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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**FORM 8-K/A  
Amendment No. 1**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): October 23, 2008**

**MANDALAY MEDIA, INC.  
(Exact name of registrant as specified in its charter)**

**Delaware  
(State or other jurisdiction  
of incorporation)**

**00-10039  
(Commission File Number)**

**22-2267658  
(IRS Employer  
Identification No.)**

**2121 Avenue of the Stars, Suite 2550  
Los Angeles, CA 90067  
(Address of principal executive offices and zip code)**

**Registrant's telephone number, including area code: (310) 601-2500**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Explanatory Note

This amendment to that certain Current Report on Form 8-K filed with the Securities and Exchange Commission on October 27, 2008 (the "Form 8-K") by Mandalay Media, Inc. (the "Company"), hereby amends and restates Item 9.01 of the Form 8-K in its entirety, in order to file the financial statements in connection with the Company's acquisition of AMV Holding Limited, as required by Regulation S-X. No other information set forth in the Form 8-K is amended hereby.

**ITEM 9.01 FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.**

(a) Financial Statements of Business Acquired

The audited financial statements of AMV Holding Limited for the year ended December 31, 2007 are filed as Exhibit 99.1 hereto and are incorporated herein by reference. The audited financial statements of AMV Holding Limited for the period ended September 30, 2008 are filed as Exhibit 99.2 hereto and are incorporated herein by reference.

(b) Pro Forma Financial Information

The pro forma financial information, as required by Regulation S-X, is filed as Exhibit 99.3 hereto and is incorporated herein by reference.

(d) Exhibits

Exhibit	Description
99.1	Financial Statements for AMV Holding Limited for the year ended December 31, 2007.
99.2	Financial Statements for AMV Holding Limited for the period ended September 30, 2008.
99.3	Pro Forma Financial Information.

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**MANDALAY MEDIA, INC.**

Dated : January 6, 2009

By: /s/ James Lefkowitz

James Lefkowitz  
President



# **financial statements**

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## **AMV Holding Ltd**

For the year ended 31 December 2007

Company registration number: 05811953

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# AMV Holding Ltd

## Financial Statements

Year ended 31 December 2007

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# AMV Holding Ltd

## Officers and Professional Advisers

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### **The Board of Directors**

J W Cresswell  
N D MacLeitch

### **Company Secretary**

N D MacLeitch

### **Registered Office**

65 High Street  
Marlow  
Buckinghamshire  
SL7 1AB

### **Auditor**

MacIntyre Hudson LLP  
Chartered Accountants  
& Registered Auditors  
31 Castle Street  
High Wycombe  
Buckinghamshire  
HP13 6RU

# **AMV Holding Ltd**

## **The Directors' Report**

**Year ended 31 December 2007**

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The directors have pleasure in presenting their report and the financial statements of the group for the year ended 31 December 2007.

### **Principal activities and business review**

The principal activity of the company during the year was to act as a holding company for the four subsidiary companies, namely American Mobile Ventures Limited, Blue Stream Mobile Limited, Antiphony Limited and Cell Media International Limited. The group companies' activities include provisioning and marketing of content services to mobile phones in both the UK and overseas markets and providing services to the mobile phone sector.

The group's trading subsidiaries, American Mobile Ventures Limited, Blue Stream Mobile Limited and Antiphony Limited had been acquired in 2006 and the financial year ended 31 December 2007 was the first full year's trading of the group.

The group has seen significant growth in turnover and profit before tax and the directors anticipate continued expansion in 2008. Since 31 December 2007, Antiphony has acquired the Connection Makers business from Eckoh plc which has further extended the activities of the group.

### **Results and dividends**

The profit for the year, after taxation, amounted to £1,426,204. Particulars of dividends paid are detailed in note 10 to the financial statements.

### **Directors**

The directors who served the company during the year were as follows:

J W Cresswell  
N D MacLeitch



## AMV Holding Ltd

### The Directors' Report (*continued*)

Year ended 31 December 2007

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### Group accounts

These consolidated financial statements have been prepared for the directors and shareholders of AMV Holding Ltd. AMV Holding Ltd is not required to prepare and file group accounts at Companies House and has not done so. These group accounts do not represent statutory accounts.

#### Auditor

A resolution to re-appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
65 High Street  
Marlow  
Buckinghamshire  
SL7 1AB

Signed by order of the directors

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N D MacLeitch  
Company Secretary

Approved by the directors on 14 November 2008

# **AMV Holding Ltd**

## **Independent Auditor's Report to the Shareholders of AMV Holding Ltd**

**Year ended 31 December 2007 and the 4 months ended 31 December 2006**

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We have audited the group and parent company financial statements ("the financial statements") of AMV Holding Ltd for the year ended 31 December 2007 and the 4 months ended 31 December 2006 which comprise the Group Profit and Loss Account, Group Balance Sheet and Company Balance Sheet, Group Cash Flow, Accounting Policies and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

### **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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

## AMV Holding Ltd

### Independent Auditor's Report to the Shareholders of AMV Holding Ltd (*continued*)

Year ended 31 December 2007 and the 4 months ended 31 December 2006

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#### 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 2007 and of the group's profit for the year then ended, and of the state of the group's and parent company's affairs as at 31 December 2006 and of the group's profit for the 4 months 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.

#### Restatement of financial statements under US Generally Accepted Accounting Practice

Set out as note 29 to the financial statements are the consolidated financial statements restated under US Generally Accepted Accounting Practice. In our opinion, these restated financial statements give a true and fair view, in accordance with US Generally Accepted Accounting Practice, of the state of the group's affairs for the 12 months ended 31 December 2007 and the 4 months ended 31 December 2006.

31 Castle Street  
High Wycombe  
Buckinghamshire  
HP13 6RU

MACINTYRE HUDSON LLP  
Chartered Accountants  
& Registered Auditors

14 November 2008

# AMV Holding Ltd

## Group Profit and Loss Account

Year ended 31 December 2007

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	Note	2007 12 Months £	2006 4 Months £
<b>Group turnover</b>	<b>1</b>	<b>14,918,407</b>	1,427,355
Cost of sales		<u>(5,636,073)</u>	<u>(539,582)</u>
<b>Gross profit</b>		<b>9,282,334</b>	887,773
Distribution costs		(3,587,321)	(111,553)
Administrative expenses		(3,637,936)	(300,418)
Other operating income	2	<u>11,541</u>	<u>-</u>
<b>Operating profit</b>	<b>3</b>	<b>2,068,618</b>	475,802
Interest receivable and similar income		31,050	4,556
Amounts written off investments	6	(2,161)	(11,131)
Interest payable and similar charges	7	(8,984)	(172)
<b>Profit on ordinary activities before taxation</b>		<b>2,088,523</b>	469,055
Tax on profit on ordinary activities	8	<u>(662,319)</u>	<u>(144,831)</u>
<b>Profit on ordinary activities after taxation, being profit for the financial year</b>	<b>25</b>	<b>£ 1,426,204</b>	<b>£ 324,224</b>

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All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

**The accounting policies and notes on pages 12 to 26 form part of these financial statements.**

# AMV Holding Ltd

## Group Balance Sheet

31 December 2007

	Note	2007 £	2006 £
<b>Fixed assets</b>			
Intangible assets	11	1,090,721	1,148,392
Tangible assets	12	180,354	73,748
		<u>1,271,075</u>	<u>1,222,140</u>
<b>Current assets</b>			
Debtors	14	3,792,236	1,411,364
Investments	15	10,659	158,359
Cash at bank and in hand		1,354,967	377,258
		<u>5,157,862</u>	<u>1,946,981</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>5,107,707</u>	<u>3,022,840</u>
<b>Net current assets/(liabilities)</b>		<b>50,155</b>	<b>(1,075,859)</b>
<b>Total assets less current liabilities</b>		<b>1,321,230</b>	<b>146,281</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>9,440</b>	<b>-</b>
		<u>1,311,790</u>	<u>146,281</u>
<b>Provisions for liabilities</b>			
Deferred taxation	19	11,350	5,190
		<u>£ 1,300,440</u>	<u>£ 141,091</u>
<b>Capital and reserves</b>			
Called-up equity share capital	23	111	104
Share premium account	25	14,881	4,960
Other reserves	25	661,803	661,803
Profit and loss account	25	623,645	(525,776)
<b>Shareholders' funds</b>	26	<u>£ 1,300,440</u>	<u>£ 141,091</u>

These financial statements were approved by the directors and authorised for issue on 14 November 2008, and are signed on their behalf by:

J W Cresswell

The accounting policies and notes on pages 12 to 26 form part of these financial statements.

# AMV Holding Ltd

## Company Balance Sheet

31 December 2007

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	Note	£	2007 £	2006 £
<b>Fixed assets</b>				
Investments	13		1,706,721	<u>1,706,720</u>
<b>Current assets</b>				
Debtors	14		9,927	-
Creditors: amounts falling due within one year	16	1,200,001		<u>1,200,001</u>
Net current liabilities			(1,190,074)	(1,200,001)
Total assets less current liabilities			<u>£ 516,647</u>	<u>£ 506,719</u>
<b>Capital and reserves</b>				
Called-up equity share capital	23		111	104
Share premium account	25		14,881	4,960
Profit and loss account	25		<u>501,655</u>	<u>501,655</u>
Shareholders' funds			<u>£ 516,647</u>	<u>£ 506,719</u>

These financial statements were approved by the directors and authorised for issue on 14 November 2008, and are signed on their behalf by:

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J W Cresswell

The accounting policies and notes on pages 12 to 26 form part of these financial statements.

# AMV Holding Ltd

## Group Cash Flow

Year ended 31 December 2007

	2007 12 Months	2006 4 Months
	£	£
<b>Net cash inflow from operating activities</b>	<b>2,093,810</b>	1,395,709
<b>Returns on investments and servicing of finance</b>		
Interest received	17,664	4,556
Interest paid	(7,707)	(172)
Interest element of hire purchase	(1,277)	-
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>8,680</b>	4,384
<b>Taxation</b>	<b>(477,698)</b>	-
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(136,640)	(8,491)
Receipts from sale of fixed assets	13,568	-
Payment to acquire other current asset investments	-	(150,000)
Realisation of current asset investments	158,925	-
<b>Net cash inflow/(outflow) for capital expenditure and financial investment</b>	<b>35,853</b>	(158,491)
<b>Acquisitions and disposals</b>		
Acquisition of Antiphony Limited (net of dividend received)	-	(1,204,964)
Net cash acquired with Antiphony Limited	-	58,387
Acquisition of subsidiaries	-	-
Net cash acquired with subsidiaries	-	477,269
<b>Net cash inflow/(outflow) for acquisitions and disposals</b>	<b>-</b>	(669,308)
<b>Equity dividends paid</b>	<b>(276,783)</b>	(850,000)
<b>Cash inflow/(outflow) before financing</b>	<b>1,383,862</b>	(277,706)
<b>Financing</b>		
Issue of equity share capital	7	4
Share premium on issue of equity share capital	9,921	4,960
Net (outflow)/inflow from other short-term creditors	(446,190)	650,000
Capital element of hire purchase	(3,017)	-
<b>Net cash (outflow)/inflow from financing</b>	<b>(439,279)</b>	654,964
<b>Increase in cash</b>	<b>£ 944,853</b>	£ 377,258

The accounting policies and notes on pages 12 to 26 form part of these financial statements.

