INTANDEM

Report and Accounts 2011

Intandem Films Plc
Flitcroft House
114-116 Charing Cross Road
London • WC2H 0JR

Contents

Directors, Advisers and Officers

Directors

Gary Smith	*Chairman and Chief Executive*
Andrew Brown	*Executive Director*
William Hurman	*Executive Director*
John James	*Non-executive Director*
Robert Mitchell	*Non-executive Director* (Appointed 23 November 2011)

Secretary
Rinkle Shah

Registered Office
114-116 Charing Cross Road
London
WC2H 0JR

Bankers
Royal Bank of Scotland
49 Charing Cross
London
SW1A 2DX

Auditors
Shipleys LLP
Chartered Accountants
10 Orange Street
Haymarket
London
WC2H 7DQ

Nominated Advisers
Northland Capital Partners Limited
60 Gresham Street
London
EC2V 7BB

Stockbrokers
Rivington Street Holdings plc
3rd Floor 3 London Wall Buildings
London Wall
London
EC2M 5SY

Registrars
Share Registrars Limited
Suite E
1st Floor
9 Lion & Lamb Yard
Farnham
Surrey
GU9 7LL

Company's registered number
5360907

Chairman's Statement

This financial year has been positive for Intandem as we continue towards becoming a profitable company. We have built on our efforts last year and now have a slate of new film scripts to which Intandem has been appointed sales agent which consists of over 20 films with estimated total budgets in excess of $250 million.

Results

During the year two new films generated commission income and since the year end three additional films have commenced production and are now in post production which will earn commission income for the current financial year. As a result turnover increased by 10% to £469,482 compared with £425,153 for the previous year. A number of our film projects were delayed for various reasons, however we expect to see revenues from these films from the current financial year.

The operating loss, which included a charge of £90,564 for share option accounting and a write down of £40,783 against film assets, was reduced from £642,047 to £436,939. Loss before tax was £464,473 against a profit of £3,314,404 in 2010. Last year's profit included a one-off benefit of £3,924,647 as a result of selling a film asset. The Board is conscious of the need to generate higher revenues to stem the operating losses and the directors are implementing a strategy that we believe will lead to sustained profitability.

Film Activity

During the period, Intandem was appointed as international sales company for nine new films. Two were completed during the year, 'The Veteran' and 'Screwed'.

In February 2011, Intandem was appointed as international sales company for 'K-11', a psychological thriller set in the Los Angeles County's Men's Central Jail. The film is now in post production and is scheduled to premiere in February 2012 at the Berlin Film Festival.

Other films which started production include 'Comes a Bright Day' which stars emerging talent Imogen Poots and Craig Roberts alongside industry veterans Timothy Spall and Kevin McKidd and 'Ecstasy', based on the novel of the same name by Irvine Welsh. In addition, the Company has helped to close the financing on the 3D thriller, 'Glimmer' which is expected to start production in the first quarter of 2012.

In May 2011, Intandem signed an agreement with Mary Alice Productions for the production and international sales of a slate of films in the $20 million-$40 million budget range. Intandem is currently working with Mary Alice to close the finance for the first two films under the arrangement, 'Section 8', a $25 million comedy and 'Tupac', a $15 million documentary film.

Post Period Film Activity

Since the year end Intandem has been appointed as international sales company for Danny De Vito's $28m dollar budget action family film 'The True Confessions of Charlotte Doyle', for which it is working with the producers in sourcing finance, and $20 million budget thriller 'Lucidity', which is being fully financed through the producers. These appointments are aligned with our strategy to represent larger budget films and we look to continue this in the next financial year.

In addition, the Company closed an agreement with California based IFA Films ("IFA") for IFA to supply Intandem with films for representation for sales outside North America. IFA will release the films in North America.

Current Strategy and Objectives

Intandem's objective is to be one of the World's leading independent film companies within the next five years which means generating significantly higher revenues and profits. We will do this by representing bigger films to generate more Executive Producer fees and commission income on international sales and by widening the scope of our business within the film industry.

The key to achieving our objective is to represent larger budget films which have worldwide appeal and to exploit the maximum distribution rights possible. The Board's target is to build its catalogue of new films at the rate of at least six films per annum with an average budget of £10million. This would result in thirty new films with budgets of £300 million in the next five years.

The following action has been taken as part of our strategy of becoming a leading film company.

Increased presence in Los Angeles

Los Angeles is the centre of the film industry with all the top distributors, producers, financiers, agents and talent having representation in the city. During 2011, I have personally spent much more time in Los Angeles to negotiate rights in larger budget films and as a result, in April, the Company took out a lease on a property in Santa Monica. There is no doubt that there is demand from film distributors around the world for American, commercial feature films which can attract "star" talent and achieve a wide cinema release. These are the types of films we are aiming to supply to our international clients.

One of the reasons for the loss in the year to 30 June 2011 is that some of the films which we had expected to start production were delayed for various reasons. We are working hard with each of the film's producers to convert the film projects into completed films and we have a tremendous opportunity to create a valuable library of new and exciting film titles. Many of the films will have major film stars attached to them which will increase the chances of achieving a cinema release throughout the world, resulting in significantly higher revenues.

Greater control over the financing of films

Some of the delays in production during the year were as a result of challenges to film financing. During a period of tight controls over credit in world financial markets, it is not surprising that capital projects such as film production have suffered. Despite these setbacks, we believe that a balanced portfolio of quality, commercial film assets represents an attractive alternative investment opportunity for investors.

Intandem has a policy of not investing its own resources into film production. However, we are investigating the possibility of setting up a film fund which would be managed by Intandem. The Board has taken the first steps in preparing a funding document with the intention of raising funds to speed up the process of taking a film project from the script stage into production.

The objective is to increase our chances in achieving a minimum of at least £60 million of new films each year.

New opportunities as a result of the digital revolution

The film industry is a major beneficiary of new technology and Intandem intends to take advantage of the opportunities available to it. The main changes affect how film assets can be distributed with a multitude of digital platforms opening up throughout the world. The platforms include cinema, television through video on demand, and all mobile technology.

As well as increasing the number of distribution outlets, the new technology greatly reduces the costs of distribution, especially with regards to video on demand.

In addition, the marketing of films can be much more effective on a worldwide basis thanks to the plethora of social networks which are opening. During the year, Intandem carried out detailed research into how to maximise the use of social networks in the marketing of its films.

Strengthened Board

As part of the Company's strategy to exploit the increased distribution opportunities open to it, the Board appointed Robert Mitchell as a non executive director in November 2011. Robert is one of the most experienced film distributors in the UK. He was formerly the Managing Director of Buena Vista UK, the distribution arm of Walt Disney Studios.

Robert has experience of releasing a wide range of films including 'Pirates of the Caribbean , 'Toy Story' and 'The Boy in the Striped Pyjamas'. He has been responsible for releasing eight out of the top forty two films ever released in the UK. Robert has a wide network of contacts throughout the film industry and we are delighted to have attracted him to the Board and are looking forward to him making a valuable contribution to the future growth of Intandem. We will continue to look to strengthen our Board as we strive to achieve our objective of becoming one of the World's leading independent film companies.

