

SysMedia Group plc

Registered number: 1651588

Directors' report and financial statements

For the year ended 31 December 2008

SYSMEDIA GROUP PLC

COMPANY INFORMATION

Directors	A D Lambourne D T Lowen
Company number	1651588
Registered office	Gatwick House Peeks Brook Lane Horley Surrey RH6 9ST
Auditors	Mazars LLP Chartered accountants & Registered auditors 37 Frederick Place Brighton BN1 4EA
Bankers	Barclays Bank plc 27 Soho Square London W1D 3QR

SYSMEDIA GROUP PLC

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SYSMEDIA GROUP PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The progress noted in my last report was sustained during a challenging trading year globally, and a year of difficulty for the broadcasting industry. SysMedia achieved a pre-tax profit of £78,956 (2007: loss of £294,596) of which foreign exchange gains contributed £31,570. This was achieved with a turnover of £1,781,968 (2007: £1,803,242).

Sales in the UK increased by more than 40%, but non-UK sales still represented 72% (2007: 81%) of turnover and European sales were 61% of turnover (2007: 68%). In a year in which the Euro strengthened strongly against the pound, this has made the value of European trade debtors in the balance sheet higher than might normally be expected.

The Board thought it prudent to continue tight cost control during the year. Administrative expenses were further contained at £1,417,905 (2007: £1,874,675), which is 41.2% below the level of 2006 despite a higher turnover. As indicated in my last report, the decision to move the company's Gatwick office to smaller premises has been a factor in this. The company focus has been on sales, further investment in its product capability, and building partnerships and channels to market.

Cash balances rose during the year to stand at £286,522 at year end (2007: £159,329) and, in view of the international financial difficulties, the Board took a cautious approach to placement of funds, limiting its exposure to any one bank.

The average number of employees was 19 (2007: 24). All staff deserve thanks for the way in which they have contributed to the company's progress.

Amortisation of goodwill was £25,086 (2007: £43,464) and the balance sheet re-structuring initiated in 2006 is now complete. No dividend is payable.

Trading included continuing repeat revenue from the established customer base as customers used our content products to deliver to new platforms. In particular, new capability was added to Plasma Gold to enable xHTML-based delivery of content to mobile phones. Major new subtitling customers were established, consolidating the company's position in this market sector. We achieved sales for our own-developed caption generator and laid the foundations for a new generation of HD products. We also launched further productivity tools in the subtitling area, meeting market needs for continued efficiencies and cost reduction.

The trading of the company's shares on the ShareMark exchange has been minimal, justifying the Board's decision to leave the PLUS market in May 2008, thereby saving unnecessary charges.

Vick Hall, who joined as Financial Controller last year, has now taken on the responsibilities of Company Secretary. I thank our auditors, Mazars, for their support and advice.

I also thank Andrew Lambourne, who continues to demonstrate a full understanding of the market and the ways in which our technology and products can add value to customers.

Performance during the first half of 2009 has been satisfactory but there is little indication that the global market in the broadcasting industry has stabilised yet and it would be premature to make any year-end forecast.

The chairman presents his statement for the period.

Name David Lowen
Chairman

Date

SYSMEDIA GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements for the year ended 31 December 2008.

Principal activities

The principal activity of the group during the year was the development supply and support of multimedia, teletext and subtitling software and equipment to worldwide broadcasters. The principal activity of the company was that of a holding company.

Business review

A full review of the business during the year is given in the Chairman's statement on page 1.

Risk management

Business Risk: The industry continues to be highly competitive with margins under pressure. The group continues to look at ways of introducing new products and services to existing and potential customers and the possibility of partnering with companies that share synergies.

Liquidity Risk: The group manages its cash to maximise interest income, whilst ensuring that the group has sufficient liquid resources to meet the operating needs of its business. The group has no borrowings.

Interest Rate Risk: The group is exposed to cash flow interest rate risk on short-term deposits.

Foreign Currency Risk: The group manages its exposure to currency risk on trade debtors based in foreign currency through a euro currency account. The financial assets based in foreign currency at the balance sheet date amounted to £91,528 (2007: £103,226)

Results

The profit for the year, after taxation, amounted to £76,863 (2007 - loss £294,765).

