grown enormously since its launch in 2008 and it now receives over two million visitors a month.
- **Onthebox.com** - Following a recent re-launch, Onthebox.com has established itself as the UK's most popular online TV guide and with its enhanced features, including cinema and radio listings, its popularity is expected to continue to grow.
- **Gambling.com** - Sara Vincent, who successfully established and managed Casino.co.uk for seven years before its £3.6 million sale to Cryptologic, has recently taken charge of Gambling.com. Sara has been charged with realigning the business model and redeveloping the site to increase both the visibility and profitability of the website. The Company is expected to be in a position to announce a number of strategic partnerships over the coming months. These partnerships are anticipated to greatly improve both the revenues and value of Gambling.com as a strategic asset within the global gaming market.

In addition, there are now renewed indications that there could be a change to the US anti-online gaming laws and a new legislative framework for online gaming in the US. These changes would be hugely beneficial for Gambling.com, the Group's principal publishing asset, and would significantly increase the profitability and enhance the value of this asset.

Since the end of the 2009 financial year there has been a dramatic improvement in the Group's fortunes. This is largely due to the acquisition of Purple Lounge and the removal of the Google ban which had adversely affected both Gambling.com and Creditcardexpert.com. This has resulted in a significant increase in revenues and a return to profitability in the first quarter of the 2010 financial year.

The outlook for 2010 now looks positive and the Board looks to the future with renewed confidence.

Jason Drummond  
31 March 2010

## Directors' Biographies

### **Jason Drummond, Non- Executive Chairman**

Jason Drummond founded Virtual Internet, an online intellectual property protection and web hosting Company, in 1996. Virtual Internet was admitted to AIM in January 1999 and subsequently combined a £30 million fundraising with a move to the Official List of the London Stock Exchange in April 2000. Jason is a high profile investor and co-founder of a number of successful technology companies including Media Corporation, Coms, Networx and FairFX.

### **Justin Drummond, Chief Executive**

Justin Drummond founded Media Corporation in February 2000, six years after his first marketing business was established. Justin saw Media Corporation listed on the London Stock Exchange just a year after its formation via the reverse takeover of Chrome Technology plc in May 2001. Justin has overseen the rapid growth of Media Corporation and was instrumental in the £14 million institutional placing in March 2005 and the acquisitions of Eyeconomy Limited, a leading media agency, and Search Focus Limited, a specialist in sector-specific search technology and marketing. More recently he identified and oversaw the acquisition of Purple Lounge and has been instrumental in the Group's return to profitability.

### **Nilesh Jagatia, Group Finance Director**

Nilesh Jagatia is a qualified accountant with over 18 years experience including senior financial roles in divisions of both Universal Music Group and Sanctuary Group Plc. He was also Finance Director for an independent record label that expanded in the US.

### **John Palmer Non-Executive Director**

John Palmer has a demonstrable track record with over 25 years' experience in the international marketing, advertising and general management arena. He previously held senior product marketing and management positions at Unilever and Mattel Toys Australia, Chief Executive of Bates Malaysia, one of the largest communication groups in Asia. More recently, John founded and was CEO of LetsBuyIt.com, an online retail group that was established in ten countries and listed on the German Stock Exchange.

### **Chris Gorman, OBE -Non-Executive Director**

Chris Gorman has extensive commercial experience in both retail and technology businesses over the past 10 years, and is one of the UK's most respected and knowledgeable business visionaries. Chris has received numerous business awards for entrepreneurialism and currently divides his time between Lucid Group, Quintessentially and Truphone. He is also Chairman of the Entrepreneurial Exchange and Governor of the Royal Scottish Academy for Music and Drama.

# Business Review

## For the year ended 30 September 2009

Throughout 2009 Media Corporation continued consolidating its ongoing strategy to invest in the Group's growth and streamline costs within the business. This investment took place in personnel and technology and resulted in more efficient operations during the financial year.

The Group has two principal divisions, Advertising Network and Internet Publishing:

### Advertising Network

The Advertising Network business, Eyeconomy, was established in 1996 and is a separate operating division of Media Corporation. Eyeconomy specialises in online media planning as well as buying and managing online media campaigns for clients including AOL, Dell, T-Mobile and American Express.

The division currently:

- produces dynamic and engaging online advertising solutions including exit traffic (Subsites), rich-media floating toolbar (SubLines) and has recently launched a new online advertising division
- offers a total reach of 35 million unique users every month, from over 850 quality host sites in all major channels including Finance, Travel, Motors, Sport, Male/Female, Student/Youth, Property, Entertainment, Film, Music and TV, Mobile/Gadget and Recruitment
- produces in-house creative media
- provides a wealth of new products on traditional display advertising following acquisition of Nash Digital
- boasts a Brand team whose successful contract wins include the Express Newspaper Group, representing a potential revenue stream of over £2 million
- is seeing return value on significant presence at trade shows and in trade PR

### Internet Publishing

Media Corporation has a diverse publishing division specialising in premium destinations and portals.

Our impressive portfolio of websites includes a number of market-leading sites including Onthebox.com (UK's definitive TV listings and entertainment guide with over 2 million unique visitors per month), Sport.co.uk (sport content site with 1.7 million unique visitors), Flightcomparison.co.uk (a leading flight booking portal), Gambling.com (a comprehensive gambling and sports portal providing industry news, tips and strategies) and Creditcardexpert.co.uk (a credit card comparison website).

In addition, the Group acquired Purple Lounge (Purple-lounge.com) a premium online gaming portal in October 2009 and the Group will use its in-depth expertise in developing and monetising the brand.

## Financial Overview

The audited results for the year ended 30 September 2009 show a better overall performance of the business than the previous year despite turnover having decreased by 10.3% to £3.5m (2008: £3.9m). The operating loss of £2.7m (2008: £11.5m) included exceptional costs of approximately £398,000 relating to unrealised foreign currency exchange conversion losses, underpayment of taxation in prior years, bad debt and share based payments. Net assets were £5.9m (2008: £7.9m) and cash at the end of the financial year was £1.7m (2008: £3.8m).

Key Performance Indicators (KPI's)	FY2009	FY2008
	£million	£million
Revenue	3.5	3.9
Gross Profit	0.9	1.4
Operating Loss	(2.7)	(11.5)
Net Assets	5.9	7.9
Cash	1.7	3.8
Other non-financial KPI		
Employees - Number	37	42

## Current trading and prospects incorporating principal risks and uncertainties

The Board is aiming for continued growth during 2010 as we seek to maximize the potential of the Group's Internet Publishing and Internet Advertising businesses, with Q1 2010 results already returning the Group into profitability. In October 2009, the Group acquired Purple Lounge, a premium online gaming portal with scalable infrastructure to expand further in the online gaming sector. This acquisition was in line with management strategy to focus on the online gaming sector and the Board will continue to look to strengthen the business further by strategic acquisitions in the current year.

## Board changes

John Palmer was appointed as a Non-executive Director on 17 August 2009. Michael Hawkes stepped down from the Board on the same day, and the Directors would like to thank him for his significant contribution to the Group.

In addition, Chris Gorman, OBE, was appointed as a Non-executive Director of the Group on 13 October 2009.

Justin Drummond  
Chief Executive

Nilesh Jagatia  
Group Finance Director

# Directors' Report

## For the year ended 30 September 2009

The Directors have pleasure in presenting their Report and the audited financial statements for the year ended 30 September 2009.

### Principal Activities

Media Corporation plc is a leading internet media and advertising Group focused on website publishing and online advertising.

### Business Review and Future Developments

The review of the year's operations, key risks, trading outlook and future developments is contained in the Chairman's Statement and the Business Review.

Where the Directors' Report (including the performance highlights, the Chairman's Statement and the Business Review) contains forward-looking statements, these are made by the Directors in good faith based on the information available to them at the time of their approval of this report. Consequently, such statements should be treated with caution due to their inherent uncertainties, including both economic and business risk factors underlying such forward-looking statements or information.

### Results and Dividends

The Group made a loss before tax for the year ended 30 September 2009 of £2.7 million (2008: £11.2 million ) with basic loss per share of 0.90p (2008: loss per share of 3.87p).

No dividends have been paid during the year.