Future Prospects

The Board believes that despite the difficult global economic conditions, the film industry currently offers many opportunities for a company like Intandem to achieve significant growth. Intandem has a very clear strategy and a sustainable business model. We have worked, and will continue to work, diligently in increasing the quality and number of films we represent. Our aim is to increase the conversion rate from script to production during 2012. This will initially increase the level of Executive Producer fees earned and will subsequently increase the value of sales commission generated as the films complete production.

We will continue to look for new sources of revenues which complement our existing business of Executive Production and International Film Sales and will grow the business in a controlled manner.

Finally, I would like to say a big thank you to the shareholders who supported a fundraising of £578,400 in July 2011, and to our employees who continue to work hard and conscientiously towards meeting our objectives at a very exciting time for Intandem.

You can follow the progress of Intandem via its website at www.intandemfilms.com.

Gary Smith
Chairman

22 December 2011

Operating and Financial Review

for the year ended 30 June 2011

Business objectives and strategies

Intandem's objective is to become a respected and highly profitable feature film sales and distribution company. Our strategy for achieving this objective is as follows:

- To create strong and innovative marketing campaigns in order to maintain a reputation that attracts the most commercial film projects to the Group.
- To maintain the strongest relationships with international distributors, our clients, in order to achieve strong sales of those films.
- To attract production finance to our films through our marketing and sales efforts, and by giving financiers the confidence that they will achieve excellent returns through the international sales achieved by the Group.
- Intandem has a clear policy of controlling the overhead cost to enable the scalability of the Group's business model to result in strong profit growth and future cash flow.
- To increase control over production and distribution of its films in the future.

Executive production

Intandem earns fees for providing the service of organising financing for the production of films on behalf of the producer. Executive Producer fees are recognised only when the film's finance is completed. Intandem does not use its own funds for production finance.

International sales

Intandem earns commission on sales to film distributors around the world. Distributors pay a minimum guaranteed sum ahead of the film's release, therefore Intandem's commission is not dependent on the box office success of the film. Sales commission is only recognised on sales of films which have been completed and delivered during the financial period.

The international film business is very competitive and the Board takes pride in its marketing campaigns for each of Intandem's films in order to increase the chances of its success.

Current and future development and performance

Revenue

	2011 £	2010 £
Executive producer fees	25,833	–
Commissions	255,036	144,091
Recoverable project costs	180,769	176,138
Other income	7,844	104,924
Revenue	469,482	425,153

From 1 July 2011, Intandem earns revenue from two main sources; executive producer fees for organising the financing for films and sales commission on international sales as the sales company for films.

The Group's revenue for the year has shown a slight increase. This is a result of commissions earned from new projects such as 'The Veteran', 'Devil's Playground', 'Screwed' and commissions on collections from the film library sold last year.

It is the Board's intention to increase the number of films represented by the Company to a minimum of six per annum which in the future will be included under 'Commissions' with the objective of generating significant levels of commission.

Operating Profit/(Loss)

	2011 £	2010 £
Operating Profit/(Loss) before tax	(464,473)	(642,047)

Performance against Key Performance Indicators

The Group assesses prospective films on a range of criteria including the genre, quality of the script, the director and potential cast and the overall likelihood that the film will be a commercial success. Many of these ingredients are subjective in nature and difficult to report on. The Board has assessed that the following KPIs are an effective measure of progress towards achieving the Group's strategies and as such towards fulfilling the Group's objectives.

	Target	2011	2010
Number of new completed films represented	6	3	16
Total number of completed films represented		33	30
Average film budget	£8m	£3.4m	£3.5m
Total budgets of films represented		£111m	£105m

The number of new completed films represented is a measure of the rate of increase of our film title library.

Our strategic aim is to represent at least six new films per year as an international sales company and to increase the average budget size of the films which is an indication of quality.

Other KPIs used to track the Group's progress in achieving its strategic goals are Revenue and Operating Profit/(Loss) which are disclosed above.

Resources, risks and relationships

The Company aims to safeguard the assets that give it competitive advantage, being its reputation for quality, its intellectual capital and its people.

Reputation

Codes of conduct operate across the Group to provide a framework for responsible yet innovative and ethical commercial business practices. Structures for accountability to the Board are clearly defined.

Employment policy

The Board places considerable value on the involvement of its employees and has effective arrangements for communicating the Group's strategy, results and significant business issues to them.

The directors recognise that continued and sustained improvement of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore the Board believes that the Group's ability to sustain their competitive advantage in the long term depends on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all its employees through appropriate development, experience and training.

Share ownership is at the heart of the Group's remuneration philosophy and the directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Company. For this reason the Board has implemented an approved share option scheme which is available to all Group employees and directors subject to meeting certain qualifying rules. All options carry a performance condition linked to the profitability of the Group.

The Group is an equal opportunity employer. Entry into and progression within the Group is solely determined on the basis of work criteria and individual merit.

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Health, safety and the environment

Intandem operates responsibly with regard to its shareholders, employees, other stakeholders, the environment and the wider community. The Group and Company is committed to the wellbeing of all employees and ensure that their health, safety and general welfare is paramount at all times. We also maintain open and fair relationships with all clients and suppliers while ensuring that all transactions are operated on an arms-length, commercial basis. As part of this culture, the Group ensures that all suppliers are paid in a timely fashion, unless there are sound commercial reasons why payment should not be made.

Financial position

Loss per share

Basic loss per share for the year is 0.42p compared to a profit per share of 3.72p for the previous year. Details of the loss and number of shares used in calculating these numbers is given in note 9 to the accounts.

Cash flow

Operating activities used £747,723 (2010: £797,366) of cash and cash equivalents. The net cash outflow from investing activities was £4,318 compared with an inflow of £243,402 in 2010. This was mainly due to the proceeds from the sale of an associate company in the year to 30 June 2010. The £684,000 increase in cash from financing activities reflects the issue of new shares in the year. The overall result is a net decrease in cash and cash equivalents of £68,041 (2010: decrease £235,749).

Capital structure

The Group's capital structure is as follows:

	2011 £	2010 £
Deferred income	11,644	16,557
Company shareholders' equity	(94,205)	(444,616)
Capital employed	(82,561)	(428,059)

Going concern

After reviewing budgets and forecasts, the directors have a reasonable expectation that the Group has adequate resources to continue as an operational business for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

By order of the Board

Rinkle Shah
Company Secretary

22 December 2011

Directors' Report

for the year ended 30 June 2011

The directors present their report and the audited financial statements of the Group for the year ending 30 June 2011.

Results and dividends
The trading results for the year and the Group's financial position at the end of the year are shown in the attached financial statements.

The statements have been prepared under International Financial Reporting Standards (IFRS).

Revenue for the year to 30 June 2011 was £469,482 (year to 30 June 2010: £425,153) and the loss before tax for the year was £464,473 (year to 30 June 2010: £3,314,404 profit).

The directors do not recommend the payment of a dividend.

Principal activities
The principal activity of the Group during the year was the executive production and international sales and marketing of feature films.