Directors

The directors who served during the year were:

A D Lambourne
D T Lowen

Directors' interests in share options are as disclosed in note 15 to the financial statements.

Qualifying third party indemnity insurance is in place for the directors.

Company's policy for payment of creditors

In respect of the group's suppliers, it is not the group's policy to follow any code or standard on payment practice. It is the group's policy to settle the terms of payment with those suppliers when agreeing the terms of each transaction and then to abide by them. The average number of creditor days was 42.

SYSMEDIA GROUP PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Research and development activities

The group continued to invest in existing software products. Research and development expenditure is written off to the profit and loss account in the year it is incurred. The group takes advantage of research and development taxation credits under the HM Revenue & Customs' rules.

Employee involvement

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the performance of the group, through informal meetings and communications.

Disabled employees

The group's policy is to give disabled workers equal opportunity to apply and be considered for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person.

Provision of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

Director

SYSMEDIA GROUP PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2008

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SYSMEDIA GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SYSMEDIA GROUP PLC

We have audited the group and parent company financial statements (the "financial statements") of SysMedia Group plc for the year ended 31 December 2008, which comprise the consolidated profit and loss account, the group and company balance sheets, the consolidated cash flow statement and the related notes. These financial statements have been prepared in accordance with 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. 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 auditor

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

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

We report to you our opinion as to whether the financial statements give a true and fair view, whether they are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

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

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

SYSMEDIA GROUP PLC

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SYSMEDIA GROUP PLC

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2008 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Mazars LLP

Chartered accountants
Registered auditors

37 Frederick Place
Brighton
BN1 4EA

Date:

SYSMEDIA GROUP PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Turnover	1,2	1,781,968	1,803,242
Cost of sales		(277,227)	(214,207)
		<hr/>	<hr/>
Gross profit		1,504,741	1,589,035
Selling and distribution costs		(10,417)	(13,238)
Administrative expenses		(1,417,905)	(1,874,675)
		<hr/>	<hr/>
Operating profit/(loss)	4	76,419	(298,878)
Interest receivable	3	2,537	4,282
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation		78,956	(294,596)
Tax on profit/(loss) on ordinary activities	8	(2,093)	(169)
		<hr/>	<hr/>
Profit/(loss) for the financial year	18	76,863	(294,765)
		<hr/> <hr/>	<hr/> <hr/>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 or 2007 other than those included in the profit and loss account.

The notes on pages 11 to 25 form part of these financial statements.

SYSMEDIA GROUP PLC

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	£	2008 £	£	2007 £
Fixed assets					
Intangible fixed assets	9		-		25,086
Tangible fixed assets	10		54,581		72,572
			<u>54,581</u>		<u>97,658</u>
Current assets					
Stocks	12	58,840		84,064	
Debtors	13	315,551		354,181	
Cash at bank and in hand		286,522		159,329	
		<u>660,913</u>		<u>597,574</u>	
Creditors: amounts falling due within one year	15	(317,465)		(397,243)	
			<u>343,448</u>		<u>200,331</u>
Net current assets					
			<u>398,029</u>		<u>297,989</u>
Total assets less current liabilities					
Provisions for liabilities					
Other provisions	14		(19,300)		-
			<u>378,729</u>		<u>297,989</u>
Net assets			<u><u>378,729</u></u>		<u><u>297,989</u></u>
Capital and reserves					
Called up share capital	17		2,412,734		2,412,734
Share premium account	18		2,766,220		2,766,220
Profit and loss account	18		(4,800,225)		(4,880,965)
			<u>378,729</u>		<u>297,989</u>
Shareholders' funds	16		<u><u>378,729</u></u>		<u><u>297,989</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Director

The notes on pages 11 to 25 form part of these financial statements.

SYSMEDIA GROUP PLC

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2008

	Note	£	2008 £	£	2007 £
Fixed assets					
Fixed asset investments	11		1,110,000		1,110,000
Current assets					
Debtors	13	1,421,791		1,416,599	
Cash at bank		20,733		12,584	
		<u>1,442,524</u>		<u>1,429,183</u>	
Creditors: amounts falling due within one year	15	(32,286)		(24,934)	
Net current assets			<u>1,410,238</u>		<u>1,404,249</u>
Total assets less current liabilities			<u>2,520,238</u>		<u>2,514,249</u>
Capital and reserves					
Called up share capital	17		2,412,734		2,412,734
Share premium account	18		2,766,220		2,766,220
Profit and loss account	18		(2,658,716)		(2,664,705)
Shareholders' funds	16		<u>2,520,238</u>		<u>2,514,249</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

Director

The notes on pages 11 to 25 form part of these financial statements.