### Going Concern

After making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The disclosures required by Financial Reporting Standard 18 in relation to the Directors' going concern assessment are set out in Note 2 to the financial statements.

### Shares Issues

During the year the company issued 2,509,091 Ordinary 1p Shares ("ordinary shares") to Rivington Street Holdings pursuant to contractual obligations for services provided to the Company.

Pursuant to the authority given at the Annual General Meeting of the Company held on 21 December 2007, the Company purchased in total of 15,112,728 ordinary shares of 1p each at a price between 0.85p and 2.44p during the year.

Total number of ordinary shares acquired by the Company was 29,102,728 and this represents the full amount the Company is authorised to acquire. Total shares held in treasury represent 10% of the issued share capital at the year end.

## Directors' and their Interests

Details of the current Directors are given on Page 3.

In accordance with the Company's Articles of Association, Jason Drummond, Justin Drummond and Nilesh Jagatia retire by rotation and, being eligible, offer themselves for re-election.

The number of shares in which the Directors had a beneficial interest, as defined by the Companies Act 2006 were as follows:

	At 30 September 2009		At 1 October 2008	
	Ordinary shares Number	Warrants Number*	Ordinary shares Number	Warrants Number
Jason Drummond	22,657,000	5,250,000	22,657,000	3,000,000
Justin Drummond	19,000,000	13,000,000	18,000,000	10,000,000
Nilesh Jagatia	100,000	2,250,000	100,000	500,000
Michael Hawkes (Resigned August 2009)	-	750,000	-	500,000

\*These warrants were granted on 29 October 2008 at exercise price of 1p and replace all 16,500,000 previous grants of warrants held by existing employees at 29 October 2008. The warrants give a right to subscribe for new shares for a period of three years from the grant date.

## Substantial Shareholdings

At the date of this Report, the Company had been notified or was aware of the following holdings of 3% or more of the total voting rights of the Company:

Shareholder	Number of shares	Percentage of issued share capital
Jason Drummond	22,907,618	8.58%
Justin Drummond	22,286,666	8.34%
TD Waterhouse Investor Services	20,911,927	7.38%
Barclays Stockbrokers Limited	16,114,850	6.03%
Selftrade	15,754,222	5.90%
Halifax Share Dealing	13,580,778	5.08%
Steve Egan	13,294,636	4.98%
Herald Investment Management Limited	12,650,000	4.74%
Paul Fraser	10,357,500	3.88%
Collins Stewart Wealth Management	8,872,571	3.32%

## Risks and Uncertainties

Risk is inherent in all business. Set out below are certain risk factors which could have an impact on the Group's long term performance. The factors discussed below should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties facing the Group.

**Economic and business cycle:** The Group's customers are principally corporates whose expenditure on services provided by the Group may be discretionary in nature and may therefore be affected by changes in the economic and business cycle. We have sought to minimise the effect of the economic slowdown by seeking, wherever practicable, to limit infrastructure obligations and other commitments to a level appropriate to the foreseeable needs of the business, after taking account of market trends and developments.

**Reputation:** The Group's reputation, in terms of the service we provide, the way in which we conduct our business and the financial results which we achieve, is central to our future success. Failure to meet the expectations of our clients, suppliers, employees, shareholders and other business partners may have a material adverse effect on the Group. We therefore place a strong emphasis on the quality of our service, we invest in staff training and we operate systems of risk management and internal control.

**Dependence on key personnel:** The Group's future success will be dependent on key employees and their on-going relationships with clients and suppliers. It is believed that the Group is of a size that no one individual represents a significant risk to the Group. The Group also encourages client or supplier contacts to be maintained by more than one individual. Key staff are incentivised through a mixture of sales commission and profit related bonuses. Directors are incentivised as detailed in the Report of Remuneration Committee.

**Competition:** Competition in the internet media and advertising industry is intense and may limit the ability of the Group to increase its revenue share. Some competitors may have greater access to financial resources than the Group. Although the Group does aim to be competitive in its pricing, the Group may decline work where it is unable to make an adequate margin or where the services are not appropriate to the Group's available resources.

**Reliance on third party technology:** Hardware and software acquired by the Group for its key activities may not operate in accordance with its specification. However, the Group generally purchases only from approved suppliers and with the benefit of relevant warranties.

**Exposure to counterparty credit risk:** It is believed that no one customer represents a material risk to the Group.

**Effect of foreign currency:** The Group in general does not hedge the foreign currency risk arising from sales by an operation denominated in a currency other than its functional currency. The Group also does not hedge against the translation of foreign currency assets.

**Interest rate risk:** The main risk arising from the Group's cash deposits is changes in interest rates. The Board's policy toward cash deposits is to deposit cash in short term interest bearing bank deposit accounts.

#### **Creditors payment policy and practice**

It is the Group's policy that payments to suppliers are made in accordance with agreed terms and conditions between the Group and its suppliers, provided that all the trading terms and conditions have been complied with. The average number of days credit taken by the Group as at the 30 September 2009 was 40 days (2008: 45 days).

#### **Employees**

The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programmes in common with all employees. The Group has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

#### **Environmental Policy**

Although the Group does not have a formal environmental policy, the Group does recognise the importance of environmental responsibility. The Group believes that its activities have a low impact on the environment.

### **Directors' Indemnities**

The Group has purchased insurance to cover its Directors and officers against the costs of defending themselves in legal proceedings taken against them in that capacity and in respect of any damages resulting from those proceedings. The insurance does not provide cover where the Director has acted fraudulently or dishonestly.

The Group has also provided an indemnity for its Directors, which is a qualifying third party indemnity provision for the purposes of section 234 of the Companies Act 2006. A copy of the indemnity is available for inspection at the Company's registered office during normal working hours.

### **Political and charitable contributions**

No contributions for charitable or political purposes were made during the year (2008: nil) by the Group.

### **Corporate Governance**

Whilst the Company has not formally adopted the Combined Code, it does regard corporate governance as important and has therefore constituted audit and remuneration committees:

- ***Audit Committee***

An audit committee has been established, which is composed of the Company's Non-Executive Directors and the Finance Director. It is charged with making recommendations to the Board on the appointment of auditors and the audit fee, for reviewing the conduct and control of the annual audit, and for reviewing the operation of the internal financial controls. It also has responsibility for reviewing financial statements prior to publication.

- ***Remuneration Committee***

A remuneration committee has been established, which is composed of the Company's Non-Executive Directors. It reviews the performance of the Executive Directors, sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders and reviews and approves any proposed bonus entitlement. It will also determine the allocation of share options to employees.

### **Auditors**

The Directors who held office at the date of approval of the Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Shareholders' consent is sought at the Annual General Meeting which will propose the reappointment of Gerald Edelman as independent auditors of the Company and to authorise the Directors to determine the auditors' remuneration.

### **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law. Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period.

In preparing those 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

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 which disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Group's report and accounts will be published on the Group's website and in this regard the Directors accept responsibility for the maintenance and integrity of the website, and any uncertainty arising as a result of the accounts being available via the web in different legal and accounting jurisdictions.

**Annual General Meeting and recommendation**

Notice of the Annual General Meeting, together with explanatory notes, is set out on pages 47 to 53.

The Board considers that the resolutions to be proposed at the Annual General Meeting are in the best interests of the Company and its unanimous recommendation is that shareholders support these proposals as the Board intends to do in respect of their own holdings.

By the order of the Board:

**Nilesh Jagatia**  
Company Secretary  
31 March 2010

# Report of Remuneration Committee

The members of the Remuneration Committee are:

John Palmer (Chairman of the Remuneration Committee)  
Jason Drummond

The Company Secretary, Nilesh Jagatia, attends the meetings of the Remuneration Committee as Company Secretary. The Chief Executive Officer of the Group, Justin Drummond, may also be invited to attend certain meetings.

## Role of the remuneration committee

The Remuneration Committee reviews and determines on behalf of the Board and shareholders of the Group the pay, benefits and other terms of service of the Executive Directors of the Group and the broad pay strategy with respect to senior Company employees.

