MOTIVE TELEVISION PLC
ANNUAL REPORT AND ACCOUNTS 2006

No. 5319264

Contents

Directors and advisers

Directors	M J Pilsworth *(Executive Chairman)* I C Buckley ACA *(Non-Executive Director)* M G O'Rourke *(Non-Executive Director)* L J Ryan *(Non-Executive Director)* A J King FCA *(Finance Director)*
Secretary	R W Pullen FCA
Auditors	Hazlewoods LLP Chartered Accountants Windsor House Barnett Way Barnwood Gloucester GL4 3RT
Nominated Adviser	City Financial Associates Limited 6 Laurence Pountney Hill London EC4R 0BL
Registrar	Share Registrars Limited Craven House West Street Farnham Surrey GU19 7EN
Bankers	Coutts & Co 440 Strand London WC2R 0QS
Solicitors	Moore & Blatch 11 The Avenue Southampton Hampshire SO17 1XF
Registered office	Windsor House Barnett Way Barnwood Gloucester GL4 3RT
Broker	Ellis Stockbrokers Limited Talisman House Jubilee Walk Three Bridges Crawley West Sussex RH10 1LQ
Company Registration Number	5319264

Chairman's statement

I am pleased to announce the results for the year ended 31 December 2006

Business Environment

As we expected, following the change in the independent television production terms of trade in the UK, the sector underwent continuing extensive consolidation in 2006 Valuations rose sharply as a number of buyers competed for transactions As a result of this we withdrew from a number of transactions

Because of this "over-heating" in the sector we have reviewed our original strategy and have broadened our plans to include financing start-up television production companies led by established producers with strong track records and ambitious plans for growth By establishing these as joint-ventures we believe we can lower the cost of any future investments

Business Review and Principal Activities

Our existing production companies performed to plan in 2006

Our Irish-based production company, Motive Television Ltd, based in Dublin had an excellent year Renewals for all of its main programme strands were achieved in 2006 *Park Live, No Place Like Home* and the *Ernst & Young Entrepreneur of the Year*, all for Irish broadcaster RTE, were produced and transmitted during the year In addition, Motive developed and delivered two new programmes for RTE *The Ernst & Young GOAL Challenge*, and a documentary film, *The Sound of Sunday*, which won an Irish Film and Television Award (IFTA) for Best Sports Feature programme of 2006 This was the company's fourth IFTA, which is a testament to the programme production skills and creative flair of our Dublin-based executive team, Cormac Hargaden and Trisha Canning In addition, and very significantly, Motive sold a re-versioned series based on its format of *No Place Like Home*, to BBC Northern Ireland This series, entitled *Home From Home*, is the company's first UK commission With RTE having just commissioned a third series of *No Place Like Home*, the outlook for 2007 is good

Our first UK acquisition, the comedy production company Brown Eyed Boy Ltd, led by managing director Gary Reich, was not in production during the period of our ownership in 2006, and as expected, recorded an operating loss for the period, partly as a result of this inactivity, but also because of investing in a number of speculative comedy pilots with new talent, (which are now in production), and new comedy scripts, any fruits from which will not appear until later in 2007 *Little Miss Jocelyn*, starring Jocelyn Jee Esien, was a big hit on BBC3 and on DVD, and as a result the second series has now been commissioned by BBC2, with BBC2 also running repeats of the first series during 2007 The second series will go into production shortly In addition, the company produced two series with Dan Clark, *10 Things* , for The Comedy Channel The company continued to receive revenue from its first hit series, *Three Non Blondes* Brown Eyed Boy is forecast to make a contribution in 2007

Financial Highlights

- Group turnover has increased from £678,890 to £1,327,224 The turnover in the prior period represents a eight month trading period and the turnover in the current year includes £362,280 in respect of acquisitions in the year
- Gross profit increased from £160,979 to £354,851 (of which £83,306 is in respect of acquisitions in the year)
- The loss on ordinary activities before tax was £(521,063) (2005 £(182,812))
- Cash at bank and in hand net of overdrafts at the year end was £1,059,694 (2005 £1,206,241)
- The loss for the year reflects a combination of the new investment made into Brown Eyed Boy, aborted transaction costs and un-recovered central overhead
- Interest on cash balances of £29,400 (2005 £21,338) has been received during the period

Chairman's statement

Key Performance Indicators

Performance on each project is monitored during the life of the production, actual costs being compared to budget at each stage

All distribution agreements are considered in light of market conditions and returns from appointed agents carefully reviewed

All central overheads are compared to budgets and considered carefully to ensure that all costs represent value for money

Gross profit margins on each project are monitored and compared to our overall target of 22%

