Company Number 5319264

MOTIVE TELEVISION PLC

ANNUAL REPORT AND ACCOUNTS

31 December 2013

CONTENTS

DIRECTORS, ADVISERS AND REGISTERED OFFICE

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M J Pilsworth (Executive Chairman)
L M Fertig (Chief Executive Officer)
A L Kaza (Non-Executive Director)
B D Foss (Non-Executive Director)
P R Cuatrecasas (Non-Executive Director)

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M J Pilsworth

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Company Registration Number
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CHAIRMAN'S STATEMENT

I am pleased to announce Motive's results for the year ended 31 December 2013.

During the year under review Motive rapidly developed its digital business and expects to move from the development to the growth stage during 2014. This will occur as products under development move into commercial use and Motive's Content Express™ platform is deployed at more broadcasters. The Company has deployed its technology with its first clients, Mediaset and Digiturk. Television services provided by Mediaset and Digiturk, based on Motive's Content Express™ platform, have been commercially successful since 2009 and 2013 respectively, cumulatively serving over 500,000 homes. Motive continues to provide support and maintenance for the Content Express™ platform as well as discussing further enhancements and extensions with these two broadcasters.

Tablet Television in the United States is currently being product and market tested, leading to consumer trials and an expected full-scale commercial launch in 2014. Until then, Tablet Television LLC, the Group's US venture owned jointly with Granite Broadcasting, will be completing its marketing, content, and consumer service planning and recruiting additional broadcasters to expand the distribution network from Granite's markets.

After the end of the financial year the Company entered into discussions with CCAN with the objective of resolving the ongoing dispute with them regarding the acquisition of the remaining 32.3% of Motive Television S L. The provision included in the accounts has been increased to €600,000 representing the Directors' best assessment of the amount that this dispute might be settled for. Should settlement be reached funding will be provided from the Convertible Security facility set out below.

On 13 May 2014 the Company announced that it had raised up to £2,980,000 in additional finance by way of a Convertible Security facility entered into with Bergen Global Opportunity Fund LP (the Investor). The terms of this facility are such that initial funding of £1,480,000 was made available on signing the agreement, the facility for further funding between £400,000 and £500,000 each being available 150, 240 and 330 days from that date. The funding is convertible into ordinary shares, the conversion price being the lower of a) 90% of the average of five daily volume-weighted average prices of the shares during a specified period prior to the conversion or b) a 40% premium to the average of the share prices for the 20 trading days prior to the date of signing the agreement (the "Premium Price"). Conversion is subject to restrictions over timing. Once conversion has taken place there are further restrictions over when shares can be sold such that the interests of the Investor and that of other shareholders are aligned. Warrants over 2,500,000,000 shares were also issued to the Investor, again at the Premium Price. The facility bears no interest.

Financial analysis

- Group revenue increased by 7% to £1,170,942 from £1,090,617 in 2012.
- Group operating loss reduced by 14% to £(1,861,778) from £(2,171,913) in 2012.
- Digital business revenue increased by 44% to £804,826 from £560,186 in 2012.
- Digital business loss reduced 26% to £(912,449)from £(1,240,821) in 2012.
- Group total borrowings reduced by 22% to £3,101,256 compared with £3,963,034 in 2012.
- Cash at bank and in hand at the end of 2013 was £250,404 compared to £148,554 in 2012.

Today, the Group's main focus is its Digital Business that provides technology- based solutions to the Television sector. As such, the Group Strategic Report has focused on this segment of the Group's activity.

The Strategic Report discusses the environment in which the Digital Business operates, sets out in detail the substantial opportunities for the Digital Business and how the Group intends to take advantage of these opportunities. The significant progress made to date is discussed as well as where the Group envisages future development.

The Company still owns one remaining production business, Motive Television Limited (Dublin) ("MTL"). MTL is run by a small team who have worked extremely hard over the last 12 months to maintain the Company's position. Thanks to their efforts MTL started 2014 in a better position than 2013 having won two new production contracts in December 2013 and although the outlook for television

CHAIRMAN'S STATEMENT

production in Ireland remains very challenging the Company will continue to support this business and anticipate that it will continue to establish itself as a trusted supplier to Irish Broadcasters over the coming years.

I would like to thank our shareholders, employees, customers and partners for their continuing support. My particular thanks go, once again, to Leonard M. Fertig, your CEO, whose tenacity and commitment to the success of your company has been outstanding. Now that the Company is about to achieve its goals I feel that it is time that I step back from my executive responsibilities, and so at this year's AGM I propose to step down from the position of executive chairman, but will remain with the Group as non-executive chairman.

Michael Pilsworth
Executive Chairman

18 June 2014

STRATEGIC REPORT

Strategy

As noted in the Chairman's Statement, in 2009 the Company conducted a strategic analysis and concluded that the opportunities for continued growth in the independent television production sector were limited. At the same time the Board realised that the digital terrestrial broadcasting industry will be the fastest-growing segment in electronic media as analogue switch-off rolls out globally, and that by providing services to digital broadcasting through technology solutions, Motive would have an opportunity to participate in this rapid growth.

As a direct consequence of this strategy, the Company acted in 2009 and 2010 to bring in a new Management team and Board Directors, sell off its independent production assets, and acquire two digital TV technology businesses with patented solutions and expertise in technology development.

While implementing and servicing contracts obtained with the 2010 acquisitions, in 2011 and 2012 Motive worked hard to integrate the new technology and develop its strategy to take the new suite of solutions to the television industry. This required the development of additional software technology to extend the capabilities to new platforms and devices and resulted in Motive's Content Express™ product suite that was announced in January 2014. Motive has become a leader in enabling the delivery of on-demand content over any type of distribution network, and that expertise and body of solutions represents the source of growth and future profits.

A major feature of Content Express™ is that it enables delivery of both linear (i.e. received as broadcast) and non-linear content without use of the internet being required.

The second major feature of the Company's strategy is its business model. Rather than sell one-off engineering and licences to broadcasters, the Company seeks to obtain up front payments for customisation and implementation of its solutions, plus continuing participation in the added revenues created for our customers by way of a royalty stream. Motive effectively partners with its customers in the development and implementation of new sources of revenue. This was first exemplified in the contract signed with CME in 2012 and continues today in the Siyaya contract in South Africa and Tablet Television business in the United States with Granite Broadcasting. The Company believes that partnering with our broadcast customers not only reduces competitive risk by staying close to customers, but leads to growing participatory revenue streams as these new forms of broadcasting extend to more subscribing homes.

The Opportunity

A primary driver that creates market opportunities for Motive is the digital revolution and how it affects the television industry. As markets switch from analogue to digital broadcasting and as new devices are rapidly adopted by consumers to use in viewing content there are many opportunities for the Company.

Consumers have consistently made it clear in survey after survey, and in the way they spend their money, that they want to have the freedom to watch what they want, when they want, where they want, and on the screen they want. The television industry is trying to address these clear demands and this represents a significant opportunity for Motive as it is exactly what the Company's solutions permit.

The Company has two product solutions from the common base technology of Content Express™:

1. Enabling broadcasters to provide a variety of non-linear viewing to users ranging from Video-on-Demand to virtual channels, plus-one channels, and catch-up over any network, and;
2. Enabling viewing, recording, and the provision of all the above features on tablets and other smart screens.

Combined, these solutions address the fastest growing trends and issues for the global television industry today.

Opportunity 1: On-demand (non-linear) viewing:
A growing change in how people watch television is the removal of the fixed schedule as a viewing requirement. While most research confirms that most people continue to enjoy curated content and linear channels, at the same time there is rapidly growing demand, particularly among younger viewers, for non-linear content available anytime.

- Motive is able to offer to broadcasters a low-cost solution that has been proven successful in large-scale implementation over both digital terrestrial and satellite networks. With our patented terrestrial Datacasting technology, the Company is a leader in "add on" video on-demand capabilities and the management of non-linear content delivery.

- The customers for Motive's on-demand or non-linear content solutions are broadcasters and satellite television platforms that want to enter or upgrade their pay television services. There are perhaps 5,800 channels, stations, and satellite broadcasters globally at this time that may be candidates for Motive's solutions.
- In emerging markets the Company may offer its solutions as part of a turn-key or managed service, while in the developed markets of Europe and North America, the operators often prefer to integrate Motive's solutions with internal and third party providers. The emerging markets of Africa, South America, Eastern Europe, and Asia represent particularly promising future opportunities for Motive.
- In most cases, development of a content delivery solution for a broadcaster or pay television operator is customized to reflect the desires, configuration, and choices of Motive's clients.
- There is a growing trend for Hybrid delivery systems to the home, combining the efficiencies of terrestrial one-to-many broadcasting with long tail and targeted capabilities of Internet-based content distribution. This is exemplified by the HbbTV standard in Europe, YouView in the UK, and various new and announced services in the United States. Motive's technology solutions for non-linear content distribution have been designed to work in hybrid environments and are network-type independent. Motive joined the HbbTV consortium in February 2014 and is working to incorporate its solutions into the industry standard.

Opportunity 2: Tablet television

The viewing of Television on tablets and smart phones is growing at an exponential pace. Whether for convenience, personal television, mobility, or other reasons, the trend toward watching television on hand-held screens is accelerating as the pace of penetration of Tablets exceeds all previous consumer electronics devices. Currently, there are more Tablets in use than there are American homes, over 20 million tablets in use in the UK, and an estimated 100 million in Europe. The pace of growth is increasing as competition among manufacturers generates more choices and lower entry prices.

In the emerging world Tablets are likely to follow the path of cellular phones and "leapfrog" fixed line television.

Industry research suggests that by the end of 2017 there will be more than 300 million tablets in use in the United States and nearly 1 billion worldwide.

There is substantial research available that finds that Tablet owners like to use them as personal television screens. So Tablet viewing of video content is a rapidly growing fact and a major change to the very nature of television.

Until recently, the response of the television industry has been to seek to deliver a limited "TV Everywhere" option to existing pay television subscribers—to contain this revolution within the closed garden of cable, satellite, and broadband packages. This delivered an unreliable and consumer unfriendly service of some content being available in later windows, not necessarily recordable, and limited by the quality and availability of Internet signals.

The industry issue for broadcasters is that it is difficult to monetise "TV Everywhere" services when their subscribers don't want to pay extra to watch the same programmes on another screen. This is compounded by the fact that many of the platforms don't have content rights to distribute all acquired content from 3rd parties over a new distribution system to tablets and mobile devices. In addition, there is the added cost of paying for Internet content distribution systems.

For the viewers who want to watch on Tablets, however, there is no Television Service or platform specifically designed to meet their needs—like cable television was for the home. They cannot easily watch the most popular content: live broadcast television. They can see some, but not all programmes; they need to find them on different websites; and they have to wait for buffering and slow loading of programmes an estimated 40 per cent of the time, especially in prime viewing time. And they cannot copy them to watch later on the tablet. Often Television Everywhere apps featured by pay TV companies work in the home only.

That represents the opportunity for Motive's Tablet TV—the first service for viewing on tablets that starts from the ground up. The ability to watch and record all the terrestrial television in your broadcast area (Freeview in the UK) is re-inventing television for the tablet. And being able to select, download and watch extra non-linear catch-up and video-on-demand content while also getting everything available on the Internet when connected completes the picture—a total Tablet viewing system.

The Company believes the market for Tablet TV may be everybody who watches TV. There are certainly different use cases and research will soon tell us whether the early adopters will be business people who want to record programmes to watch while commuting, sports fans who want to follow their teams while not at home, teens who want to watch TV while using social media, young parents who want the portability of their screen wherever they go. The Company will get more data on user profiles and level of interest when the research to be completed in the United States this summer.