Business review and future developments
A review of the business and future developments of the Group is presented in the Chairman's statement and the Operating and Financial Review.

Operating risk review
In delivering long-term returns to shareholders the identification and monitoring of risk is important. The principle operating risks as identified by the board relate primarily to economic uncertainties and its particular sphere of activity of investing in media and production rights.

The film industry is a potentially volatile industry susceptible to changes in the global economy, as well as changes in legislation, regulation and government policy. Any of these factors may affect the industry and could affect consumer demand for films or the ability to successfully finance or market films.

There is no certainty that any one film, by itself, will generate significant revenue. The Group is conscious that it needs to build a diverse portfolio of films in different genres, and with a range of budgets to minimise the risk and increase the chance of achieving high levels of profitability.

Financial risk management
The Group's exposure to financial risk is set out in note 2 to the financial statements.

Political and charitable contributions
No political or charitable donations were made during the period.

Directors
The following directors have held office during the year:

Gary Smith
Andrew Brown
William Hurman
John James

Directors Remuneration

The remuneration of directors to 30 June 2011 were as follows:

	Fees and Salaries £	Benefits £	Share-based payment £	Total to: 30 June 2011 £	Total to: 30 June 2010 £
G Smith	72,974	–	39,332	112,305	157,875
A Brown	20,082	–	16,490	36,572	64,169
W Hurman	20,076	–	16,490	36,566	59,169
J James	16,800	–	4,133	20,933	186,645

Directors' interest in shares

Directors' interests in the share capital of the Company, including family and pension scheme interests were as follows:

	Ordinary shares of £0.001 each 30 June 2011	Ordinary shares of £0.001 each 30 June 2010
Gary Smith	21,800,000	21,800,000
Andrew Brown	4,930,000	4,930,000
William Hurman	3,190,000	3,190,000
John James	1,000,000	920,000

The interests of directors in share options as at 30 June 2011 were as follows:

Date of grant	Exercise/Vesting date From	Exercise/Vesting date To	Exercise price (pence)	Number at 1 July 2010	Granted in year	Exercised in year	Forfeited in year	Number at 30 June 2011
G Smith								
01.05.09	01.05.12	01.05.19	0.84	**10,000,000**	–	–	–	**10,000,000**
28.01.11	28.01.14	28.01.21	6.00	–	3,000,000	–	–	**3,000,000**
A Brown								
01.05.09	01.05.12	01.05.19	0.84	**2,000,000**	–	–	–	**2,000,000**
28.01.11	28.01.14	28.01.21	6.00	–	2,000,000	–	–	**2,000,000**
W Hurman								
01.05.09	01.05.12	01.05.19	0.84	**2,000,000**	–	–	–	**2,000,000**
28.01.11	28.01.14	28.01.21	6.00	–	2,000,000	–	–	**2,000,000**
J James								
01.05.09	01.05.12	01.05.19	0.84	**500,000**	–	–	–	**500,000**
28.01.11	28.01.14	28.01.21	6.00	–	500,000	–	–	**500,000**

Policy on payments to suppliers

It is the policy of the Group in respect of all its suppliers, where reasonably practicable, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by these terms.

At 30 June 2011, the Company had an average of 54 days purchases owed to trade creditors.

Corporate governance

Intandem Films Plc is an AIM listed company and is therefore not required to comply with the Principle of Good Governance and Code of Best Practice ("the Combined Code") published by the London Stock Exchange. The following disclosures are made voluntarily.

The Company seeks to ensure that all shareholders are kept informed about the Company and its activities. A comprehensive annual report and accounts is sent to shareholders and an interim report is published. All this information is available on the Company's website and we are also establishing a social media network which will provide a greater flow of information.

The Annual General Meeting is a forum for shareholders' participation with the opportunity to meet and question board members including the non-executive members and the chairmen of the Board committees.

The audit committee comprises Mr John James, Mr Gary Smith and Mr Robert Mitchell and is chaired by Mr John James. The committee's duties include a comprehensive review of the annual and interim financial statements before they are presented to the Board for approval. The audit committee meets at least twice a year to review the findings of the external auditors, key accounting policies and judgemental issues. It has unrestricted access to the Company's auditors.

The remuneration committee comprises Mr Gary Smith and Mr John James and is chaired by Mr John James. Its duties include considering the annual salaries of the executive directors and the need to ensure executive directors' continued commitment to the success of the Group by means of incentive schemes. The committee is also responsible for the implementation and subsequent monitoring of the share option scheme, which is available to all Group employees and directors subject to meeting certain qualifying rules.

Independent auditor
A resolution to re-appoint Shipleys LLP, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the Board,

Rinkle Shah
Company Secretary

22 December 2011

Statement of Directors' Responsibilities

for the year ended 30 June 2011

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and of the Group and the financial performance and cash flows of the Company and of the Group for that period. In preparing those financial statements the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group to enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

So far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware and we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors' Report to the members of Intandem Films Plc

We have audited the Group and parent company financial statements on pages 14 to 35 for the year ended 30 June 2011 which comprise the consolidated income statement, the consolidated balance sheet, consolidated cash flow statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with chapter 3, paragraph 16 of the Companies Act 2006 and, in respect of the separate opinion in relation to IFRS as issued by the International Accounting Standards Board (IASB), on terms that have been agreed with the Company. 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, in respect of the separate opinion in relation to IFRS as issued by the IASB, those matters that we have agreed 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 statement of directors' responsibilities in respect of the annual report and financial statements, set out in the corporate governance report, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated 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 (APB's) Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion, the consolidated financial statements:

- give a true and fair view of the state of the Company and Group's affairs as at 30 June 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the EU; and
- have been properly 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 consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- 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.
- the financial statements are not in agreement with the accounting records and returns; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.

Stewart Jell (Senior Statutory Auditor)
For and on behalf of Shipleys LLP

Shipleys LLP
Chartered Accountants
Statutory Auditors

10 Orange Street
Haymarket
London WC2H 7DQ

22 December 2011

Consolidated and Company Statement of Financial Position

as at 30 June 2011

		Group		Company	
		2011	2010	2011	2010
	Notes	£	£	£	£
Assets					
Non-current assets					
Property, plant and equipment	10	15,245	18,447	–	–
Investment in subsidiaries	11	–	–	223,152	223,152
Financial assets	12	100	100	–	–
Intercompany loan		–	–	1,959,049	1,448,998
		15,345	18,547	2,182,201	1,672,150
Current assets					
Trade receivables	13	209,726	154,571	–	–
Other receivables	13	342,650	251,994	1	1
Cash and cash equivalents	13	10,227	78,268	–	–
		544,603	484,833	1	1
Total assets		559,948	503,380	2,182,202	1,672,151
Equity and liabilities					
Capital and reserves					
Share capital	14	117,075	105,675	117,075	105,675
Share premium	14	2,440,414	1,767,814	2,440,414	1,767,814
Merger reserve		252,506	252,506	–	–
Foreign exchange reserve		(359,172)	(399,491)	–	–
Retained earnings		(2,545,028)	(2,171,120)	(533,163)	(384,214)
		(94,205)	(444,616)	2,024,326	1,489,275
Non-current liabilities					
Deferred income		11,644	16,557	–	–
Intercompany loan		–	–	157,876	157,876
Convertible loan notes		–	–	–	–
Loan note	15	–	–	–	–
		11,644	16,557	157,876	157,876
Current liabilities					
Trade and other payables	17	642,509	931,439	–	25,000
		642,509	931,439	–	25,000
Total liabilities		654,153	947,996	157,876	182,876
Total equity and liabilities		559,948	503,380	2,182,202	1,672,151

The financial statements were approved by the Board of Directors and signed on its behalf on 22 December 2011.