Principal Risks and Uncertainties

Your Board carefully reviews potential acqusitions to ensure the quality of maintainable earnings fully justifies prices being demanded

Broadcasters may decide not to renew television series and we ensure that our development teams always have a slate of alternative series ideas and talent available for future commissions

Corporate Strategy

We will continue to try to identify and complete a transformative transaction in the UK independent television production sector We will also seek strategic stakes in small and medium-sized television production and distribution companies, whilst at the same time attempting to establish start-up companies with successful television producers These production companies now retain the intellectual property rights in their content, which can be exploited across multiple platforms and multiple territories It is expected that programme libraries will generate cashflows for longer periods and that the "long-tail" effect will increasingly apply to television content, enhancing long-term value

The Board is unwilling to over-pay for acquisitions but regularly reviews the market and the company's strategy and has adjusted the strategy as set out above in view of fast-changing market conditions Management believes that consolidation in the sector will continue and that Motive is still well-placed to take advantage of any attractive opportunities for value creation that may arise

Outlook

Our existing production companies are very well-placed to deliver on their budgets this year with most of their budgeted productions now delivered or contracted We expect a positive contribution from both of our operating companies in the current year

Little Miss Jocelyn, series 1, is to be repeated on BBC2 in the Spring with series 2 to be transmitted by BBC2 in the Autumn With 12 episodes available for international sales in the Autumn we expect significant additional returns from overseas licensing and from DVD sales

M J Pilsworth
Chairman

Directors' report

The directors present their report and financial statements for the Group for the year ended 31 December 2006

Results and dividends

The Group loss for the year amounted to £437,368 (2005 £182,812) The directors do not recommend the payment of a dividend

Principal activities and review of the business

The principal activity of the Group continues to be that of the provision of television production A detailed review of the business and its future development can be found in the Chairman's Statement

The Company's policy in relation to the use of financial instruments and its exposure to price risk, liquidity risk and cash flow risk is given in Note 16 to the financial statements

Directors

The following directors have held office since 31 December 2005

M J Pilsworth
I C Buckley ACA
L J Ryan
M O'Rourke
A J King (appointed 1 October 2006)

The directors retire by rotation On 19 April 2006 at the Annual General Meeting, Ian Buckley retired and, being eligible, was reappointed

Directors' interests

The directors who served during the year and their beneficial interests in the shares of the Company were as follows -

Ordinary shares of 1p each

M J Pilsworth	1,666,666
I C Buckley ACA	1,666,668
L J Ryan	833,333
M G O'Rourke	8,833,333
A J King	800,000

L J Ryan and M G O'Rourke also control Setanta Sport (Irl) Limited, a company that has an interest in 7,773,333 ordinary 1p shares

Directors' interests in options and warrants are shown in the report of the Remuneration Committee

Substantial shareholdings

In addition to the shareholdings shown above, the directors are unaware of any shareholdings of 3% or more of the issued share capital of the Company

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, provided that all trading terms and conditions have been complied with

At 31 December 2006, the Group had an average of 15 (2005 9) days' purchases outstanding in trade creditors

Charitable and political donations

No charitable or political donations were made in the year The policy of the directors is to leave the decision to make such contributions at the discretion of the individual shareholders

Going concern

After making enquiries, the directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future Consequently, they have continued to adopt the going concern basis in preparing the financial statements

Auditors

In accordance with Section 385 of the Companies Act, a resolution proposing that Hazlewoods LLP will be re-appointed will be put to the Annual General Meeting

The directors have taken all necessary steps to ensure that all relevant audit information is collated and, at the time this report was approved, are content there is no relevant audit information of which the auditors are unaware

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the Group's auditors are unaware, and they have taken all the steps that they ought to have taken as

Directors' report

directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information

On behalf of the Board

R W PULLEN
Secretary

28 March 2007

Corporate governance

Although AIM listed companies are not required to report on the Combined Code, the directors are committed to proper standards of corporate governance and will continue to keep procedures under review The following provides an outline of the principal policies and procedures established by the Board

Board and Board Committees

There have been a total of 7 Board meetings held during the year

The attendance record of the directors is as follows

M J Pilsworth	7
I C Buckley	7
M G O'Rourke	6
L G Ryan	6
A J King	2

In view of the small size of the Board, the Remuneration Committee is composed of the whole Board and has met once during the year with all members in attendance As the Group expands and the Board is enlarged by the addition of new members, the composition of the Remuneration Committee will be revised

The Audit Committee is composed of the three non-executive directors It is intended that the Audit Committee will meet at least twice a year to review the Company's interim and final results The Committee has met twice during the year under review

Relationship with shareholders

The Board places considerable importance on creating and maintaining a strong relationship with its shareholders