In keeping with our corporate strategy, Motive partners with broadcasters in its business model for Tablet Television, either as a solution provider with a share of added revenues from advertising and video-on-demand, or as a co-owner of the consumer facing business.

A necessity in the growth of Tablet TV as a large-scale service is the ability of Tablets to receive over-the-air signals in addition to their WiFi and Internet reception. When tablets are manufactured with internal antenna-tuners Motive believes that Tablet TV as a category will accelerate. Initially Tablet TV will require an ancillary antenna-tuner device. When the antenna-tuners are incorporated in Tablets themselves, Motive will be in a position to license its patented and proprietary technology to the manufacturers. Early stage discussions are already starting in this regard.

The potential market for Motive's Tablet TV technology will be a share of the one billion tablet users in a few years. Presently, the Company is in the process of launching Tablet TV in the United States and in the UK during 2014 making these services available to approximately 160 million potential users.

The Company realises that with such huge potential, it will likely attract competitors and as a consequence uses a 5-10% share of the potential market in business planning. To mitigate the risk of competition, Motive is seeking partnerships with major broadcasters and content organisations in each market in which it rolls out Tablet TV.

Future development

The Company has established two main products in terms of the Content Express™ platform and Tablet Television as described above. During the remainder of 2014 the primary task will be to implement these two products in key markets, while at the same time responding to demand in new markets.

For Content Express™ the contracted opportunity for 2014 is in South Africa where Motive is in the process of installing and implementing the Company's video-on-demand platform for new entrant Siyaya on the Freevision satellite-delivered platform. This is an important opportunity for the Company as it represents a replicable model in the developing countries of Africa, South America, and Asia. Motive is in discussions with other potential customers in Africa, South America, and the Caribbean with regard to implementations of its Content Express™ product.

Content Express™ is also gaining interest in Europe where the Company is in discussions with numerous television broadcasters about implementing solutions based on its Mediaset and Digiturk experience in digital terrestrial and satellite broadcasting respectively.

The Company is hopeful that these discussions will bear fruit during the second half of 2014 and that the Company will gain momentum during 2015 as market recognition increases.

Regarding Tablet TV, the Company anticipates launching its first full scale service in the United States in 2014, starting with a beta test in San Francisco at the Granite Broadcasting television station KOFY during summer 2014. If that goes well, it is planned that Tablet TV will begin a roll out to the top markets in the United States later this year and continuing throughout 2015.

Critical elements to doing so include signing up affiliate television stations beyond the Granite-owned broadcast stations, and signing VOD content licences with content providers (studios). The Tablet TV JV, led by Motive, has begun the efforts on these requirements and hopes to achieve results in each of them in the near future.

In parallel to the sale and implementation of Content Express™ and Tablet TV as described, the Company must continue to provide support and service to its existing clients and at the same time develop new patented features and enhancements to its products. The constraint on completing the three tasks of implementation, support, and development are the engineering and product management resources available to Motive, which in turn is dependent upon cash resources. The recent financing will help this a great deal, as the Company must complete the development of its products before they can be sold.

A major strategic change accomplished in the past 18 months has been moving from an "engineering shop" approach where projects were bid based on engineering time charges to a product approach where contracts are based on market value. To the extent possible, Motive's technology is sold on a SDK, or software development kit basis. This permits a small team of developers, testers, and system integrators to work with client-based resources to implement the Company's solutions and effectively makes our technology more re-sellable. However, in most cases a considerable degree of customisation is the rule and it is this balance that is a challenge.

The Digital Business Environment

The video distribution industry as a whole is in a maelstrom of competition among traditional broadcasters who want to preserve their consumer franchises (eg. ITV), satellite and cable pay television platforms who want to grow (Sky and Virgin), telecoms who want to add TV platforms (BT), content producers and aggregators who want to disintermediate the middlemen (Hollywood studios), and Internet-based new players who want to sell content to consumers outside the traditional distribution system (eg. Netflix, Amazon, YouTube). These sectors and companies are unveiling new consumer offers, new joint combinations and new technology almost daily.

Into this rapidly changing environment Motive brings its knowhow, patented technology, and a vision. Navigating the US television ecosystem and becoming recognised and accepted has been Tablet TV's challenge and the recent notoriety and growing acceptance of Motive and Tablet TV by the giants of the television and content industry suggests acceptance of our capabilities and recognition of the Motive technology value.

One opportunistic approach for Motive is identifying niche markets where the major players have not focused and that has been a centrepiece of Motive's market strategy. The Company has marketed its services to the developing markets of Eastern Europe, Africa, South America etc. where the availability of the Internet has been limited and where average household income levels are often too low to support much of the high-end services and technology in which the big players are focused.

Secondly, the Company seized an opportunity to exploit the digital over-the-air signal and have developed patented solutions with a view to becoming the world leader in delivering non-linear content using the "out of style" existing networks along with the Internet in hybrid solutions. This strategy is paying off as the industry is rediscovering broadcast in combination with the Internet as in YouView and HbbTV, and the Company is positioned as an expert in content delivery in this hybrid environment.

And third, we have focused on the dramatic growth of Tablets as the "new TV's". This is an opportunity the Company believes has been missed by the major players. "TV Everywhere" solutions such as Sky Go, HBO Go, and cable versions by Comcast and others were developed as defensive products to avoid discontent among subscribers. Motive is developing Tablet Television from scratch and recognising that the new "second TV" in the home is a Tablet and Motive plans to have a significant market share globally.

Principal Risks and Uncertainties

With big opportunities as described above there are certainly risks:

1. *Size:* The Company is small compared to nearly all its competition and needs cooperation from technology, content, broadcasting, and other partners to implement its solutions to the consumer. Motive is a B2B company and our customers and partners are larger and have much bigger balance sheets. Consequently, Motive is at a disadvantage in its negotiations and contracts and there

are risks of contracts not being paid, patent infringement, and other inappropriate behavior by our partners and customers.

The Company tries to mitigate this risk by the use of the best legal advisors it can find, protecting its intellectual property, and when possible getting paid up front.

2. *Undercapitalisation:* Most commonly, a company seeking to develop and market new solutions such as Motive is privately-held and initially capitalised with sufficient funding to carry out its development phase and exploit its solutions. Motive has not had this luxury and has had to "bootstrap" its software and product development and marketing through relatively small tranches of financing. Further, Motive has found itself competing with Silicon Valley and Asian financed organizations that are funded 5-10 times of what the Company has to deploy.

   The Company has responded to this situation by raising funds as it can and by using speed and agility in the marketplace against better financed and better connected competition.

3. *Personnel:* The Company is dependent upon a relatively small staff who might be hard to replace. Talented developers and experts in television technology are greatly in demand in today's environment and Motive is not immune to the risk of having its best talent "poached". Further, the Company is not in a position to pay its team anything close to what they could earn in Silicon Valley, Silicon Alley, or even London.

   Motive's response to this risk has been to gradually add to its technical staff and to keep its engineering centres in less competitive locations such as Barcelona and Casablanca where the Company represents a relatively more attractive opportunity.

4. *Technology Risk:* All technology-based companies face the risk of becoming "yesterday's news", particularly in this era of open-source solutions and low-cost Asian and third world technology expertise. The Company cannot be immune to this risk as it has troubled every technology based company to an increasing extent in the past decade.

   The mitigation of this risk has been developed by the more successful companies in the technology industry in the form of developing services based on their proprietary technology that tie in clients and make it less likely that their solutions become commoditized.

   Motive has taken this "software as a service" approach a further step by effectively investing its solutions with consumer facing clients in exchange for a piece of their consumer revenues. Because Motive's business/product strategy is to develop revenue-enhancing solutions for our customers, the Company has been able to negotiate "back-end deals" that give Motive continuing shares of subscriber revenues. This approach not only ties the Company to its clients in a software as a service, but it creates a partnership as Motive brings new income to its customers and receives part.

5. *Financial risk:* The price of the Ordinary Shares may be volatile. The market price of the Ordinary Shares has been subject to significant fluctuations both upwards and downwards due to a change in investor sentiment regarding the Ordinary Shares or other securities related to the industry or in response to various facts and events. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group. Other financial risks are covered in Note 3 of the financial statements.

Key Performance Indicators

At this stage in the Group's development the reporting of KPIs is broadly focused. In particular the Board monitors:

- Year on year sales growth in turnover of the digital business; in 2013 the digital business sales increased by 44%.
- Ensuring that there is a strong sales pipeline and that opportunities are vigorously pursued; the Group's sales pipeline has continued to grow throughout the year.
- That engineering projects are delivered on time; projects undertaken during the year were delivered on a timely basis.

STRATEGIC REPORT

Operations review

Motive Television's digital business develops and provides technology-based solutions that enable broadcasters to earn new revenues from on-demand television and distribution of television to tablets and other smart devices.

During 2013 the Company made substantial progress with both legacy clients such as Mediaset and Digiturk and with post-acquisition customers such as CME, Siyaya, and Granite Broadcasting. At the same time, the Company improved its capital structure and reduced risks by reducing debt and commenced negotiations to settle its legal disputes. As highlighted in the financial review, this was accomplished while increasing revenues by 44 percent and reducing losses by 26 percent vs. 2012

In 2013, the Digital business more than replaced the decline in the Content business in terms of consolidated revenues and improved consolidated operating results as compared with 2012.

Review by customer/project:
Mediaset: As the first client of Motive, Mediaset completed its fourth year of using Motive's video-on-demand solution, offering 40-50 movies in standard definition, high definition, and even 3D to over 400,000 subscribing households. The technology continued to work perfectly and the Company announced renewal of its support and maintenance contract with Mediaset in October 2013.

Digiturk: The initial contract within this project as subcontractor to Sagemcom, the French consumer electronics and set-top-box provider, was announced in October 2010. Development of the technology by Sagemcom took until the end of 2012 with the support of the Company; however, Digiturk was able to launch its new satellite platform featuring Motive's on-demand capabilities during the first quarter of 2013.

In November 2013 the Company announced the signing of licensing and support agreements directly with Digiturk. The new agreements are the first direct agreements between Motive and Digiturk and do not affect the five-year software licence agreement between Motive Services and Sagemcom Broadband SAS.

In January 2014, Digiturk informed the Company that during 2013 approximately 115,000 set-top boxes containing Motive's technology were provided to Digiturk. Motive was also advised that a similar figure is anticipated for the year 2014. The Company receives a one-time royalty fee for each subscribing home under the agreement with Sagemcom. Digiturk operates the largest satellite pay platform in Turkey with more than 2.5 million subscribers.

Central European Media Enterprises (CME): In July 2012 the Company announced a five-year contract with CME to develop, install, and system integrate its video-on-demand solution at CME's flagship television station in Prague. Work commenced in summer 2012 and continued through 2013 during which up front progress payments were made. In the 4th Quarter 2013 the Company completed the installation of the head-end solution at Nova Television in Prague and awaits resumption of work from CME as the project was paused following ownership change. The contract remains in force.

Siyaya: In February 2013 the Company signed a contract with Siyaya Free To Air TV (PTY) Ltd. of Johannesburg, South Africa to provide advisory services to Siyaya in conjunction with Siyaya's application to the Independent Communications Authority of South Africa (ICASA) for a broadcasting services licence. Based on the business, technical, and product planning provided to Siyaya, Motive attended the licensing hearing held in Johannesburg in July 2013 on behalf of the Siyaya application. In September 2013 Motive and Siyaya agreed on a binding Heads of Agreement that established Motive's right to be technology partner once Siyaya won its television licence worth an estimated £2 million over the next five years.

In December 2013, Motive announced the signing of a contract to provide installation, integration, and operation of the Content Express™ solution in support of the launch of Siyaya's services on the Freevision satellite platform in Autumn 2014, pending Siyaya receiving the television licence.