# AMV Holding Ltd

## Group Cash Flow (continued)

Year ended 31 December 2007

### Reconciliation of operating profit to net cash inflow from operating activities

	2007 12 Months £	2006 4 Months £
Operating profit	2,068,618	475,802
Amortisation	57,671	5,021
Depreciation	31,944	3,471
Increase in debtors	(2,380,872)	(154,155)
Increase in creditors	2,316,449	1,065,570
Net cash inflow from operating activities	<u>£ 2,093,810</u>	<u>£ 1,395,709</u>

### Reconciliation of net cash flow to movement in net funds

	2007 £	2006 £
Increase in cash in the period	944,853	377,258
Net outflow/(inflow) from other short-term creditors	446,190	(650,000)
Cash outflow in respect of hire purchase	(12,731)	-
Change in net funds	1,378,312	(272,742)
Net funds at 1 January 2007	(272,742)	-
Net funds at 31 December 2007	<u>£ 1,105,570</u>	<u>£ (272,742)</u>

### Analysis of changes in net funds

	At 1 Jan 2007 £	Cash flow £	Other non- cash changes £	At 31 Dec 2007 £
Net cash:				
Cash in hand and at bank		377,258	977,709	1,354,967
Overdrafts		-	(32,856)	(32,856)
		377,258	944,853	1,322,111
Debt:				
Debt due within 1 year		(650,000)	446,190	(203,810)
Hire purchase agreements		-	3,017	(12,731)
Net funds		<u>£ (272,742)</u>	<u>£ 1,394,060</u>	<u>£ (15,748)</u>
			<u>£ (15,748)</u>	<u>£ 1,105,570</u>

The accounting policies and notes on pages 12 to 26 form part of these financial statements.



# AMV Holding Ltd

## Group Cash Flow (continued)

Year ended 31 December 2007

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### Purchase of subsidiary undertakings

2006  
£

#### 1. American Mobile Ventures Limited and Blue Stream Mobile Limited

Net cash acquired with subsidiary undertakings, 31 August 2006	477,269
Other net assets	184,635
<b>Total net assets on acquisition</b>	<b>661,904</b>
Negative goodwill, taken to reserves	(661,803)
Settled by issue of shares	<u>£ 101</u>

AMV Holding Ltd acquired American Mobile Ventures Limited and Blue Stream Mobile Limited on 31 August 2006 through issuing its own shares as consideration for shares held in the subsidiaries. There were net assets as at 31 August 2006 amounting to £661,904. Through the issue of the shares at par, negative goodwill was recognised. This has been credited to consolidated reserves in AMV Holding Ltd. In the period 1 September 2006 to 31 December 2006, these subsidiaries contributed £356,658 to the group's operating profits and £1,205,476 to the group's net cash inflows from operating activities.

#### 2. Antiphony Limited

Net cash acquired with subsidiary undertaking, 30 November 2006	58,387
Other net liabilities	(6,836)
<b>Total net assets on acquisition</b>	<b>51,551</b>
Goodwill on acquisition	1,153,413
<b>Consideration</b>	<b><u>£ 1,204,964</u></b>
Settled by:	
Issue of shares, at a premium	4,964
Cash on completion	550,000
Deferred payment terms	650,000
	<u>£ 1,204,964</u>

AMV Holding Ltd acquired Antiphony Limited on 30 November 2006 for a price of £1,706,619. A dividend was paid up from Antiphony Limited on completion of £501,655. The net consideration satisfied by the group's resources amounted to £1,204,964 which was satisfied through issuing its own shares as part consideration for shares held in the subsidiaries, together with cash on completion and deferred consideration over a period of up to 2 years. There were net assets as at 30 November 2006 amounting to £51,551 after paying a dividend of £501,655. In the period 1 December 2006 to 31 December 2006, this subsidiary contributed £119,704 to the group's operating profits and £182,370 to the group's net cash inflows from operating activities

**The accounting policies and notes on pages 12 to 26 form part of these financial statements.**

# AMV Holding Ltd

## Accounting Policies

Year ended 31 December 2007

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### Basis of accounting

The financial statements have been prepared under the historical cost convention.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over a maximum of 20 years from the date of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

### Turnover

The turnover shown in the profit and loss account represents amounts invoiceable during the year, exclusive of Value Added Tax.

### Goodwill

Positive goodwill on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is released to the profit and loss account in the periods in which the non-monetary assets acquired are recovered. Any negative goodwill in excess of the fair values of non-monetary assets acquired is recognised in the profit and loss account in the periods expected to be benefited.

### Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Goodwill - Over 20 years

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Fixtures and fittings - 15% on written down value  
Motor vehicles - 25% on written down value  
Office equipment - 25% on written down value

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

## AMV Holding Ltd

### Accounting Policies (*continued*)

Year ended 31 December 2007

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#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at 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 the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### **Employee share schemes**

The company issues equity-settled and cash-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value 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, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

The impact is not considered to be material for adjustment in the financial statements.

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

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### 1. Turnover and profit before tax

The turnover and profit before tax are attributable to the principal activities of the group.

An analysis of turnover is given below:

	2007 12 Months £	2006 4 Months £
United Kingdom	12,996,965	1,321,630
Overseas	1,921,442	105,725
	<u>£ 14,918,407</u>	<u>£ 1,427,355</u>

### 2. Other operating income

	2007 12 Months £	2006 4 Months £
Other operating income	<u>11,541</u>	<u>-</u>

### 3. Operating profit

Operating profit is stated after charging/(crediting):

	2007 12 Months £	2006 4 Months £
Amortisation	57,671	5,021
Depreciation of owned fixed assets	26,819	3,471
Depreciation of assets held under hire purchase agreements	5,125	-
Auditor's remuneration		
- as auditor	10,800	1,692
Operating lease costs:		
- Other	50,313	-
Net loss/(profit) on foreign currency translation	<u>13,650</u>	<u>(470)</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

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### 4. Particulars of employees

The average number of staff employed by the group during the financial year amounted to:

	2007 No	2006 No
Number of administrative staff	<u>33</u>	<u>19</u>

The aggregate payroll costs of the above were:

	2007 12 Months £	2006 4 Months £
Wages and salaries	2,471,722	164,422
Social security costs	296,986	18,308
	<u>£ 2,768,708</u>	<u>£ 182,730</u>

### 5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	2007 12 Months £	2006 4 Months £
Emoluments receivable	<u>1,655,638</u>	<u>73,481</u>

### Emoluments of highest paid director:

	2007 12 Months £	2006 4 Months £
Total emoluments (excluding pension contributions)	<u>610,373</u>	<u>37,048</u>

### 6. Amounts written off investments

	2007 £	2006 £
Loss on investment valuation	<u>2,161</u>	<u>11,131</u>

7. Interest payable and similar charges

	2007 12 Months £	2006 4 Months £
Interest payable on bank borrowing	656	172
Finance charges	1,277	–
Other similar charges payable	7,051	–
	<u>£ 8,984</u>	<u>£ 172</u>

8. Taxation on ordinary activities

(a) Analysis of charge in the year

	2007 £	2006 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2006 - 30%)	656,159	143,531
Total current tax	656,159	143,531
Deferred tax:		
Origination and reversal of timing differences	6,160	1,300
Tax on profit on ordinary activities	<u>£ 662,319</u>	<u>£ 144,831</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2006 - 30%).

	2007 £	2006 £
Profit on ordinary activities before taxation	<u>2,088,523</u>	<u>469,055</u>
Profit on ordinary activities by rate of tax	626,557	140,717
Expenses not deductible for tax purposes	32,677	6,144
Capital allowances for period in excess of depreciation	(3,059)	(670)
Small companies relief	(16)	(2,660)
Total current tax (note 8(a))	<u>£ 656,159</u>	<u>£ 143,531</u>

9. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £276,783 (2006 - £1,351,655).

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

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### 10. Dividends

	2007 12 Months £	2006 4 Months £
Paid		
Equity dividends on ordinary shares	<u>276,783</u>	<u>850,000</u>

### 11. Intangible fixed assets

Group	Goodwill £
<b>Cost</b>	
At 1 January 2007 and 31 December 2007	<u>1,153,413</u>
<b>Amortisation</b>	
At 1 January 2007	5,021
Charge for the year	<u>57,671</u>
At 31 December 2007	<u>62,692</u>
<b>Net book value</b>	
At 31 December 2007	<u>£1,090,721</u>
At 31 December 2006	<u>£1,148,392</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

### 12. Tangible fixed assets

Group	Fixtures and fittings £	Motor vehicles £	Equipment £	Total £
<b>Cost</b>				
At 1 January 2007	34,127	19,004	33,507	86,638
Additions	21,664	20,500	109,954	152,118
Disposals	–	(19,004)	–	(19,004)
<b>At 31 December 2007</b>	<b>55,791</b>	<b>20,500</b>	<b>143,461</b>	<b>219,752</b>
<b>Depreciation</b>				
At 1 January 2007	3,070	5,436	4,384	12,890
Charge for the year	5,643	5,125	21,176	31,944
On disposals	–	(5,436)	–	(5,436)
<b>At 31 December 2007</b>	<b>8,713</b>	<b>5,125</b>	<b>25,560</b>	<b>39,398</b>
<b>Net book value</b>				
<b>At 31 December 2007</b>	<b>£ 47,078</b>	<b>£ 15,375</b>	<b>£ 117,901</b>	<b>£ 180,354</b>
At 31 December 2006	£ 31,057	£ 13,568	£ 29,123	£ 73,748

#### Hire purchase agreements

Included within the net book value of £180,354 is £15,375 (2006 - £Nil) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £5,125 (2006 - £Nil).