Accountability and financial control

The Board has overall responsibility for the systems of financial control Implementation and maintenance of the financial control systems is the responsibility of executive management It should be understood, that such systems are designed to provide reasonable but not absolute assurance against material misstatement or loss

The Company has an established framework of internal financial controls which reflect the current scale of Group activities, the key features of which are as follows -

Control environment

There are clearly defined organisational responsibilities and the Board is committed to employing suitably qualified staff so that the appropriate level of authority can be delegated with regard to accountability and acceptable levels of risk

Information systems

The Group prepares an annual budget and a report of actual results is produced monthly which is then discussed by the directors

Identification and evaluation of business risks and controls

Management control is exercised at all levels of the Group and is regulated by appropriate limits of authority The directors have considered various areas of business risks and have developed appropriate policies to manage and diffuse those risks These policies are reviewed in the light of known and perceived changes to the risks

Quality and integrity of personnel

The Group attaches high importance to the values of trust, honesty and integrity of personnel in responsible positions and operates a policy of recruitment and promoting suitably experienced personnel with clearly defined accountabilities

Investment appraisal

Although capital investment is not a significant element of the Group's operations, all major expenditure is included in the annual budget and is reported on to the Board In addition, all potential and actual acquisition opportunities are regularly reviewed by the Board, both in meetings and by *ad hoc* reports

Corporate governance

Monitoring

Given the size of the Group and the close day-to-day involvement of the executive directors no formal internal audit is considered necessary

M J PILSWORTH
Chairman

28 March 2007

AIM rule compliance report

Motive Television plc shares are traded on AIM and, as such under AIM Rule 31 the Company is required to

- Have in place sufficient procedures, resources and controls to enable its compliance with the AIM Rules,
- Seek advice form its nominated adviser ("Nomad") regarding its compliance with the AIM Rules whenever appropriate and take that advice into account,
- Provide the Company's Nomad with any information it requests in order for the Nomad to carry out its responsibilities under the AIM Rules for Companies and the AIM Rules for Nominated Advisers,
- Ensure that each of the Company's Directors accepts full responsibility, collectively and individually, for compliance with the AIM Rules, and
- Ensure that each director discloses without delay all information which the Company needs in order to comply with AIM Rule 17 (Disclosure of Miscellaneous Information) insofar as that information is known to the director or could with reasonable diligence be ascertained by the director

In order to ensure that these obligations are being discharged the Board has established a committee of the board (the "AIM Committee"), chaired by I C Buckley, a non-executive director of the Company

Having reviewed relevant Board papers, and met with the Company's Executive Board and the Nomad to ensure that such is the case, the AIM Committee is satisfied that the Company's obligations under AIM Rule 31 have been satisfied during the period under review

Report of the remuneration committee

The policy of the Group is to offer competitive remuneration packages that will attract, retain and motivate experienced and talented individuals who will enhance the value of the Group The remuneration packages of the executive directors are reviewed and approved by the Remuneration Committee on an annual basis The remuneration of other employees is the responsibility of the Chairman

The part of this remuneration report set out below is included within the scope of the auditors' opinion on pages 13 and 14

Remuneration of the directors

Executive directors are paid a basic salary In addition, certain directors receive pension contributions and benefits in kind, including medical insurance

The remuneration of non-executive directors is approved by the Board Individual non-executives do not participate in decisions concerning their own remuneration

	Salary	*Pension Contribution*	*Benefit in kind*	*Total 2006*	*Total 2005*
	£	£	£	£	£
M J Pilsworth	64,586	9,760	1,009	75,355	33,607
I C Buckley	40,500	7,050	676	48,226	33,407
L J Ryan	6,000	–	–	6,000	4,000
M G O'Rourke	6,000	–	–	6,000	4,000
A J King	3,000	–	–	3,000	–
	120,086	16,810	1,685	138,581	75,014

In addition to the above M J Pilsworth and Carysfort Limited, a company controlled by I C Buckley, became entitled to a success fees of £25,000 on the acquisition of Brown Eyed Boy Limited, M J Pilsworth's fee being paid by way of an additional pension contribution to his personal pension policy These costs are considered to be directly in connection with the acquisition of Brown Eyed Boy Limited and have been charged to the cost of investment During 2005, M J Pilsworth received a success fee of £15,000 on the admission of the Company to AIM in addition to the above remuneration Carysfort Limited, a company controlled by I C Buckley, also received a success fee of £15,000 on the admission of the Company to AIM during 2005

Consultancy fees of £9,000 and £4,680 were paid to Carysfort Limited and AJK Commercial Consultancy Limited, companies controlled by I C Buckley and A J King respectively