In April 2014 Motive announced that it had signed a Software Development Licence Agreement with Shenzhen Skyworth Digital Technology Co Ltd ("Skyworth"), a leading technology manufacturer that will be supplying set top boxes in support of the Siyaya DTH services. Skyworth Digital Technology is the largest manufacturer of set top boxes in China, with an annual sales volume over 10 million units and is ranked first in its domestic market in China and fifth in the global set-top box business.

In May 2014 the Company announced the provisional award of a pay television licence to Siyaya subject to meeting certain conditions. We are currently working at full speed to complete the development, installation, and systems integration of the planned service for Autumn 2014 launch.

The Siyaya five-year contract calls for up-front payments followed by operational payments based on a share of video-on-demand revenues in keeping with the business model and strategy of the Company.

Tablet TV: In May 2012 the Company announced the formation of a joint venture with Granite Broadcasting Corporation, a US licensed commercial terrestrial broadcaster, to develop and introduce Tablet TV in the United States. Later renamed Tablet Television LLC, the Company invested in further development of its existing technology while Granite invested cash in the joint venture. In November 2012, the Company announced the successful demonstration of the Tablet TV technology, followed by a further investment in the JV by Granite announced in December 2012.

During 2013, the Company worked to develop a working prototype to demonstrate reception of over-the-air broadcasts, ability to record programmes as a PVR, and the ability to receive video-on-demand content. In July 2013, Motive successfully completed a demonstration of full function Tablet TV technology to Granite Broadcasting ("Granite") in July 2013 at its headquarters in New York City including choosing and viewing live channels, recording for later viewing, and selecting and receiving video-on-demand content.

In January 2014, Motive announced signing a binding Memorandum of Understanding with Ecopro ICT Inc. (Ecopro ICT), of Seoul, Korea, a subsidiary of Ecopro, Inc. of Cheongwon-gun, Chungcheong-buk-do, Korea to develop and produce T-Pods to specifications developed by Motive for use in Tablet Television in the United States.

In April 2014, the Company and Granite exhibited Tablet TV using prototype T-Pods from Ecopro at the NAB (National Association of Broadcasters) Show in Las Vegas. Industry response was extremely positive and the Company has been in discussions with major broadcasters and Hollywood studios regarding its plans. Currently market research with industry expert Magid Research is underway and the T-Pods are undergoing testing and debugging in anticipation of a beta test in the San Francisco market with the Granite station KOFY beginning 3rd Quarter 2014 and a planned commercial launch and subsequent rollout nationally with Granite and other broadcasters.

Tablet TV UK: In May 2013, the Company announced its intention to introduce Tablet TV in the UK to make it possible to watch, record, and enjoy all Freeview functionality on tablets. In June 2013 Motive announced it was in discussions with Freeview regarding DTG testing and qualification for a Freeview licence for Tablet TV.

In December 2013, Motive announced it had signed a Memorandum of Understanding with iCube Corporation of Seoul, South Korea such that Motive and icube would work together to develop retail products that will enable Freeview broadcast TV to be received on mobile devices in the United Kingdom. Tablet TV Freeview will be the first and only certified implementation of the full Freeview experience, including "red button" capability for Apple and Android tablets.

In April 2014, the Company announced that testing of its technology for Freeview Tablet TV by the Digital Technology Group would begin on 28 April. Successfully passing the testing is necessary for the product to be certified Freeview compliant. Motive is currently in the de-bugging and testing process prior to release of this product to the market.

New Business: The Company is in discussions with broadcasters and pay television operators in North and South America, Europe, and Africa regarding implementations of Content Express™ in general and Tablet TV in particular.

Leonard M Fertig
Chief Executive Officer

On behalf of the Board of Directors

18 June 2014

DIRECTORS' REPORT

The directors present their report and the financial statements for the Group for the year ended 31 December 2013.

Results and dividends

The Group loss for the year amounted to £3,066,399 (2012: £1,200,598). 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 the provision of software and services to Television Broadcasters. A detailed review of the business, and its future development can be found in the Chairman's Statement and Strategic Report.

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 3 to the financial statements.

Directors

The following directors have held office since 31 December 2012:

M J Pilsworth
L M Fertig
B D Foss
A L Kaza
P R Cuatrecasas

Directors' interests and other substantial shareholdings

The Directors' interests in 0.01p ordinary shares at 31st December 2013 are set out below:

M J Pilsworth	67,111,904
L M Fertig	48,625,000
B D Foss	22,481,284
A L Kaza	7,500,000
P R Cuatrecasas	8,800,000

The directors' interests in shares by virtue of the warrants and options they hold are set out in the Report of the Remuneration Committee.

Political donations

No 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.

Future Developments

As permitted by Section 414 of the Companies Act 2006 future developments have been included in the Strategic Report rather than the Directors' Report.

Research and development

The Group continues an active programme of research and development, enhancing and updating current products and extending the product range.

Post Balance Sheet Events

As set out in Note 26 of the financial statements, details of post balance sheet events are included in the Chairman's Statement

Auditors

During the year the directors appointed BDO LLP as auditor. In accordance with Section 489 of the Companies Act 2006, a resolution proposing that BDO LLP will be re-appointed will be put to the Annual General Meeting.

Statement of disclosure to auditor

So far as each of the directors at the time of this report are aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board

M J Pilsworth M. J. Pilsworth
Secretary

18 June 2014

CORPORATE GOVERNANCE

The Board recognises the importance of sound corporate governance and with that aim, the Company has adopted policies and procedures which reflect certain principles of the UK Corporate Governance Code as published by the Financial Reporting Council's Committee on Corporate Governance (commonly known as the "UK Corporate Governance Code") as are appropriate to the Company's size. The Company does not currently fully comply with the UK Corporate Governance Code due to its size.

Board

The Board meets monthly to review key operational issues and the strategic development of the Group. The financial performance of the Group is reported and monitored. All matters of a significant nature are discussed in the forum of a Board meeting. The Board is responsible for internal controls to minimise the risk of financial or operational loss or material misstatement. The controls established are designed to meet the particular needs of the Company having regard to the nature of its business.

There have been a total of 10 Board meetings held during the year.

The attendance record of the directors is as follows:

M J Pilsworth	10
L M Fertig	10
B D Foss	10
A L Kaza	10
P R Cuatrecasas	8

Board Committees

The Company has established an Audit Committee, a Nominations Committee, an AIM Rules Compliance Committee and a Remuneration Committee with formally delegated duties and responsibilities. The membership of the board committees is made up of the of the independent non-executive directors.

(a) Audit Committee (chaired by Professor Bryan Foss)

The Audit Committee determines the terms of engagement of the Group's auditors and determines, in consultation with the auditors, the scope of the audit. The Audit Committee receives and reviews reports from management and the Group's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee has unrestricted access to the Group's auditors.

(b) Remuneration Committee (chaired by Paul Cuatrecasas)

The Remuneration Committee reviews the scale and structure of the executive directors' and senior employees' remuneration and the terms of their service or employment contracts, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the non-executive directors are set by the entire board.

(c) Nominations Committee (chaired by Drew Kaza)

The Nominations Committee is responsible for initiating searches for and nominating candidates for directorships.

(d) AIM Rules Compliance Committee (chaired by Michael Pilsworth)

The Board has appointed a sub-committee of the Board consisting of two members, the Chairman and the senior independent director, to monitor the Company's web site and its compliance with the AIM Rules.

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.

CORPORATE GOVERNANCE

Information systems

The Group prepares an annual budget and monthly financial information is produced 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.

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
Executive Chairman

18 June 2014

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.

Directors' remuneration (audited)

Executive directors are paid a combination of salary and consultancy fees (fees being paid via the directors' respective service companies). 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.

The remuneration of the directors for the year is set out below:

	Salary £	Fees £	Pension Contribution £	Benefits in kind £	Total 2013 £	Total 2012 £
M J Pilsworth	–	137,081	2,415	–	139,496	136,080
L M Fertig	–	224,996	–	5,946	230,942	186,789
B D Foss	–	18,000	–	–	18,000	17,500
G P Loader	–	–	–	–	–	5,928
A L Kaza	–	12,000	–	–	12,000	12,000
P R Cuatrecasas	–	12,000	–	–	12,000	12,000
	–	404,077	2,415	5,946	412,438	370,297

Included within the fees amounts above are consultancy fees of £224,996 (2012: £99,000), £137,081 (2012: £nil), £18,000 (2012: £17,500), £9,000 (2012: £nil) and £12,000 (2012: £12,000) which were paid to The Acorn Consulting Group Inc, Michael Pilsworth Media, Foss Initiatives Limited, Aquaa Partners Limited and Ironbridge Capital Partners LLP respectively, companies in which L M Fertig, M J Pilsworth, B D Foss, P R Cuatrecacas and A L Kaza respectively, have an interest.

REPORT OF THE REMUNERATION COMMITTEE

Options

Directors' interests in share options are set out below.

Directors' names	Number of options 1 January 2013	Issued/ Lapsed During Year	Number of options 31 December 2013	Exercise price	Date from which exercisable	Expiry date
M J Pilsworth	2,500,000	–	2,500,000	2.63p	16.03.09	16.03.16
M J Pilsworth	1,000,000	–	1,000,000	0.95p	22.11.10	22.11.17
M J Pilsworth	5,000,000	–	5,000,000	0.45p	17.06.12	17.06.19
M J Pilsworth	–	30,000,000	30,000,000	0.03p	04.02.16	04.02.23
L M Fertig	5,000,000	–	5,000,000	0.45p	17.06.12	17.06.19
L M Fertig	–	30,000,000	30,000,000	0.03p	04.02.16	04.02.23
B D Foss	1,000,000	–	1,000,000	0.71p	22.12.13	22.12.20
B D Foss	–	20,000,000	20,000,000	0.03p	04.02.16	04.02.23
A L Kaza	1,000,000	–	1,000,000	0.71p	22.12.13	22.12.20
A L Kaza	–	20,000,000	20,000,000	0.03p	04.02.16	04.02.23
P R Cuatrecasas	1,000,000	–	1,000,000	0.71p	22.12.13	22.12.20
P R Cuatrecasas	–	20,000,000	20,000,000	0.03p	04.02.16	04.02.23

No options were exercised during the year.

Directors' interests in warrants are set out in note 17.

