REGISTERED NUMBER 06047620 (England and Wales)

REPORT OF THE DIRECTOR AND

AUDITED FINANCIAL STATEMENTS FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

FOR

111 PIX.COM LIMITED

111 PIX.COM LIMITED (REGISTERED NUMBER: 06047620)

CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

111 PIX.COM LIMITED

COMPANY INFORMATION
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

DIRECTOR:	A A David
SECRETARY:	TLaw Secretaries Limited
REGISTERED OFFICE:	1st Floor 111 Wardour Street London W1F 0UH
REGISTERED NUMBER:	06047620 (England and Wales)
AUDITOR:	Clarkson Hyde LLP 70 Conduit Street London W1S 2GF

111 PIX.COM LIMITED (REGISTERED NUMBER: 06047620)

REPORT OF THE DIRECTOR
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

The director presents his report with the financial statements of the company for the period 10 January 2007 to 31 December 2007

INCORPORATION
The company was incorporated as a private limited company on 10 January 2007 in England and Wales The company's country of domicile is England

PRINCIPAL ACTIVITY
The principal activity of the company in the period under review was that of a video on demand media and entertainment business

REVIEW OF BUSINESS
The results for the period and financial position of the company are as shown in the annexed financial statements

During the period the company established its business operations and commenced the development of both the business and the technology platform This enabled the company to launch its website in January 2008

DIVIDENDS
No dividends will be distributed for the period ended 31 December 2007

DIRECTOR
A A David was appointed as a director on 10 January 2007 and held office during the whole of the period from then to the date of this report

The director, being eligible, offers himself for election at the forthcoming first Annual General Meeting

STATEMENT OF DIRECTOR'S RESPONSIBILITIES
The director is responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year Under that law the director has elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985 He is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the director is aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditor is unaware, and he 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 company's auditor is aware of that information

AUDITOR

ON BEHALF OF THE BOARD:

A A David - Director

15 March 2010

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF 111 PIX COM LIMITED

I have audited the financial statements of 111 Pix com Limited for the period ended 31 December 2007 on pages six to seventeen These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 My audit work has been undertaken so that I might state to the company's members those matters I am required to state to them in a Report of the Auditor and for no other purpose To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the company and the company's members as a body, for my audit work, for this report, or for the opinions I have formed

Respective responsibilities of director and auditor
The director's responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on page two

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

I report to you my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 I also report to you whether in my opinion the information given in the Report of the Director is consistent with the financial statements

In addition I report to you if, in my opinion, the company has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed

I read the Report of the Director and consider the implications for my report if I become aware of any apparent misstatements within it

Basis of audit opinion
I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In my opinion
- the financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the state of the company's affairs as at 31 December 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Director is consistent with the financial statements

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF 111 PIX.COM LIMITED

Emphasis of matter - Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern The company incurred a net loss of £626,554 during the year ended 31 December 2007 and, at that date, the company's current liabilities exceeded its total assets by £626,553 These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern

Clarkson Hyde LLP

Clarkson Hyde LLP
70 Conduit Street
London
W1S 2GF

Date 18\3\2010

INCOME STATEMENT
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

	Notes	£
CONTINUING OPERATIONS		
Revenue	2	-
Administrative expenses		(582,631)
Other operating expenses		(43,954)
OPERATING LOSS		(626,585)
Finance income	4	31
LOSS BEFORE INCOME TAX	5	(626,554)
Income tax	6	-
LOSS FOR THE PERIOD		(626,554)

The notes form part of these financial statements

STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

	£
LOSS FOR THE FINANCIAL PERIOD	(626,554)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE PERIOD	(626,554)

The notes form part of these financial statements

BALANCE SHEET
31 DECEMBER 2007

	Notes	£
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	8	259,499
Property, plant and equipment	9	324,557
		584,056
CURRENT ASSETS		
Trade and other receivables	10	697,892
Cash and cash equivalents	11	13,537
		711,429
TOTAL ASSETS		1,295,485
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	12	1
Retained earnings	13	(626,554)
TOTAL EQUITY		(626,553)
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	14	1,922,038
TOTAL LIABILITIES		1,922,038
TOTAL EQUITY AND LIABILITIES		1,295,485

The financial statements were approved by the director on 15 March 2010 and were signed by