### 13. Investments

Company	Group companies £
<b>Cost</b>	
At 1 January 2007	1,706,720
Additions	1
<b>At 31 December 2007</b>	<b>1,706,721</b>
<b>Net book value</b>	
<b>At 31 December 2007</b>	<b>£ 1,706,721</b>
At 31 December 2006	£ 1,706,720



# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

### 13. Investments (continued)

Subsidiary undertakings	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
All held by the company:				
American Mobile Ventures Limited	England	Ordinary shares	100%	Provisioning and marketing of mobile phone content products
Blue Stream Mobile Limited	England	Ordinary shares	100%	Provisioning and marketing of mobile phone content products
Antiphony Limited	England	Ordinary shares	100%	Providing services to the mobile phone sector
Cell Media International Limited	England	Ordinary shares	100%	Provisioning and marketing of mobile phone content products

### 14. Debtors

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	1,220,480	649,641	-	-
Other debtors	97,011	18,435	9,927	-
Directors overdrawn current accounts	243,568	-	-	-
Prepayments and accrued income	2,231,177	743,288	-	-
	<b>£ 3,792,236</b>	<b>£ 1,411,364</b>	<b>£ 9,927</b>	<b>-</b>

### 15. Investments

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Other investments	<b>10,659</b>	<b>158,359</b>	<b>-</b>	<b>-</b>

#### Listed investments

Investments having a net book value of £10,659 (2006 - £12,820) are listed on a recognised stock exchange and had a market value of £10,659 at the end of the year (2006 - £12,820).

**16. Creditors: amounts falling due within one year**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Overdrafts	32,856	-	-	-
Hire purchase agreements	3,291	-	-	-
Trade creditors	1,594,507	386,291	-	-
Amounts owed to group undertakings	-	-	996,190	550,001
Directors' loan accounts	-	823,316	-	-
Other creditors	1,626,056	1,344,018	203,811	650,000
Accruals and deferred income	1,850,997	469,215	-	-
	<u>£ 5,107,707</u>	<u>£ 3,022,840</u>	<u>£ 1,200,001</u>	<u>£ 1,200,001</u>

**17. Creditors: amounts falling due after more than one year**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Hire purchase agreements	<u>9,440</u>	<u>-</u>	<u>-</u>	<u>-</u>

**18. Commitments under hire purchase agreements**

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Amounts payable within 1 year	3,291	-	-	-
Amounts payable between 2 to 5 years	9,440	-	-	-
	<u>£ 12,731</u>	<u>-</u>	<u>-</u>	<u>-</u>

**19. Deferred taxation**

The movement in the deferred taxation provision during the year was:

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Provision brought forward	5,190	-	-	-
Increase in provision	6,160	5,190	-	-
Provision carried forward	<u>£ 11,350</u>	<u>£ 5,190</u>	<u>-</u>	<u>-</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

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### 19. Deferred taxation (continued)

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2007		2006	
	Provided £	Unprovided £	Provided £	Unprovided £
Excess of taxation allowances over depreciation on fixed assets	<u>11,350</u>	<u>-</u>	<u>5,190</u>	<u>-</u>

### 20. Commitments under operating leases

At 31 December 2007 the group had annual commitments under non-cancellable operating leases as set out below.

Group	2007		2006	
	Land and buildings £	Other items £	Land and buildings £	Other items £
Operating leases which expire:				

Within 2 to 5 years	<u>22,480</u>	<u>13,768</u>	<u>39,480</u>	<u>-</u>
---------------------	---------------	---------------	---------------	----------

### 21. Transactions with the directors

At 31 December 2007 J W Cresswell, owed the group £113,260 (2006 owed by the group: £401,174). The maximum amount owed to the group during the year was £113,260 (2006: £23,826).

At 31 December 2007 N D MacLeitch, owed the group £130,308 (2006 owed by the group: £(422,141)). The maximum amount owed to the company during the year was £130,308 (2006: £18,748).

Interest charged on the above overdrawn loan accounts during the year to 31 December 2007 - - £Nil (2006: £Nil).

A motor vehicle was sold to N D MacLeitch during the year for £13,568.

### 22. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

**23. Share capital**

**Authorised share capital:**

	2007 £	2006 £
980,000 (2006: 1,000,000) Ordinary shares of £0.001 each	980	1,000
20,000 (2006: Nil) Ordinary A shares of £0.001 each	20	-
	<u>£ 1,000</u>	<u>£ 1,000</u>

The company reclassified its authorised share capital during the year to create an additional class of non-voting shares.

**Allotted, called up and fully paid:**

	2007		2006	
	No	£	No	£
Ordinary shares of £0.001 each	103,571	104	103,571	104
Ordinary A shares of £0.001 each	7,142	7	-	-
	<u>110,713</u>	<u>£ 111</u>	<u>103,571</u>	<u>£ 104</u>

The Ordinary A shares rank pari passu with the Ordinary shares except that the Ordinary A shares are not entitled to vote save where there is a resolution to alter the class rights of Ordinary A shareholders.

On 1 May 2007 7,142 Ordinary A shares were issued at £1.39 per share to two employees.

**24. Share option scheme**

The company has a share option scheme for employees. Options are exercisable on sale or floatation of the company at a price equal to the average market price of the company's shares on the date of grant. The vesting of options is also dependent on eligible executives meeting performance criteria. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the company before the options vest.

5,405 share options were granted to 16 employees on 26 March 2007 at an exercise price of £1.39 per share.

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

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### 25. Reserves

Group	Other reserves £	Share premium account £	Profit and loss account £
At 1 January 2007	661,803	4,960	(525,776)
Profit for the year	-	-	1,426,204
Equity dividends	-	-	(276,783)
Other movements:			
New equity share capital subscribed	-	9,921	-
	<u>£ 661,803</u>	<u>£ 14,881</u>	<u>£ 623,645</u>

Company	Share premium account £	Profit and loss account £
At 1 January 2007	4,960	501,655
Profit for the year	-	276,783
Equity dividends	-	(276,783)
Other movements:		
New equity share capital subscribed	9,921	-
At 31 December 2007	<u>£ 14,881</u>	<u>£ 501,655</u>

Negative goodwill of £661,803 arose from the re-organisation of the group on 31 August 2006. This re-organisation brought American Mobile Ventures Limited and Blue Stream Mobile Limited into a group parented by AMV Holding Ltd. There was no change in ownership or control of the companies. The fair value of the assets of American Mobile Ventures Limited and Blue Stream Mobile Limited at this time was £661,904, and the cost of investment was £101. As this was a group re-organisation and not a purchase of a subsidiary the investment was accounted for at £101, in the accounts of AMV Holding Ltd, not at fair value. This has led to negative goodwill of £661,803 on consolidation.

Financial Reporting Standard 10 requires that the negative goodwill of £661,803 should be shown as a deduction from assets and amortised over the life of the tangible assets acquired.

However, in the directors' opinion, departure from Financial Reporting Standard 10 was necessary in order for the financial statements to show a true and fair view. Accordingly, the negative goodwill of £661,803 was credited to Other Reserves in the year ended 31 December 2006.

The directors are of the opinion that the negative goodwill was not attributable to any non-monetary assets acquired and that the assets were not acquired at an artificially low price, the negative goodwill has simply arisen because the investment in AMV Holding Ltd has not been accounted for at fair value. They consider that it would be misleading to show negative goodwill as a deduction from assets and to show the recovery of non-monetary assets in the profit and loss account as required by Financial Reporting Standard 10.

The directors are of the opinion that full compliance with the requirements of Financial Reporting Standard 10 would not present a true and fair view as the underlying assets of the group at 31 August 2006 were £661,904 in contrast to £101 under the standard.

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

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### 26. Reconciliation of movements in shareholders' funds

Group	2007 £	2006 £
Profit for the financial year	1,426,204	324,224
New equity share capital subscribed	7	104
Premium on new share capital subscribed	9,921	4,960
Equity dividends	(276,783)	(850,000)
Negative goodwill written off	-	661,803
Net addition to shareholders' funds	1,159,349	141,091
Opening shareholders' funds	141,091	-
Closing shareholders' funds	<u>£ 1,300,440</u>	<u>£ 141,091</u>

J C Cresswell and N D MacLeitch each received 45% (2006: 50%) of the dividend.

### 27. Post balance sheet events

Subsequent to 31 December 2007, the subsidiary, Antiphony Limited, acquired the trade of Connection Makers, a division of Eckoh plc for £1.73 million.

In September 2008 an offer was made by Mandalay Media Inc, a company incorporated in the United States of America, to acquire all the issued shares of the company.

### 28. Ultimate controlling party

In the opinion of the directors there is no ultimate controlling party.

### 29. Restatement of financial information under US Generally Accepted Accounting Practice

The consolidated financial information has been restated for information purposes only under US Generally Accepted Accounting Practice as set out below. An adjustment has been made in respect of accounting for goodwill amortisation. The summarised consolidated financial information for the 12 months ended 31 December 2007 and the 4 months ended 31 December 2006 have been restated as follows:

	2007 12 months £	2006 4 months £
Profit on ordinary activities before tax as shown on the financial statements	2,088,523	469,055
Items increasing reported profits		
Amortisation of goodwill	57,671	5,021
Profit before tax according to accounting principles in the United States	<u>£ 2,146,194</u>	<u>£ 474,076</u>

29. Restatement of financial information under US generally accepted accounting practice (continued)

As restated	2007 12 months £	2006 4 months £
<b>1. Profit and Loss Account</b>		
<b>Group turnover</b>	<b>14,918,407</b>	1,427,355
Cost of sales	<u>(5,636,073)</u>	<u>(539,582)</u>
<b>Group profit</b>	<b>9,282,334</b>	887,773
Distribution costs	(3,587,321)	(111,553)
Administration expenses	(3,580,265)	(295,397)
Other operating income	<u>11,541</u>	<u>–</u>
<b>Operating profit</b>	<b>2,126,289</b>	480,823
Interest receivable	31,050	4,556
Amounts written off investments	(2,161)	(11,131)
Interest payable	<u>(8,984)</u>	<u>(172)</u>
<b>Profit on ordinary activities before tax</b>	<b>2,146,194</b>	474,076
Tax on profit on ordinary activities	<u>(662,319)</u>	<u>(144,831)</u>
<b>Profit on ordinary activities after tax</b>	<b>1,483,875</b>	329,245
Minority interests	<u>–</u>	<u>–</u>
Attributable to equity members	<u><b>£ 1,483,875</b></u>	<u><b>£ 329,245</b></u>