M J PILSWORTH
Executive Chairman

18 June 2014

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTIVE TELEVISION PLC

We have audited the financial statements of Motive Television PLC for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statement of financial position, the consolidated and company statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 3 of the financial statements concerning the group's ability to continue as a going concern. At the reporting date the group had net current liabilities of £1,116,587. The directors have prepared their going concern assessment on the basis of forecast revenues at levels that have not historically been achieved and whilst, subsequent to the year end date, a placing for £775,000 and a convertible loan facility of up to £2,980,000 have been obtained, note that a further injection of funds within 12 months may be required to continue to operate as a going concern. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include any adjustments that would result if the group and company was unable to continue as a going concern.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MOTIVE TELEVISION PLC

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Andrew Viner (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor

London
United Kingdom

18 June 2014

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2013

	Note	Year to 31 December 2013 £	Year to 31 December 2012 £
Revenue		1,170,942	1,090,617
Cost of sales		(510,334)	(578,849)
Gross Profit		660,608	511,768
Administrative expenses		(2,522,386)	(2,683,681)
Operating loss		(1,861,778)	(2,171,913)
Financial income	8	63,513	5,701
Financial income – exceptional	8	–	1,702,218
Financial costs	8	(813,874)	(864,689)
Financial costs – exceptional	8	(441,570)	–
Net financial (costs) / income		(1,191,931)	843,230
Loss before tax		(3,053,709)	(1,328,683)
Tax credit	10	45,989	46,041
Loss for the year	**7**	**(3,007,720)**	**(1,282,642)**
Other comprehensive income			
Exchange differences on translating foreign operations		(58,679)	82,044
Total comprehensive income for the year attributable to equity holders of the company		**(3,066,399)**	**(1,200,598)**
Loss per share from continuing operations – basic and diluted	11	(0.02)p	(0.03)p

All other comprehensive income shown above will be reclassified subsequently to profit or loss when specific conditions are met.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Group

	Share capital £	Share premium £	Shares to issue £	CLN reserve £	Merger reserve £	Foreign exchange reserve £	Retained earnings £	Total £
At 1 January 2012	3,536,891	5,397,837	717,762	2,014,635	155,467	96,691	(8,398,950)	3,520,333
Shares issued for cash	571,000	774,500	–	–	–	–	–	1,345,500
Deferred shares issued	92,102	625,660	(717,762)	–	–	–	–	–
Shares issued in settlement of liabilities	32,577	47,423	–	–	–	–	–	80,000
Cost of raising finance	–	(77,825)	–	–	–	–	–	(77,825)
Shares issued to pay CLN interest	92,128	56,335	–	–	–	–	–	148,463
Equity reserve on CLN issue	–	–	–	40,470	–	–	–	40,470
Shares issued on exercise of warrants	3,125	9,375	–	–	–	–	–	12,500
Conversion of CLNs	720	28,110	–	–	–	–	–	28,830
Cost of pre maturity conversion of CLNs	–	(7,448)	–	–	–	–	–	(7,448)
Loss for year	–	–	–	–	–	–	(1,282,642)	(1,282,642)
Exchange differences on translating foreign operations	–	–	–	–	–	82,044	–	82,044
Cost of share based awards	–	–	–	–	–	–	53,000	53,000
At 31 December 2012	4,328,543	6,853,967	–	2,055,105	155,467	178,735	(9,628,592)	3,943,225
Shares issued for cash	1,710,210	1,132,279	–	–	–	–	–	2,842,489
Shares issued in settlement of liabilities	123,786	182,794	–	–	–	–	–	306,580
Cost of raising finance	–	(153,937)	–	–	–	–	–	(153,937)
Shares issued to pay CLN interest	24,163	12,081	–	–	–	–	–	36,244
Equity reserve on CLN issue	–	–	–	38,287	–	–	–	38,287
Shares issued on exercise of warrants	33,333	16,667	–	–	–	–	–	50,000
Shares issued to acquire CLNs	463,919	596,325	–	–	–	–	–	1,060,244
Release of equity reserve on pre maturity conversion of CLNs	–	–	–	–	–	–	(186,057)	(186,057)
CLN issue costs	–	–	–	–	–	–	(31,050)	(31,050)
Loss for year	–	–	–	–	–	–	(3,007,720)	(3,007,720)
Exchange differences on translating foreign operations	–	–	–	–	–	(58,679)	–	(58,679)
Cost of share based awards	–	–	–	–	–	–	54,000	54,000
At 31 December 2013	**6,683,954**	**8,640,176**	**–**	**2,093,392**	**155,467**	**120,056**	**(12,799,419)**	**4,893,626**

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2013

Company

	Share capital £	Share premium £	Shares to issue £	CLN reserve £	Merger reserve £	Retained earnings £	Total £
At 1 January 2012	3,536,891	5,397,837	717,762	2,014,635	155,467	(7,302,472)	4,520,120
Shares issued for cash	571,000	774,500	–	–	–	–	1,345,500
Deferred shares issued	92,102	625,660	(717,762)	–	–	–	–
Shares issued in settlement of liabilities	32,577	47,423	–	–	–	–	80,000
Cost of raising finance	–	(77,825)	–	–	–	–	(77,825)
Shares issued to pay CLN interest	92,128	56,335	–	–	–	–	148,463
Equity reserve on CLN issue	–	–	–	40,470	–	–	40,470
Shares issued on exercise of warrants	3,125	9,375	–	–	–	–	12,500
Conversion of CLNs	720	28,110	–	–	–	–	28,830
Cost of pre maturity conversion of CLNs	–	(7,448)	–	–	–	–	(7,448)
Loss for year	–	–	–	–	–	(785,119)	(785,119)
Cost of share based awards	–	–	–	–	–	53,000	53,000
At 31 December 2012	4,328,543	6,853,967	–	2,055,105	155,467	(8,034,591)	5,358,491
Shares issued for cash	1,710,210	1,132,279	–	–	–	–	2,842,489
Shares issued in settlement of liabilities	107,841	162,298	–	–	–	–	270,139
Cost of raising finance	–	(153,937)	–	–	–	–	(153,937)
Shares issued to pay CLN interest	24,163	12,081	–	–	–	–	36,244
Equity reserve on CLN issue	–	–	–	38,287	–	–	38,287
Shares issued on exercise of warrants	33,333	16,667	–	–	–	–	50,000
Shares issued in settlement of liabilities of subsidiary company	479,864	616,821	–	–	–	–	1,096,685
Loss for year	–	–	–	–	–	(2,768,953)	(2,768,953)
Cost of share based awards	–	–	–	–	–	54,000	54,000
At 31 December 2013	**6,683,954**	**8,640,176**	**–**	**2,093,392**	**155,467**	**(10,749,544)**	**6,823,445**

Details relating to issues of shares during the year are shown at note 17.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

	Note	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Non-current assets					
Intangible assets	13	8,740,853	8,464,754	605,454	109,754
Plant and equipment	14	29,036	47,035	1,089	2,434
Investments in subsidiaries	15	–	–	4,942,682	4,942,682
Total non-current assets		**8,769,889**	**8,511,789**	**5,549,225**	**5,054,870**
Current assets					
Trade and other receivables	16	672,939	968,857	5,569,473	4,488,593
Cash and cash equivalents		250,404	148,554	154,348	55,173
Total current assets		**923,343**	**1,117,411**	**5,723,821**	**4,543,766**
Total assets		**9,693,232**	**9,629,200**	**11,273,046**	**9,598,636**
Equity					
Issued share capital	17	6,683,954	4,328,543	6,683,954	4,328,543
Share premium	18	8,640,176	6,853,967	8,640,176	6,853,967
Shares to be issued	18	–	–	–	–
CLN reserve	18	2,093,392	2,055,105	2,093,392	2,055,105
Merger reserve	18	155,467	155,467	155,467	155,467
Foreign exchange reserve	18	120,056	178,735	–	–
Retained earnings	18	(12,799,419)	(9,628,592)	(10,749,544)	(8,034,591)
Total Equity		**4,893,626**	**3,943,225**	**6,823,445**	**5,358,491**
Current liabilities					
Trade and other payables	19	1,609,765	1,586,368	1,080,340	844,839
Borrowings	20	430,165	720,618	–	426,985
Total current liabilities		**2,039,930**	**2,306,986**	**1,080,340**	**1,271,824**
Non-current liabilities					
Borrowings	20	2,671,091	3,242,416	3,280,676	2,831,748
Other payables	21	88,585	136,573	88,585	136,573
Total non-current liabilities		**2,759,676**	**3,378,989**	**3,369,261**	**2,968,321**
Total equity and liabilities		**9,693,232**	**9,629,200**	**11,273,046**	**9,598,636**

These financial statements were approved and authorised for issue by the Board of Directors on 18 June 2014 and were signed on its behalf by:

M PILSWORTH
Director

L M FERTIG
Director

STATEMENT OF CASH FLOWS

for the year ended 31 December 2013

	Note	Group 2013 £	2012 £	Company 2013 £	2012 £
Cash flows from operating activities	22	(2,141,445)	(1,330,247)	(2,028,031)	(1,532,877)
Cash flows from investing activities					
Interest received		220	5,701	220	5,310
Payments to acquire tangible fixed assets		(8,994)	(6,512)	–	(849)
Payments to acquire intangible fixed assets		(308,972)	(251,697)	(495,700)	–
Net cash used in investing activities		**(317,746)**	**(252,508)**	**(495,480)**	**4,461**
Cash flows from financing activities					
Interest paid		(180,354)	(10,123)	(152,770)	–
Proceeds from issue of shares		2,897,489	1,290,500	2,897,489	1,290,500
Costs of issue of shares		(153,937)	(77,825)	(153,937)	(77,825)
Cost of raising loan finance		–	(40,000)	–	(40,000)
Loan repayments		(34,233)	–	–	–
Exercise of warrants		50,000	12,500	50,000	12,500
Payment of earn out liability		(17,319)	–	(17,319)	–
Withholding tax paid on CLN interest		(46,766)	(44,735)	(46,766)	(44,735)
Net cash from financing activities		**2,514,880**	**1,130,317**	**2,576,697**	**1,140,440**
Taxation					
Tax refund received		45,989	46,041	45,989	46,041
Net cash from taxation		**45,989**	**46,041**	**45,989**	**46,041**
Net increase/(decrease) in cash and cash equivalents		101,678	(406,397)	99,175	(341,935)
Cash and cash equivalents at beginning of period		148,554	558,100	55,173	397,108
Exchange gains and losses on cash and cash equivalents		172	(3,149)	–	–
Cash and cash equivalents at end of period		**250,404**	**148,554**	**154,348**	**55,173**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

1. GENERAL INFORMATION

Motive Television plc ("the Company") and its subsidiaries (together "the Group") are independent television programme producers, and developers and distributors of technology relating to television broadcasting.

The Company is a public limited company limited by share capital incorporated and domiciled in the United Kingdom whose registered office address is Windsor House, Barnett Way, Barnwood, Gloucester, GL4 3RT and whose principal place of business is 18 Soho Square, London, W1D 3QL

These group financial statements are prepared in Pounds Sterling because the Group's primary source of funding is in Pounds Sterling, as are the finance payments thereon.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Standards, amendments and interpretations to existing standards that are not yet effective nor adopted

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. The directors are currently assessing the impact of these changes to accounting standards, but do not believe that they will have a significant impact on the group's financial statements.

		Application date (periods commencing on or after)
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1 January 2014
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December 2013. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations (continued)

acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Contingent consideration is accounted for at fair value at the time of initial recognition. Any subsequent changes to the fair value are recognised in the Statement of Comprehensive Income. The method of calculating the fair value is set out in Note 21.

Accounting for joint ventures

Joint ventures are accounted for using the equity method, where the Group's share of post acquisition profits and losses and other comprehensive income is recognised in the consolidated income statement (except for losses in excess of the Group's investment in the joint venture unless there is an obligation to make good those losses).

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, at the date of acquisition and is considered to have an indefinite useful economic life. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit maybe impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period.

Intangible fixed assets – research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred. Development costs incurred after the point at which the commercial and technical feasibility of the product has been proven, and the decision to complete the development has been taken and the resources made available, are capitalised. The expenditure capitalised includes the cost of direct labour and an appropriate proportion of overheads. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The capitalised costs are amortised over their useful economic life from the point that they are brought in to commercial use on a straight line basis at the following rates:

Capitalised development – five to ten years

Amortisation is included in administration expenses in the income statement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Plant and equipment

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 – three to four years

Depreciation is included in administration expenses in the income statement.

Income recognition

Revenue represents the fair value of revenue derived from services provided during the year. Revenue 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 costs. Unbilled turnover is included within receivables.

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.

Where the Group has received non-refundable licence fees, the income is recognised in entirely at the point at which the licence is granted.

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

Foreign currencies

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

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit and loss for the year.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during that year, in which case the exchange rates at the date of transactions are used.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred taxation (continued)

differences Deferred taxation can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax balances are not discounted.

Share based awards

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 Black-Scholes 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.