## Best practice

As the Group is AIM-listed, it is not legally required to set out its remuneration policy but is doing so on a voluntary basis. To the extent that such principles are relevant to the current circumstances of the Group, the provisions of, inter alia, the Directors' Remuneration Report Regulations 2002 and the Combined Code are taken into account.

## Remuneration policy

The objective of the Group's remuneration policy is to attract and retain the Directors and Senior Executives needed to run the Group in a cost-effective manner.

The remuneration policy of the Group has three principal components:

### 1. Basic salaries and benefits in kind

Basic salaries are determined by the Remuneration Committee bearing in mind the salaries paid in AIM-listed and other small market capitalisation media companies. Within that frame of reference, it is intended that pay should be at or attain the median level. The Directors have received no other benefits in kind during the financial year. There is no pension scheme currently in place for Directors or employees.

### 2. Bonuses

Bonuses will be payable according to the achievement by the Group of certain predetermined key performance indicators. The level of bonuses payable on achievement of the targets is set at the level perceived correct to provide the necessary incentives for Executive Directors and senior managers. There are appropriate adjustments to the bonus payable in the event of over- or under-achievement of the Group against those targets.

### 3. Warrants

The Group issues warrants to Directors and senior management. The exercise price of the warrants granted under the scheme was equal to the market value of the Media Corporation plc's shares at the time of grant. The share scheme is overseen by the Remuneration Committee which shall determine the terms under which eligible individuals may be invited to participate.

**Directors' remuneration**

The particulars of the remuneration of the Directors and their interests are as set out in the Directors' Report and in Note 6 of the attached financial statements.

**Directors' service contracts**

All Executive Directors are employed under service contracts. The services of all Executive Directors may be terminated by the provision of a maximum of 12 months notice by the Group.

**Directors' share warrants**

Details of warrants for the Directors who served during the year are as follows:

At the year end, the following warrants existed, which were issued to directors at exercise price of 1p each and exercisable within three years.

Jason Drummond	5,250,000
Justin Drummond	13,000,000
Michael Hawkes	750,000
Nilesh Jagatia	2,250,000
	<hr/>
	21,250,000

These warrants were granted on 29 October 2008.

# Independent Auditor's Report to the Members of Media Corporation plc

We have audited the consolidated financial statements of Media Corporation Plc for the year ended 30 September 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in equity and the related notes. 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 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit

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

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David Atkinson (Senior statutory auditor)

**for and on behalf of Gerald Edelman, Statutory auditors**

Chartered Accountants & Registered Auditors

London

31 March 2010

# Consolidated Income Statement

## For the year ended 30 September 2009

	Notes	Total 2009 £000	Total 2008 £000
<b>Revenue</b>			
Continuing operations		3,507	3,912
<b>Total revenue</b>		<b>3,507</b>	<b>3,912</b>
<b>Cost of sales</b>			
Continuing operations		(2,617)	(2,507)
<b>Gross profit</b>		<b>890</b>	<b>1,405</b>
Selling and distribution costs		(276)	(638)
Administrative expenses		(2,914)	(3,318)
Exceptional loss	4	(398)	(8,913)
Total Operating costs		(3,588)	(12,869)
<b>Operating loss</b>	4	<b>(2,698)</b>	<b>(11,464)</b>
Finance income	7	39	242
<b>Loss before income tax</b>		<b>(2,659)</b>	<b>(11,222)</b>
Income tax expense	8	14	(57)
<b>Loss from continuing activities attributable to equity holder of the company.</b>		<b>(2,645)</b>	<b>(11,279)</b>
<b>Loss earnings per share attributable to equity holders of the company</b>			
	9	<b>Pence per share</b>	<b>Pence per share</b>
Basic		(0.90p)	(3.87p)
Diluted		(0.83p)	(3.87p)

The notes on pages 25 to 46 are an integral part of these financial statements.

The Company has elected to take exemption under section 408 of the Companies Act 2006 to not present the parent Company income statement. The loss for the Company is shown in the Statement of changes in shareholders' equity.

# Balance Sheets

## As at 30 September 2009

	Notes	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
<b>Assets</b>					
<b>Non current assets</b>					
Property, plant and equipment	10	85	158	80	140
Intangibles	11	4,830	4,566	229	289
Investments	12	-	-	6,530	7,028
Deferred tax asset	17	8	-	8	-
		<u>4,923</u>	<u>4,724</u>	<u>6,847</u>	<u>7,457</u>
<b>Current assets</b>					
Trade and other receivables	13	675	753	2,167	1,322
Cash at bank and in hand	14	1,697	3,809	187	2,043
		<u>2,372</u>	<u>4,562</u>	<u>2,354</u>	<u>3,365</u>
<b>Total assets</b>		<u>7,295</u>	<u>9,286</u>	<u>9,201</u>	<u>10,822</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	15	(1,342)	(1,369)	(927)	(1,466)
Current tax liabilities	15	(18)	(24)	-	-
		<u>(1,360)</u>	<u>(1,393)</u>	<u>(927)</u>	<u>(1,466)</u>
<b>Total liabilities</b>		<u>(1,360)</u>	<u>(1,393)</u>	<u>(927)</u>	<u>(1,466)</u>
<b>Total assets less liabilities</b>		<u>5,935</u>	<u>7,893</u>	<u>8,274</u>	<u>9,356</u>
<b>Equity</b>					
Share capital	18	4,798	4,773	4,798	4,773
Share premium		12,943	12,927	12,943	12,927
Other Reserves		1,422	1,422	1,422	1,422
Translation reserve		536	(305)	-	-
Retained Earnings		(13,764)	(10,924)	(10,889)	(9,766)
<b>Total shareholders equity</b>		<u>5,935</u>	<u>7,893</u>	<u>8,274</u>	<u>9,356</u>

Company registration number 4058698

The notes on pages 25 to 46 are an integral part of these financial statements.

The financial statements were approved by the Board on 31 March 2010 and were signed on its behalf by:

Justin Drummond  
Chief Executive Officer

Nilesh Jagatia  
Group Finance Director

## Consolidated Statement of changes in shareholders' equity for the year ended 30 September 2009

Group	Share capital £000	Share premium £000	Currency translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
<b>At 1 October 2006</b>	<b>4,764</b>	<b>12,917</b>	-	<b>1,422</b>	<b>(1,991)</b>	<b>17,112</b>
Profit for the year	-	-	-	-	2,830	2,830
Currency translation differences	-	-	(471)	-	-	(471)
Share based payments	-	-	-	-	13	13
<b>At 30 September 2007</b>	<b>4,764</b>	<b>12,917</b>	<b>(471)</b>	<b>1,422</b>	<b>852</b>	<b>19,484</b>
Loss for the year	-	-	-	-	(11,279)	(11,279)
Currency translation differences	-	-	166	-	-	166
Purchase of own shares	-	-	-	-	(497)	(497)
Issue of shares	9	10	-	-	-	19
<b>At 30 September 2008</b>	<b>4,773</b>	<b>12,927</b>	<b>(305)</b>	<b>1,422</b>	<b>(10,924)</b>	<b>7,893</b>
Loss for the year	-	-	-	-	(2,645)	(2,645)
Share based payments	-	-	-	-	27	27
Currency translation differences	-	-	841	-	-	841
Purchase of own shares	-	-	-	-	(222)	(222)
Issue of shares	25	16	-	-	-	41
<b>At 30 September 2009</b>	<b>4,798</b>	<b>12,943</b>	<b>536</b>	<b>1,422</b>	<b>(13,764)</b>	<b>5,935</b>

## Parent Company Statement of changes in shareholders' equity for the year ended 30 September 2009

Parent company	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
<b>At 1 October 2006</b>	<b>4,764</b>	<b>12,917</b>	<b>1,422</b>	<b>(3,173)</b>	<b>15,930</b>
Profit for the year	-	-	-	2,517	2,517
Share based payments	-	-	-	13	13
<b>At 30 September 2007</b>	<b>4,764</b>	<b>12,917</b>	<b>1,422</b>	<b>(643)</b>	<b>18,460</b>
Loss for the year	-	-	-	(8,626)	(8,626)
Purchase of own shares	-	-	-	(497)	(497)
Issue of shares	9	10	-	-	19
<b>At 30 September 2008</b>	<b>4,773</b>	<b>12,927</b>	<b>1,422</b>	<b>(9,766)</b>	<b>9,356</b>
Loss for the year	-	-	-	(923)	(923)
Other adjustments	-	-	-	(5)	(5)
Purchase of own shares	-	-	-	(222)	(222)
Share based payments	-	-	-	27	27
Issue of shares	25	16	-	-	41
<b>At 30 September 2009</b>	<b>4,798</b>	<b>12,943</b>	<b>1,422</b>	<b>(10,889)</b>	<b>8,274</b>

## Consolidated statement of recognised income and expenses for the year ended 30 September 2009

	2009	2008
	£000	£000
Currency translation differences	841	166
<b>Total income recognised directly in equity</b>	<b>841</b>	<b>166</b>
Loss for the year	(2,645)	(11,279)
<b>Total recognised expense for the year</b>	<b>(1,804)</b>	<b>(11,113)</b>

All amounts attributable to equity holders of the company

## Parent company statement of recognised income and expense for the year ended 30 September 2009

There are no movements to be recognised through the parent Company statement of recognised income and expense in 2009 or 2008.