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CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	2007 £
Net cash flow from operating activities	19	149,836	(45,355)
Returns on investments and servicing of finance	20	2,537	4,281
Taxation		-	3,682
Capital expenditure and financial investment	20	(25,180)	(24,370)
Increase/(Decrease) in cash in the year		<u>127,193</u>	<u>(61,762)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £	2007 £
Increase/(Decrease) in cash in the year	<u>127,193</u>	<u>(61,762)</u>
Movement in net debt in the year	127,193	(61,762)
Net funds at 1 January 2008	<u>159,329</u>	<u>221,091</u>
Net funds at 31 December 2008	<u>286,522</u>	<u>159,329</u>

The notes on pages 11 to 25 form part of these financial statements.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The financial statements consolidate the accounts of SysMedia Group plc and all of its subsidiary undertakings ('subsidiaries').

1.3 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the consolidated profit and loss account over its estimated economic life.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	-	10%	straight line
Fixtures & fittings	-	12.5%	straight line
Computer equipment	-	20-33%	straight line
Demonstration equipment	-	33%	straight line

1.5 Investments

Investments in subsidiaries are valued at cost less provision for impairment.

1.6 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.7 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies (continued)

1.8 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

SysMedia derives revenue by delivering solutions that enable “text on TV”. These are used to create and deliver text-based services to accompany television broadcasts and include teletext services, interactive digital TV applications with voting, quizzes and “press the red button” experiences, and subtitling for language access and for hearing impaired viewers. Revenue is also generated from the sale of test equipment that is used by manufacturers during the design and production of television sets and teletext decoders. The accounting policies applied to these revenue streams are as follows:

Development, integration and installation contracts

Contracts are undertaken for customers on the basis of time and materials or according to fixed price terms, or a combination of the two. Revenue from contracts negotiated on a time and materials basis is recognised as costs are incurred. For fixed price contracts revenue and profit are recognised according to the proportion of the contract value completed. All losses are recognised as soon as incurred or reasonably foreseen. Total contract revenue and profitability to date are reviewed periodically and the cumulative effects of changes are recognised in the period in which they are identified. Where there is uncertainty as to the scope of work or fee payable, revenue is deferred until any such uncertainties are resolved.

Test equipment

The revenues derived from these sales are recognised upon delivery of the cards in accordance with the customer’s order. Warranties are given on this equipment and volumes are sufficiently low that it is considered appropriate to charge any repair costs on an as-incurred basis.

Licence fees

Licence fee income is recognised when the software is delivered to the customer.

Support and maintenance

Support and maintenance income forms a substantial part of annual turnover and represents around 30% of total turnover. This income is initially deferred and then recognised over the term of the contract most of which are either arranged on a quarterly or annual basis. This forms a predictable and consistent revenue stream throughout the year.

1.9 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

1. Accounting policies (continued)

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the consolidated profit and loss account.

1.12 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.13 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

1.14 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

1.15 Share Based Incentives

In accordance with FRS 20 the fair value of equity-settled share-based payments to employees is determined at the date of grant and is expensed on a straight line basis over the vesting period based on the group's estimate of options that will eventually vest. The fair value of options granted is measured by a binomial pricing model.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

2. Turnover

The whole of the turnover is attributable to the principal business activity.

A geographical analysis of turnover is as follows:

	2008	2007
	£	£
United Kingdom	497,933	344,956
Rest of European Union	1,088,041	1,219,327
Rest of world	195,994	238,959
	<u>1,781,968</u>	<u>1,803,242</u>

The directors have not provided a split of profit per geographical market as they believe this would be prejudicial to the group's interests.