# AMV Holding Ltd

## Notes to the Financial Statements

Year ended 31 December 2007

### 29. Restatement of financial information under US generally accepted accounting practice(continued)

#### 2. Balance Sheet

	31 December 2007 £	31 December 2006 £
<b>Fixed assets</b>		
Intangible assets	1,153,413	1,153,413
Tangible assets	180,354	73,748
	<u>1,333,767</u>	<u>1,227,161</u>
<b>Current assets</b>		
Debtors	3,792,236	1,411,364
Investments	10,659	158,359
Cash at bank and in hand	1,354,967	377,258
	<u>5,157,862</u>	<u>1,946,981</u>
<b>Creditors: Amounts falling due within one year</b>	<u>(5,107,707)</u>	<u>(3,022,840)</u>
<b>Net current assets/(liabilities)</b>	<u>50,155</u>	<u>(1,075,859)</u>
<b>Total assets less current liabilities</b>	<u>1,383,922</u>	<u>151,302</u>
<b>Creditors: Amounts falling due after one year</b>	<u>(9,440)</u>	<u>-</u>
	<u>1,374,482</u>	<u>151,302</u>
<b>Provision for liabilities</b>		
Deferred taxation	(11,350)	(5,190)
<b>Monitory interests</b>	-	-
	<u>£ 1,363,132</u>	<u>£ 146,112</u>
<b>Capital and reserves</b>		
Called up equity share capital	111	104
Share premium account	14,881	4,960
Other reserves	661,803	661,803
Profit and loss account	686,337	(520,755)
	<u>£ 1,363,132</u>	<u>£ 146,112</u>
<b>3. Reconciliation of movement in shareholders funds</b>		
Opening shareholders funds	146,112	-
Profit for the year	1,483,875	329,245
New equity share capital subscribed	7	104
Dividend waived	-	-
Premium on new share capital subscribed	9,921	-
Equity dividends	(276,783)	(850,000)
Other reserve arising on Grouping	-	661,803
	<u>£ 1,363,132</u>	<u>£ 146,112</u>



# financial statements

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## **AMV Holding Ltd**

For the period ended 30 September 2008

Company registration number: 05811953

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# AMV Holding Ltd

## Financial Statements

Period from 1 January 2008 to 30 September 2008

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# AMV Holding Ltd

## Officers and Professional Advisers

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### **The Board of Directors**

J W Cresswell  
N D MacLeitch

### **Company Secretary**

N D MacLeitch

### **Registered Office**

65 High Street  
Marlow  
Buckinghamshire  
SL7 1AB

### **Auditor**

MacIntyre Hudson LLP  
Chartered Accountants  
& Registered Auditors  
31 Castle Street  
High Wycombe  
Buckinghamshire  
HP13 6RU

# **AMV Holding Ltd**

## **The Directors' Report**

**Period from 1 January 2008 to 30 September 2008**

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The directors have pleasure in presenting their report and the financial statements of the group for the period from 1 January 2008 to 30 September 2008.

### **Principal activities and business review**

The principal activity of the company during the period was to act as a holding company for the seven subsidiary companies, namely American Mobile Ventures Limited, Blue Stream Mobile Limited, Antiphony Limited, Cell Media International Limited, Skynet Interactive Limited, Fierce Media Limited and Advanced Media Limited. The group companies' activities include provisioning and marketing of content services to mobile phones in both the UK and overseas markets and providing services to the mobile phone sector.

The group's trading subsidiaries, American Mobile Ventures Limited, Blue Stream Mobile Limited and Antiphony Limited had been acquired in 2006 and the financial year ended 31 December 2007 was the first full year's trading of the group. Antiphony acquired the Connection Makers business from Eckoh plc in January 2008 which has further extended the activities of the group. £1.05 million of the consideration has been paid in the 9 months to 30 September 2008 with a further £700,000 payable in instalments over 14 months. This has been held by the company's own cash flow.

The group has seen a 27% annual growth in turnover from existing business and further turnover growth from the acquisition of Connection Makers business. The directors anticipate continued expansion in 2009.

### **Results and dividends**

The profit for the period, after taxation, amounted to £783,308. The directors have not recommended a dividend.

### **Directors**

The directors who served the company during the period were as follows:

J W Cresswell  
N D MacLeitch

### **Group accounts**

These consolidated financial statements have been prepared for the directors and shareholders of AMV Holding Ltd. AMV Holding Ltd is not required to prepare and file group accounts at Companies House and has not done so. These group accounts do not represent statutory accounts.

# AMV Holding Ltd

## The Directors' Report (continued)

Period from 1 January 2008 to 30 September 2008

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### 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 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 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 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 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.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### Donations

During the period the company made the following contributions:

	Period to 30 Sep 08 £	Year to 31 Dec 07 £
Charitable	<u>300</u>	<u>-</u>

## AMV Holding Ltd

### The Directors' Report *(continued)*

Period from 1 January 2008 to 30 September 2008

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#### **Auditor**

A resolution to re-appoint MacIntyre Hudson LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:  
65 High Street  
Marlow  
Buckinghamshire  
SL7 1AB

Signed by order of the directors

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N D MacLeitch  
Company Secretary

Approved by the directors on 8 December 2008

## **AMV Holding Ltd**

### **Independent Auditor's Report to the Shareholders of AMV Holding Ltd**

**Period from 1 January 2008 to 30 September 2008**

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We have audited the group and parent company financial statements ("the financial statements") of AMV Holding Ltd for the period from 1 January 2008 to 30 September 2008 which comprise the Group Profit and Loss Account, Group Balance Sheet, Company Balance Sheet, Group Cash Flow, Accounting Policies and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

#### **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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

## **AMV Holding Ltd**

### **Independent Auditor's Report to the Shareholders of AMV Holding Ltd (continued)**

**Period from 1 January 2008 to 30 September 2008**

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#### **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 30 September 2008 and of the group's profit 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 Directors' Report is consistent with the financial statements.

#### **Restatement of financial statements under US Generally Accepted Accounting Practice**

Set out as note 30 to the financial statements are the consolidated financial statements restated under US Generally Accepted Accounting Practice. In our opinion, these restated financial statements give a true and fair view, in accordance with US Generally Accepted Accounting Practice, of the state of the group's affairs for the 9 months ended 30 September 2008 and the 12 months ended 31 December 2007.

31 Castle Street  
High Wycombe  
Buckinghamshire  
HP13 6RU

MACINTYRE HUDSON LLP  
Chartered Accountants  
& Registered Auditors

8 December 2008



# AMV Holding Ltd

## Group Profit and Loss Account

Period from 1 January 2008 to 30 September 2008

	Note	Period from 1 Jan 08 to 30 Sep 08	Year to 31 Dec 07
		£	£
<b>Turnover</b>	1		
Continuing operations		14,182,635	14,918,407
Acquisitions		1,254,649	–
<b>Group Turnover</b>		<b>15,437,284</b>	<b>14,918,407</b>
Cost of sales	2	(5,047,472)	(5,636,073)
<b>Gross profit</b>		<b>10,389,812</b>	<b>9,282,334</b>
Net operating expenses	2	(9,376,644)	(7,213,716)
<b>Operating profit:</b>	4		
Continuing operations		1,043,366	2,068,618
Acquisitions		(30,198)	–
<b>Group operating profit</b>		<b>1,013,168</b>	<b>2,068,618</b>
Interest receivable and similar income		16,758	31,050
Amounts written off investments	7	(2,051)	(2,161)
Interest payable and similar charges	8	(13,492)	(8,984)
<b>Profit on ordinary activities before taxation</b>		<b>1,014,383</b>	<b>2,088,523</b>
Tax on profit on ordinary activities	9	231,075	662,319
<b>Profit on ordinary activities after taxation</b>		<b>783,308</b>	<b>1,426,204</b>
Minority interests		(52,181)	–
<b>Profit attributable to members of the parent company</b>	10	<b>835,489</b>	<b>1,426,204</b>
<b>Profit for the financial period</b>		<b>£ 835,489</b>	<b>£ 1,426,204</b>

All of the activities of the group are classed as continuing.

The group has no recognised gains or losses other than the results for the period as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

**The accounting policies and notes on pages 14 to 31 form part of these financial statements.**

# AMV Holding Ltd

## Group Balance Sheet

30 September 2008

	Note	30 Sep 08		31 Dec 07
		£	£	£
<b>Fixed assets</b>				
Intangible assets	12	2,782,569		1,090,721
Tangible assets	13	223,320		180,354
		<u>3,005,889</u>		<u>1,271,075</u>
<b>Current assets</b>				
Debtors	15	4,999,660		3,792,236
Investments	16	8,608		10,659
Cash at bank and in hand		1,661,695		1,354,967
		<u>6,669,963</u>		<u>5,157,862</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>7,448,110</u>		<u>5,107,707</u>
<b>Net current (liabilities)/assets</b>			(778,147)	50,155
<b>Total assets less current liabilities</b>		<u>2,227,742</u>		<u>1,321,230</u>
<b>Creditors: amounts falling due after more than one year</b>	18	<u>122,371</u>	<u>9,440</u>	
		<u>2,105,371</u>	<u>1,311,790</u>	
<b>Provisions for liabilities</b>				
Deferred taxation	20	10,350		11,350
		<u>2,095,021</u>	<u>1,300,440</u>	
<b>Minority interests</b>		<u>52,161</u>		-
		<u>£ 2,147,182</u>	<u>£ 1,300,440</u>	
<b>Capital and reserves</b>				
Called-up equity share capital	24	111		111
Share premium account	26	22,170		14,881
Other reserves	26	661,803		661,803
Profit and loss account	26	1,463,098		623,645
<b>Shareholders' funds</b>	27	<u>£ 2,147,182</u>	<u>£ 1,300,440</u>	

These financial statements were approved by the directors and authorised for issue on 8 December 2008, and are signed on their behalf by:

\_\_\_\_\_  
J W Cresswell

The accounting policies and notes on pages 14 to 31 form part of these financial statements.