Gary Smith
Chairman

William Hurman
Director

Consolidated Income Statement

for the year ended 30 June 2011

	Notes	Group 2011 £	Group 2010 £
Revenue			
Executive producer fees		25,833	–
Commissions		255,036	144,091
Recoverable project costs		180,769	176,138
Other income		7,844	104,924
		469,482	425,153
Cost of sales			
Recoverable expenses		(180,769)	(176,138)
Amortisation of film asset		–	(4,513)
Gross profit		288,713	244,502
Overheads			
Staff costs	4	(323,723)	(337,531)
Depreciation		(7,525)	(6,911)
Other external charges		(394,404)	(542,107)
(Loss) from operations	5	(436,939)	(642,047)
Other operating income	12	–	3,924,647
Profit on sale of investment	12	–	254,294
Finance costs	6	(27,539)	(233,719)
Interest income	7	5	11,232
(Loss)/Profit before tax		(464,473)	3,314,404
Income tax expense	8	–	–
(Loss)/Profit for the year from continuing operations		(464,473)	3,314,404
(Loss)/Profit per share	9		
Basic		(0.42) pence	3.72 pence
Diluted		(0.42) pence	3.72 pence

All the amounts derive from continuing operations.

Consolidated statement of comprehensive income

	2011 £	2010 £
(Loss)/Profit for the year	(464,473)	3,314,404
Foreign currency translation differences	40,320	(156,274)
Total comprehensive (loss)/income for the year	(424,153)	3,158,130

Consolidated and Company Statement of Changes in Equity

for the year ended 30 June 2011

Group

	Share Capital £	Share Premium £	Merger Reserve £	Foreign Exchange Reserve £	Retained Earnings £	Total £
Balance as at 1 July 2009	83,175	840,314	252,506	(243,217)	(5,519,088)	(4,586,310)
Changes in equity for the year to 30 June 2010						
Issue of new shares	22,500	927,500	–	–	–	950,000
Exchange differences on translation of foreign currency balances	–	–	–	(156,274)	–	(156,274)
Credit on issue of share options	–	–	–	–	33,564	33,564
Profit for the year	–	–	–		3,314,404	3,314,404
Total recognised income and expense for the year	22,500	927,500	–	(156,274)	3,347,968	4,141,694
Balance as at 30 June 2010	105,675	1,767,814	252,506	(399,491)	(2,171,120)	(444,616)
Changes in equity for the year to 30 June 2011						
Issue of new shares	11,400	672,600	–	–	–	684,000
Exchange differences on translation of foreign currency balances	–	–	–	40,320	–	40,320
Credit on issue of share options	–	–	–	–	90,564	90,564
Loss for the year	–	–	–	–	(464,473)	(464,473)
Total recognised income and expense for the year	11,400	672,600	–	40,320	(373,909)	350,411
Balance as at 30 June 2011	117,075	2,440,414	252,506	(359,171)	(2,545,029)	(94,205)

Upon review, the retained earnings and foreign exchange reserve which were amalgamated in the 2010 annual report, have been separated as per previous years to show the separate components of equity.

Company

	Share Capital £	Share Premium £	Retained Earnings £	Total £
Balance as at 1 July 2009	83,175	840,314	(255,396)	668,093
Changes in equity for the year to 30 June 2010				
Issue of new shares	22,500	927,500	–	950,000
Loss for the year	–	–	(128,818)	(128,818)
Total recognised income and expense for the year	–	–	(128,818)	(128,818)
Balance as at 30 June 2010	105,675	1,767,814	(384,214)	1,489,275
Changes in equity for the year to 30 June 2011				
Issue of new shares	11,400	672,600	–	684,000
Loss for the year	–	–	(148,949)	(148,949)
Total recognised income and expense for the year	11,400	672,600	(148,949)	535,051
Balance as at 30 June 2011	117,075	2,440,414	(533,163)	2,024,326

Consolidated and Company Cash Flow Statement

for the year ended 30 June 2011

	Notes	Group 2011 £	Group 2010 £ (restated)	Group 2009 £ (restated)
Cash flows from operating activities				
Cash (used in)/from operating activities	20	(720,184)	(563,647)	(31,420)
Interest paid		(27,539)	(233,719)	(925,407)
		(747,723)	(797,366)	(956,827)
Cash flows from investing activities				
Purchases of property, plant and equipment		(4,323)	(22,121)	(2,510)
Investment in associate company		–	254,291	–
Interest received		5	11,232	10,321
Net cash (used in)/from investing activities		(4,318)	243,402	7,811
Cash flows from financing activities				
Issue of new ordinary shares		684,000	500,000	–
Net proceeds from financing of film assets		–	–	–
Issue/Repayment of loans		–	(181,785)	181,785
Proceeds on issue of convertible loan notes	15	–	–	82,500
Net cash from financing activities		684,000	318,215	264,285
Effects of exchange rate changes on cash balances		–	–	198,506
Net increase/(decrease) in cash and cash equivalents		(68,041)	(235,749)	(486,225)
Cash and cash equivalents at beginning of year		78,268	314,017	800,242
Cash and cash equivalents at end of year		10,227	78,268	314,017
Bank balances and cash		10,227	78,268	314,017

The 2009 cash flow statement has been restated and has been included as a comparative in the 2011 annual report. Details of the restatement are explained in note 2, Accounting Policies – 'Restatement of cash flow statement' on pages 19 and 20.

The 'Effects of exchange rate changes on cash balances' in the 2010 column previously stated a balance of £(205,940) in the 2010 annual report. This balance has been moved to Note 20 (Note to the cash flow statement – see page 36) in this annual report.

The 2010 column has also been restated to show net proceeds of £500,000 for 'issue of new ordinary shares' (£950,000 in 2010 annual report). This is a result of the convertible loan notes of £450,000 being converted into ordinary shares during the year and has no effect on the closing cash position.