3. Interest receivable

	2008	2007
	£	£
Other interest receivable	<u>2,537</u>	<u>4,282</u>

4. Operating profit/(loss)

The operating profit/(loss) is stated after charging/(crediting):

	2008	2007
	£	£
Amortisation - intangible fixed assets	25,086	43,464
Depreciation of tangible fixed assets:		
- owned by the group	43,159	49,564
Auditors' remuneration	13,650	13,000
Auditors' remuneration - non-audit	3,611	3,550
Operating lease rentals:		
- plant and machinery	9,323	16,406
- other operating leases	46,919	59,053
Difference on foreign exchange	(93,953)	(15,772)
Research and development	<u>379,302</u>	<u>440,580</u>

Auditors' fees for the company were £13,650 (2007 - £13,000)

The current year's result includes an estimated £31,570 in respect of unrealised exchange gains relating to open invoices and deferred income at the year end. Some of this gain will reverse in 2009.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	<u>Group</u>		<u>Company</u>	
	2008	2007	2008	2007
	£	£	£	£
Wages and salaries	833,616	1,017,048	26,240	23,364
Social security costs	87,111	105,980	-	-
Other pension costs	60,325	72,326	-	-
	<u>981,052</u>	<u>1,195,354</u>	<u>26,240</u>	<u>23,364</u>

The average monthly number of employees, including the directors, during the year was as follows:

	<u>Group</u>	
	2008	2007
	No.	No.
Administration	3	4
Sales	3	5
Technical	13	15
	<u>19</u>	<u>24</u>

6. Directors' remuneration

	2008	2007
	£	£
Emoluments	<u>102,664</u>	<u>118,568</u>
Company pension contributions to money purchase pension schemes	<u>7,958</u>	<u>9,859</u>

During the year retirement benefits were accruing to 1 director (2007 - 2) in respect of money purchase pension schemes.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

7. Share based payments

The group's equity-settled share-based payments comprise share options awarded after 7 November 2002. Details of share options subject to equity-settled share-based payments are set out in note 15. The options are valued using a binomial pricing model according to the table below

Share Option Award	14 August 2008	14 April 2004	14 October 2003	Total
Share price at grant date	N/A	7p	7.75p	
Exercise price	2p	7p	7.75p	
Options life in years	10	10	10	
Risk free rate	4.14%	4.96%	4.88%	
Expected volatility	15.28%	15.28%	10.5%	
Value per option	3.5p	2.94p	3.06p	
Balance b/f	-	£1,223	£2,193	£3,416
Charge in year	£1,313	£873	£1,691	£3,877
Balance c/f	£1,313	£2,096	£3,884	£7,293

Due to the low number of employees in each pool of options it has been assumed that no employees will leave prior to vesting, and that options will be exercised at the final vesting date.

Further details of the share options awarded after 7 November 2002 are as follows

	Number of options	Weighted average exercise price
Outstanding at 1 January 2008	789,174	11.07p
Granted during the year	1,000,000	2p
Cancelled during the year	(188,941)	6.34p
Outstanding at 31 December 2008	1,600,233	6.65p

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

8. Taxation

	2008 £	2007 £
UK corporation tax charge on profit/loss for the year	2,093	169

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2007 - higher than) the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2008 £	2007 £
Profit/loss on ordinary activities before tax	78,956	(294,596)
Profit/loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2007 - 30%)	22,108	(88,379)
Effects of:		
Expenses not deductible for tax purposes	2,755	3,102
Capital allowances for year in excess of depreciation	7,212	3,038
Losses brought forward used in the year	(28,103)	-
Unrelieved tax losses arising in the period	-	65,844
Impairment of leasehold property	-	3,300
Adjustments to tax charge in respect of prior periods	-	169
Amortisation of goodwill	-	13,039
Other tax adjustments	(1,147)	56
Difference in tax rate/small companies rate	(732)	-
Current tax charge for the year (see note above)	2,093	169

Factors that may affect future tax charges

The subsidiary, Sysmedia Limited, has approximately £916,000 (2007: £1,007,000) of trading losses carried forward as at 31 December 2008. A potential deferred tax asset of £192,000 has not been recognised in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

9. Intangible fixed assets

Group	Goodwill
Cost	£
At 1 January 2008 and 31 December 2008	434,739
Amortisation	
At 1 January 2008	409,653
Charge for the year	25,086
At 31 December 2008	434,739
Net book value	
At 31 December 2008	-
At 31 December 2007	25,086