# AMV Holding Ltd

## Company Balance Sheet

30 September 2008

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	Note	30 Sep 08	31 Dec 07
		£	£
<b>Fixed assets</b>			
Investments	14	111	1,726,802
			<u>1,706,721</u>
<b>Current assets</b>			
Debtors	15	6,160	9,927
Creditors: amounts falling due within one year	17	<u>1,205,062</u>	<u>1,200,001</u>
Net current liabilities		(1,198,902)	(1,190,074)
<b>Total assets less current liabilities</b>		<u>£ 527,900</u>	<u>£ 516,647</u>
<b>Capital and reserves</b>			
Called-up equity share capital	24	111	111
Share premium account	26	22,170	14,881
Profit and loss account	26	505,619	501,655
<b>Shareholders' funds</b>		<u>£ 527,900</u>	<u>£ 516,647</u>

These financial statements were approved by the directors and authorised for issue on 8 December 2008, and are signed on their behalf by:

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J W Cresswell

The accounting policies and notes on pages 14 to 31 form part of these financial statements.

# AMV Holding Ltd

## Group Cash Flow

Period from 1 January 2008 to 30 September 2008

	Period from 1 Jan 08 to 30 Sep 08		Year to 31 Dec 07
	£	£	£
<b>Net cash inflow from operating activities</b>	<b>784,787</b>	<b>2,093,810</b>	
<b>Returns on investments and servicing of finance</b>			
Interest received	16,758	17,664	
Interest paid	(12,638)	(7,707)	
Interest element of hire purchase	(854)	(1,277)	
<b>Net cash inflow from returns on investments and servicing of finance</b>	<b>3,266</b>	<b>8,680</b>	
<b>Taxation</b>	<b>5,490</b>	<b>(477,698)</b>	
<b>Capital expenditure and financial investment</b>			
Payments to acquire intangible fixed assets	(1,121,000)	-	
Payments to acquire tangible fixed assets	(80,527)	(136,640)	
Receipts from sale of fixed assets	-	13,568	
Realisation of current asset investments	-	158,925	
<b>Net cash (outflow)/inflow for capital expenditure and financial investment</b>	<b>(1,201,527)</b>	<b>35,853</b>	
<b>Acquisitions and disposals</b>			
Additional consideration for Antiphony Limited	(20,000)	-	
Acquisitions of new subsidiaries	(80,081)	-	
<b>Net cash (outflow)/inflow for acquisitions and disposals</b>	<b>(100,081)</b>	<b>-</b>	
<b>Equity dividends paid</b>	<b>-</b>	<b>(276,783)</b>	
<b>Cash (outflow)/inflow before financing</b>	<b>(508,065)</b>	<b>1,383,862</b>	
<b>Financing</b>			
Issue of equity share capital	-	7	
Share premium on issue of equity share capital	7,289	9,921	
Net outflow from other short-term creditors	(203,810)	(446,190)	
Capital element of hire purchase payments	(2,469)	(3,017)	
<b>Net cash outflow from financing</b>	<b>(198,990)</b>	<b>(439,279)</b>	
<b>(Decrease)/increase in cash</b>	<b>£ (707,055)</b>	<b>£ 944,853</b>	

The accounting policies and notes on pages 14 to 31 form part of these financial statements.

# AMV Holding Ltd

## Group Cash Flow (continued)

Period from 1 January 2008 to 30 September 2008

---

### Reconciliation of operating profit to net cash inflow from operating activities

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Operating profit	1,013,168	2,068,618
Amortisation	520,068	57,671
Depreciation	40,891	31,944
Increase in debtors	(1,207,404)	(2,380,872)
Increase in creditors	418,064	2,316,449
Net cash inflow from operating activities	<u>£ 784,787</u>	<u>£ 2,093,810</u>

### Reconciliation of net cash flow to movement in net funds

	30 Sep 08 £	31 Dec 07 £
(Decrease)/increase in cash in the period	(707,055)	111 944,853
Net outflow from other short-term creditors	203,810	446,190
Cash (inflow)/outflow in respect of hire purchase	<u>2,469</u>	(12,731)
Change in net funds	(500,776)	1,378,312
Net funds at 1 January 2008	<u>1,105,570</u>	<u>(272,742)</u>
Net funds at 30 September 2008	<u>£604,794</u>	<u>£1,105,570</u>

The accounting policies and notes on pages 14 to 31 form part of these financial statements.

# AMV Holding Ltd

## Group Cash Flow (continued)

Period from 1 January 2008 to 30 September 2008

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### Analysis of changes in net funds

	At 1 Jan 2008 £	Cash Flows £	At 30 Sept 2008 £
Net cash:			
Cash in hand and at bank	1,354,967	306,728	1,661,695
Overdrafts	(32,856)	(1,013,783)	(1,046,639)
	<u>1,322,111</u>	<u>(707,055)</u>	<u>615,056</u>
Debt:			
Debt due within 1 year	(203,810)	203,810	-
Debt due after 1 year	-	-	-
Hire purchase agreements	(12,731)	2,469	(10,262)
	<u>(216,541)</u>	<u>206,279</u>	<u>(10,262)</u>
Net funds	<u>£ 1,105,570</u>	<u>£ (500,776)</u>	<u>£ 604,794</u>

The accounting policies and notes on pages 14 to 31 form part of these financial statements.

# AMV Holding Ltd

## Group Cash Flow (continued)

Period from 1 January 2008 to 30 September 2008

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### Purchase of subsidiary undertakings

	£
<b>1. Fierce Media Limited</b>	
Net cash acquired with subsidiary undertakings, 9 January 2008	–
Other net assets	100
Minority Interest	(20)
Settled by cash	<u>£ 80</u>
<b>2. Advanced Media Limited</b>	
Net cash acquired with subsidiary undertakings, 15 February 2008	–
Other net liabilities	(150,816)
Total of net liabilities on acquisition	(150,816)
Goodwill	230,816
Settled by cash	<u>£ 80,000</u>
<b>3. Skynet Interactive Limited</b>	
Net cash acquired with subsidiary undertakings, 30 September 2008	–
Other net assets	1
Settled by cash	<u>£ 1</u>
<b>Acquisition of subsidiaries</b>	<u>£ 80,081</u>

### 4. Connection Makers trade acquired by Antiphony Limited

On 1 January 2008 Antiphony Limited acquired the trade and assets of Connection Makers, a division of Eckoh plc for £1,750,000. £600,000 was paid in cash on completion, with deferred consideration of £1,150,000 being paid over 23 months. The assets purchased were £20,000 of equipment and £1,730,000 of goodwill.

### 5. Antiphony Limited

Under the terms of the original acquisition agreement whereby AMV Holding Limited acquired Antiphony Limited, a further consideration payment of £20,000 became payable. This has been treated as additional goodwill.

**The accounting policies and notes on pages 14 to 31 form part of these financial statements.**

# AMV Holding Ltd

## Accounting Policies

Period from 1 January 2008 to 30 September 2008

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### Basis of accounting

The financial statements have been prepared under the historical cost convention.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over a maximum of 20 years from the date of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

### Turnover

The turnover shown in the profit and loss account represents amounts invoiceable during the period, exclusive of Value Added Tax.

### Goodwill

Positive goodwill on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Negative goodwill is released to the profit and loss account in the periods in which the non-monetary assets acquired are recovered. Any negative goodwill in excess of the fair values of non-monetary assets acquired is recognised in the profit and loss account in the periods expected to be benefited.

Negative goodwill arose from the re-organisation of the group on 31 August 2006. In the directors' opinion it was necessary to depart from Financial Reporting Standard 10 in order to show a true and fair view. Accordingly negative goodwill of £661,803 was credited to Other Reserves in the year ended 31 December 2006.

### Research and development

Development expenditure is capitalised in line with SSAP 13 Accounting for Research and Development in order to comply with the accruals and prudence concepts in the preparation of the financial statements.

The expenditure capitalised relates to the development of a new SMS Content Platform, the Content Platform is not yet complete and hence no amortisation has been charged in this period.

Research costs are charged to the profit and loss account as incurred.

### Other intangible fixed assets

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

### Amortisation

Amortisation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Goodwill	-	Over 20 years
Licences & Development costs	-	Over 3 years



# AMV Holding Ltd

## Accounting Policies (continued)

Period from 1 January 2008 to 30 September 2008

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### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, net of anticipated disposal proceeds, over the useful economic life of that asset as follows:

Plant and machinery	-	Over 3 years
Fixtures and fittings	-	15% on written down value
Motor vehicles	-	25% on written down value
Equipment	-	25% on written down value

### Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

### Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at 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 the transaction. Exchange differences are taken into account in arriving at the operating profit.

## **AMV Holding Ltd**

### **Accounting Policies *(continued)***

**Period from 1 January 2008 to 30 September 2008**

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#### **Employee share schemes**

The company issues equity-settled and cash-settled share-based payments to certain employees of the company. Equity-settled share-based payments are measured at fair value 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, together with a corresponding increase in equity, based upon the company's estimate of the shares that will eventually vest.

The impact is not considered to be material for adjustment in the financial statements.

#### **Pension costs**

The company operates a deferred contribution pension scheme for the benefit of certain employees. The costs relating to this scheme are charged to the profit and loss as they fall due.

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 1. Turnover

The turnover and profit before tax are attributable to the one principal activity of the group.

An analysis of turnover is given below:

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
United Kingdom	11,241,199	12,996,965
Overseas	4,196,085	1,921,442
	<u>£ 15,437,284</u>	<u>£14,918,407</u>

### 2. Analysis of cost of sales and net operating expenses

	Continuing operations £	Acquired operations £	Total £
<b>Period from 1 January 2008 to 30 September 2008</b>			
Cost of sales	<u>3,894,255</u>	<u>1,153,217</u>	<u>5,047,472</u>
Distribution costs	6,374,675	-	6,374,675
Administrative expenses	2,086,030	916,321	3,002,351
Other operating income (Note 3)	(179)	(203)	(382)
Net operating expenses	<u>£8,460,526</u>	<u>£ 916,118</u>	<u>£9,376,644</u>
<b>Year ended 31 December 2007</b>			
Cost of sales	5,636,073	-	5,636,073
Gross profit	9,282,334	-	9,282,334
Distribution costs	3,587,321	-	3,587,321
Administrative expenses	3,637,936	-	3,637,936
Other operating income (Note 3)	(11,541)	-	(11,541)
Net operating expenses	<u>£7,213,716</u>	<u>-</u>	<u>£7,213,716</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 3. Other operating income

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Commission receivable	32	-
Other operating income	350	11,541
	<u>£ 382</u>	<u>£ 11,541</u>

### 4. Operating profit

Operating profit is stated after charging:

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Amortisation of intangible assets	520,068	57,671
Depreciation of owned fixed assets	38,008	26,819
Depreciation of assets held under hire purchase agreements	2,883	5,125
Auditor's remuneration		
- as auditor	24,600	10,800
Operating lease costs:		
- Buildings	153,970	37,652
Net loss on foreign currency translation	<u>12,232</u>	<u>13,650</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 5. Particulars of employees