Consolidated and Company Cash Flow Statement

for the year ended 30 June 2011

	Notes	Company 2011 £	Company 2010 £
Cash flows from operating activities			
Cash (used in)/from operating activities	20	(676,000)	(417,792)
Interest paid		(8,000)	(32,208)
		(684,000)	(450,000)
Cash flows from investing activities			
Purchases of property, plant and equipment		–	–
Investment in film assets		–	–
Investment in associate company		–	–
Investment in subsidiary company		–	–
Interest received		–	–
Net cash (used in)/from investing activities		–	–
Cash flows from financing activities			
Issue of new ordinary shares		684,000	500,000
Net proceeds from financing of film assets		–	–
Issue/Repayment of loans		–	(50,000)
Net cash from financing activities		684,000	450,000
Net increase/(decrease) in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		–	–
Bank balances and cash		–	–

Notes to the Consolidated Financial Statements

1. Presentation of financial statements

Financial statements present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with definitions and recognition criteria for assets, liabilities, income and expenses set out in the *'Framework for preparation and presentation of financial statements (framework)'*. The application of IFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and with those parts of the Companies Act, 2006 applicable to companies reporting under IFRS. The financial reports have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Accordingly, the directors wish to draw attention to the nature of the production of feature films, which is a project related business, and are therefore prone to postponements and cancellations of planned projects. The cash forecast of the Group builds upon the premise of a certain number of production starts in the upcoming 12 months and therefore the ability of the Group to generate income and cash flows is dependant on these projects coming to fruition. Similarly, the future income streams of recently completed films cannot be always be reliably ascertained at the Balance Sheet date, but management has a reasonable expectation that the Group will have adequate resources to continue its operations for the foreseeable future and therefore provide the necessary support to the Company. For this reason, the Directors have determined that the financial statements should continue to be prepared on the going concern basis.

2. Accounting policies

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (and its subsidiaries) and are made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The financial statements of Intandem Films Plc have been prepared in accordance with the International Financial Reporting Standards (IFRS). These financial reports have been prepared under the historical cost convention.

The financial statements have been prepared under the rules of IFRS 3 – Business Combinations.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All significant intercompany transactions and balances between Group enterprises are eliminated on consolidation.

Restatement of 2009 cash flow statement

The Company has recently concluded discussions with the Financial Reporting Review Panel ("FRRP") concerning the presentation of the effect of changes in exchange rates in its 2009 consolidated cash flow statement. As a consequence, cash from operating activities originally reported as £167,086 was overstated by £198,506 and should, therefore, have been reported as cash used in operating activities of £(31,420).

2. Accounting policies (continued)

The Company has also taken the opportunity to correct an error in its 2010 consolidated cash flow statement concerning the presentation of the effects of changes in exchange rates and the reclassification of convertible debt.

The correction of these errors has had no effect on the opening and closing cash position, comprehensive income, or statement of financial position as previously reported in either year.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition

Revenue, which excludes value added tax, represents executive producer fees, commissions and recoverable expenses. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services provided in the ordinary course of the Company's activities. Revenue derived from the Company's principal activities is recognised as follows:

Executive producer fees are recognised upon the completion of the financing for each film and are normally receivable on the first day of principal photography. Recoverable expenses are recognised, only where a contract has been signed, and those amounts have been recouped.

All costs which are incurred in relation to Executive Producer fees are written off as they are incurred as there is no guarantee a film will enter into production.

Sales commission is only recognised upon delivery of the film to the Company. If receipt of the revenue is dependent on the fulfilment of future contractual obligations, then revenue is not recognised until those future obligations have been fulfilled.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, impairment losses relating to goodwill may not be reversed.

2. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the period.

Taxation

The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed. It is calculated using rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interest in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the rates that are expected to apply when the asset or liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Fixtures and fittings and office equipment are stated at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Fixtures and fittings	25%
Office equipment	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount and are included in the income statement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2. Accounting policies (continued)

Investments

The Group classifies its investments depending on the purpose for which the investments were acquired. Management determines the classification of its investment at initial recognition and re-evaluates this designation at every reporting date.

The fair value of unquoted investments is based on valuation techniques. The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. In addition to the above, the directors closely monitor the Group's cost base making reductions where possible whilst maintaining efficiency and skill levels within the Group.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, held to maturity, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial instrument was acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at each financial year end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus directly attributable transaction costs.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets are carried in the balance sheet at fair value with gains or losses on financial assets at fair value through profit or loss recognised in 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, do not qualify as trading assets and have not been designated as either fair value through profit or loss or available-for-sale. Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Held to maturity investments

Non derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Company has the positive intention and ability to hold to maturity. Held to maturity investments are carried at amortised cost using the effective interest rate method. Gains or losses are recognised in income when the investment is derecognised or impaired, as well as through the amortisation process. Investments intended to be held for an undefined period are not included in this classification.

Available-for-sale financial assets

After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement

The fair value of unquoted investments is based on appropriate valuation techniques. These include using recent arm's length transactions, discounted cash flow analysis and pricing models. Otherwise assets will be carried at cost.

2. Accounting policies (continued)

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment of non-financial assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is based on the present value of the future cash flows relating to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment of financial assets

Available-for-sale financial assets

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost and its fair value is transferred from equity to the income statement. Any reversal of an impairment of an equity instrument classified as available-for-sale is not recognised in the income statement.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment charge was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Trade receivables

Trade receivables are recognised initially at fair value 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 terms of receivables. 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 effective interest rate. The amount of the provision is recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balance sheet.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between 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 rate method.

2. Accounting policies (continued)

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

Trade payables

Trade payables are stated at their nominal value.

Equity instruments

Equity instruments are recorded at the proceeds received, net of direct issue costs.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Share based compensation

The fair value of employee share option schemes is measured by a Black-Scholes pricing model. Further details are set out in note 14. In accordance with IFRS 2 'Share-based Payments', the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting.

The Group operates an equity-settled, long term incentive plan designed to align management interests with those of shareholders. The fair value of the employee's services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Financial risk management

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, bank loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Group does not trade in financial instruments.

Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

a) Currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound and US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Group's functional currency.

b) Credit risk

The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

2. Accounting policies (continued)

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Group ensures it has adequate cover through the availability of bank overdraft and loan facilities and carefully monitors cash to maintain control over its working capital requirements.

d) Cash flow interest rate risk

The Group finances its operations through a mix of cash flow from current operations together with cash on deposit and bank and other borrowings. Borrowings are generally at floating rates of interest and no use of interest rate swaps has been made.

Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Changes in accounting policy

Adoption of new and revised International Accounting Standards (IAS/IFRS) and interpretations affecting current or prior periods:

Amendment to IFRS 2 Share-based Payment – IFRS 2 has been amended, following the issue of IFRS 3 (2008), to confirm that the contribution of a business on the formation of a joint venture and common control transactions are not within the scope of IFRS 2.

Amendments to IFRS 39 Financial Instruments: Recognition and Measurement – IAS 39 has been amended to state that options contracts between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date are not excluded from the scope of the standard.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 9 Financial Instruments

IAS 24 (amended) Related Party Disclosures

IAS 32 (amended) Classification of Rights Issues

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 14 (amended) Prepayments of a Minimum Funding Requirement

The adoption of IFRS 9 which the Group plans to adopt for the year beginning on 1 July 2013 will impact both the measurement and disclosures of Financial Instruments.

3. Segmental reporting

The Group is organised into three main business segments: Executive producer fees, Sales commission and Recoverable project costs (2010 included Film sales on a library that was disposed of during that financial year).