Warrants

M J Pilsworth and I C Buckley were each issued with warrants on 4 May 2005 to subscribe for 7 5% of the issued ordinary share capital of the Company immediately prior to the exercise of those warrants The exercise price is 3p per ordinary share and may be exercised at any time prior to 3 May 2015

Options

Directors' interests in share options are set out below

Directors names	Number of options 1 January 2006	During the year Granted	Exercised	31 December 2006	Exercise price	Date from which exercisable	Expiry date
M J Pilsworth	–	2,500,000	–	2,500,000	2 63p	16 03 09	16 03 19
I C Buckley	–	2,500,000	–	2,500,000	2 63p	16 03 09	16 03 19
L J Ryan	–	500,000	–	500,000	2 63p	16 03 09	16 03 19
M O'Rourke	–	500,000	–	500,000	2 63p	16 03 09	16 03 19
A J King	–	1,000,000	–	1,000,000	1 38p	19 12 09	19 12 19

The amount charged to the profit and loss account of £47,512 relating to share options – value of employee services, includes £29,238 in respect of the above options

In addition to the Directors' options above R W Pullen, Company Secretary, was granted 250,000 options, exercisable from 16th March 2009 to 16th March 2019 at a price of 2 63 per share

M J PILSWORTH

Chairman

28 March 2007

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Independent Auditors' Report to the shareholders of Motive Television Plc

We have audited the Group and Parent Company financial statements ("the financial statements") for the year ended 31 December 2006 which comprise the Group profit and loss account, the balance sheets, the Group cash flow statement and the related notes These financial statements have been prepared under the historical cost convention and the accounting policies set out therein We have also audited the information regarding the directors' remuneration in the Remuneration Committee Report that is described as having been audited

This report is made solely to the members, as a body, in accordance with the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 the directors and auditors

The directors' responsibilities for preparing the annual report and the Group financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements and the part of the Remuneration Committee Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements and the part of the Remuneration Committee Report to be audited give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the Directors' Report is consistent with the financial statements In addition we report to you if in our opinion the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises the Chairman's Statement, the Directors' Report, Corporate Governance Statement, AIM Rule Compliance Report and Report of the Remuneration Committee We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements

Basis of audit opinion

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

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

Independent Auditors' Report to the shareholders of Motive Television Plc

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31 December 2006 and of the Group's loss for the year then ended,
- the financial statements and the part of the Remuneration Committee Report to be audited have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

Hazlewoods LLP.

HAZLEWOODS LLP
Chartered Accountants
Registered Auditors

28 March 2007

Windsor House
Barnett Way
Barnwood
Gloucester
GL4 3RT

Group Profit and Loss Account

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Turnover			
Continuing operations		964,944	678,890
Acquired operations		362,280	–
	2	1,327,224	678,890
Cost of sales	3	(972,373)	(517,911)
Gross profit		354,851	160,979
Administrative expenses	3	(905,314)	(365,129)
Operating loss	4		
Continuing operations		(383,704)	(204,150)
Acquired operations		(166,759)	–
		(550,463)	(204,150)
Interest	5	29,400	21,338
Loss on ordinary activities before taxation	2	(521,063)	(182,812)
Taxation	7	–	–
Loss for the financial year	8	(521,063)	(182,812)
Minority interests		83,695	–
Loss for year attributable to members of parent company		(437,368)	(182,812)
Loss per share			
Basic	9	56p	33p

There are no recognised gains and losses for the year, other than those included in the profit and loss account

Comparative amounts are for the period 22 December 2004 to 31 December 2005, though the Group did not commence trading activities until 11 May 2005

Group Balance Sheet

at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Intangible assets	10	550,888	240,959
Tangible assets	11	27,368	10,815
		578,256	251,774
Current assets			
Stocks	13	–	3,185
Debtors	14	80,611	123,158
Cash at bank and in hand		1,133,813	1,206,241
		1,214,424	1,332,584
Creditors. amounts falling due within one year	15	(336,060)	(225,709)
Net current assets		878,364	1,106,875
Total assets less current liabilities		1,456,620	1,358,649
Capital and reserves			
Called up share capital	17	1,086,066	647,733
Share premium account	18	895,428	738,261
Merger reserve	18	155,467	155,467
Profit and Loss account	18	(572,668)	(182,812)
Shareholders' funds	19	1,564,293	1,358,649
Minority interest		(107,673)	–
Capital employed		1,456,620	1,358,649

These financial statements were approved and authorised for issue by the Board of Directors on 28 March 2007 and were signed on its behalf by