10. Tangible fixed assets

Group	Land and buildings	Furniture, fittings and equipment	Other fixed assets	Total
Cost	£	£	£	£
At 1 January 2008	29,498	523,240	64,723	617,461
Additions	-	18,803	6,377	25,180
At 31 December 2008	29,498	542,043	71,100	642,641
Depreciation				
At 1 January 2008	28,700	456,719	59,470	544,889
Charge for the year	798	38,745	3,628	43,171
At 31 December 2008	29,498	495,464	63,098	588,060
Net book value				
At 31 December 2008	-	46,579	8,002	54,581
At 31 December 2007	798	66,521	5,253	72,572

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

11. Fixed asset investments

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2008 and 31 December 2008	3,909,732
Impairment	
At 1 January 2008 and 31 December 2008	2,799,732
Net book value	
At 31 December 2008	1,110,000
At 31 December 2007	1,110,000

Company name	Country	Percentage Shareholding	Description
SysMedia Limited	England	100	Software development and distribution

12. Stocks

	Group	
	2008	2007
	£	£
Finished goods and goods for resale	58,840	84,064

13. Debtors

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	243,843	228,127	-	2
Amounts owed by group undertakings	-	-	1,420,998	1,415,928
Other debtors	893	10,591	793	669
Prepayments and accrued income	70,815	115,463	-	-
	<u>315,551</u>	<u>354,181</u>	<u>1,421,791</u>	<u>1,416,599</u>

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

14. Provisions

Group	Provisions £
At 1 January 2008	-
Additions	19,300
	<hr/>
At 31 December 2008	19,300
	<hr/> <hr/>

Provision for repairing lease

A provision has been made as there is an obligation under the lease of one of the company's leased premises to replace any fixtures and fittings that are beyond repair at any time during at or at the end of the lease term.

The Company has no other provisions

15. Creditors: Amounts falling due within one year

	Group		Company	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	37,657	139,506	10,418	6,638
Corporation tax	2,093	-	1,568	-
Social security and other taxes	31,959	23,913	-	-
Other creditors	-	51,261	-	-
Accruals and deferred income	245,756	182,563	20,300	18,296
	<hr/>	<hr/>	<hr/>	<hr/>
	317,465	397,243	32,286	24,934
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

16. Reconciliation of movement in shareholders' funds

	2008	2007
	£	£
Group		
Opening shareholders' funds	297,989	588,462
Profit/(loss) for the year	76,863	(294,765)
FRS20 calculation for share based payments	3,877	4,292
	<u>378,729</u>	<u>297,989</u>
	<u><u>378,729</u></u>	<u><u>297,989</u></u>
	2008	2007
	£	£
Company		
Opening shareholders' funds	2,514,249	2,468,606
Profit/(loss) for the year	2,112	41,351
Transfer from reserve	3,877	4,292
	<u>2,520,238</u>	<u>2,514,249</u>
	<u><u>2,520,238</u></u>	<u><u>2,514,249</u></u>

The company has taken advantage of the exemption contained within section 230 of the Companies Act 1985 not to present its own profit and loss account.

The profit for the year dealt with in the accounts of the company was £2,112 (2007 - £41,351).

17. Share capital

	2008	2007
	£	£
Authorised		
63,425,108 (2007 - 63,425,108) Ordinary shares of 5p each	3,171,255	3,171,255
8,787,443 (2007 - 8,787,443) Deferred shares of 10p each	878,744	878,744
	<u>4,049,999</u>	<u>4,049,999</u>
	<u><u>4,049,999</u></u>	<u><u>4,049,999</u></u>
Allotted, called up and fully paid		
30,679,792 (2007 - 30,679,792) Ordinary shares of 5p each	1,533,990	1,533,990
8,787,443 (2007 - 8,787,443) Deferred shares of 10p each	878,744	878,744
	<u>2,412,734</u>	<u>2,412,734</u>
	<u><u>2,412,734</u></u>	<u><u>2,412,734</u></u>

The 10p deferred ordinary shares have no voting rights, or right to receive dividends or any other distribution. On a return of assets or a winding up the deferred shares will be repaid only after the repayment of the capital on the ordinary 5p shares plus the sum of £1,000,000 per ordinary share.