Primary reporting format – business segments
2011

	Executive producer fees £	Sales commissions £	Recoverable project cost £	Unallocated £	Total Group £
Revenue	25,833	255,036	180,769	7,844	469,482
Operating profit/(loss)	25,833	255,036	–	(717,808)	(436,939)
Other operating income	–	–	–	–	–
Profit on investment	–	–	–	–	–
Interest expense	–	–	–	(27,539)	(27,539)
Interest income	–	–	–	5	5
Profit/(loss) before tax	25,833	255,036	180,769	(745,342)	(464,473)
Income tax	–	–	–	–	–
Profit/(loss) for the year from continuing operations	25,833	255,036	180,769	(745,342)	(464,473)
Segment assets				559,948	559,948
Segment liabilities				642,509	642,509
Other segment items:					
Capital expenditure				(4,323)	(4,323)
Depreciation				7,525	7,525
Other non cash expenses				90,564	90,564

3. Segmental reporting (continued)
Primary reporting format – business segments
2010

	Film sales £	Executive producer fees £	Sales commissions £	Recoverable project cost £	Unallocated £	Total Group £
Revenue	7,523	–	136,568	176,138	104,924	425,153
Operating profit/(loss)	3,010	–	136,568	–	(781,625)	(642,047)
Other operating income	3,924,647	–	–	–	–	3,924,647
Profit on investment	–	–	–	–	254,291	254,291
Interest expense	–	–	–	–	(233,719)	(233,719)
Interest income	–	–	–	–	11,232	11,232
Profit/(loss) before tax	3,927,657	–	136,568	–	(749,821)	3,314,404
Income tax	–	–	–	–	–	–
Profit/(loss) for the year from continuing operations	3,927,657	–	136,568	–	(749,821)	3,314,404
Segment assets					503,380	503,380
Segment liabilities					931,439	931,439
Other segment items:						
Capital expenditure					22,119	22,119
Depreciation					6,911	6,911
Other non cash expenses					33,564	33,564

Unallocated costs represent corporate expenses.

Segment assets include property, plant and equipment, receivables and operating cash.

Segment liabilities comprise operating liabilities and exclude corporate borrowings.

Capital expenditure comprises additions to property, plant and equipment.

Secondary reporting format – geographic segments
The Group manages its geographic segments on a global basis. The UK is the home country of the parent.

	2011 £	2010 £
Revenue	469,482	425,153
Assets	559,948	503,380
Capital expenditure	8,078	22,119

4. Staff costs

Staff costs (including directors) for the Group during the year consists of:

	2011 £	2010 £
Wages and salaries	202,702	276,272
Social security costs	30,457	27,695
Cost of employee share schemes	90,564	33,564
Total staff costs	323,723	337,531

The following amounts are included above in relation to directors:

	2011 £	2010 £
Wages and salaries	102,258	174,400
Social security costs	19,375	19,767
Cost of employee share schemes	76,444	30,229
Total staff costs	198,077	224,396

A detailed breakdown of the remuneration of the directors is shown on page 9.

The average number of people (including executive directors) employed by the Group during the year was:

	2011 No.	2010 No.
Head office and administration	7	7

5. Profit/(Loss) from operations

Profit/(Loss) from operations has been arrived at after charging:

	2011 £	2010 £
Depreciation	7,525	6,911
Auditors' remuneration		
Audit services	16,000	15,895
Other services	950	895

The other services comprises tax compliance work for both 2011 and 2010.

6. Finance costs

	2011 £	2010 £
Interest paid on bank overdrafts and loans	27,539	233,719

7. Interest income

	2011 £	2010 £
Interest on bank deposits	5	11,232

Notes to the Consolidated Financial Statements

continued

8. Income tax expense

	2011 £	2010 £
Current tax	–	–
Deferred tax (note 16)	–	–
Taxation attributable to the Company and its subsidiaries	–	–

Domestic income tax is calculated at 28% of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the income statement as follows.

Group	2011 £	%	2010 £	%
Profit/(Loss) before tax	(464,473)		3,314,404	
Tax on the domestic income tax rate of 28% (2010: 30%)	(130,052)	28	994,321	30
Tax effect of:				
– expenses that are not deductible in determining taxable profit	3,144	28	3,323	30
– Deductions allowable for tax purposes	–	28	(1,007,713)	30
– charge in respect of options and warrants issued during the year	25,358	28	10,069	30
- losses carried forward to future years	101,550		–	
Tax expense and effective tax rate for the year	–	28	–	30

9. Profit/(Loss) per share

	2011 £	2010 £
Profit/(Loss) for the purpose of basic loss per share	(397,522)	3,314,404
Profit/(Loss) for the purpose of diluted loss per share	(397,522)	3,314,404

Number of shares

	2011 No.	2010 No.
Weighted average number of ordinary shares:		
– for the purposes of basic profit/(loss) per share	111,047,055	89,154,452
– for the purposes of diluted profit/(loss) per share	111,047,055	89,154,452

10. Property, plant and equipment

Group	Fixtures and fittings £	Office equipment £	Total £
Cost			
At 1 July 2010	55,392	22,051	77,443
Additions	–	8,083	8,083
Disposals	–	(5,015)	(5,015)
At 30 June 2011	55,392	25,119	80,511
Accumulated depreciation			
At 1 July 2010	43,530	15,466	58,996
Charge for the year	4,079	3,446	7,525
Disposals	–	(1,255)	(1,255)
At 30 June 2011	47,609	17,657	65,266
Carrying amount			
At 30 June 2011	7,783	7,462	15,245
At 1 July 2010	11,862	6,585	18,447

11. Investments in subsidiaries

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Shares in subsidiary undertakings				
At 1 July 2010	–	–	223,152	223,152
Additions	–	–	–	–
At 30 June 2011	–	–	223,152	223,152

Details of the Company's subsidiaries at 30 June 2011 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
IIntandem Pictures Ltd	England & Wales	100	100	Film sales & marketing
Intandem Entertainment Ltd	England & Wales	100	100	Dormant Company
Intandem Film Finance Ltd	England & Wales	100	100	Dormant Company
Intandem Film Fund 1 LLC	USA	100	100	Dormant Company

12. Financial Assets

	Group		Company	
	2011 £	2010 £	2011 £	2010 £
Available-for-sale	100	100	–	–
At fair value through profit and loss	–	–	–	–
	100	100	–	–

Available-for-sale financial assets consist of investment in unquoted shares, which by their nature have no fixed maturity date or coupon rate.

12. Financial Assets (continued)

On 11 September 2009, a 10% stake in a company named Radical Publishing Inc which is classified as an available-for-sale financial asset has been disposed for a total consideration of $750,000. The stake was originally acquired in two equal instalments in July 2007 and January 2008 for a total cost of $300,000 (£150,617). This results in a net profit of £254,294 on disposal of the investment for the year ended 30 June 2010.

The Company will continue its close working relationship with Radical and is developing a number of films based on its intellectual property.

During the year to 30 June 2010, the Group also disposed of a film library for the full value of the loan outstanding. The entire value of the library is disclosed under Financial Assets held at fair value through profit and loss.