M PILSWORTH
Director

A J KING
Director

Company Balance Sheet

at 31 December 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	11	1,859	2,784
Investments	12	595,795	253,599
		597,654	256,383
Current assets			
Debtors	14	186,624	51,550
Cash at bank and in hand		937,689	1,167,846
		1,124,313	1,219,396
Creditors			
amounts falling due within one year	15	(31,508)	(109,927)
Net current assets		1,092,805	1,109,469
Total assets less current liabilities		1,690,459	1,365,852
Capital and reserves			
Called up share capital	17	1,086,066	647,733
Share premium account	18	895,428	738,261
Merger reserve	18	155,467	155,467
Profit and loss account	18	(446,502)	(175,609)
Shareholders' funds		1,690,459	1,365,852

These financial statements were approved and authorised for issued by the Board of Directors on 28 March 2007 and were signed on its behalf by

M PILSWORTH
Director

A J KING
Director

Group Cash Flow Statement

for the year ended 31 December 2006

	Notes	2006 £	2005 £
Net cash outflow from operating activities	20	(656,515)	(136,950)
Returns on investments and servicing of finance			
Net interest received		29,400	21,338
Taxation		4,212	(1,872)
Capital expenditure			
Payments to acquire tangible fixed assets		(19,862)	(12,986)
Acquisitions			
Payments to acquire subsidiary undertaking	23	(227,196)	(20,399)
Net bank balance acquired with subsidiary	23	242,914	48,849
Net cash inflow for acquisitions		15,718	28,450
Net cash outflow before financing		(627,047)	(102,020)
Financing			
Issue of ordinary share capital (net of costs)		480,500	1,308,261
(Decrease)/Increase in cash	21	(146,547)	1,206,241

1 ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared under the historical cost convention, adopting the following accounting policies, all of which are in accordance with applicable United Kingdom accounting standards

Basis of consolidation

The Group financial statements consolidate the financial statements of Motive Television plc and its subsidiary undertakings as at 31 December 2006

The subsidiary acquired during the year, Brown Eyed Boy Limited was acquired on 1 March 2006 and its trading results have been incorporated as of that date, applying the acquisition method of accounting The Group's shareholding in Brown Eyed Boy Limited amounts to 49 9% of the issued share capital of that company, but has the power to exercise dominant influence through the power to exercise call options to acquire the remaining shares

No Company profit and loss account is presented as permitted by Section 230 of the Companies Act 1985

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated economic life of ten years

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other years if events or changes in circumstances indicate that the carrying value may not be recoverable

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of tangible fixed assets over their expected useful lives at the following rates

Plant and equipment	Over three to four years

Fixed asset investments

Fixed asset investments are stated at cost less provision for permanent diminution in value

Income recognition

Turnover represents the fair value of services provided during the year on television production assignments Turnover is recognised as contract activity progresses and the right to consideration is earned Fair value reflects the amounts expected to be recoverable from customers and is based on time spent and costs incurred to date as a percentage of total anticipated production costs Unbilled turnover is included as amounts recoverable under contracts within debtors Other turnover in respect of subsequent sales of completed productions is recognised at the date the sale is agreed and the product is shipped

Where the Group receives non-refundable advances for the sale of distribution rights of a production, the Group recognises the amount that is non-refundable as income in the year The Group also accrues the cost of any royalties that are payable to writers and performers of the production

The Group recognises income from existing royalty agreements as they accrue

1 ACCOUNTING POLICIES *(continued)*

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction All revaluation differences and realised foreign exchange differences are taken to the profit and loss account

Exchange differences arising when the profit and loss accounts of subsidiaries are translated at average rates compared with the rate ruling at the year end are taken to reserves

Deferred taxation

In accordance with Financial Reporting Standard (FRS) 19 Deferred Tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits from which the underlying timing differences can be deducted

Share based awards

The Group has applied the requirements of FRS 20 *Share based payment* In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2006

The Group issues equity settled payments to certain employees Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant The fair value determined at the grant date of the equity settled share based payments is expensed on a straight line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions

Fair value is measured by use of the Binomial model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term

Stock

Stock is valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items

Cost is based on normal levels of cost and comprises cost of purchase, together with the addition of charges such as freight or duty where appropriate

Net realisable value comprises the actual or estimated selling price, net of trade discounts, less all costs to be incurred in marketing, selling and distribution

1 ACCOUNTING POLICIES *(continued)*

Pensions

The Group operates a defined contribution scheme for the benefit of its employees Contributions payable are charged to the profit and loss account in the year they are payable

2 SEGMENTAL ANALYSIS

Analysis by geographical market is set out below All turnover was derived from the Group's principal activity

	2006 £	2005 £
Turnover		
United Kingdom	362,280	–
Republic of Ireland	964,944	678,890
	1,327,224	678,890
(Loss) profit before taxation		
United Kingdom	(169,826)	–
Republic of Ireland	6,356	9,152
Common costs – Parent Company	(301,349)	(175,609)
Goodwill amortisation	(56,244)	(16,355)
	(521,063)	(182,812)
Net assets		
United Kingdom	(208,035)	–
Republic of Ireland	18,734	5,437
Not allocated – Parent Company	1,095,033	1,112,253
Goodwill	550,888	240,959
	1,456,620	1,358,649