# Consolidated Cash Flow Statement for the year ended 30 September 2009

	2009	2008
	£000	£000
<b>Operating activities</b>		
Operating loss	(2,698)	(11,464)
Depreciation and amortisation	255	168
Impairment of intangibles	-	9,111
Decrease in receivables	78	172
Increase in payables	107	376
Taxes paid	-	(29)
Share based payments	68	-
<b>Net cash used in operating activities</b>	<b>(2,190)</b>	<b>(1,666)</b>
<b>Investing activities</b>		
Interest received	39	242
Purchase of property, plant and equipment	(34)	(101)
Purchase of intangibles	(82)	(513)
Acquisition of subsidiary undertaking (net cash acquired)	-	(166)
<b>Net cash used in investing activities</b>	<b>(77)</b>	<b>(538)</b>
<b>Financing activities</b>		
Issue of share capital	-	19
Purchase of treasury shares	(222)	(497)
<b>Net cash used in financing activities</b>	<b>(222)</b>	<b>(478)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,488)</b>	<b>(2,682)</b>
Cash and cash equivalents at beginning of period	3,809	6,253
Effects on exchange movements	376	238
<b>Cash and cash equivalents at end of period</b>	<b>1,697</b>	<b>3,809</b>

The notes on pages 25 to 46 are an integral part of these financial statements.

## Parent Company Cash Flow Statement for the year ended 30 September 2009

	2009 £000	2008 £000
<b>Operating activities</b>		
Operating loss	(949)	(8,754)
Depreciation and amortisation	204	168
Share based payment	68	-
Impairment of investments and intangibles	498	8,543
Increase in receivables	(845)	(298)
Decrease in payables	(539)	(1,008)
Profit on disposal of non-current asset	(5)	-
<b>Net cash used in operating activities</b>	<b>(1,568)</b>	<b>(1,349)</b>
<b>Investing activities</b>		
Interest received	18	160
Purchase of property, plant and equipment	(30)	(101)
Purchase of intangibles	(54)	(143)
Acquisition of subsidiary undertaking	-	(247)
<b>Net cash used in investing activities</b>	<b>(66)</b>	<b>(331)</b>
<b>Financing activities</b>		
Issue of share capital	-	19
Purchase of treasury shares	(222)	(497)
<b>Net cash used in by financing activities</b>	<b>(222)</b>	<b>(478)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,856)</b>	<b>(2,158)</b>
Cash and cash equivalents at beginning of period	2,043	4,201
<b>Cash and cash equivalents at end of period</b>	<b>187</b>	<b>2,043</b>

The notes on pages 25 to 46 are an integral part of these financial statements

# Notes to the Financial Statements

## for the year ended 30 September 2009

### 1. General Information

Media Corporation plc (“the Company”) and its subsidiaries (together “the Group”) is engaged in Internet advertising and internet publishing. The Company is a public limited company which is listed on the Alternative Investment Market and is incorporated and domiciled in the United Kingdom. The address of the registered office is 77 Queen Victoria Street, London EC4V 4AY.

The registered number of the Company is 4058698.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Media Corporation has the following subsidiaries:

Name of Company	Proportion Held	Class of shareholding	Nature of Business
<b>Subsidiary undertakings</b>			
Xworks Limited	100%	Ordinary	Internet Publishing
Eyeconomy Limited	100%	Ordinary	Internet Advertising
Search Focus Limited	100%	Ordinary	Internet Publishing
Newbold Publications Limited	51%	Ordinary	Internet Publishing
Result Online Limited	100%	Ordinary	Internet Publishing
Flight Comparison Limited	100%	Ordinary	Internet Publishing
Career Plus Limited *	100%	Ordinary	IT Recruitment Agency
Interactive Consulting Limited			
T/A Nash Digital	100%	Ordinary	Internet Advertising
Gambling.com Limited	100%	Ordinary	Dormant
Gaming Corporation (Curacao) Limited	100%	Ordinary	Internet Publishing

\* - Indirectly held

## 2. Accounting policies

### Basis of preparation

The annual report and accounts of Media Group plc have been prepared in accordance with IFRS as adopted by the European Union, IFRIC interpretations, the Companies Act 2006 applicable to companies reporting under IFRS and the AIM listing rules. The annual report and accounts have been prepared under the historic cost convention as modified by available for sale financial assets and financial assets and financial liabilities at fair value through profit or loss.

The annual report and accounts have been prepared on a going concern basis in accordance with the Group's accounting policies set out below which are based on the recognition and measurement principles of IFRS.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are shown below.

### Fundamental accounting concept – going concern

The financial statements have been prepared on the assumption that the Group is a going concern. The accounts of the Group for the year ended 30 September 2009 show a loss including exceptional items for the year of £2.7 million.

At the date of these financial statements the Group's ability to continue as a going concern reflects the net funds of £1.7 million cash available to the Group at the year end and the forecasts for the Group for the current financial year. On this basis, in the opinion of the Directors, the financial statements have been properly prepared on the assumption that the Group is a going concern.

### Basis of consolidation

#### Subsidiaries

Subsidiaries are all entities over which the Group (directly or indirectly) has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are excluded from the consolidation from the date on which control ceases.

The Group uses the purchase method of accounting to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement for the year.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

### Transactions and Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary.

### **Segmental reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those in segments operating in other economic environments.

### **Foreign currency**

The individual financial statements of each Group Company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group Company are expressed in Pounds sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at rates of exchange prevailing on the dates of the transactions. At the balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the profit and loss account for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such monetary items, any exchange component of the gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date.

Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income and expense in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates.

### **Revenue recognition**

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 discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Sales of services are recognised when the service has been completed and invoiced to the customer.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **Leased assets**

Where the assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as a liability. Where a finance lease has been awarded to a group entity at a non-commercial interest rate is applied. Depreciation on the relevant assets is charged to the income statement.

All other leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight line basis over the term of the lease.

### **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

The cost of property, plant and equipment includes those costs which are directly attributable to purchasing the assets and bringing them into working condition. The Group does not capitalise interest as part of the cost of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is provided on the following tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life as follows:

Fixtures and fittings	25% reducing balance
Office equipment	25% reducing balance
Computer equipment	33.3% per annum

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Operating expenses' in the Income Statement.

The Group reviews its depreciation rates regularly to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments and the intensity at which the assets are expected to be used.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### **Intangible assets**

#### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill on acquisition of subsidiaries is included in goodwill and intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units that are expected to benefit from the business combination in which the goodwill arose.

In accordance with IFRS 3 'Business Combinations', any excess of acquirer's interest in the fair value of acquiree's identifiable net assets is immediately recognised in the income statement.

### **Computer software**

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. These costs are amortised over their useful economic lives (3 to 5 years). Costs associated with developing and maintaining computer software programmes are recognised as an expense when incurred, subject to the capitalization criteria of IAS 38.

### **Trade names/Domain names**

Acquired trade names/domain names are recognised where their fair value can be reliably measured. These assets are considered to have finite lives and are tested annually for impairment and carried at cost less accumulated impairment losses.