The average number of staff employed by the group during the financial period amounted to:

	Period from 1 Jan 08 to 30 Sep 08 No	Year to 31 Dec 07 No
Number of administrative staff	47	33
	<u>47</u>	<u>33</u>

The aggregate payroll costs of the above were:

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Wages and salaries	1,385,170	2,471,722
Social security costs	152,512	296,986
Other pension costs	60,000	–
Health insurance	1,499	–
	<u>£ 1,599,181</u>	<u>£ 2,768,708</u>

### 6. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Emoluments receivable	149,488	1,655,638
	<u>£ 149,488</u>	<u>£ 1,655,638</u>

Emoluments of highest paid director:

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Total emoluments (excluding pension contributions)	74,744	610,373

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
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Number of directors to whom pension contributions were paid	<u>2</u>	<u>-</u>
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# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 7. Amounts written off investments

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Loss on investment valuation	<u>2,051</u>	<u>2,161</u>

### 8. Interest payable and similar charges

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Interest payable on bank borrowing	12,243	656
Finance charges	854	1,277
Other similar charges payable	<u>395</u>	<u>7,051</u>
	<u>£ 13,492</u>	<u>£ 8,984</u>

### 9. Taxation on ordinary activities (a) Analysis of charge in the period

	Period from 1 Jan 08 to 30 Sep 08 £	Year to 31 Dec 07 £
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 28% (2007 - 30%)	232,240	656,159
Over provision in prior year	<u>(165)</u>	-
Total current tax	<u>232,075</u>	656,159
Deferred tax:		
Origination and reversal of timing differences	<u>(1,000)</u>	<u>6,160</u>
Tax on profit on ordinary activities	<u>£ 231,075</u>	<u>£ 662,319</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 9. Taxation on ordinary activities *(continued)* (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 28% (2007 - 30%).

	<b>Period from 1 Jan 08 to 30 Sep 08 £</b>	<b>Year to 31 Dec 07 £</b>
Profit on ordinary activities before taxation	<u>1,014,384</u>	<u>2,088,523</u>
Profit on ordinary activities by rate of tax	230,897	626,557
Expenses not deductible for tax purposes	30,943	32,677
Capital allowances for period in excess of depreciation	(33,766)	(3,059)
Small companies relief	-	(16)
Tax chargeable at different rates	4,167	-
Adjustments to tax charge in respect of previous periods	<u>(166)</u>	<u>-</u>
Total current tax (note 9(a))	<u>£ 232,075</u>	<u>£ 656,159</u>

### 10. Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £Nil (2007 - £276,783).

### 11. Dividends Equity dividends

	<b>Period from 1 Jan 08 to 30 Sep 08 £</b>	<b>Year to 31 Dec 07 £</b>
Paid		
Equity dividends on ordinary shares	<u>-</u>	<u>276,783</u>



# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

### 12. Intangible fixed assets

#### Group

	Goodwill	Development Costs	Licences	Total
	£	£	£	£
<b>Cost</b>				
At 1 January 2008	1,153,413	–	–	1,153,413
Additions	1,980,916	91,000	140,000	2,211,916
At 30 September 2008	<u>3,134,329</u>	<u>91,000</u>	<u>231,000</u>	<u>3,365,329</u>
<b>Amortisation</b>				
At 1 January 2008	62,692	–	–	62,692
Charge for the period	485,068	–	35,000	520,068
At 30 September 2008	<u>547,760</u>	<u>–</u>	<u>35,000</u>	<u>582,760</u>
<b>Net book value</b>				
At 30 September 2008	£ 2,586,569	£ 91,000	£ 105,000	£ 2,782,569
At 31 December 2007	£ 1,090,721	–	–	£ 1,090,721

### 13. Tangible fixed assets

#### Group

	Plant and machinery	Fixtures and fittings	Motor vehicles	Equipment	Total
	£	£	£	£	£
<b>Cost</b>					
At 1 January 2008	–	55,791	20,500	143,461	219,752
Additions	10,634	3,929	–	69,294	83,857
At 30 September 2008	<u>10,634</u>	<u>59,720</u>	<u>20,500</u>	<u>212,755</u>	<u>303,609</u>
<b>Depreciation</b>					
At 1 January 2008	–	8,713	5,125	25,560	39,398
Charge for the period	594	5,607	2,883	31,807	40,891
At 30 September 2008	<u>594</u>	<u>14,320</u>	<u>8,008</u>	<u>57,367</u>	<u>80,289</u>
<b>Net book value</b>					
At 30 September 2008	£ 10,040	£ 45,400	£ 12,492	£ 155,388	£ 223,320
At 31 December 2007	–	£ 47,078	£ 15,375	£ 117,901	£ 180,354

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 13. Tangible fixed assets (*continued*)

#### Hire purchase agreements

Included within the net book value of £223,320 is £12,492 (2007 - £15,375) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £2,883 (2007 - £5,125).

### 14. Investments

#### Company

	Group companies £
<b>Cost</b>	
At 1 January 2008	1,706,721
Additions	<u>20,081</u>
At 30 September 2008	<u>1,726,802</u>
<b>Net book value</b>	
At 30 September 2008	<u>£ 1,726,802</u>
At 31 December 2007	<u>£ 1,706,721</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

### 14. Investments (continued)

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
<b>Subsidiary undertakings</b>				
All held by the company:				
American Mobile Ventures Limited	England	Ordinary shares	100%	Provisioning and marketing of mobile phone content products
Blue Stream Mobile Limited	England	Ordinary shares	100%	Provisioning and marketing of mobile phone content products
Antiphony Limited	England	Ordinary shares	100%	Providing services to the mobile phone sector
Cell Media International Limited	England	Ordinary shares	100%	Provisioning and marketing of mobile phone content products
Fierce Media Ltd	England	Ordinary shares	80%	Managing and operating of television and web broadcasts
Skynet Interactive Limited	England	Ordinary shares	100%	The company is dormant and has not traded in the period
Held by Fierce Media Limited:				
Advanced Media Ltd	England	Ordinary shares	100%	Licence ownership to enable the group to deliver live television broadcast in the UK

### 15. Debtors

	Group		Company	
	30 Sep 08	31 Dec 07	30 Sep 08	31 Dec 07
	£	£	£	£
Trade debtors	2,689,532	1,220,480	-	-
Amounts owed by group undertakings	-	-	4,964	-
Other debtors	23,430	97,011	1,196	9,927
Directors overdrawn current accounts	181,291	243,568	-	-
Prepayments and accrued income	2,105,407	2,231,177	-	-
	<u>£ 4,999,660</u>	<u>£ 3,792,236</u>	<u>£ 6,160</u>	<u>£ 9,927</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

### 16. Investments

	Group		Company	
	30 Sep 08	31 Dec 07	30 Sep 08	31 Dec 07
	£	£	£	£
Other investments	<u>8,608</u>	<u>10,659</u>	<u>-</u>	<u>-</u>

#### Listed investments

Investments having a net book value of £8,608 (2007 - £10,659) are listed on a recognised stock exchange and had a market value of £8,608 at the end of the period (2007 - £10,659).

### 17. Creditors: amounts falling due within one year

	Group		Company	
	30 Sep 08	31 Dec 07	30 Sep 08	31 Dec 07
	£	£	£	£
Overdrafts	1,046,639	32,856	-	-
Trade creditors	2,894,883	1,594,507	-	-
Amounts owed to group undertakings	-	-	1,205,062	996,190
Hire purchase agreements	3,291	3,291	-	-
Other creditors	2,822,660	1,626,056	-	203,811
Accruals and deferred income	680,637	1,850,997	-	-
	<u>£ 7,448,110</u>	<u>£ 5,107,707</u>	<u>£ 1,205,062</u>	<u>£ 1,200,001</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	Group		Company	
	30 Sep 08	31 Dec 07	30 Sep 08	31 Dec 07
	£	£	£	£
Overdrafts	1,046,639	32,856	-	-
Hire purchase agreements	3,291	3,291	-	-
	<u>£ 1,049,930</u>	<u>£ 36,147</u>	<u>-</u>	<u>-</u>

### 18. Creditors: amounts falling due after more than one year

	Group		Company	
	30 Sep 08	31 Dec 07	30 Sep 08	31 Dec 07
	£	£	£	£
Hire purchase agreements	6,971	9,440	-	-
Other creditors	115,400	-	-	-
	<u>£ 122,371</u>	<u>£ 9,440</u>	<u>-</u>	<u>-</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

Hire purchase agreements	<u>6,971</u>	<u>9,440</u>	<u>-</u>	<u>-</u>
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# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

### 19. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

	Group		Company	
	30 Sep 08	31 Dec 07	30 Sep 08	31 Dec 07
	£	£	£	£
Amounts payable within 1 year	3,291	3,291	-	-
Amounts payable between 2 to 5 years	6,971	9,440	-	-
	<u>£ 10,262</u>	<u>£ 12,731</u>	<u>-</u>	<u>-</u>

### 20. Deferred taxation

The movement in the deferred taxation provision during the period was:

	Group		Company	
	1 Jan 08 to 30 Sep 08	Year to 31 Dec 07	1 Jan 08 to 30 Sep 08	Year to 31 Dec 07
	£	£	£	£
Provision brought forward	11,350	5,190	-	-
(Decrease)/Increase in provision	(1,000)	6,160	-	-
Provision carried forward	<u>£ 10,350</u>	<u>£ 11,350</u>	<u>-</u>	<u>-</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	30 Sep 08		31 Dec 07	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	<u>10,350</u>	<u>-</u>	<u>11,350</u>	<u>-</u>

### 21. Commitments under operating leases

At 30 September 2008 the group had annual commitments under non-cancellable operating leases as set out below.

Group	30 Sep 08		31 Dec 07	
	Land and buildings	Other items	Land and Buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 2 to 5 years	<u>18,733</u>	<u>13,768</u>	<u>22,480</u>	<u>13,768</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 22. Transactions with the directors

At 30 September 2008 J W Cresswell, owed the group £178,252 (31 December 2007: £113,260). The maximum amount owed to the group during the period was £178,252 (31 December 2007: £113,260).

At 30 September 2008 N D MacLeitch, owed the group £3,039 (31 December 2007: £130,308). The maximum amount owed to the company during the period was £3,039 (31 December 2007: £130,308).

Interest charged on the above overdrawn loan accounts during the period to 30 September 2008 was £Nil (year to 31 December 2007: £Nil).