13. Other financial assets

	Group	
	2011 £	2010 £
Trade receivables	209,726	154,571
Other receivables:		
Recoverable sales and marketing expenses	237,068	105,707
Pre production advances	32,390	73,173
Rent deposit	34,045	34,045
Prepayments	21,147	20,314
Other debtors	–	18,755
	324,650	251,994

The directors consider that the carrying amount of trade and other receivables approximates their fair value.

Bank balances and cash comprise cash and short-term deposits held by the Group treasury function. The carrying amount of these assets approximates their fair value.

Credit risk

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of any allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current economic environment.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

14. Shares

Share Capital

	2011 £	2010 £
Balance at 1 July 2010	105,675	83,175
Issued during year	11,400	22,500
Balance at 30 June 2011	117,075	105,675

Share Premium

	2011 £	2010 £
Balance at 1 July 2010	1,767,814	840,314
Issued during year	672,600	927,500
Balance at 30 June 2011	2,440,414	1,767,814

14. Shares (continued)

During the year the Company issued 11,400,000 new ordinary shares on 10 January 2011 as part of a placing at 6p per share. The total number of shares issued at the end of the year is 117,075,000.

All shares have been called up and fully paid. Each ordinary share has the right to receive dividends and repayment of capital, and represents one vote at the shareholders' meetings of the Company.

Share-based payment

At 30 June 2011, options over 25,350,000 ordinary shares under the Intandem Enterprise Management Incentive (EMI) Plan were outstanding.

Date of grant	At 1 July 2010	Granted	Exercised/ vested	Forfeits	At 30 June 2011	Exercise/ Share price	Exercise/Vesting date From	To
Options								
01.05.09	16,100,000	–	–	–	16,100,000	0.84p	01.05.12	01.05.19
28.01.11	–	9,250,000	–	–	9,250,000	6.00p	28.01.14	28.01.21
	16,100,000	9,250,000	–	–	25,350,000			

Employee share options

Options over shares in the Company are awarded to eligible employees and directors of the Group. There are no employees of the Company, Intandem Films Plc, and any share option cost is charged to Intandem Pictures Limited.

The options exercise period commences on the third anniversary of the date of the grant of the option and ends on the day which is the day before the tenth such anniversary. Exceptionally, and subject to the discretion of the Board, options may be exercised earlier than three years following grant on the cessation of the option holder's employment.

For options granted on 1 May 2009 no option may be exercised unless the profit before tax as disclosed in the published consolidated accounts for any one of the financial years ending 30 June 2010, 30 June 2011, 30 June 2012, 30 June 2013 is greater than £NIL. This condition has been fulfilled and the options will therefore be exercisable from 1 May 2012.

For options granted on 28 January 2011 no option may be exercised unless the profit before tax as disclosed in the published consolidated accounts for any one of the financial years ending 30 June 2011, 30 June 2012, 30 June 2013, 30 June 2014 is greater than £500,000.

The estimated fair value of each option granted in the EMI share option plan was calculated by applying the Black-Scholes option pricing model. The assumptions used in the calculation were as follows:

Date of grant	1 May 2009	28 January 2011
Share price at grant date	£0.0084	£0.0550
Exercise price	£0.0084	£0.0600
Number of employees	9	7
Shares under option	16,100,000	9,250,000
Expected volatility	169%	82%
Expected dividend	Nil	Nil
Contractual life	10 years	10 years
Risk free rate	1%	1%
Estimated fair value of each option	£0.008339	£0.044367

14. Shares (continued)

Further details of the share option plan are as follows:

Group	2011 Number of options	2011 Weighted average price £	2010 Number of options	2010 Weighted average price £
Outstanding at the start of the period	16,100,000	0.0084	16,100,000	0.0084
Granted during the period	9,250,000	0.0600	–	–
Forfeited	–	–	–	–
Exercised	–	–	–	–
Outstanding at the end of the period	25,350,000	0.0271	16,100,000	0.0084
Exercisable at the end of the period	–	–	–	–

Expenses charged to the profit and loss in the year in respect of share based payments using Black-Scholes method of calculation are as follows:

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Expenses arising from:				
– share option plans	90,564	33,564	–	–
– Reversal of lapsed share options	–	–	–	–
– issue of share option warrants	–	–	–	–

15. Loan notes

The Group had previously issued loan notes totalling $9.63 million (£5.7 million) secured against the revenues of five films.

During the year ended 30 June 2010 an agreement was reached with the loan note holders to sell back the five films for the value of the outstanding loan. At the time of the agreement, the loan outstanding was $9.45 million (£5.9 million) and the films were included as a financial asset with a value of £2 million.

The Company remains as the 'Servicer' for the five films in accordance with the agreement and will continue to receive commissions for services of 17.5% on revenue generated.

16. Deferred tax

At the balance sheet date, the Group has unused tax losses of £692,789 (2010: £583,984) available for offset against future profits. No deferred tax assets have been recognised in respect of this amount due to the unpredictability of future profit streams.

17. Other financial liabilities

Trade and other payables principally comprise amounts outstanding for purchases and ongoing costs.

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

18. Operating lease commitments

Lessee activity

	Group 2011 £	Group 2010 £	Company 2011 £	Company 2010 £
Minimum lease payments under operating leases recognised in loss for the period	34,784	63,616	–	–

18. Operating lease commitments (continued)

At the balance sheet date, the Group had outstanding commitments under non-cancellable leases, which fall due as follows.

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Within one year	33,407	38,364	–	–
In the second to fifth years inclusive	46,182	114,373	–	–
After five years	–	–	–	–
	79,589	152,737	–	–

Operating lease payments represent rentals payable by the Group for its office property and equipment.

The property rental lease is for a five year term and rentals are fixed for the term of the lease. The initial rent free period of 8 months from 13 November 2009 is amortised on a straight line basis over the full term of the lease.

The lease terms on office equipment is for three years and rentals are fixed for the term of the lease.

19. Related party transactions

Directors' consultancy fees

Consultancy fees paid to directors and other members of key management during the year was as follows:

	Group		Company	
	2011	2010	2011	2010
	£	£	£	£
Consultancy fees	27,674	95,229	13,200	13,200

Gary Smith, a director of the Company supplied services to the business through his company, Edge Venture Capital Limited. The total value of his services charged to the profit and loss account for the period ended 30 June 2011 amounted to £14,474 (year ended 30 June 2010: £82,029).

John James, a non-executive director of the Company, supplied services to the business. The total value of his services charged to the profit and loss account for the period ended 30 June 2011 amounted to £13,200 (year ended 30 June 2010: £13,200).

All intergroup transactions between Group enterprises were eliminated on consolidation.

Further details of share-based payments are provided in the directors' report and note 14.