### **Website costs**

Acquired websites are capitalised where their fair value can be reliably measured. Development of these websites are also capitalised as long as there are considered generating revenues. These assets are considered to have finite lives and are amortised on a straight line basis over their useful economic lives of 3 years.

### **Impairment of non current assets**

The carrying amount of the Group's assets, other than deferred income tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. Assets that have an indefinite economic life are not subject to amortisation and are tested annually for impairment.

If an indicator of a possible impairment is noted, the need for any asset impairment provision is assessed by comparing the carrying value of the asset against the higher of fair value less costs to sell or value in use (recoverable amount). An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. For the purposes of assessing impairment, the assets are grouped at the lowest levels for which they have separately identifiable cash flows (cash generating units).

Impairment losses recognised in the income statement in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then, to reduce the carrying amount of the other assets of the unit (group of units) on a pro rata basis.

Impairment charges are included in the administrative expenses line item in the income statement, except to the extent they reverse gains previously recognised in the statement of recognised income and expenses.

### **Financial instruments**

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

### **Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less.

### **Trade and other receivables**

Trade receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'Operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to 'Operating expenses' within the income statement.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are initially recognised at cost, being the fair value of consideration together with any associated issue costs. After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated taking into account any issue costs and discount or premium on settlement.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental costs (net of income taxes), is included in equity attributable to the Company's equity holders.

### **Trade payables**

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

### **Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are expensed to the income statement unless used to fund a qualifying asset as described by IAS 23.

### **Current and deferred income tax**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### **Share based payments Transactions**

Employees (including Directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details of which are given in note 23.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. Where the terms of an equity-settled award are modified, the minimum expense recognised is the expense as if the terms had not been modified. An additional expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (further details are given in note 9).

### **Research and development costs**

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects.

### **Accounting Standards issued but not yet effective and/ or adopted.**

At the date of authorisation of these consolidated financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of these consolidated financial statements:

**IAS 27:** Consolidated and Separate Financial Statements (Amended) (effective as of 1 July 2009).

**IFRS 3:** Business Combinations (Revised) (effective as of 1 July 2009) includes an amendment to the treatment of minority interests (renamed non-controlling interests), amendments to the calculation of goodwill, a change to the method of accounting for acquisitions in stages, amendment to the accounting for contingent consideration and changes to the recognition and measurement of certain assets and liabilities.

**IFRS 9:** Financial instruments (effective as of 1 January 2013 – not yet endorsed by the EU).

**IFRIC Interpretation 13:** Customer Loyalty Programmes (effective as of 1 July 2009).

**IFRIC Interpretation 14:** The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1 July 2009).

**Amendment to IFRIC 14:** Prepayments of a Minimum Funding Requirement (effective as of 1 January 2011, not yet endorsed by the EU).

**IFRIC Interpretation 16:** Hedges of a Net Investment in a Foreign Operation (effective as of 1 October 2009).

**IFRIC Interpretation 17:** Distributions of non-cash assets to owners (effective 1 July 2009).

**IFRIC Interpretation 18:** Transfers of assets from customers (effective 1 July 2009, not yet endorsed by the EU).

**IFRIC Interpretation 19:** Extinguishing Financial Liabilities with Equity Instruments (effective as of 1 July 2010, not yet endorsed by the EU).

**Eligible Hedged Items (Amendment to IAS 39 Financial Instruments: Recognition and Measurement).** Entities shall apply the amendment retrospectively for annual periods beginning on or after 1 July 2009.

Amendments to IFRIC 9 and IAS 39: Embedded Derivatives (effective as of 30 June 2009, not yet endorsed by the EU).

Improvements to IFRSs (effective date is various, earliest is as of 1 January 2009, not yet endorsed by the EU).

**Amendment to IFRS 2:** Group Cash-settled Share-based Payment Transactions (effective as of 1 January 2010, not yet endorsed by the EU).

**Amendment to IFRS 1:** Additional Exemptions for First-Time Adopters (effective as of 1 January 2010, not yet endorsed by the EU).

**Amendment to IAS 32:** Classification of Rights Issues (effective as of 1 February 2010, not yet endorsed by the EU).

**Revised IAS 24:** Related-Party Disclosures (effective as of 1 January 2011, not yet endorsed by the EU).

The directors anticipate that the adoption of these standards and interpretations will not have a material impact on the Group's financial statements in the period of initial adoption with the exception of IFRS 3: Business Combinations (Revised), which will require transaction costs arising on business combinations to be expensed to the income statement as opposed to the existing treatment of capitalisation, in the event that acquisitions are undertaken.

#### **Significant judgments, key assumptions and estimates**

In the course of the preparation of the financial statements, the Group has made the following significant estimates:

- Estimates of the future cash flows of the Group's subsidiaries upon which goodwill is carried, in order to arrive at whether an impairment provision is required. These have been based on each subsidiary's budgets for 2010 and projections for 2011 and 2012 with expected growth rates and discount rates.
- Judgements made on the estimates of the useful life of property, plant and equipment, as set out in the relevant accounting policies above.

### 3. Segmental analysis

As at 30 September 2009, the Group's continuing business is classified by management into two main segments.

The primary segment results for the year ended 30 September 2009 are as follows:

	Advertising Network £'000	Internet Publishing £'000	Group £'000
<b>Revenue</b>			
Total segment revenue	<u>2,602</u>	<u>905</u>	<u>3,507</u>
<b>Operating loss</b>	<b>(521)</b>	<b>(2,177)</b>	<b>(2,698)</b>
Net finance income			39
<b>Loss before income tax expense</b>			<u><b>(2,659)</b></u>
Income tax expense			14
<b>Loss from continuing activities</b>			<u><b>(2,645)</b></u>
<b>Balance sheet</b>			
Assets	1,072	6,223	7,295
Liabilities	<u>(634)</u>	<u>(726)</u>	<u>(1,360)</u>
<b>Net assets/(liabilities)</b>	<u><b>438</b></u>	<u><b>5,497</b></u>	<u><b>5,935</b></u>
<b>Other information</b>			
Depreciation and amortisation	<u>(37)</u>	<u>(218)</u>	<u>(255)</u>

The segment results for the year ended 30 September 2008 are as follows:

	Advertising Network £'000	Internet Publishing £'000	Group £'000
<b>Revenue</b>			
Total segment revenue	<u>2,529</u>	<u>1,383</u>	<u>3,912</u>
<b>Trading profit</b>	<b>(413)</b>	<b>(2,157)</b>	<b>(2,570)</b>
Impairment of intangibles	-	(9,170)	(9,170)
Net Gain on sale of non current assets	-	276	276
<b>Operating (loss)/profit</b>	<u><b>(413)</b></u>	<u><b>(11,051)</b></u>	<u><b>(11,464)</b></u>
Net finance income			242
<b>Loss before income tax expense</b>			<u><b>(11,222)</b></u>
Income tax expense			(57)
<b>Loss from continuing activities</b>			<u><b>(11,279)</b></u>
<b>Balance sheet</b>			
Assets	891	8,395	9,286
Liabilities	<u>(1,224)</u>	<u>(169)</u>	<u>(1,393)</u>
<b>Net assets/(liabilities)</b>	<u><b>(333)</b></u>	<u><b>8,226</b></u>	<u><b>7,893</b></u>
<b>Other information</b>			
Depreciation and amortisation	<u>(120)</u>	<u>(9,159)</u>	<u>(9,279)</u>

The above disclosures are consistent with how management reports information internally for the purpose of evaluating the Group's performance and for making decisions about future allocations of resources to the Group.

Under the definitions contained in IAS 14 the only material geographic segment that the Group operates in is the UK.