Retirement benefit costs

The Group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged as an expense as they fall due.

Financial instruments

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

Trade receivables

Trade receivables are measured at initial recognition at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

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

Trade payables

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

Equity instruments

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

Equity instruments used to extinguish financial liabilities

Equity instruments issued to a creditor to extinguish a financial liability are recognised initially at fair value of the equity instruments issued. The difference between the carrying value of the financial liability extinguished and the consideration paid is recognised in the income statement.

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible loan notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Compound financial instruments (continued)

On conversion of the compound instrument to equity, the shares are issued by the company in line with the terms of the instrument agreement. Any difference between the nominal value of the shares issued and the conversion price is credited to the share premium account.

Issue costs

Costs directly related with establishing loan finance are offset against the value of the loan. Such costs are amortised over the period of the loan with the resulting charge being recognised in interest expense.

Costs relating to the issue of compound finance instruments are offset against the value of the debt and against the credit to equity pro rata in line with the split of the instrument between debt and equity.

Exceptional expenses or income

Costs or income which individually or, if of a similar type, in aggregate are significant to the financial statements due to their size or incidence are highlighted as exceptional items on the Consolidated Statement of Comprehensive Income and detailed in the related notes to the accounts.

Investments in subsidiaries (Company only)

Investments in subsidiaries made by the Company are stated at cost less any provision for impairment.

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide future returns for shareholders and benefits for other stakeholders. At present the Group is unable to pay dividends or return equity to shareholders.

The Group currently has borrowing of £3,101,256 (2012: £3,963,034) and has no unutilised borrowing facilities. Capital comprises all components of equity. Equity comprises share capital, share premium, the merger reserve, the CLN reserve, the foreign exchange reserve and the retained deficit in earnings. The nature of the CLN reserve is detailed in the compound financial instruments accounting policy in note 2. The directors consider this reserve to be non distributable. At 31 December 2013, the Group had a net equity of £4,893,626 (2012: £3,943,225).

During the year ended 31 December 2013 the Group's strategy, which was unchanged from the previous year, was to monitor and manage the use of the limited funds available to it.

The Group's financial instruments comprise cash and cash equivalents and trade and other receivables and payables and 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.

Liquidity Risk and going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will have sufficient funds available to enable it to continue to trade for the foreseeable future.

The directors acknowledge that the revenue forecast on which their assessment of going concern is made includes levels of turnover that have not historically been achieved. The assumptions and growth rate used in the Group forecasts is based on management's expectations of a new and developing market and assume no further funding will be required in the next 12 months.

In the event the forecast performance is not achieved the Group may require a further injection of funds within the next 12 months in order to provide ongoing working capital, and ensure sufficient funds are available for the Group to undertake the required level of development (including covering the increased level of overhead and expenditure that this would necessitate). If the Group is unable to secure additional

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Liquidity Risk and going concern (continued)

funding, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that may be required if the Group was unable to continue as a going concern.

Since the end of the year the Group has secured £775,000 by way of equity placements and as set out in the Chairman's statement have also agreed a Convertible Loan facility of £2,980,000. For these reasons the directors have prepared the financial statements on the going concern basis.

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 and Spanish operating subsidiaries 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.

Certain of the group's borrowings are denominated in Euros and as such, the group is exposed to the risk of foreign exchange rate movements. A 1% weakening of Sterling against the Euro at the year end would result in a reduction in profit and equity for the period of £13,714 (2012: £10,400).

In addition the group has significant debtors and some cash balances denominated in US Dollars. A 1% weakening of Sterling against the US Dollar at the year end would result in an increase in profit and equity for the period of £1,269 (2012: £1,000).

Credit risk

The Group has a low credit risk in respect of its trade receivables, its principal customers being national broadcasters and major organisations. The highest credit risk exposure to a single customer at 31 December 2013 was £109,925 (2012: £127,142).

The Group is also exposed to credit risk in respect of its bank balances and seeks to minimise this risk by holding funds on deposit with a major United Kingdom bank.

Interest rate risk profile of financial assets and liabilities

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

	2013 £	2012 £
Floating rate financial assets and liabilities		
Cash balances	250,404	148,554
Other loans	(682,031)	(703,371)
	(431,627)	(554,817)
Fixed rate financial assets and liabilities		
Finance leases	–	(930)
CLNs	(2,419,225)	(2,831,748)
Other loans	–	(426,985)
	(2,419,225)	(3,259,663)

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial instruments

Financial instruments, which are summarised below, are carried at historical cost, which is also considered to be equivalent to their fair value. The historical cost of the debt elements of the CLNs, is valued as set out in note 20. Financial assets and liabilities are recognised in the balance sheet from when the Group or Company becomes a party to the contractual provisions of the instrument.

Group

Financial assets (all of which are loans and receivables)

	2013 £	2012 £
Trade receivables	228,210	174,361
Other receivables	31,866	604,063
Cash and cash equivalents	250,404	148,554
	510,480	926,978

Other receivables do not include prepayments and accrued income. VAT recoverable totalling £89,151 (2012: £86,115) is also excluded.

Financial liabilities (at amortised cost)

	2013 £	2012 £
Trade payables	307,924	584,253
Other loans	682,031	1,130,356
CLNs	2,419,225	2,831,748
Finance lease commitments	–	930
Other payables and accruals	581,213	515,207
Put and Call Option Agreement	500,000	57,376
	4,490,393	5,119,870

Other payables do not include amounts in respect of taxation and social security. Deferred income of £50,484 (2012: £182,705) is also excluded.

The earn-out consideration liability of £108,490 (2012:£210,260) is accounted for at fair value. The basis of valuation is set out in note 21 and, being reliant on unobservable inputs, is classified as a Level 3 liability under IFRS. During the year a credit of £26,576 (2012: charge of £174,131) has been recognised in the Statement of Comprehensive Income to reflect changes in the fair value of the consideration.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Group may be required to pay.

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial instruments (continued)

Group (continued)

31 December 2013

	Weighted average interest rate	1 – 3 months £	3 months – 1 year £	1 – 5 years £	5+ years £	Total £
Trade payables	–	307,924	–	–	–	307,924
Other loans	2.00%	19,411	431,576	252,608	–	703,595
CLNs	9.00%	–	268,056	3,246,452	–	3,514,508
Finance lease commitments	–	–	–	–	–	–
Other payables and accruals	–	581,213	–	–	–	581,213
Deferred and earn-out consideration	–	19,905	–	88,585	–	108,490
Put and Call Option Agreement	–	–	500,000	–	–	500,000
		928,453	1,199,632	3,587,645	–	5,715,730

31 December 2012

	Weighted average interest rate	1 – 3 months £	3 months – 1 year £	1 – 5 years £	5+ years £	Total £
Trade payables	–	584,253	–	–	–	584,253
Other loans	7.00%	133,272	723,648	390,547	26,944	1,274,411
CLNs	9.00%	–	349,696	4,584,907	–	4,934,603
Finance lease commitments	8.00%	960	–	–	–	960
Other payables and accruals	–	515,207	–	–	–	515,207
Deferred and earn-out consideration	–	–	73,687	136,573	–	210,260
Put and Call Option Agreement	–	–	57,376	–	–	57,376
		1,233,692	1,204,407	5,112,027	26,944	7,577,070

Company

Financial assets

	2013 £	2012 £
Amounts owed by subsidiary undertakings	5,473,177	3,799,829
Trade and other receivables	3,600	569,822
Cash and cash equivalents	154,348	55,173
	5,631,125	4,424,824

Other receivables do not include prepayments. VAT recoverable amounting to £64,102 (2012: £56,269) is also excluded.

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial instruments (continued)

Company (continued)

Financial liabilities (at amortised cost)

	2013 £	2012 £
Amounts owed to subsidiary undertakings	48,103	–
CLNs	3,280,676	2,831,748
Other payables	491,604	636,621
Other borrowings	–	426,985
Put and Call Option Agreement	500,000	57,376
	4,320,383	3,952,730

Other payables do not include amounts in respect of taxation and social security.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. There is no interest on any of the Company liabilities other than the CLNs. The contractual maturity is based on the earliest date on which the Company may be required to pay.

31 December 2013

	Weighted average interest rate	1 – 3 months £	3 months – 1 year £	1 – 5 years £	5+ years £	Total £
Amounts owed to subsidiary undertakings	–	–	48,103	–	–	48,103
CLNs	9.00%	–	363,478	4,402,118	–	4,765,596
Other payables	–	491,604	–	–	–	491,604
Other borrowings	–	–	–	–	–	–
Deferred and earn-out consideration	–	19,905	–	88,585	–	108,490
Put and Call Option Agreement	–	–	500,000	–	–	500,000
		511,509	911,581	4,490,703	–	5,913,793

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Fair value of financial instruments (continued)

Company (continued)

31 December 2012

	Weighted average interest rate	1 – 3 months £	3 months – 1 year £	1 – 5 years £	5+ years £	Total £
Amounts owed to subsidiary undertakings	–	–	–	–	–	–
CLNs	9%	–	349,696	4,584,907	–	4,934,603
Other payables	–	636,621	–	–	–	636,621
Other borrowings	12%	133,272	399,816	–	–	533,088
Deferred and earn-out consideration	–	–	73,687	136,573	–	210,260
Put and Call Option Agreement	–	–	57,376	–	–	57,376
		769,893	880,575	4,721,480	–	6,371,948

Put and call option agreement (Group and Company)

On 15 October 2010 the Group acquired 67.7% of Motive Television S.L. (formerly Adecq Digital S.L). At the time of acquiring the 67.7% interest in Motive Television S.L the Company entered into a Put and Call Option Agreement. Under the Put and Call Option Agreement, the Company granted CCAN, the minority holder, a put option to require the Company to purchase the whole of CCAN's shareholding in Motive Television S.L, representing the remaining 32.3% of the company's issued share capital, at any time after the 18 month anniversary of completion of the acquisition for an exercise price of €2,100,000. At the same time CCAN and the Company entered into a shareholder agreement. Under the terms of this agreement in the event of a change in their control, both parties had the right to acquire the others shares in Motive Television S.L. at the nominal value of such shares. On 26th June 2012 the Company received a letter from CCAN stating that there was a change in its ownership such that there was a change in control. Accordingly, on 2 July 2012 the Company exercised its right to acquire CCAN's interest in Motive Television S.L. at its nominal cost, €70,116. On 15 July 2012 the Company received from CCAN an exercise notice of the put option. The Company received legal advice that the exercise notice is invalid and on 24 July 2012 filed proceedings to enforce the transfer of shares from CCAN. CCAN sought to press the exercise of their option by making a claim in the UK courts. The UK courts upheld the Company's application to stay this claim, awarding Motive its costs of £27,000 and the Company's action to enforce the transfer of shares is proceeding in the Spanish courts. As noted in the Chairman's Statement an amount of €600,000 is included in these accounts in respect of this matter being the Directors' best assessment of the amount that may become payable.

3 CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

Currency denomination

Financial assets and liabilities are denominated in the following currencies.