20. Note to the cash flow statement

Group

	2011 £	2010 £ (restated)	2009 £ (restated)
Profit/(Loss) for the year	(464,473)	3,314,404	(1,906,679)
Adjustments for:			
– Finance expense/(income)	27,534	222,487	915,086
– Depreciation	7,525	6,911	2,283
– Amortisation of financial asset held for resale		4,513	126,156
– Other operating income		(3,924,647)	–
– Foreign exchange movements	40,320	(205,940)	221,667
Changes in working capital:			
– Charge for share options/warrants issued during the year	90,564	33,564	5,594
– Increase in trade and other receivables	(127,811)	87,723	252,571
– Increase/(decrease) in trade and other payables	(293,843)	(102,662)	351,902
Cash used in operations	(720,184)	(563,647)	(31,420)

Company

	2011 £	2010 £
Loss for the year	(148,949)	(128,818)
Adjustments for:		
– Finance expense/(income)	8,000	32,208
Changes in working capital:		
– Increase in trade and other receivables	(510,051)	(309,831)
– Increase/(decrease) in trade and other payables	(25,000)	(11,351)
Cash used in operations	(676,000)	(417,792)

The 2009 note to the cash flow statement, for the Group, has been restated in the 2011 annual report as a comparative figure following discussions with the Financial Reporting Review Panel ("FRRP"). Details of the restatement are explained in note 2, Accounting Policies – 'Restatement of 2009 cash flow statement' on pages 19 and 20.

The 2010 column for the Group includes 'foreign exchange movements' on consolidation of £(205,940) which was previously stated in the Consolidated and Company Cash Flow Statement.

21. Post balance sheet event

On 12 July 2011, the Group raised a further £578,400 through a placing of 9,640,000 new ordinary shares at 6 pence per share in the Company. Following the placing, the Company's enlarged share capital comprised of 126,715,000 ordinary shares with voting rights.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Intandem Films Plc (the "**Company**") will be held at 114-116 Charing Cross Road, London WC2H 0JR on 31 January 2012 at 12:00 noon to transact the following business:

ROUTINE BUSINESS

To consider and, if thought fit, to pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the reports of the directors and auditors and the audited accounts of the Company for the year ended 30 June 2011.

2. To re-elect William Hurman as a director of the Company (who retires by rotation under the article 103 of the Articles of Association of the Company).

3. To re-elect Robert Mitchell as a director of the Company (who retires by rotation under the article 103 of the Articles of Association of the Company).

4. To re-appoint Shipleys LLP as auditors of the Company to hold office from the conclusion of the meeting until the next general meeting of the Company at which accounts are laid and to authorise the directors to determine their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolutions 6 and 7 will be proposed as special resolutions:

5. That, pursuant to section 551 of the Companies Act 2006 ("**Act**") and in substitution for all existing authorities under that section, the board of directors ("Board") is hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 551 of the Act) up to an aggregate nominal amount of £35,000 provided that (unless previously revoked, varied or renewed) this authority shall expire at the next annual general meeting of the Company after the passing of this resolution or, 15 months from the date of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

6. That, subject to the passing of resolution 5 above, pursuant to section 570 of the Act and in substitution for all existing authorities under that section, the Board be and it is hereby empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if sub-section (1) of Section 561 of the Act did not apply to any such allotment provided that this power shall be limited:

   (i) to the allotment of equity securities in connection with a rights issue or other offer in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and,

   (ii) to the allotment for cash (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value of £50,000 (representing 40% of the Company's issued share capital), and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution, or 15 months from the date of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

7. That, pursuant to section 701 of the Act, the Company be and is generally and unconditionally authorised to make market purchases (within the meaning of section 693 of the Act) of ordinary shares of 0.1 pence each in the capital of the Company ("Shares"), provided that:

   (a) the maximum number of Shares which may be purchased is 12,671,500 (representing 10% of the Company's issued share capital);

   (b) the minimum price (exclusive of expenses) which may be paid for a Share is 0.1 pence;

   (c) the maximum price (exclusive of expenses) which may be paid for a Share is an amount equal to 105 per cent of the average of the middle market quotations for the Shares as derived from the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the purchase is made,

   and (unless previously revoked, varied or renewed) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or 15 months from the date of this resolution (whichever is the earlier) save that the Company may enter into a contract to purchase Shares before the expiry of this authority under which such purchase will or may be completed or executed wholly or partly after such expiry and may make a purchase of Shares pursuant to any such contract as if the authority conferred by this resolution had not expired.

By Order of the Board

Rinkle Shah,
Company Secretary

114-116 Charing Cross Road
London
WC2H 0JR

22 December 2011

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Appointment of proxies

1. As a member of the Company, 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.

2. 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.

3. 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.

4. If you do not give your proxy an indication of how to vote on any resolution, 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

5. 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 the Company at Share Registrars Ltd , Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL or; scanned and emailed to proxies@shareregistrars.uk.com or; faxed to 01252 719232 and received by the Company no later than 12 noon on 27 January 2012.

   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

6. 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

7. 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 Share Registrars Limited.

   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

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

   By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Share Registrars Limited (Proxies), Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL. 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.

In either case, the revocation notice must be received by the Company no later than 12 noon on 27 January 2012.

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.

Communication

9. Except as provided above, members who have general queries about the Meeting should email at the Company Secretary on Rinkle@intandemfilms.com (no other methods of communication will be accepted).

   You may not use any electronic address provided either in this notice of general meeting; or any related documents (including the proxy form), to communicate with the Company for any purposes other than those expressly stated.

   Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 12 noon on 25 January shall be entitled to attend and vote at the Meeting.

Explanations of resolutions

Resolution 2 and 3 (re-election of directors)

William Hurman is retiring as director at the meeting by rotation in accordance with Article 103 of the Company's Articles of Association.

Robert Mitchell is retiring as director at the meeting by rotation in accordance with Article 103 of the Company's Articles of Association.

Resolutions 5 and 6 (issue of equity securities for cash)

The passing of resolution 5 will renew the directors' authority to allot equity securities for cash, until the conclusion of the next Annual General Meeting of the Company or 15 months after the date of the Annual General meeting, whichever is the earlier, provided that the issue of equity securities for cash is limited to a maximum number of 35,000,000 ordinary shares.

Resolution 6 will enable the directors to make the issue of equity securities for cash as authorised by resolution 5, free of the statutory pre-emption provisions, either by way of a rights issue or to persons other than existing shareholders, provided that any allotment for cash to such persons shall not exceed 50,000,000 ordinary shares of 0.1 pence each (representing 40% of the Company's current issued share capital). Although the directors have no present intention of making use of the authorities sought, they wish to retain the flexibility to act quickly and allot securities within these limits if they consider it in the interests of the Company to do so. The Company will in any event ensure that any issue of shares is made in accordance with the principles of good corporate governance and therefore no issue will be made which would grant any one party majority control of the Company without the prior approval of shareholders in General Meeting.

Resolution 7 (Authority to make market purchases)

Resolution 7 gives the Company authority to buy back its own shares in the market as permitted by the Companies Act 2006 (as amended). The directors believe that in common with many other AIM listed companies, the Company should obtain from shareholders a general authority to make market purchases of its own shares. The authority will only be exercised if the directors believe that to do so would be in the interests of shareholders generally. The directors have no present intention of exercising the authority to purchase the Company's ordinary shares. The authority will be valid until the conclusion of the next annual general meeting of the Company or 15 months from the date of the resolution, whichever is the earlier.

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