#### 4. Operating loss

Operating loss has been arrived at after charging:

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Staff costs (see note 5)	1,562	1,485
Depreciation of property, plant and equipment	107	120
Amortisation of intangibles and impairment review	148	9,159
Operating lease expenditure:		
- property	123	123
Auditors' remuneration:		
- statutory audit	30	23
- Tax compliance services	<u>3</u>	<u>2</u>
<b>Exceptional Loss</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Foreign Currency loss	207	
Underpayment of taxation from prior years	205	
Gain on revaluing gaming balances	(76)	
Impairment of goodwill		7,776
Impairment of domain names		649
Impairment of computer software and website		686
Share based payment	27	-
Bad debt	35	79
Income from non current assets		(277)
	<u><b>398</b></u>	<u><b>8,913</b></u>

#### 5. Staff costs

Staff costs (including Directors) consist of:

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
Wages and salaries	1,395	1,314
Social security costs	167	171
	<u><b>1,562</b></u>	<u><b>1,485</b></u>
	<b>Number</b>	<b>Number</b>
Management	8	8
Distribution and sales	17	21
Technical	6	6
Administration	6	7
	<u><b>37</b></u>	<u><b>42</b></u>

## 6. Directors' emoluments

	<b>Group 2009 £000</b>	<b>Group 2008 £000</b>
<b>Emoluments</b>	<b><u>317</u></b>	<b><u>338</u></b>

The emoluments of the Directors and former directors are analysed as follows:

	<b>Salary 2009 £000</b>	<b>Bonus 2009 £000</b>	<b>Total 2009 £000</b>	<b>Salary 2008 £000</b>	<b>Bonus 2008 £000</b>	<b>Total 2008 £000</b>
Jason Drummond	40	10	50	40	21	61
Justin Drummond	132	25	157	132	40	172
Nilesh Jagatia	80	10	90	80	8	88
John Palmer	2	-	2	-	-	-
Michael Hawkes	18	-	18	17	-	17
	<u>272</u>	<u>45</u>	<u>317</u>	<u>269</u>	<u>69</u>	<u>338</u>

The Directors do not receive any other benefits paid for by the Company, such as pension contributions or healthcare.

## 7. Finance income and costs

	<b>2009 £000</b>	<b>2008 £000</b>
<b>Finance income</b>		
Interest on short term bank deposits	<u>39</u>	<u>242</u>

## 8. Income tax expense

	2009 £000	2008 £000
Current tax	(6)	-
Deferred tax (Note 17):	(8)	57
	<u>(14)</u>	<u>57</u>

Factors affecting tax charge:

The difference between the total tax expense shown above and the amount calculated by applying the standard UK rate of corporation tax is explained below:

	2009 £000	2008 £000
Loss before tax	(2,659)	(11,222)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 28%)	(745)	(3,142)
Effects of:		
Expenses that are not deductible in determining taxable profit	56	38
Tax losses utilised	-	(36)
Other tax adjustments	689	3,197
Over provision in prior years	(6)	-
Deferred tax	(8)	-
Total tax (credit)/expense	<u>(14)</u>	<u>57</u>

## 9. Loss per share

	2009 £000	2008 £000
Loss for the purpose of basic and diluted earnings per share	<u>(2,645)</u>	<u>(11,279)</u>
<b>Numbers</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	293,467,124	291,927,298
Effective of dilutive potential ordinary shares:		
Share warrants	25,084,931	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>318,552,055</u>	<u>291,927,298</u>
	Pence	Pence
Loss per share – basic	(0.90p)	(3.87p)
Loss per share – diluted	(0.83p)	(3.87p)

Basic loss per share has been calculated by dividing loss for the year by the weighted average number of ordinary shares in issue during the year.

Diluted loss per share has been calculated by dividing loss for the year by the weighted average number of ordinary shares in issue during the year adjusted to assume conversion of all dilutive potential options/warrants. Losses are not subject to dilution.

## 10. Property, plant and equipment

Group	Short Leasehold £000	Fixtures and Fittings £000	Office Equipment £000	Computer Equipment £000	Total £000
<b>Cost</b>					
At 1 October 2008	3	138	137	268	546
Additions	-	1	-	33	34
At 30 September 2009	<u>3</u>	<u>139</u>	<u>137</u>	<u>301</u>	<u>580</u>
<b>Depreciation</b>					
At 1 October 2008	3	79	123	183	388
Charge for year	-	24	8	75	107
At 30 September 2009	<u>3</u>	<u>103</u>	<u>131</u>	<u>258</u>	<u>495</u>
<b>Carrying amount</b>					
At 30 September 2009	<u>-</u>	<u>36</u>	<u>6</u>	<u>43</u>	<u>85</u>

<b>Group</b>	<b>Short Leasehold £000</b>	<b>Fixtures and Fittings £000</b>	<b>Office Equipment £000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 October 2007	3	81	135	226	445
Additions	-	57	2	42	101
At 30 September 2008	<u>3</u>	<u>138</u>	<u>137</u>	<u>268</u>	<u>546</u>
<b>Depreciation</b>					
At 1 October 2007	3	51	95	119	268
Charge for year	-	28	28	64	120
At 30 September 2008	<u>3</u>	<u>79</u>	<u>123</u>	<u>183</u>	<u>388</u>
<b>Carrying amount</b>					
At 30 September 2008	<u>-</u>	<u>59</u>	<u>14</u>	<u>85</u>	<u>158</u>

<b>Company</b>	<b>Short Leasehold £000</b>	<b>Fixtures and Fittings £000</b>	<b>Office Equipment £000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 October 2008	3	107	55	153	318
Additions	-	-	-	30	30
At 30 September 2009	<u>3</u>	<u>107</u>	<u>55</u>	<u>183</u>	<u>348</u>
<b>Depreciation</b>					
At 1 October 2008	3	50	47	78	178
Charge for year	-	21	3	66	90
At 30 September 2009	<u>3</u>	<u>71</u>	<u>50</u>	<u>144</u>	<u>268</u>
<b>Carrying amount</b>					
At 30 September 2009	<u>-</u>	<u>36</u>	<u>5</u>	<u>39</u>	<u>80</u>

<b>Company</b>	<b>Short Leasehold £000</b>	<b>Fixtures and Fittings £000</b>	<b>Office Equipment £000</b>	<b>Computer Equipment £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 October 2007	3	50	52	112	217
Additions	-	57	3	41	101
At 30 September 2008	<u>3</u>	<u>107</u>	<u>55</u>	<u>153</u>	<u>318</u>
<b>Depreciation</b>					
At 1 October 2007	3	24	34	27	88
Charge for year	-	26	13	51	90
At 30 September 2008	<u>3</u>	<u>50</u>	<u>47</u>	<u>78</u>	<u>178</u>
<b>Carrying amount</b>					
At 30 September 2008	<u>-</u>	<u>57</u>	<u>8</u>	<u>75</u>	<u>140</u>

## 11. Intangibles

<b>Group</b>	<b>Goodwill £000</b>	<b>Domain Names £000</b>	<b>Trade marks £000</b>	<b>Computer Software and Website £000</b>	<b>Total £000</b>
<b>Cost</b>					
At 1 October 2008	12,013	3,791	2	1,382	17,188
Additions	-	-	-	82	82
Exchange differences	-	330	-	-	330
At 30 September 2009	<u>12,013</u>	<u>4,121</u>	<u>2</u>	<u>1,464</u>	<u>17,600</u>
<b>Depreciation</b>					
At 1 October 2008	10,862	649	2	1,109	12,622
Charge for year	-	-	-	148	148
At 30 September 2009	<u>10,862</u>	<u>649</u>	<u>2</u>	<u>1,257</u>	<u>12,770</u>
<b>Carrying amount</b>					
At 30 September 2009	<u>1,151</u>	<u>3,472</u>	<u>-</u>	<u>207</u>	<u>4,830</u>

Group	Goodwill	Domain Names	Trade marks	Computer Software and Website	Total
	£000	£000	£000	£000	£000
<b>Cost</b>					
At 1 October 2007	11,825	3,728	2	1,004	16,559
Additions	188	135	-	378	701
Exchange differences	-	(72)	-	-	(72)
At 30 September 2008	<u>12,013</u>	<u>3,791</u>	<u>2</u>	<u>1,382</u>	<u>17,188</u>
<b>Depreciation</b>					
At 1 October 2007	3,086	-	2	375	3,463
Charge for year	-	-	-	48	48
Impairment review	7,776	649	-	686	9,111
At 30 September 2008	<u>10,862</u>	<u>649</u>	<u>2</u>	<u>1,109</u>	<u>12,622</u>
<b>Carrying amount</b>					
At 30 September 2008	<u>1,151</u>	<u>3,142</u>	<u>-</u>	<u>273</u>	<u>4,566</u>