Group

	2013			2012		
	Sterling £	Euro £	Dollar £	Sterling £	Euro £	Dollar £
Financial assets						
Trade receivables	–	110,856	117,354	–	40,925	133,436
Other receivables	26,431	4,829	606	592,653	10,791	619
Cash and cash equivalents	159,589	72,107	18,708	74,356	74,081	117
	186,020	187,792	136,668	667,009	125,797	134,172
Financial liabilities						
Trade payables	134,602	173,322	–	304,575	279,678	–
Other loans	–	682,031	–	426,985	703,371	–
CLNs	2,419,225	–	–	2,831,748	–	–
Finance lease commitments	–	–	–	–	930	–
Deferred and earn-out consideration	108,490	–	–	210,260	–	–
Put and Call Option Agreement	–	500,000	–	–	57,376	–
Other payables and accruals	380,085	190,089	11,039	355,740	159,173	294
	3,042,402	1,545,442	11,039	4,129,308	1,200,528	294

Company

	2013			2012		
	Sterling £	Euro £	Dollar £	Sterling £	Euro £	Dollar £
Financial assets						
Amounts owed by subsidiary undertakings	1,489,083	3,710,522	273,572	483,256	3,316,573	–
Trade and other receivables	3,600	–	–	569,822	–	–
Cash and cash equivalents	154,127	51	170	55,173	–	–
	1,646,810	3,710,573	273,742	1,108,251	3,316,573	–
Financial liabilities						
Amounts owed to subsidiary undertakings	48,103	–	–	–	–	–
CLNs	3,280,676	–	–	2,831,748	–	–
Other borrowings	–	–	–	426,985	–	–
Other payables	491,604	–	–	636,621	–	–
Deferred and earn-out consideration	108,490	–	–	210,260	–	–
Put and Call Option Agreement	–	500,000	–	–	57,376	–
	3,928,873	500,000	–	4,105,614	57,376	–

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The areas where accounting estimates and judgements are considered critical in the reporting of financial performance are:

Income recognition

As set out in the accounting policy note turnover is recognised as contract activity progresses and the right to consideration is earned, reflecting time and cost incurred as a percentage of total anticipated costs.

Goodwill impairment

Goodwill is tested annually for impairment. This test requires estimates and judgements to be made in respect of future net revenues and discount rates as explained in note 13.

Share based payments

The Group has made awards of options and warrants over its unissued share capital to certain directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 24.

Investments in subsidiary undertakings

Investments have been tested for impairment. This test requires estimates and judgements to be made in respect of net revenues and discount rates. The same assumptions have been used as in the goodwill impairment review.

Discount factor applicable to CLNs

The Group has applied a discount factor of 20% when valuing the equity element of the CLNs. This is based on the board's estimate of the required rate of return an investor would require if there were no conversion rights attached to the.loan notes, taking into account the risk profile of the Group. The valuation of CLNs at 31 December 2013 has been described in more detail in note 20.

Capitalised development

The Group recognises Capitalised development when relevant expenditure meets the criteria included in the Accounting Standards and is expected to generate economic benefit. It is amortised over its expected useful economic life.

5 SEGMENTAL ANALYSIS

The board of directors (for the purposes of segmental analysis the board of directors is considered to be the chief operating decision maker as a group) reviews financial performance grouping management information into the following business areas:

- Digital Television Technology
- Television Production (Content)

The directors believe that this is the most appropriate way to view and understand group activities.

Segmental information with regards to each segment is presented below:

Segmental statement of comprehensive income

	2013 Digital £	2013 Content £	2013 Consolidated £	2012 Digital £	2012 Content £	2012 Consolidated £
Revenue	804,826	366,116	1,170,942	560,187	530,430	1,090,617
Segment operating loss	(912,449)	(15,148)	(927,597)	(1,240,821)	7,963	(1,232,858)
Unallocated corporate expenses			(934,181)			(939,055)
Operating loss			(1,861,778)			(2,171,913)
Net finance (cost)/income			(1,191,931)			843,230
			(3,053,709)			(1,328,683)
Tax expense			45,989			46,041
Loss for the year			**(3,007,720)**			**(1,282,642)**

Geographical information

The following revenue information is based on the geographical location of the customer:

	2013 £	2012 £
EU Countries	900,987	1,027,817
Other European Countries	108,207	–
North America	67,119	62,800
Africa	94,629	–
	1,170,942	1,090,617

All Content revenue is in respect of television production. All Digital revenue is in respect of services to television broadcasters. No further analysis is provided as the Directors consider this information to be commercially sensitive.

5 SEGMENTAL ANALYSIS *(continued)*

Segmental assets and liabilities

	2013 Digital £	2013 Content £	2013 Consolidated £	2012 Digital £	2012 Content £	2012 Consolidated £
Segment assets	9,217,632	223,867	9,441,499	8,615,763	216,000	8,831,763
Unallocated corporate assets			251,733			797,437
Consolidated total assets			9,693,232			9,629,200
Segment liabilities	1,135,791	123,768	1,259,559	1,344,599	101,230	1,445,829
Unallocated corporate liabilities			3,540,047			4,240,146
Consolidated total liabilities			4,799,606			5,685,975

The digital segment includes non current assets located in the UK totalling £8,301,929 and £366,533 located in other European countries. The Content segment includes non current assets totalling £100,000 located in the UK and £339 which are located in other European countries.

Unallocated assets include group cash balances and other receivables attributable to the Parent Company. Unallocated liabilities include trade and other payables attributable to the Parent Company.

Other information

	2013 Digital £	2013 Content £	2013 Unallocated £	2012 Digital £	2012 Content £	2012 Unallocated £
Tangible fixed asset additions	8,994	–	–	5,664	–	848
Depreciation	23,559	912	1,345	30,890	1,206	1,527

During the year there were two customers that individually accounted for more than 10% of Revenue, accounting for 19% and 17% of total revenues respectively (2012: 15% and 14% respectively)

6 AUDITORS' REMUNERATION

During the year the Group obtained the following services from the group's auditor:

	2013 £	2012 £
Audit services		
– statutory audit	42,000	21,000
Non-Audit services		
– consultancy	–	8,761
– tax advice	–	8,750

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2013

7 OPERATING LOSS

Loss for the year has been arrived at after charging:

	2013 £	2012 £
Depreciation of property, plant and equipment	25,816	33,623
Amortisation of capitalised development costs	40,445	–
Lease payments under operating leases recognised as an expense in the year	153,161	140,973
Exchange gains and losses	169	27,668

8 FINANCIAL INCOME AND COSTS

	2013 £	2012 £
Financial income		
Reduction in deferred consideration liability	26,576	–
Exchange gain on revaluation of financial asset	36,717	–
Bank interest receivable	220	662
Other interest receivable	–	5,039
Total financial income	63,513	5,701
Financial income – exceptional		
Reduction in Put Option Liability	–	1,702,218
Total financial income – exceptional	–	1,702,218
Financial costs		
Interest accrued on CLNs	351,817	344,283
Amortisation of issue costs	58,559	61,356
Notional interest on debt element of CLNs	257,213	215,220
Exchange loss on revaluation of financial asset	–	59,576
Bank interest	24	867
Interest on short term loan	104,574	–
Interest on long term loans	39,504	8,923
Other interest	2,183	333
Total interest payable	813,874	690,558
Other financial costs:		
Increase in deferred consideration liability	–	174,131
Total financial costs	813,874	864,689
Financial costs – exceptional		
Increase in Put Option Liability	441,570	–
Total financial costs – exceptional	441,570	–

9 EMPLOYEE BENEFIT EXPENSE

	2013 £	2012 £
Wages and salaries	923,723	1,128,079
Social security costs	159,607	175,999
Pension costs – defined contribution schemes	21,081	33,228
Benefits in kind	13,071	12,482
Share based payments	54,000	53,000
	1,171,482	1,402,788

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

	2013 No.	2012 No.
Engineering	15	15
Content Production	2	2
Administration	7	6
	24	23

The average number of employees by gender employed by the Group, including directors, during the year was as follows:

	Male No.	Female No.
Directors	5	–
Senior Managers	4	2
Other	11	2
	20	4

Details of directors' emoluments, including details of share option schemes are given in the Report of the Remuneration Committee. The directors of the Parent Company are considered to represent key management of the Group as defined by IFRSs. In addition to the directors' emoluments shown in the Report of the Remuneration Committee there were expenses for the year in respect of Employer's National Insurance of £nil (2012:£10,066) and in respect of share based payments of £24,000 (2012:£3,000).

Fees paid to the directors' service companies are excluded from the Employee benefit expense shown above.

10 TAX EXPENSE

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 £9,848,000 (2012: £8,045,000), in Motive Television S.L. €5,181,559 (2012: €5,195,106), in Motive Television Limited €162,450 (2012: €138,689), in Motive Television Services Limited £576,900 (2012: £391,400) and in Motive Television Scotland Limited £92,700 (2011: £71,000).

	2013 £	2012 £
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(3,053,709)	(1,328,683)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 23.25% (2012: 24.5%)	(709,987)	(325,527)
Effects of:		
Expenses not deductible for tax purposes	57,431	61,463
Increase / (reduction) in provision not taxable	(6,179)	13,505
Intergroup trading not deductible for tax purposes	47,743	–
Write back/(down) of financial liability not taxable	102,665	(417,043)
Unutilised tax losses arising in the year, not recognised as a deferred tax asset	508,327	667,602
Tax credit received in respect of previous years R&D claim	(45,989)	(46,041)
Tax (credit)/expense	(45,989)	(46,041)

Deferred tax asset

A deferred tax asset has not been recognised in respect of the unutilised trading losses of certain companies in the group because the directors cannot state with the certainty required by IAS 12 the timing with which the losses in the group will be utilised. As a result the deferred tax asset recognised is £nil (2012: £nil). Deferred tax assets not recognised amount to £3,426,542 (2012: £3,010,195), of which £2,264,747 (2012: £1,930,277) relates to Motive Television plc.

11 LOSS PER SHARE

The loss per share is based on a loss for the year attributable to equity holders of the Parent Company of £3,007,720 (2012: £1,282,642) and the weighted average number of ordinary shares in issue for the year of 16,993,913,840 (2012: 3,783,727,173).

The exercise of the outstanding options and warrants would reduce the loss per share and hence have an anti-dilutive effect. Shares issued after the year end would also reduce the loss per share and hence have an anti-dilutive effect.

There are 2,586,149,571 (2012: 1,543,287,237) shares that could potentially be issued under the terms of options and warrants as described in notes 17 and 24 that will potentially reduce future earnings per share.

12 LOSS FOR YEAR

As permitted by Section 408 of the Companies Act 2006, the profit and loss account for the Company is not presented as part of these financial statements. The Company's loss for the year included in the consolidated financial statements is £2,768,953 (2012: £785,119).

13 INTANGIBLE ASSETS

Group

	Goodwill £	Capitalised development £	Total £
Cost / deemed cost			
At 1 January 2012	8,159,348	211,023	8,370,371
Additions during the year	–	251,697	251,697
At 31 December 2012	8,159,348	462,720	8,622,068
Additions during the year	–	308,972	308,972
Exchange gains and losses on translation	–	7,737	7,737
At 31 December 2013	8,159,348	779,429	8,938,777
Provision for impairment			
At 1 January 2012	157,314	–	157,314
Amortisation for the year	–	–	–
At 31 December 2012	157,314	–	157,314
Amortisation for the year	–	40,445	40,445
Exchange gains and losses on translation	–	165	165
At 31 December 2013	157,314	40,610	197,924
Carrying amount			
At 31 December 2013	8,002,034	738,819	8,740,853
At 31 December 2012	8,002,034	462,720	8,464,754
At 31 December 2011	8,002,034	211,023	8,213,057

Goodwill

Goodwill arising on acquisition relates to items that do not meet the criteria for recognition as separate intangible fixed assets. This relates primarily to non-contractual customer relationships and know-how that are not capable of reliable measurement, as well as the key employees of the acquired entities. Goodwill arises in respect of the following companies.

	Cost £	Impairment £	Carrying value £
Motive Television Limited	257,314	157,314	100,000
Motive Television S.L.	7,902,034	–	7,902,034
	8,159,348	157,314	8,002,034

The group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

The recoverable amount of the assets is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the growth rates of the digital sector to be generated in future periods. This is explained in further detail below. Management estimates discount rates using pre-tax rates that reflect the current market assessments of the time value of money and the risks specific to the business.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year end.