3 COST OF SALES AND ADMINISTRATIVE EXPENSES

	Acquired in the year £	Other continuing £	Total continuing £
Cost of sales	278,974	693,399	972,373
Administrative expenses	250,065	655,249	905,314

All costs in the comparative period were in respect of continuing activities acquired in that period

4 OPERATING LOSS

	2006 £	2005 £
Operating loss is stated after charging		
Auditors' remuneration – statutory audit	13,616	11,722
– consultancy	9,965	4,500
Depreciation of tangible assets	10,185	3,797
Amortisation of goodwill	56,244	16,355
Operating lease costs	53,651	30,399

Other fees paid to auditors relate to advice in connection with tax and compliance matters The auditors also received a fee of £4,148 in connection with the acquisition of the interest in Brown Eyed Boy Limited The directors do not consider that the level of fees paid to the auditors for non-audit services threatens their independence The auditors have confirmed they agree with this conclusion

5 INTEREST

	2006 £	2005 £
Bank interest receivable	30,042	21,338
Bank interest payable	(642)	–
	29,400	21,338

6 STAFF COSTS

	2006 £	2005 £
Wages and salaries	497,570	161,635
Social security costs	34,281	17,557
Pension costs – defined contribution schemes	16,810	–
	548,661	179,192

The average monthly number of persons employed by the Group, including directors, during the year was as follows

	2006 No	2005 No
Production	7	4
Administration	3	3
	10	7

Details of directors' emoluments, including details of share option schemes are given in the report of the Remuneration Committee These disclosures form part of the audited financial statements of the Group

7 TAXATION

There is no charge to corporation tax due to the loss for the year The Group has tax losses available to carry forward against future taxable income and profits arising in the parent company of approximately £401,000 (2005 £162,000), Brown Eyed Boy Limited £260,000 and losses of €37,000 (2005 €61,000) which may be offset against future taxable profits of the Irish subsidiary This has not been recognised as a deferred tax asset as recovery is not considered sufficiently certain

Factors affecting the tax charge for the year

	2006 £	2005 £
Loss on ordinary activities before taxation	(521,063)	(182,812)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 30%	(156,319)	(54,844)
Effects of		
Losses brought forward offset	(5,093)	(3,262)
Expenses not deductible for tax purposes	26,200	4,348
Capital allowances in excess of depreciation	(987)	(25)
Unutilised tax losses arising in the year	119,326	48,924
Goodwill amortisation not deductible for tax purposes	16,873	4,859
Current tax charge	–	–

8 LOSS ATTRIBUTABLE TO PARENT COMPANY

The loss dealt with in the financial statements of the parent company was £301,349 (2005 £175,609)

9 LOSS PER SHARE

The exercise of the outstanding options and warrants would reduce the loss per share and hence have an anti-dilutive effect

The loss per share is based on a loss for the year of £437,368 (2005 £182,812) and the weighted average of ordinary shares in issue for the year of 78,606,666 The comparative figure is based on the weighted average number of shares in issue since 11 May 2005, being the date of the Company's admission to AIM and completion of its first acquisition, this being 54,496,737 shares

10 INTANGIBLE FIXED ASSETS

Group

	Goodwill £
Cost	
At 1 January 2006	257,314
Additions during the year	366,173
At 31 December 2006	623,487
Amortisation	
At 1 January 2006	16,355
Charge for the year	56,244
At 31 December 2006	72,599
Net book value	
At 31 December 2006	550,888
At 31 December 2005	240,959

Details of the acquisition giving rise to goodwill are set out in note 23

11 TANGIBLE FIXED ASSETS

Group

	Plant and equipment £
Cost	
At 1 January 2006	14,612
On acquisition of subsidiary company	6,876
Additions during the year	19,862
At 31 December 2006	41,350
Depreciation	
At 1 January 2006	3,797
Charge for the year	10,185
At 31 December 2006	13,982
Net book value	
At 31 December 2006	27,368
At 31 December 2005	10,815

11 TANGIBLE FIXED ASSETS *(continued)*

Company

	Plant and equipment £
Cost	
At 1 January 2006 and 31 December 2006	3,709
Depreciation	
At 1 January 2006	925
Charge for the year	925
At 31 December 2006	1,850
Net book value	
At 31 December 2006	1,859
At 31 December 2005	2,784

12 INVESTMENTS

Company

	Subsidiary undertakings £
Cost and net book value	
At 1 January 2005	253,599
Additions	342,196
At 31 December 2006	595,795