### 23. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

### 24. Share capital

#### Authorised share capital:

	30 Sep 08	31 Dec 07
	£	£
980,000 Ordinary shares of £0.001 each	980	980
20,000 Ordinary Class A shares of £0.001 each	20	20
	<u>£ 1,000</u>	<u>£ 1,000</u>

#### Allotted, called up and fully paid:

	30 Sep 08		31 Dec 07	
	No	£	No	£
Ordinary shares of £0.001 each	104,075	104	103,571	104
Ordinary Class A shares of £0.001 each	7,142	7	7,142	7
	<u>111,217</u>	<u>£ 111</u>	<u>110,713</u>	<u>£ 111</u>

The company reclassified its authorised share capital during the year to create an additional class of non-voting shares.

On 31 July 2008 404 Ordinary shares were issued at £17.70 per share to four employees.

On 31 July 2008 100 Ordinary shares were issued under the share option scheme at £1.39 per share.

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 25. Share option scheme

The group has a share option scheme for all employees. Options are exercisable on sale or flotation of the company at a price equal to the average market price of the company's shares on the date of grant. The vesting of options is also dependent on eligible executives meeting performance criteria. The options are settled in equity once exercised.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the group company before the options vest.

10,806 share options were granted to 35 employees on 31 July 2008 at an exercise price of £17.70 per share. 230 options lapsed and 100 were exercised during the year, the remaining options were all exercised on 23 October 2008 following the sale of the company.

### 26. Reserves

Group	Share premium count £	Other reserves £	Profit and loss account £
Balance brought forward	14,881	661,803	623,645
Profit for the period	-	-	835,489
Dividend waived by shareholder	-	-	3,964
Other movements			
New equity share capital subscribed	7,289	-	-
Balance carried forward	<u>£ 22,170</u>	<u>£ 661,803</u>	<u>£ 1,463,098</u>

  

Company	Share premium account £	Profit and loss account £
Balance brought forward	14,881	501,655
Dividend waived by shareholder	-	3,964
Other movements		
New equity share capital subscribed	7,289	-
Balance carried forward	<u>£ 22,170</u>	<u>£ 505,619</u>

# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 27. Reconciliation of movements in shareholders' funds

Group	30 Sep 08		31 Dec 07
	£	£	£
Profit for the financial period	-	835,489	1,426,204
New equity share capital subscribed	-	-	7
Premium on new share capital subscribed	7,289	-	9,921
		7,289	
Equity dividends		-	(276,783)
Dividend waived by shareholder		3,964	-
Net addition to shareholders' funds		846,742	1,159,349
Opening shareholders' funds		1,300,440	141,091
Closing shareholders' funds		<u>£ 2,147,182</u>	<u>£ 1,300,440</u>

### 28. Post balance sheet events

On 8 October 2008 an offer by Mandalay Media Inc, a company incorporated in the United States of America, to acquire all the issued shares of the company was accepted by the shareholders of AMV Holding Limited.

### 29. Ultimate controlling party

In the opinion of the directors there is no ultimate controlling party.

### 30. Restatement of financial information under US Generally Accepted Accounting Practice

The consolidated financial information has been restated for information purposes only under US Generally Accepted Accounting Practice as set out below. An adjustment has been made in respect of accounting for goodwill amortisation. The summarised consolidated financial information for the 9 months ended 30 September 2008 and the 12 months ended 31 December 2007 have been restated as follows:

	2008	2007
	9 months	12 months
	£	£
Profit on ordinary activities before tax as shown on the financial statements	1,014,383	2,088,523
Items increasing reported profits		
Amortisation of goodwill	520,068	57,671
<b>Profit before tax according to accounting principles in the United States</b>	<u>£ 1,534,451</u>	<u>£ 2,146,194</u>



# AMV Holding Ltd

## Notes to the Financial Statements

Period from 1 January 2008 to 30 September 2008

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### 30. Restatement of financial information under US generally accepted accounting practice (*continued*)

As restated	30 September 2008 £	31 December 2007 £
<b>1. Profit and Loss Account</b>		
<b>Group turnover</b>	<b>15,437,284</b>	14,918,407
Cost of sales	<u>(5,047,472)</u>	<u>(5,636,073)</u>
<b>Group profit</b>	<b>10,389,812</b>	9,282,334
Distribution costs	<u>(6,374,675)</u>	<u>(3,587,321)</u>
Administration expenses	<u>(2,482,283)</u>	<u>(3,580,265)</u>
Other operating income	<u>382</u>	<u>11,541</u>
<b>Operating profit</b>	<b>1,533,236</b>	2,126,289
Interest receivable	<u>16,758</u>	31,050
Amounts written off investments	<u>(2,051)</u>	<u>(2,161)</u>
Interest payable	<u>(13,492)</u>	<u>(8,984)</u>
<b>Profit on ordinary activities before tax</b>	<b>1,534,451</b>	2,146,194
Tax on profit on ordinary activities	<u>(213,075)</u>	<u>(662,319)</u>
<b>Profit on ordinary activities after tax</b>	<b>1,303,376</b>	1,483,875
Minority interests	<u>52,181</u>	–
Attributable to equity members	<u>£ 1,355,557</u>	<u>£ 1,483,875</u>

30. Restatement of financial information under US generally accepted accounting practice (continued)

2. Balance Sheet

	30 September 2008 £	31 December 2007 £
<b>Fixed assets</b>	<b>3,365,329</b>	1,153,413
Intangible assets	223,320	180,354
Tangible assets	3,588,649	1,333,767
<b>Current assets</b>		
Debtors	4,999,660	3,792,236
Investments	8,608	10,659
Cash at bank and in hand	1,661,695	1,354,967
	<u>6,669,963</u>	<u>5,157,862</u>
<b>Creditors: Amounts falling due within one year</b>	<b>(7,448,110)</b>	(5,107,707)
Net current assets/(liabilities)	(778,147)	50,155
<b>Total assets less current liabilities</b>	<b>2,810,502</b>	1,383,922
<b>Creditors: Amounts falling due after one year</b>	<b>(122,371)</b>	(9,440)
	<u>2,688,131</u>	<u>1,374,482</u>
<b>Provision for liabilities</b>		
Deferred taxation	(10,350)	(11,350)
<b>Monitory interests</b>	<b>52,161</b>	-
	<u>£ 2,729,942</u>	<u>£ 1,363,132</u>
<b>Capital and reserves</b>		
Called up equity share capital	111	111
Share premium account	22,170	14,881
Other reserves	661,803	661,803
Profit and loss account	2,045,858	686,337
	<u>£ 2,729,942</u>	<u>£ 1,363,132</u>
<b>3. Reconciliation of movement in shareholders funds</b>		
Opening shareholders funds	1,363,132	146,112
Profit for the year	1,355,557	1,483,875
New equity share capital subscribed	-	7
Dividend waived	3,964	-
Premium on new share capital subscribed	7,289	9,921
Equity dividends	-	(276,783)
Other reserve arising on grouping	-	-
<b>Closing shareholders funds</b>	<b>£ 2,729,942</b>	<b>£ 1,363,132</b>

## Acquisition/Purchase Price Accounting – AMV Holding Limited Group

Mandalay Media, Inc., a Delaware corporation (“Mandalay”), entered into a Stock Purchase Agreement on October 8, 2008 (the “Original Agreement”), as subsequently amended on October 23, 2008 (the “Agreement”), with Jonathan Cresswell (“Cresswell”), Nathaniel MacLeitch (“MacLeitch,” and together with Cresswell, the “Founding Sellers”) and certain shareholders of AMV Holding Limited, a United Kingdom private limited company (“AMV”) signatories thereto (the “Non-Founding Sellers”). Pursuant to the Agreement, on October 23, 2008, Mandalay consummated the acquisition of 100% of the issued and outstanding share capital of AMV (the “AMV Shares”) and 80% of the issued and outstanding share capital of Fierce (the “Fierce Shares,” and together with the AMV Shares, the “Shares”). The Founding Sellers and the Non-Founding Sellers, together with the holders of options to purchase shares of capital stock of AMV (the “Option Holder Sellers”) who have exercised such options prior to closing and delivered their shares of capital stock of AMV to Mandalay at closing, as provided in the Agreement, are referred to herein as the “Sellers.”

In consideration for the Shares, and subject to adjustment as set forth in the Agreement, the aggregate purchase price (the “Purchase Price”) consisted of: (a) \$5,375,000 in cash (the “Cash Consideration”); (b) 4,500,000 fully paid and non-assessable shares of Common Stock (the “Stock Consideration”); (c) a secured promissory note in the aggregate original principal amount of \$5,375,000 (the “Note”); and (d) additional earn-out amounts, if any, if the Acquired Companies achieve certain targeted earnings for each of the periods from October 1, 2008 to March 31, 2009, April 1, 2009 to March 31, 2010, and April 1, 2010 to September 30, 2010, as determined in accordance with the Agreement. The Purchase Price is subject to certain adjustments based on the working capital of AMV, to be determined initially within 75 days of the closing, and subsequently within 60 days following June 30, 2009. Any such adjustment of the Purchase Price will be made first by means of an adjustment to the principal sum due under the Note, as set forth in the Agreement.

Prior to closing, each outstanding option to purchase shares of capital stock of AMV (an “AMV Option”) was either exercised in full or terminated. Of the Cash Consideration payable to the Sellers, an amount equal to the exercise price of the AMV Options being exercised was paid to AMV for consideration of such Option Holder Seller’s exercise of such AMV Options, and was deducted from the amount of Cash Consideration otherwise payable to such Option Holder Seller. Additionally, of the Cash Consideration, an amount equal to the maximum taxation liability that would be incurred with respect to the payment of the Purchase Price to any Option Holder Sellers under applicable tax laws (the “Tax Withholding”), was delivered to AMV to be held in a separate account. The amount of the Tax Withholding was deducted from the amount of the Cash Consideration otherwise payable to the applicable Option Holder Seller.