A A David - Director

The notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

	Notes	£
Cash flows from operating activities		
Cash generated from operations	1	606,780
Net cash from operating activities		606,780
Cash flows from investing activities		
Purchase of intangible fixed assets		(259,499)
Purchase of tangible fixed assets		(333,776)
Interest received		31
Net cash from investing activities		(593,244)
Cash flows from financing activities		
Share issue		1
Net cash from financing activities		1
Increase in cash and cash equivalents		13,537
Cash and cash equivalents at beginning of period	2	-
Cash and cash equivalents at end of period	2	13,537

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE PERIOD 10 JANUARY 2007 TO 31 DECEMBER 2007

1 RECONCILIATION OF LOSS BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	£
Loss before income tax	(626,554)
Depreciation charges	9,219
Finance income	(31)
	(617,366)
Increase in trade and other receivables	(697,892)
Increase in trade and other payables	1,922,038
Cash generated from operations	606,780

2 CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow in respect of cash and cash equivalents are in respect of these balance sheet amounts

Period ended 31 December 2007

	31/12/07	10/1/07
	£	£
Cash and cash equivalents	13,537	-

The notes form part of these financial statements

1 ACCOUNTING POLICIES

Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU), IFRIC Interpretations and the Companies Act 1985 applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention

(a) Standards, amendments and interpretations effective in 2007

IFRS 7, 'Financial Instruments Disclosures' and the complementary amendment to IAS 1, 'Presentation of Financial Statements - Capital Disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the company's financial instruments, or the disclosures relating to taxation and trade and other payables

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the company's operations

IFRIC 8 'Scope of IFRS 2'
IFRIC 10 'Interim Financial Reporting and Impairment'
IFRS 4 'Insurance contracts'
IFRIC 7 'Applying the Restatement approach under IAS 29, 'Financial Reporting in Hyper-inflationary Economics', and
IFRIC 9 'Re-assessment of embedded Derivatives'

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted by the company and not relevant to the company operations

IAS 23 (Amendment) 'Borrowing Costs'
IFRS 8 'Operating Segments'
IFRIC 14 'IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction'
IFRIC 12 'Service Concession Arrangements'
IFRIC 13 'Customer Loyalty Programmes'

Intangible assets
Patents, Trademarks and Content Licenses are stated at cost less accumulated amortisation and impairments and are amortised on a straight-line basis over their expected useful lives, which range between 5 to 20 years, commencing upon generation of economic benefits

No amortisation has been charged in the period as the generation of economic benefits had not commenced at 31 December 2007

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Fixtures and fittings	- 20% on cost
Website development	- 20% on cost
Computer equipment	- 33% on cost

Depreciation has not been charged in the period on website development costs as at 31 December 2007 it was not capable of operating in the manner intended by management

continued

1 **ACCOUNTING POLICIES - continued**

Financial instruments
Financial assets and liabilities are recognised on the balance sheet when the company becomes a party to the contractual provisions of the instrument They are classified as follows

a) Cash, loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets The company's loans and receivables comprise of 'other receivables' and 'cash and cash equivalents' Other receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment

b) Other financial liabilities

The company classifies its financial liabilities as trade and other payables and tax payable which are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Taxation
Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the balance sheet date

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction Exchange differences are taken into account in arriving at the operating result

Going concern
The company meets its day to day working capital requirements through financing provided by its ultimate parent company, Talo Holdings Limited, a company incorporated in Saint Vincent and Grenadines There is material uncertainty over the continuing future financing of the company by Talo Holdings Limited and no specific written support agreement is in place However, the directors do anticipate that support will continue and on this basis consider it appropriate to prepare the financial statements on the going concern basis The financial statements do not include any adjustments that would result from a withdrawal of parental support

Deferred tax
Deferred tax is calculated on the comprehensive basis using the liability method, which requires provision for temporary differences between the tax bases of assets and liabilities and their carrying amounts on the balance sheet Tax rates enacted at the balance sheet date are used to determine the deferred tax balances Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the asset can be utilised

Critical accounting estimates
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates It also requires management to exercise its judgement in the process of applying the company's accounting policies The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are in relation to the capitalisation of website development costs and intangible assets

continued

2 SEGMENTAL REPORTING

The directors consider the primary reporting format to be by business segment. At present there is only one business segment being the provision of video on demand services, therefore the disclosures for the primary segment have already been given in these financial statements

The secondary reporting format is by geographical segment As the company has no turnover, segment reporting is only required by business segment