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

17. Share capital (continued)

Share options

Directors	D T Lowen	75,000 shares at an exercise price of 2p exercisable by 10th anniversary of the original date of grant being 14 August 2008.
	A D Lambourne	75,000 shares at an exercise price of 2p exercisable by 10th anniversary of the original date of grant being 14 August 2008.
Employees		490,2334 shares at an exercise price of 12.88p exercisable by 10th anniversary of the original date of grant being 5 February 2002. 16,941 share options were cancelled in the year.
		90,000 shares at an exercise price of 7.75p exercisable by 10th anniversary of the original date of grant being 14 October 2003. 80,000 share options were cancelled in the year.
		77,000 shares at an exercise price of 7p exercisable by 10th anniversary of the original date of grant being 14 April 2004. 35,000 share options were cancelled in the year.
		803,000 shares at an exercise price of 2p exercisable by 10th anniversary of the original date of grant being 14 August 2008. 57,000 shares were cancelled in the year.

18. Reserves

Group	Share premium account £	Profit and loss account £
At 1 January 2008	2,766,220	(4,880,965)
Profit for the year	-	76,863
Other movements - FRS20 charge released	-	3,877
At 31 December 2008	<u>2,766,220</u>	<u>(4,800,225)</u>

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

18. Reserves (continued)

Company	Share premium account £	Profit and loss account £
At 1 January 2008	2,766,220	(2,664,705)
Profit for the year	-	2,112
Other movements - FRS20 charge released	-	3,877
	<u>2,766,220</u>	<u>(2,658,716)</u>
At 31 December 2008	<u>2,766,220</u>	<u>(2,658,716)</u>

19. Net cash flow from operations

	2008 £	2007 £
Operating profit/(loss)	76,419	(298,878)
Provisions/exceptional items	19,300	11,000
Amortisation of intangible fixed assets	25,086	43,464
Depreciation of tangible fixed assets	43,171	49,564
Decrease/(increase) in stocks	25,224	(4,990)
Decrease in debtors	38,627	51,296
(Decrease)/increase in creditors	(81,868)	98,897
Share based payment	3,877	4,292
	<u>149,836</u>	<u>(45,355)</u>
Net cash inflow/(outflow) from operations	<u>149,836</u>	<u>(45,355)</u>

20. Analysis of cash flows for headings netted in cash flow statement

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	2,537	4,281
	<u>2,537</u>	<u>4,281</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(25,180)	(24,370)
	<u>(25,180)</u>	<u>(24,370)</u>

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

21. Analysis of changes in net debt

	1 January 2008	Cash flow	Other non-cash changes	31 December 2008
	£	£	£	£
Cash at bank and in hand:	159,329	127,193	-	286,522
Net funds	159,329	127,193	-	286,522

22. Related party transactions

The group rented premises for £24,000 (2007: £24,000) from Synapsys Investment Company Limited. A D Lambourne is a director and majority shareholder of Synapsys Investment Company Limited. At the year end Synapsys Investment Company Limited was owed £6,000 and A D Lambourne was owed £770 in respect of expenses. Both amounts are included within trade creditors (note 15).

At the previous year end, A D Lambourne was owed £36,278 and D T Lowen was owed £10,000. The amounts for the previous year are included within other creditors (note 15).

23. Operating lease commitments

At 31 December 2008 the group had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings		2008	Other 2007
	2008	2007		
Expiry date:	£	£	£	£
Within 1 year	24,000	24,000	-	-
Between 2 and 5 years	17,280	22,280	9,174	8,143

SYSMEDIA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

24. Financial Instruments

Except for disclosure of currency exposure short term debtors and creditors have been excluded from this disclosure.

	2008 £	2007 £
Currency exposures	-	-
Short term debtors based in Euro currency	125,855	58,124
Total	<u>125,855</u>	<u>58,124</u>

As explained in the directors' report the currency risk is managed through the use of a euro currency bank account. Foreign exchange differences arising on retranslation of these assets are taken to the profit and loss account of the group.

The fair value of financial assets and liabilities at the 31 December 2008 are as follows:

	Book value £	Fair value £
Cash at bank and in hand	<u>286,522</u>	<u>286,522</u>

25. Pension arrangements

The group operates a defined contribution scheme for which the pension cost charge for the year amounted to £60,325 (2007: £72,326).