#### Company

	Domain Names	Computer Software and Website	Total
	£000	£000	£000
<b>Cost</b>			
At 1 October 2008	135	343	478
Additions	-	54	54
At 30 September 2009	<u>135</u>	<u>397</u>	<u>532</u>
<b>Depreciation</b>			
At 1 October 2008	-	189	189
Charge for year	-	114	114
At 30 September 2009	<u>-</u>	<u>303</u>	<u>303</u>
<b>Carrying amount</b>			
At 30 September 2009	<u>135</u>	<u>94</u>	<u>229</u>

<b>Company</b>	<b>Domain Names</b>	<b>Computer Software and Website</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At 1 October 2007	-	335	335
Additions	135	8	143
At 30 September 2008	<u>135</u>	<u>343</u>	<u>478</u>
<b>Depreciation</b>			
At 1 October 2007	-	55	55
Charge for year	-	78	78
Impairment review	-	56	56
At 30 September 2008	<u>-</u>	<u>189</u>	<u>189</u>
<b>Carrying amount</b>			
At 30 September 2008	<u>135</u>	<u>154</u>	<u>289</u>

## 12. Investments

### Company

	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>
At 1 October	7,028	15,268
Addition	-	247
Provision for impairment	(498)	(8,487)
At 30 September	<u>6,530</u>	<u>7,028</u>

The investments in Group undertakings are recorded at cost which is the fair value of the consideration paid.

The Group's principal subsidiary undertakings at 30 September 2009, all of which are included in the consolidation, were as follows:

<b>Name of Company</b>	<b>Proportion Held</b>	<b>Class of shareholding</b>	<b>Nature of Business</b>
<b>Subsidiary undertakings</b>			
Xworks Limited	100%	Ordinary	Internet Publishing
Eyeconomy Limited	100%	Ordinary	Internet Advertising
Search Focus Limited	100%	Ordinary	Internet Publishing
Newbold Publications Limited	51%	Ordinary	Internet Publishing
Result Online Limited	100%	Ordinary	Internet Publishing
Flight Comparison Limited	100%	Ordinary	Internet Publishing
Career Plus Limited *	100%	Ordinary	IT recruitment agency
Interactive Consulting Limited /TA			
Nash Digital	100%	Ordinary	Internet Advertising
Gaming Corp (Curacao) Limited	100%	Ordinary	Internet Publishing
Gambling.com Limited	100%	Ordinary	Dormant

\* Indirectly held

The holder of the minority interest in Newbold Publications Limited is not liable for the losses incurred. Therefore no amount is attributed to the minority interest in the financial statement.

Following the year end Media Corporation Plc acquired the entire share capital of Purple Lounge Limited, an internet gaming company. The maximum consideration for Purple Lounge is £0.465m, all of which will be satisfied by way of an earn-out, payable over a period of up to 5 years.

### 13. Trade and other receivables

	<b>Group 2009 £000</b>	<b>Group 2008 £000</b>	<b>Company 2009 £000</b>	<b>Company 2008 £000</b>
Trade debtors	557	555	1	23
Other debtors	58	62	68	62
Amounts owed by the group undertakings	-	-	2,046	1,153
Prepayments and accrued income	60	136	52	84
	<u>675</u>	<u>753</u>	<u>2,167</u>	<u>1,322</u>

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. Included in trade receivables above are provisions for impairment of receivables of £Nil (2008 - £79,000)

Company amounts owed by other Group companies are unsecured, repayable on demand and bear no interest charge.

### 14. Cash and cash equivalents

	<b>Group 2009 £000</b>	<b>Group 2008 £000</b>	<b>Company 2009 £000</b>	<b>Company 2008 £000</b>
Cash and equivalents	<u>1,697</u>	<u>3,809</u>	<u>187</u>	<u>2,043</u>

All of the Group's cash and cash equivalents are at a floating rate of interest.

The Directors consider that the carrying amount of cash and cash equivalents approximates to their fair value.

### 15. Trade and other payables

	<b>Group 2009 £000</b>	<b>Group 2008 £000</b>	<b>Company 2009 £000</b>	<b>Company 2008 £000</b>
Trade payables	649	464	128	134
Other taxation and social security	282	166	236	98
Other payables	195	460	193	408
Accrued expenses and deferred income	216	279	29	25
Amount payable to group undertakings	-	-	341	801
Tax liability	18	24	-	-
	<u>1,360</u>	<u>1,393</u>	<u>927</u>	<u>1,466</u>

Trade payables principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 40 days (2008 - 45 days)

The Directors consider that the carrying of trade and other payables approximates to their fair value.

## 16. Financial instruments – Risk management

The Group in principal does not use or trade in derivative financial instruments.

The main risks arising from Group's financial instruments are credit risk, interest rate risk, liquidity risk and fair value risk. The Board reviews and agrees policies for managing these risks and they are summarised below. These policies have remained unchanged throughout the financial period.

### *Credit risk*

The Group is mainly exposed to credit risk from credit sales. It is the Group's policy to assess the credit risk of its customers. The Group closely monitors the creditability of its customers and will require an advance payment if necessary. The Group will terminate business with customers with a poor credit history. Management considers the above measures to be sufficient to control the credit risk exposure.

### *Liquidity risk*

The Group's objective is to maintain a balance between continuity of funding and flexibility through cash pooling and shareholder funding. The Group monitors its liquidity risk on an ongoing basis by undertaking rigorous cash flow forecasting procedures.

### *Interest rate risk*

The Group finances itself using its own cash balances which comprise cash and short-term deposits, and therefore has no significant interest rate risk.

The carrying value of all other financial instruments equate to their fair value.

## 17. Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred income taxes relate to the same fiscal authority.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 28% (2008 – 28%). The movement on the deferred tax accounts is shown below:

### Group

	2009 £000	2008 £000
At 1 October 2008	-	57
Tax credit /(charge) for the year	8	(57)
At 30 September 2009	<u>8</u>	<u>-</u>

Deferred taxation assets provided in the financial statements are as follows:

Tax losses carried forward	-	-
Other timing differences	8	-
	<u>8</u>	<u>-</u>

Deferred taxation assets not provided in the financial statements are as follows:

	2009 £000	2008 £000
Tax losses carried forward	821	380
Other timing differences	33	-
	<u>854</u>	<u>380</u>

### Company

	2009 £000	2008 £000
At 1 October 2008	-	32
Tax credit /(charge) for the year	8	(32)
At 30 September 2009	<u>8</u>	<u>-</u>

Deferred taxation assets not provided in the financial statements are as follows

	2009 £000	2008 £000
Tax loss carried forward	365	180
Other timing differences	19	(3)
	<u>384</u>	<u>177</u>

## 18. Share Capital

	2009 Number	2009 £000	2008 Number	2008 £000
<b>Authorised</b>				
Ordinary shares of 1p each	814,566,400	8,146	814,566,400	8,146
Deferred shares of 4p each	46,358,400	1,854	46,358,400	1,854
		<u>10,000</u>		<u>10,000</u>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	294,436,389	2,944	291,927,298	2,919
Deferred shares of 4p each	46,358,400	1,854	46,358,400	1,854
		<u>4,798</u>		<u>4,773</u>

2,509,091 Ordinary 1p shares were issued to Rivington Street Holdings pursuant to contractual obligations for services provided to the Company and the average price of the shares at the issue date was 1.64 pence.

### Share warrants

During the year 16,500,00 warrants exercisable at 5p per share were replaced with new 27,250,000 warrants at exercisable price of 1p which were granted to employees and directors. The warrants give right to subscribe for new shares for a period of three years from the grant date.

## 19. Leases

### Operating leases

The Group has an operating lease on its head office. The annual commitment under non-cancellable operating lease is as follows:

	2009 £000	2008 £000
<b>Land and Buildings</b>		
Later than one year and not later than five years	<u>123</u>	<u>123</u>

## 20. Related party disclosures

Directors' emoluments are disclosed in note 6.

## 21. Events after balance sheet date

1,750,000 Ordinary 1p share warrants were exercised by former employees of Media Corporation Plc.