13 INTANGIBLE ASSETS *(continued)*

Digital technology

As noted above, £7,902,034 of goodwill at the balance sheet date relates to the acquisition of Adecq Digital SL in October 2010. This company (subsequently renamed Motive Television S.L.) developed and sold digital technology under a TV Anytime brand. In the prior year the directors integrated their TV Anytime brand with their TV Anywhere brand to the extent that it is no longer possible to clearly distinguish between the offerings. The directors consider the digital offering of the group to be a single cash generating unit and a single operating segment.

The directors have prepared cash flow forecasts for the digital segment covering the next five years. A terminal value has been included.

As explained in more detail at note 15 the Group have an interest in Tablet TV LLC in the USA. Whilst the LLC has not yet traded or reported a result, the Directors anticipate that this interest will have a significant bearing on the results of the Group over the next five years. Being an independent business, detailed forecasts of Tablet TV have been prepared which in themselves include assumptions about future revenues and costs. The significance of the Groups interest in this venture is such that the most significant assumptions used in these forecasts are separately set out.

Additionally assumptions are required about the Group's percentage interest that will remain after Tablet TV has raised the new funds necessary for it to fully finance its growth plans as well as the income that will be received directly by Group's digital business from Tablet TV for the use of its technology and other services that will be provided.

Future assumed cash flows have been discounted at a rate of 23.5% which is the Directors' assessment of the weighted average cost of capital of the business.

Digital business (other than Tablet TV USA)

The forecasts include growth assumptions on the basis that the digital offering is effectively still at an early stage. As a result, the forecasts include revenue to be generated from both existing contracts and anticipated new contracts in the forecast period consistent with Directors' expectations. A summary of the significant assumptions used is as follows.

Existing contracts
The forecasts include known and contracted engineering work required for existing customers in preparation for the launch of Motive products and services across their networks. It is anticipated that engineering projects will be required after services are launched also, but at lower levels. Revenue growth is forecast to occur from subscriber fees and royalties which are based on the subscriber levels for the products across the networks.

New contracts
The directors believe that due to the start up nature of the business it is appropriate to include anticipated new contracts in the forecast, as at this stage past experience is not a meaningful reflection of the future position. This revenue is less certain than revenue generated from existing clients, but reflects the significant interest in the Motive products from other broadcasters. The forecasts assume three new contract wins in 2014 and five each year thereafter. Each new contract includes engineering revenue in year one which is consistent with the amounts earned from existing customers, with royalty revenue being generated from year two onwards. New subscribers are forecast to increase by 100,000 per year from year two onwards generating subscriber income at the same level as anticipated for existing customers.

Subsequent to initial demonstrations of Tablet TV in the USA there has also been significant interest in using the Group's technology as a medium for broadcasting content direct to tablets for other parts of the world.

13 INTANGIBLE ASSETS *(continued)*

Digital business (other than Tablet TV USA) (continued)

The forecasts assume an initial fee for each end user (the tablet user) that uses the Group's technology with 48,000 users assumed during 2014 increasing each month thereafter to 320,000 users per month in 2018.

Cost of sales and overheads
The forecasts include costs of sale at expected margins for each service line, and actual margins achieved for engineering work. Overheads have been set at the 2013 level with no increase assumed. The directors believe that the current overhead base is at an appropriate level to deliver the revenue growth anticipated.

Digital business (Tablet TV USA)

As noted a detailed plan has been prepared for Tablet TV. This envisages a number of revenue sources

- Fees received on sign up of individual end user subscribers
- Profits arising on sales of Video on Demand content to subscribers
- Advertising revenues
- Fees for distribution for third party content

The plan allows for revenue shares to participating Broadcasters and fully costed distribution and fulfilment costs that will be paid to third parties as well as costs being paid to the Group for use of technology.

The assumptions in respect of subscribers numbers is the key driver to other revenue assumptions. The forecasts assume 56,000 subscribers in 2014, increasing to just over 5% of expected sales of Tablets in the USA during 2018.

Sensitivity of assumptions

Sensitivity to assumptions has been considered in a number of alternative scenarios;

- Assuming the only Revenue received by the Group arises from contracted income, the assumed share of the profits of Tablet TV USA and the income received directly by the Group for services to Tablet TV USA no impairment to Goodwill is required. If the number of subscribers to Tablet TV USA then reduced to 25% of the expected number of subscribers no impairment to Goodwill is required.
- Assuming that the effect of raising new finance for Tablet TV USA dilutes the Group's interest in Tablet TV USA to 25% of its expected interest, no impairment to Goodwill is required.
- Assuming that no income is received by the Group from Tablet TV USA, no income is received from tablet subscriptions in the rest of the world and that only 50% of the anticipated contracts are won, then no impairment to Goodwill is required.
- If the terminal value is excluded no impairment to Goodwill is required.
- If the discount rate is increased by 10% no impairment is required.

Capitalised development

An amount is included within Capitalised development of £364,453 which was not amortised during the year as it had not been brought in to use at the end of the year.

The average remaining useful economic life of the Capitalised development that is subject to amortisation is nine years.

13 INTANGIBLE ASSETS *(continued)*

Company

	Capitalised development £	Total £
Cost and carrying amount		
At 1 January and 31 December 2012	109,754	109,754
Additions during the year	495,700	495,700
At 31 December 2013	605,454	605,454

14 PLANT AND EQUIPMENT

Group

	Plant and equipment £
Cost	
At 1 January 2012	172,707
Additions during the year	6,512
Disposals during the year	(9,050)
Exchange gains and losses on translation	(343)
At 31 December 2012	169,826
Additions during the year	8,994
Disposals during the year	–
Exchange gains and losses on translation	(176)
At 31 December 2013	178,644
Depreciation	
At 1 January 2012	95,460
Charge for the year	33,623
Disposals during the year	(8,207)
Exchange gains and losses on translation	1,915
At 31 December 2012	122,791
Charge for the year	25,816
Disposals during the year	–
Exchange gains and losses on translation	1,001
At 31 December 2013	149,608
Carrying amount	
At 31 December 2013	29,036
At 31 December 2012	47,035
At 31 December 2011	77,247

At 31 December 2013, the net book value of assets held on hire purchase agreements was £nil (2012: £451). Depreciation of £451 (2012: £4,935) has been charged on these assets.

14 PLANT AND EQUIPMENT *(continued)*

Company

	Plant and equipment £
Cost	
At 1 January 2012	12,239
Additions during the year	849
Disposals during the year	(9,051)
At 31 December 2012	4,037
Additions during the year	–
Disposals during the year	–
At 31 December 2013	4,037
Depreciation	
At 1 January 2012	8,283
Charge for the year	1,527
Disposals during the year	(8,207)
At 31 December 2012	1,603
Charge for the year	1,345
Disposals during the year	
At 31 December 2013	2,948
Carrying amount	
At 31 December 2013	1,089
At 31 December 2012	2,434
At 31 December 2011	3,956

15 INVESTMENTS IN SUBSIDIARIES

Company

	Subsidiary undertakings £
Cost	
At 1 January 2012	5,186,281
Additions during the year	–
Disposal during the year	–
At 31 December 2012	5,186,281
Additions during the year	–
At 31 December 2013	5,186,281
Provision for impairment	
At 1 January 2012	243,599
Disposal during the year	–
At 31 December 2012 and 31 December 2013	243,599
Carrying Amount	
At 31 December 2013	4,942,682
At 31 December 2012	4,942,682
At 31 December 2011	4,942,682

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%
Motive Television S.L.	Spain	100%
Motive Television Scotland Limited	Scotland	80%
Motive Television Services Limited	England & Wales	100%
Motive Television Inc.	USA	100%
Motive Television Holdings Inc.	USA	100%
MTV Investments Limited	England & Wales	100%

At 31 December 2010, the Group had acquired 67.7% of the issued share capital of Motive Television S.L. (formerly Adecq Digital S.L.) and entered into a Put and Call Option over the remaining 32.3% with CCAN, the minority holder. Due to the structure of this agreement the directors considered this to be a wholly owned subsidiary. By letter dated 14 July 2012 CCAN advised Motive Television S.L. that there had been a change of its ownership. As a consequence Motive Television PLC exercised a right under a shareholder agreement with CCAN to acquire CCAN's interest. Further details are set out at note 3.

The principal activity of Motive Television Limited is that of television programme production.

15 INVESTMENTS IN SUBSIDIARIES *(continued)*

Subsidiary undertakings (continued)

The principal activity of Motive Television S.L., Motive Television Scotland Limited, Motive Television Inc and Motive Television Services is that of provision of television technology.

The principal activity of MTV Investments Limited is that of an investment company.

Motive Television Scotland Limited has been treated as a wholly owned subsidiary because the Directors consider it to be wholly controlled by the parent company by virtue of it being fully reliant on the parent company for its funding.

Motive Television Holdings Inc is a member of Tablet TV LLC (formerly Broadcast Cloud JV, LLC). The terms of the LLC are such that:

- Liabilities of members are limited to contributions made by them to the LLC, and,
- The Group's interest in the profits and assets of the LLC will not, without further agreement, be less than 50%.

At 31 December 2013 the LLC was still in the development stage and as such there are no results to report in relation to Tablet TV LLC in these financial statements.

16 TRADE AND OTHER RECEIVABLES

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade receivables	228,210	174,361	–	–
Amounts owed by subsidiary undertakings	–	–	5,473,177	3,799,829
Other receivables	121,017	690,178	67,702	626,091
Prepayments and accrued income	323,712	104,318	28,594	62,673
	672,939	968,857	5,569,473	4,488,593

The average credit period for trade receivables at the end of the year is 71 days (2012: 58 days). At 31 December 2013 £107,672 (2012: £133,436) of trade receivables were past due but not impaired. Amounts owed by subsidiary undertakings to the Parent Company are stated net of a provision for irrecoverable amounts of £nil (2012: £nil). The Directors anticipate that the trading activities of the trading subsidiaries are such that these amounts will be recoverable.

17 SHARE CAPITAL

	2013 £	2012 £
Allotted and fully paid:		
28,936,843,179 ordinary shares of 0.01p each (2012: 5,382,735,548 ordinary shares of 0.01p each)	2,893,685	538,274
4,211,412,023 deferred shares of 0.09p each (2012; 4,211,412,023 deferred shares of 0.09p each)	3,790,269	3,790,269
	6,683,954	4,328,543

The deferred shares are non-voting and have no rights to dividends and are liable to be cancelled without payment of consideration.

During the previous year the company transacted a share split whereby 0.9p deferred shares were divided into 0.09p deferred shares and ordinary shares were divided into 0.01p ordinary shares and 0.09p deferred shares.