The Note matures on January 30, 2010, and bears interest at an initial rate of 5% per annum, subject to adjustment as provided therein. In the event Mandalay completes an equity financing that results in gross proceeds of over \$6,000,000, Mandalay will prepay a portion of the Note in an amount equal to one-third of the excess of the gross proceeds of such financing over \$6,000,000. In addition, if within nine months of the issuance date of the Note, Mandalay completes a financing that results in gross proceeds of over \$15,000,000, then Mandalay shall prepay the entire principal amount then outstanding under the Note, plus accrued interest. If within nine months of the issuance date of the Note, the aggregate principal sum then outstanding under the Note plus accrued interest thereon has not been prepaid, then on and after such date, interest shall accrue on the unpaid principal balance of the Note at a rate of 7% per annum. Additionally, in connection with the Note, AMV granted to the Sellers a security interest in its assets. Such security interest is subordinate to the security interest granted to ValueAct Small Cap Master Fund, L.P. (“ValueAct”) under the Senior Secured Note, issued by Twistbox Entertainment, Inc., a wholly-owned subsidiary of Mandalay (“Twistbox”), due January 30, 2010, as amended on February 12, 2008 (the “ValueAct Note”), and as subsequently amended on October 23, 2008. AMV also agreed to guarantee Mandalay’s repayment of the Note to the Sellers.

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At closing, each of the Sellers agreed to not dispose of or transfer any of the shares of the Stock Consideration they own for a period of one year following the closing.

The Purchase Price has been preliminarily estimated by Mandalay to be \$21,487,000, consisting of \$9,900,000 attributed to the Stock Consideration issued, \$5,375,000 in cash, \$5,375,000 under the Note referenced above and \$837,000 in transaction costs. Any adjustments required under the “earn-out” and “working capital adjustment” provisions of the Agreement have not yet been determined and therefore have not been included in the preliminary calculation of the purchase price. The shares of the Stock Consideration were valued using the closing stock price at the acquisition date of \$2.20 per share. Under the purchase method of accounting, Mandalay allocated the total Purchase Price of \$21,487,000 to the net tangible and intangible assets acquired and liabilities assumed based upon their respective estimated fair values as of the acquisition date as follows:

Cash and cash equivalents	\$ 3,020,000
Accounts receivable, net of allowances	9,087,000
Prepaid expenses and other current assets	16,000
Property and equipment, net	406,000
Accounts payable	(10,391,000)
Bank overdrafts	(1,902,000)
Other current liabilities	(1,262,000)
Other long term liabilities	(223,000)
Minority interests	95,000
Identified intangibles	1,721,000
Acquisition related restructuring reserves	(585,000)
Goodwill	21,505,000
	<u>\$ 21,487,000</u>

Goodwill recognized in the above transaction is preliminarily estimated at \$21,505,000. Goodwill in relation to the acquisition of AMV is not expected to be deductible for income tax purposes. The preliminary purchase price allocation, including the allocation of goodwill, will be updated as additional information becomes available. Acquisition related restructuring reserves include reserves for employee severance and for office relocation.

#### ***Unaudited Pro Forma Summary***

The following pro forma consolidated amounts give effect to the acquisition of AMV by Mandalay accounted for by the purchase method of accounting as at September 30, 2008 and as if it had occurred as at the beginning of each period presented. The pro forma consolidated results are not necessarily indicative of the operating results that would have been achieved had the transaction been in effect as of the beginning of the period presented and should not be construed as being representative of future operating results.

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**MANDALAY MEDIA, INC. AND SUBSIDIARIES**  
**PROFORMA CONSOLIDATED BALANCE SHEET**  
(In thousands, except share amounts)

	Mandalay Media, Inc. September 30, 2008 <u>(Unaudited)</u>	AMV Holding Ltd September 30, 2008 <u>(Unaudited)</u>	Pro Forma Adjustments	Mandalay Media, Inc. September 30, 2008 <u>(Unaudited)</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 7,122	\$ 3,020	(a) \$ (875)	\$ 9,267
Accounts receivable, net of allowances	6,203	\$ 9,087	-	\$ 15,290
Prepaid expenses and other current assets	648	\$ 16	-	\$ 664
Total current assets	13,973	12,123	(875)	\$ 25,221
Property and equipment, net	993	406	-	1,399
Other long-term assets	206	-	-	206
Intangible assets, net	19,303	-	(b) 1,721	21,024
Goodwill	61,436	6,116	(c) 15,390	82,942
<b>TOTAL ASSETS</b>	<b>\$ 95,911</b>	<b>\$ 18,645</b>	<b>\$ 16,236</b>	<b>\$ 130,792</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
Current liabilities				
Accounts payable	4,325	10,391	-	14,716
Bank overdrafts	-	1,902	-	1,902
Accrued license fees	2,813	-	-	2,813
Accrued compensation	746	-	-	746
Current portion of long term debt	254	-	-	254
Other current liabilities	2,001	1,262	(d) 1,422	4,685
Total current liabilities	10,139	13,555	1,422	25,116
Accrued license fees, long term portion	668	-	-	668
Other long term liabilities	-	223	-	223
Long term debt, net of current portion	16,483	-	(e) 5,375	21,858
Minority interests	-	(95)	-	(95)
Total liabilities	\$ 27,290	13,683	\$ 6,797	\$ 47,770
Stockholders equity				
Preferred stock	100	-	-	100
Common stock	3	-	-	3
Additional paid-in capital	78,220	4,962	9,439	92,621
Accumulated other comprehensive income/(loss)	(55)	-	-	(55)
Accumulated deficit	(9,647)	-	-	(9,647)
Total stockholders' equity	68,621	4,962	9,439	83,022
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>\$ 95,911</b>	<b>\$ 18,645</b>	<b>\$ 16,236</b>	<b>\$ 130,792</b>

**Notes to Pro Forma Adjustments:**

- (a) Represents cash paid as part of purchase consideration - \$5,375; and cash received from the issue of 1,685,394 shares at \$2.67, amounting to \$4,500
  - (b) Represents estimated value of intangible assets to be recognized on the acquisition
  - (c) Represents estimated value of goodwill to be recognized on the acquisition and the elimination of AMV Holding Ltd goodwill
  - (d) Represents accruals for acquisition costs and restructuring reserves to be recognized in relation to the acquisition
  - (e) Represents secured prommissory note issued as part of the purchase consideration
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**MANDALAY MEDIA, INC. AND SUBSIDIARIES**  
**PROFORMA CONSOLIDATED SUMMARY STATEMENT OF OPERATIONS**  
(In thousands, except share amounts)

	<b>Mandalay Media, Inc. Six Months Ended September 30, 2008 (Unaudited)</b>	<b>AMV Holding Ltd Six Months Ended September 30, 2008 (Unaudited)</b>	<b>Adjustments (Unaudited)</b>	<b>Mandalay Media, Inc. Pro Forma Six Months Ended September 30, 2008 (Unaudited)</b>
Revenues	\$ 10,349	\$ 20,478		\$ 30,827
Cost of revenues	\$ 4,138	7,504 (a)	44	11,686
Gross profit	\$ 6,211	12,974		19,141
Operating expenses net of interest income and other expense	\$ 12,441	10,574 (b)	112	23,127
Income tax expense	\$ 148	321		469
Minority interest in consolidated subsidiaries	\$ -	(99)		(99)
Net Profit/(Loss)	<u>\$ (6,378)</u>	<u>\$ 2,178</u>		<u>\$ (4,356)</u>
Basic and diluted net loss per common share	\$ (0.20)			\$ (0.12)
Weighted average common shares outstanding, basic and diluted	32,377	(c)	4,500	36,877

**Notes to Pro Forma Adjustments:**

- (a) Represents amortization of the estimated value of intangible assets recognized on the acquisition allocated to cost of revenues
- (b) Represents amortization of the estimated value of intangible assets recognized on the acquisition allocated to general and administrative costs
- (c) Represents shares in Mandalay Media Inc. issued as part of the consideration for the acquisition

	<b>Mandalay Media, Inc. Three Months Ended March 31, 2008 (Unaudited)</b>	<b>AMV Holding Ltd Three Months Ended March 31, 2008 (Unaudited)</b>	<b>Pro Forma Adjustments (Unaudited)</b>	<b>Mandalay Media, Inc. Pro Forma Three Months Ended March 31, 2008 (Unaudited)</b>
Revenues	\$ 3,208	\$ 9,293		\$ 12,501
Cost of revenues	(153)	2,192 (a)	22	2,061
Gross profit	3,361	7,101		10,440
Operating expenses net of interest income and other expense	3,643	6,559 (b)	56	10,258
Income tax expense	16	123		139
Minority interest in consolidated subsidiaries	-	-		-
Net Profit/(Loss)	<u>\$ (298)</u>	<u>\$ 419</u>		<u>\$ 43</u>
Basic and diluted net loss per common share	\$ (0.01)			\$ 0.00
Weighted average common shares outstanding, basic and diluted	21,628	(c)	4,500	26,128

**Notes to Pro Forma Adjustments:**

The results of operations for Mandalay Media Inc. in the Three Months Ended March 31, 2008 include the results of Twistbox Entertainment Inc. as from the acquisition of that entity in February, 2008

- (a) Represents amortization of the estimated value of intangible assets recognized on the acquisition allocated to cost of revenues
- (b) Represents amortization of the estimated value of intangible assets recognized on the acquisition allocated to general and administrative costs
- (c) Represents shares in Mandalay Media Inc. issued as part of the consideration for the acquisition

	<b>Mandalay Media, Inc. Year Ended December 31, 2007</b>	<b>AMV Holding Ltd Year Ended December 31, 2007</b>	<b>Pro Forma Adjustments (Unaudited)</b>	<b>Mandalay Media, Inc. Pro Forma Year Ended December 31, 2007 (Unaudited)</b>
Revenues	\$ -	\$ 29,497		\$ 29,497
Cost of revenues	-	11,144	(a) 87	11,231
Gross profit	-	18,353		18,266
Operating expenses net of interest income and other expense	2,204	14,109	(b) 224	16,537
Income tax expense	-	1,310		1,310
Minority interest in consolidated subsidiaries	-	-		-
Net Profit/(Loss)	<u>\$ (2,204)</u>	<u>\$ 2,934</u>		<u>\$ 419</u>
Basic and diluted net loss per common share	\$ (0.12)			\$ 0.02
Weighted average common shares outstanding, basic and diluted	18,997		(c) 4,500	23,497

**Notes to Pro Forma Adjustments:**

The results of operations for Mandalay Media Inc. in the Year Ended December 31, 2007 do not include the results of Twistbox Entertainment Inc. since that entity was acquired in February, 2008. Mandalay Media Inc. operated as a "shell" company with no significant operations

- (a) Represents amortization of the estimated value of intangible assets recognized on the acquisition allocated to cost of revenues
- (b) Represents amortization of the estimated value of intangible assets recognized on the acquisition allocated to general and administrative costs
- (c) Represents shares in Mandalay Media Inc. issued as part of the consideration for the acquisition