In the opinion of the directors, the aggregate value of the investment in subsidiary undertakings is not less than the amount at which it is stated in the balance sheet

Subsidiary undertakings

The Company's subsidiary undertakings are as follows

Name of undertaking	Incorporated in	Interest in Ordinary share capital
Motive Television Limited	Republic of Ireland	100%
Brown Eyed Boy Limited	England	49 9%

The Principal activity of both subsidiary undertakings is that of Television programme production The results of both have been consolidated in these financial statements

Brown Eyed Boy Limited is considered to be a subsidiary of Motive Television plc since that company exercises control over the board of directors of Brown Eyed Boy Limited, by virtue of a call option they have over the shares held by the majority shareholder

13 STOCKS

Stocks comprise goods for re-sale

14 DEBTORS

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	24,631	51,515	–	–
Amounts owed by				
Subsidiary undertakings	–	–	171,442	30,000
Other debtors	25,265	2,080	6,322	1,770
Overseas corporation tax	–	4,212	–	–
Prepayments	30,715	65,351	8,860	19,780
	80,611	123,158	186,624	51,550

15 CREDITORS – amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank overdrafts	74,119	–	–	–
Trade creditors	40,413	20,327	–	–
Taxation and social security	23,031	4,317	–	–
Other creditors	88,934	32,140	–	–
Accruals	109,563	168,925	31,508	109,927
	336,060	225,709	31,508	109,927

Bank overdrafts of £66,034 are secured against cash deposits held by the Parent Company

16 FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors, that arise directly from its operations It is, and has been throughout the year of review, the Group's policy that financial derivatives shall not be used As a result, the Group has not used interest rate hedges and currency swaps during the year

The main risk arising from the Group's financial instruments is interest rate risk The Group seeks to maximise returns on surplus cash by placing this on money market term deposits

Short term and debtors and creditors

Short term debtors and creditors have been excluded from the following disclosures

Foreign currency risk

Throughout the year the Group was exposed to a risk in the fluctuation of the Euro, in which nearly all transactions of its Irish operating subsidiary are denominated, against Sterling No steps are currently taken to mitigate these risks because the costs of entering into derivative or hedging arrangements is considered by the Board to be disproportionate to the risks involved at this point in time No material differences on exchange have arisen

16 FINANCIAL INSTRUMENTS *(continued)*

There are no currency positions that would give rise to net currency gains and losses recognised in the profit and loss account of the Group

Credit risk

The Group has a low credit risk, its principal customers being national broadcasters and major organisations

Liquidity risk

The Company has substantial cash resources available to it

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the Group's financial assets and liabilities were

	Floating rate financial assets and liabilities £
Cash balances	1,133,813
Bank overdrafts	(74,119)
	1,059,694

Fair value of financial instruments

The Group's financial instruments, which comprise cash and short term deposits and bank overdrafts are carried at cost, which is also considered to be equivalent to their fair value

17 SHARE CAPITAL

	2006 £	2005 £
Authorised		
400,000,000 ordinary shares of 1p each	4,000,000	4,000,000
Allotted and fully paid		
108,606,667 (2005 64,773,333) ordinary shares of 1p each	1,086,066	647,733

The Company has issued the following shares during the year

- 31 March 2006 3,833,334 Ordinary shares of 1p each for 3p per share in consideration for shares in Brown Eyed Boy Limited
- 25 September 2006 40,000,000 Ordinary shares of 1p each for 1 25p per share in cash

17 SHARE CAPITAL *(continued)*

Warrants

The Company has issued the following warrants to subscribe for ordinary shares in the Company at a price of 3p per share

	Number	Exercisable from	Exercisable to
Directors	15% of the issued share capital	4 May 2005	3 May 2015
Employees	3,000,000	4 May 2008	3 May 2015

Options

Details relating to options are set out at note 25 below

18 RESERVES

Group

	Share premium account £	Merger reserve £	Profit and loss account £
At 1 January 2006	738,261	155,467	(182,812)
Shares issued during year	176,667	–	–
Costs relating to share issues	(19,500)	–	–
Adjustment in respect of share based payments	–	–	47,512
Loss for the year	–	–	(437,368)
At 31 December 2006	895,428	155,467	(572,668)

Company

	Share premium account £	Merger reserve £	Profit and loss account £
At 1 January 2006	738,261	155,467	(175,609)
Shares issued during year	176,667	–	–
Costs relating to share issues	(19,500)	–	–
Adjustment in respect of share based payments	–	–	30,456
Loss for the year	–	–	(301,349)
At 31 December 2006	895,428	155,467	(446,502)