Media Corporation Plc acquired the entire share capital of Purple Lounge Limited, an internet gaming company. The maximum consideration for Purple Lounge is £0.465m, all of which will be satisfied by way of an earn-out, payable over a period of up to 5 years.

## 22. Contingent liabilities

There are no contingent liabilities.

### 23. Share based payments

Share warrants have been granted as set out in the Remuneration Committee Report and Note 18. The warrants were valued using the Black-Scholes option pricing model. The fair value of these share based payments granted and the assumptions used in the calculation are as follows:

	2009
Weighted average share price in pence	0.875
Weighted average exercise price in pence	0.875
Expected volatility	20%
Expected life in years	3
Risk-free rate	5%
Dividend yield	0%

Expected volatility was determined by calculating the volatility in the share price over a relevant period.

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (**Meeting**) of the Media Corporation Plc will be held at **77 Queen Victoria Street, London EC4V 4AY** on **28<sup>th</sup> April 2010** at **11am** for the purposes of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions and Special Resolutions as specified below:

### ORDINARY RESOLUTIONS

1. **TO** receive and adopt the Company's annual accounts for the financial year ended 30 September 2009 together with the last directors' report and the auditors' report on those accounts.
2. **TO** re-appoint Gerald Edelman as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company at a remuneration to be determined by the directors.
3. **TO** re-appoint Jason Drummond, who retires by rotation, as a Director of the Company.
4. **TO** re-appoint Justin Drummond, who retires by rotation, as a Director of the Company.
5. **TO** re-appoint Nilesh Jagatia , who retires by rotation, as a Director of the Company.
6. **THAT** the Directors be and they are hereby generally and unconditionally authorised under section 551 of the Companies Act 2006 to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ('Rights') up to an aggregate nominal amount of £2,961,027.28. This authority shall expire (unless previously revoked by the Company) on the earlier of 1 June 2011 and the conclusion of the next Annual General Meeting of the Company and in each case during this period the Company may make an offer or agreement which would or might require relevant securities to be allotted after the authority has expired and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding that this authority has expired.

### SPECIAL RESOLUTION

7. **THAT:**

subject to the passing of resolution 6, the Directors be and they are hereby empowered under section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority conferred by resolution 6 as if section 561 of the Companies Act 2006 did not apply to the allotment and this power shall be limited to:

- (i) the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (a)(ii) resolution 6, by way of a rights issue only) to:
  - (x) ordinary shareholders in proportion (as nearly as may be) to their existing holdings; and
  - (y) holders of other equity securities, if this is required by the rights of those securities or, if the Directors consider it necessary as permitted by the rights of those securities,

but subject to such exclusions and other arrangements as the Directors may consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares or any legal, regulatory or practical problems under the laws of any territory (including the requirements of any regulatory body or stock exchange) or any other matter; and

- (ii) in the case of the authority granted under paragraph (a)(i) of resolution 6, the allotment of equity securities (otherwise than under paragraph (i) of this resolution) up to an aggregate nominal amount of £296,102.73;
- (a) this power shall cease to have effect when the authority given by resolution 6 is revoked or expires but during this period the Company may make an offer or agreement which would or might require equity securities to be allotted after this authority expires and the Directors may allot equity securities in pursuance of that offer or agreement notwithstanding that the authority has expired; and
- (b) this power applies in relation to a sale of shares which is an allotment of equity securities by virtue of section 560(2)(b) of the Companies Act 2006 as if the words 'under the authority conferred by resolution 6' were omitted from the introductory wording to this resolution.

**By order of the Board**

Nilesh Jagatia  
Company secretary  
Media Corporation plc

Registered office:  
77 Queen Victoria Street  
London  
EC4V 4AY  
31 March 2010

## Notes to the Notice of Annual General Meeting

### Notes to resolution disapplying pre-emption rights

This resolution will, if passed, give the Directors power, pursuant to the authority to allot granted by resolution 6, to allot equity securities (as defined by section 560 of the 2006 Act) or sell treasury shares for cash without first offering them existing shareholders in proportion to their existing holdings:

- in relation to a pre-emptive rights issue only, up to a maximum nominal amount of £2,961,027.28 which represents 100% of the Company's issued ordinary shares as at 31 March 2010;
- in any other case, up to a maximum nominal amount of £296,102.73 which represents approximately 10% of the Company's issued ordinary shares as at 31 March 2010.

### Entitlement to attend and vote

Only those members registered on the Company's register of members at:

- 6.00 pm on 23 April 2010; or,
- if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting.

### Website giving information regarding the Meeting

Information regarding the Meeting, including the information required by section 311A of the Companies Act 2006, is available from

[www.mediacorpplc.com/Pages/Investors/Welcome.aspx](http://www.mediacorpplc.com/Pages/Investors/Welcome.aspx)

### Appointment of proxies

If you are a member of the Company at the time set out in note 2 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.

A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please notify the Company's registrars, Capita IRG Plc at PO Box 25, Beckenham, Kent BR3 4BR.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

## Appointment of proxy using hard copy proxy form

The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita IRG Plc at PO Box 25, Beckenham, Kent BR3 4BR; and
- received by Capita IRG Plc no later than 48 hours before the time fixed for the meeting or any adjournment thereof.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

## Appointment of proxy by joint members

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

## Changing proxy instructions

To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita IRG Plc at PO Box 25, Beckenham, Kent BR3 4BR.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

## Termination of proxy appointments

In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

- By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Company Secretary, Media Corporation Plc, 77 Queen Victoria Street, London EC4V 4AY. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
- By sending an e-mail to [info@mediacorpplc.com](mailto:info@mediacorpplc.com) quoting valid Share certificate number and number of Shares as the reference.

In either case, the revocation notice must be received by Capita IRG Plc 48 hours before the time fixed for the meeting or any adjournment thereof.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

### Corporate representatives

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.

### Issued shares and total voting rights

As at 6pm on 19th March 2010, the Company's issued share capital comprised 296,102,728 ordinary shares of 1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11am on 28th April 2010 is 296,102,728.

The website referred to in note 2 will include information on the number of shares and voting rights.

Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006, it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the Annual General Meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

### Nominated persons

If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (**Nominated Person**):

- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (**Relevant Member**) to be appointed or to have someone else appointed as a proxy for the Meeting.
- If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.
- Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and

not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

### Documents on display

- The following documents will be available for inspection at **77 Queen Victoria Street, London EC4V 4AY** from 31 March 2010 until the time of the Meeting and at the Meeting venue itself for at least 15 minutes prior to the Meeting until the end of the Meeting:
- Copies of the service contracts of executive directors of the Company.
- Copies of the letters of appointment of the non-executive directors of the Company.

### Communication

Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

- calling our shareholder helpline on 0207 618 9000 or
- email [info@mediacorpplc.com](mailto:info@mediacorpplc.com)

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form),

to communicate with the Company for any purposes other than those expressly stated.

# MEDIA CORPORATION PLC (Company)

## Annual General Meeting

### Proxy Form

[NAME AND ADDRESS OF SHAREHOLDER WITH REFERENCE DETAILS]

Before completing this form, please read the explanatory notes below

I /We being a member of the Company appoint the Chairman of the meeting or (see note 3)

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as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of the Company to be held on **28<sup>th</sup> April 2010** at **11am** and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

RESOLUTIONS	For	Against	Vote withheld
<b>ORDINARY BUSINESS</b>			
1. <b>TO</b> receive the Company's annual accounts for the financial year ended 30 September 2009 together with the last directors' report and the auditors' report on those accounts.			
2. <b>TO</b> reappoint Gerald Edelman as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company at a remuneration to be determined by the directors.			
3. <b>TO</b> re-appoint the following director who retires by rotation:- Jason Drummond			
4. <b>TO</b> re-appoint the following director who retires by rotation:- Justin Drummond			
5. <b>TO</b> re-appoint the following director who retires by rotation:- Nilesh Jagatia			
6. <b>TO</b> authorise the directors to allot shares pursuant to section 551 Companies Act 2006			
<b>SPECIAL BUSINESS</b>			
7. <b>TO</b> disapply pre-emption rights pursuant to section 570 of the Companies Act 2006			

Signature	Date
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