3 EMPLOYEES AND DIRECTORS

	£
Wages and salaries	124,308
Social security costs	14,909
	139,217

The average monthly number of employees during the period was as follows

Administration	1
Website development	2
Business development	1
	4

	£
Director's emoluments	-

4 NET FINANCE INCOME

	£
Finance income	
Deposit account interest	31

5 LOSS BEFORE INCOME TAX

The loss before income tax is stated after charging

	£
Depreciation - owned assets	9,219
Auditors' remuneration	5,000
Foreign exchange differences	201
Establishment costs	67,103
Computer expenses	43,954
Advertising and public relations	186,431
Legal and professional fees	34,901

6 INCOME TAX

Analysis of the tax charge
No liability to UK corporation tax arose on ordinary activities for the period.

continued

6 INCOME TAX - continued

Factors affecting the tax charge

The tax assessed for the period is higher than the standard rate of corporation tax in the UK The difference is explained below

	£
Loss on ordinary activities before tax	(626,554)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	(187,966)
Effects of:	
Net disallowable expenditure	997
Capital allowances in excess of depreciation	(47,301)
Losses available to carry forward	234,270
Total income tax	-

The company has a potential deferred tax asset of £70,281 This has not been recognised as there is no certainty that sufficient profits will arise in future accounting periods of which these losses could be offset against

7 FINANCIAL RISK MANAGEMENT

8 INTANGIBLE ASSETS

	Patents & trademarks £	Content licenses £	Totals £
COST			
Additions	204,653	54,846	259,499
At 31 December 2007	204,653	54,846	259,499
NET BOOK VALUE			
At 31 December 2007	204,653	54,846	259,499

continued

9 PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £	Website development £	Computer equipment £	Totals £
COST				
Additions	8,636	302,438	22,702	333,776
At 31 December 2007	8,636	302,438	22,702	333,776
DEPRECIATION				
Charge for period	1,727	-	7,492	9,219
At 31 December 2007	1,727	-	7,492	9,219
NET BOOK VALUE				
At 31 December 2007	6,909	302,438	15,210	324,557

10 TRADE AND OTHER RECEIVABLES

	£
Current.	
Other debtors	67,758
VAT	122,651
Prepayments and accrued income	507,483
	697,892

11 CASH AND CASH EQUIVALENTS

	£
Bank deposit account	13,537

12 CALLED UP SHARE CAPITAL

Authorised

Number	Class	Nominal value	£
10,000	Ordinary	£1	10,000

Allotted, issued and fully paid

Number	Class	Nominal value	£
1	Ordinary	£1	1

1 Ordinary share of £1 was allotted and fully paid for cash at par during the period

continued

13 RESERVES

	Retained earnings £
Deficit for the period	(626,554)
At 31 December 2007	(626,554)

14 TRADE AND OTHER PAYABLES

	£
Current	
Trade creditors	93,538
Amounts owed to group undertakings	1,756,926
Social security and other taxes	44,453
Accruals and deferred income	27,121
	1,922,038

15 FINANCIAL INSTRUMENTS

At 31 December 2007 the financial instruments of the company are

	Cash, loans & Receivables £	Other financial liabilities £
Financial Assets		
Other debtors	67,758	
VAT	122,651	
Cash and cash equivalents	13,537	
Financial Liabilities		
Trade payables		(93,538)
Amounts owed to group undertakings		(1,756,926)
Social security and other taxes		(44,453)
	203,946	(1,894,917)

16 ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary of 111 Pix com Holdings Limited, a company incorporated in Saint Vincent and Grenadines The ultimate parent company is Talo Holdings Limited a company also incorporated in Saint Vincent and Grenadines

continued

17 RELATED PARTY DISCLOSURES

At the year end the company owed Talo Holdings Limited £1,756,926 for expenses incurred on behalf of the company The amount loaned is unsecured, interest free and has no fixed terms of repayment.

18 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Director of the company

19 FINANCIAL RISK MANAGEMENT

The company's exposure to the variety of financial risks is as follows

a) Market risk

(i) Foreign exchange risk

The company is not exposed to foreign currency translation risk at present as the company currently only operates within the UK and all its transactions and year end balances are denominated in Sterling

(ii) Price risk

The price paid for utilities is subject to market movement, however as these costs are not significant for the company this will have minimal impact on the operations of the company.

(iii) Fair value interest rate risk

The company does not have significant cash balances which expose it to movements in market interest rates The company also has no liabilities which accrue interest and therefore the company has no exposure to interest rate risk on borrowings

b) Credit risk

The company does not hold any trade receivables due from external customers and is therefore not exposed to any significant credit risk

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash Management monitors rolling forecasts of the company's liquidity reserve The review consists of considering the liquidity of local markets, projecting cash flows and the level of liquid assets to meet these The management raise additional capital financing when the review indicates this to be necessary