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Group

	2006 £	2005 £
At 1 January 2006	1,358,649	–
Loss for the year	(437,368)	(182,812)
Adjustment in respect of share based payments	47,512	–
Issues of shares in the year	595,500	1,541,461
Closing shareholders' funds	1,564,293	1,358,649

20 RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating loss	(550,463)	(204,150)
Amortisation of goodwill	56,244	16,355
Depreciation of tangible fixed assets	10,185	3,797
Decrease in stocks	3,185	1,010
Decrease (increase) in debtors	80,228	(88,009)
(Decrease) increase in creditors	(303,406)	134,047
Share based payments	47,512	–
Net cash outflow from operating activities	(656,515)	(136,950)

21 ANALYSIS OF NET FUNDS

	At 1 January 2006	Cash flow £	At 31 December 2006 £
Net funds			
Cash in bank and in hand	1,206,241	(72,428)	1,133,813
Bank overdrafts	–	(74,119)	(74,119)
	1,206,241	(146,547)	1,059,694

22 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2006 £	2005 £
(Decrease) Increase in cash	(146,547)	1,206,241
Movement in net funds in the year	(146,547)	1,206,241
Opening net funds	1,206,241	–
Closing net funds	1,059,694	1,206,241

23 ACQUISITIONS

The Group acquired 49 9% of Brown Eyed Boy Limited on 1 March 2006 The book value equates to fair value at 1 March 2006 The book and fair values at date of acquisition were as follows

	£
Tangible fixed assets	6,876
Debtors	41,893
Bank balance	242,914
Creditors	(339,638)
Net liabilities acquired	(47,955)
Share of net liabilities acquired	(23,977)
Goodwill	366,173
Consideration	342,196

Consideration satisfied by	
Shares issued	115,000
Cash consideration	135,000
Cash outflow in respect of professional fees and directors' bonuses associated with the acquisition	92,196
	342,196

24 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared

The Company entered into the following transactions in which certain directors had an interest

The Communications Partnership Limited, a company associated with M J Pilsworth, received payments totalling £12,000 (2005 nil) in respect of office facilities provided by him to the Company In 2005, similar payments of £8,079 were made to Martini Media Limited, a company also associated with M J Pilsworth

Carysfort Limited, a company associated with I C Buckley, received payments totalling £12,000 (2005 £10,250) in respect of the provision of office services and facilities

24 RELATED PARTY TRANSACTIONS *(continued)*

I C Buckley is also a director of Dowgate plc, the ultimate holding company of City Financial Associates Limited, the nominated adviser to Motive Television plc which received fees of £15,250 (2005 £70,223) during the year under review On 24 October 2006, Ellis Stockbrokers Limited became a subsidiary of Dowgate plc Since that date this company was paid fees of £7,500 in respect of stock broking services

M G O'Rourke and L J Ryan are shareholders and directors of Setanta Sport (Irl) Limited to which there is an outstanding creditor of €42,202 (2005 €42,202) from Group companies No interest is payable on this creditor and there is no date set for its repayment

A subsidiary company of Setanta Sport (Irl) Limited provides office facilities in London The total rent paid for these facilities in the year was £6,376 (2005 £7,779)

25 EQUITY SETTLED SHARE OPTION SCHEME

The Company has a share option scheme for all employees of the Group Options are exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant The vesting period is 3 years If the options remain unexercised after a period of 10 years from the date of grant, the options expire Options are forfeited if the employee leaves the Group before options vest

Details of the share options outstanding during the year are as follows

	Number of Shares	Exercise price
Outstanding at the beginning of the period	–	–
Granted 16 March 2006	9,750,000	2 63p
Granted 20 December 2006	1,000,000	1 38p
Outstanding at the end of the period	10,750,000	

No options are exercisable at the end of the period

The options outstanding at 31 December 2006 had a weighted average exercise price of 2 50p, and a weighted average remaining contractual life of 12 years In 2006, options were granted on 16 March 2006 and 20 December 2006 The aggregate of the estimated fair values of the options granted on 16 March 2006 is £179,400 The options granted on 20 December 2006 have not been formally valued, however any charge to profit and loss account for the remaining 11 days of 2006 would not be material

The inputs into the Binomial model are as follows

Share price at grant date	2 5p
Expected volatility	100%
Expected life	3-10 years
Risk free rate of return	4 35%
Expected dividend yield	Nil until 2010 3% thereafter

No leavers have been assumed

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous year The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

The Group recognised total expenses of £47,512 and nil related to equity settled share based payment transactions in 2006 and 2005 respectively

26 FINANCIAL COMMITMENTS

The Group is committed to making an annual payment of £15,925 under a non-cancellable operating lease in respect of land and buildings The lease expires between two and five years