17 SHARE CAPITAL *(continued)*

Ordinary shares issued during the year are set out below:

		Group		Company	
	Issued Number of Shares No.	Capital £	Premium £	Capital £	Premium £
At 31 December 2012	5,382,735,548	538,274	6,853,967	538,274	6,853,967
Shares issued in the year (see below)	23,554,107,631	2,355,411	1,786,209	2,355,411	1,786,209
	28,936,843,179	2,893,685	8,640,176	2,893,685	8,640,176

Ordinary shares issued during the year

	Issued No.	Share p	Capital £	Premium £
Issued 3 January 2013 to pay fees	125,944,584	0.039700	12,594	37,406
Issued 28 January 2013 for cash	78,789,788	0.031730	7,879	17,121
Issued 1 February 2013 to settle liabilities	52,534,740	0.034000	5,253	12,346
Issued 1 February 2013 to pay expenses	10,000,000	0.040000	1,000	3,000
Issued 12 February 2013 to settle liabilities	127,949,600	0.032500	12,795	28,789
Issued 12 February 2013 to pay expenses	100,000,000	0.032500	10,000	22,500
Issued 18 February 2013 for cash	126,464,571	0.026885	12,647	21,354
Issued 1 March 2013 for cash	1,666,666,666	0.015000	166,667	83,333
Issued 5 March 2013 for cash	138,473,684	0.014250	13,847	5,885
Issued 15 March 2013 for cash	2,500,000,000	0.015000	250,000	125,000
Issued 21 March 2013 on exercise of warrants	83,333,333	0.015000	8.333	4,167
Issued 10 April 2013 on exercise of warrants	250,000,000	0.015000	25,000	12,500
Issued 14 May 2013 for cash	3,333,333,333	0.015000	333,333	166,667
Issued 30 May 2013 for cash	4,258,371,867	0.015000	425,837	212,919
Issued 30 May 2013 to pay CLN interest	241,628,133	0.015000	24,163	12,081
Issued 12 September 2013 for cash	5,000,000,000	0.020000	500,000	500,000
Issued 17 October 2013 to settle liability of subsidiary	4,562,217,391	0.023000	456,222	593,088
Issued 6 November 2013 to settle liability of subsidiary	3,000,000	0.023000	300	390
Issued 18 November 2013 to settle liability of subsidiary	233,425,000	0.020000	23,343	23,343
Issued 18 November 2013 to pay expenses	405,845,000	0.020000	40,585	40,585
Issued 4 December 2013 to pay expenses	256,129,941	0.016900	25,613	17,673
Cost of issues of shares			–	(153,937)
Total for the year ended 31 December 2013	23,554,107,631		2,355,411	1,786,209

17 SHARE CAPITAL *(continued)*

Warrants

The Company has the following warrants outstanding to subscribe for ordinary shares in the Company.

	Number	Exercisable from	Exercisable to	Exercise price per share
L Fertig (director)	171,932,940	29 July 2009	28 July 2019	0.030p
M Pilsworth (director)	111,749,964	21 October 2009	20 October 2019	0.030p
Former employees	3,000,000	4 May 2008	3 May 2015	3.000p
Island Investments Holdings Limited	1,666,666,667	18 October 2013	18 October 2016	0.025p
XCAP Nominees	250,000,000	19 September 2013	19 September 2014	0.020p
Other holders	20,000,000	9 July 2012	9 July 2014	0.014p

During the year warrants to subscribe for 884,804,333 ordinary shares at 0.40p lapsed.

Warrants to subscribe for 333,333,333 ordinary shares at 0.015p were exercised during the year.

After the end of the year 193,750,000 new warrants were issued at 0.020p each.

Options

Details relating to options are set out at note 24 below.

18 RESERVES

Movements in reserves are set out in the statement of changes in equity.

The CLN reserve arose as a consequence of the issue of CLNs in 2010 and other subsequent issues.

The merger reserve arose as a consequence of the acquisition of Motive Television Limited in 2005. In the opinion of the Directors neither of these reserves is distributable.

The foreign exchange reserve arises as a consequence of exchange differences arising on the translation of foreign operations and will be reclassified subsequently to profit and loss when specific conditions are met. The opening reserves have been reanalysed to split the foreign exchange reserve from retained earnings.

19 TRADE AND OTHER PAYABLES – CURRENT

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Trade payables	307,924	584,253	113,512	298,485
Taxation and social security	150,239	173,140	20,728	77,155
Amounts owed to subsidiary undertakings	–	–	48,103	–
Put and call option agreement	500,000	57,376	500,000	57,376
Earn out consideration	19,905	73,687	19,905	73,687
Other payables	96,686	113,773	9,289	–
Accrued interest on CLNs	135,131	176,285	135,131	176,286
Accruals and deferred income	399,880	407,854	233,672	161,850
	1,609,765	1,586,368	1,080,340	844,839

The average credit period taken for trade payables at the end of the year is 77 days (2012: 117 days).

Details relating to the liability under the put option are set out in note 3 above.

Details relating to the earn out consideration are set out in note 21 below.

20 BORROWINGS

Amounts due within one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Loans	430,165	719,688	–	426,985
Finance lease obligations	–	930	–	–
	430,165	720,618	–	426,985

Amounts due after one year

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Loans	251,866	410,668	–	–
Total other borrowings	251,866	410,668	–	–
Convertible Loan Notes	2,419,225	2,831,748	3,280,676	2,831,748
	2,671,091	3,242,416	3,280,676	2,831,748

Other borrowings mature as set out below;

	Less than 1 year £	1 - 5 years £	5 years or More £	Total £
Loans	430,165	251,866	–	682,031
	430,165	251,866	–	682,031

Loans are stated net of issue costs of £nil (2012: £73,015). The rate of interest applicable to these loans range from 0.838% to 4.0% (2012: 2.30% to 12%). Further information on the maturity of the loans is shown in Note 3.

Convertible loan notes ("CLNs")

The CLNs bear interest at an annual rate of 9%, payable in half yearly instalments on 30 June and 31 December in each year. The CLNs are redeemable, if not converted, on 31 December 2015 and are convertible into fully paid Ordinary Shares at a rate of 0.4 pence per Ordinary Share. The Company is entitled to redeem the whole or any part of the CLNs after the third anniversary of their issue if the average of the volume weighted price for an Ordinary Share as shown in the Daily Official List of the London Stock Exchange during the last three business days prior to the date of the redemption notice is not less than 300 per cent of the conversion price.

The CLNs are secured by a fixed and floating charge over the assets of the Company including the shares of Motive Television S.L. The security is held and administered by a security trustee on behalf of the note holders.

20 BORROWINGS *(continued)*

Convertible loan notes ("CLNs") (continued)

The Convertible loans recognised in the statement of financial position are calculated as follows;

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Face value of CLNs at 1 January	3,885,514	3,768,404	3,885,514	3,768,404
Issued in the year	153,126	145,941	153,126	145,941
Purchased by subsidiary	(1,060,244)	–	–	–
Converted in the year	–	(28,831)	–	(28,831)
Face value of CLNs at 31 December	2,978,396	3,885,514	4,038,640	3,885,514
Less Equity element of instrument	(478,362)	(883,348)	(648,711)	(883,348)
Gross value of debt	2,500,034	3,002,166	3,389,929	3,002,166
Less issue costs	(80,809)	(170,418)	(109,253)	(170,418)
	2,419,225	2,831,748	3,280,676	2,831,748

During the year the company issued CLNs with a face value of £153,126 (2012: £145,941) as payment of interest.

During the year MTV Investments Limited purchased CLNs with a face value of £1,060,244.

The fair value is calculated using cash flows discounted at a rate of 20% (2012: 20%). More detail is set out at note 4.

21 OTHER PAYABLES – NON CURRENT

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Earn-out consideration	88,585	136,573	88,585	136,573
	88,585	136,573	88,585	136,573

Earn-out consideration is payable to the Vendors of Motive Television S.L.

Earn-out consideration comprises a sum equal to 15% of the revenue derived from specific identified projects for the supply by Motive Television S.L. of goods and/or services which were not the subject of legally binding contracts as at completion of the acquisition but which did become so subject during the 12 month period following completion of the acquisition. Earn-out consideration shall be satisfied in cash. An amount of £210,259 was provided in 2012 respect of such consideration based on the directors' current best estimate at the time. This estimate has been revised at 31 December 2013 based on the contracts which became legally binding within the earn-out period and the current estimate of the revenue expected to be derived therefrom. The earn-out is not capped, but the directors do not believe that the amount payable will be materially different to the amounts provided. This amount is payable within the next five years.

22 CASH GENERATED FROM OPERATIONS

Net cash generated from operating activities – continuing activities

	Group 2013 £	Group 2012 £	Company 2013 £	Company 2012 £
Operating loss	(1,861,778)	(2,171,913)	(1,618,592)	(1,743,698)
Depreciation	66,261	33,623	1,345	2,371
Loss on disposals	–	843	–	–
(Increase)/decrease in receivables	(267,327)	423,714	(517,809)	(270,187)
(Decrease)/increase in payables	(343,557)	250,486	(157,931)	345,637
Share based payments	54,000	53,000	54,000	53,000
Liabilities settled by issue of shares	210,956	80,000	210,956	80,000
	(2,141,445)	(1,330,247)	(2,028,031)	(1,532,877)

23 RELATED PARTY TRANSACTIONS

At 31 December 2013 the Company was owed £5,777,860 (2012: £3,799,829) by subsidiary undertakings. No provisions have been made against these loans on the basis that the subsidiaries will repay the loans based on the forecast trading results in the group business plan. (2012: £nil).

There is no ultimate controlling party.

24 SHARE BASED PAYMENTS

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. With certain limited exceptions options are forfeited if the employee leaves the Group.

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

	2013 Number of options	Weighted average exercise price	2012 Number of Options	Weighted average exercise price
Outstanding at the beginning of the year	352,800,000	0.16p	105,300,000	0.73p
Granted during the year	120,000,000	0.03p	297,500,000	0.04p
Lapsed during the year	(110,000,000)	0.04p	(50,000,000)	0.56p
Outstanding at the end of the year	362,800,000	0.16p	352,800,000	0.16p

At 31 December 2013 there were 230,300,000 (2012: 15,800,000) options exercisable at an average exercise price of 0.18p (2012: 0.50p).

The options outstanding at 31 December 2013 and 31 December 2012 had a range of exercise prices from 0.03p to 2.63p, and a weighted average remaining contractual life of 9 years (2012: 9 years). No options were exercised during the year.

Warrants issued outstanding at 31 December 2013 are set out a note 17. The weighted average exercise price of warrants outstanding and exercisable at the end of the year was 0.03p (2012: 0.04p). There were warrants exercisable over 2,223,349,571 (2012: 1,191,487,237) shares outstanding at 31 December 2013. The weighted average remaining life of warrants outstanding was 3 years (2012: 2 years).

24 SHARE BASED PAYMENTS *(continued)*

The key inputs to the Black Scholes model in respect of options and warrants granted in the year ended 31 December 2013 were:

	Options Granted 4 February 2013	Warrants Re-priced 4 February 2013
Number of options and warrants granted	120,000,000	283,682,904
Share price at grant	0.03p	0.03p
Option Exercise price	0.03p	0.03p
Expected volatility	221%	221%
Expected life	3	3
Risk Free rate of return	1.5%	1.5%
Expected dividend yield	0.00%	0.00%
Fair value of option	0.03p	0.03p
Fair value of award	£21,528	£50,892

The Group recognised total expenses of £54,000 and £53,000 related to equity settled share based payment transactions in 2013 and 2012 respectively, the charge in each year is reduced due to trueing-up adjustments in respect of leavers during the year.

Expected volatility of options granted in the year was determined by calculating the historical volatility of the Group's share price over the previous year. The expected life used in the model was adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. The fair value of the award has also been reduced by one third to reflect the fact that the market in the Company's shares was illiquid and any realisation of the shares in the quantity under option was likely to be at a discount to their market price.

No charge has been recognised in respect of the warrants issued during the year. The annual cost in respect of other options is not considered to be material.

25 FINANCIAL COMMITMENTS

At 31 December 2013 the Group was committed to making the following future minimum lease payments under non-cancellable operating leases for land and buildings, of which £nil (2012: £nil) related to the Parent Company:

	2013 £	2012 £
Within 1 year	48,570	66,402
In 2-5 years	24,285	–
Total	72,855	66,402

26 POST BALANCE SHEET EVENTS

Subsequent to the year end the Company entered into a financing facility whereby up to £2,980,000 funding is made available to the Group in the form of Convertible loans. More detail is included in the Chairman's Statement.

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