



2011
**Financial
Statements**

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2011

Financial
STATEMENTS

Corporate governance

ADVANCED DIGITAL BROADCAST HOLDINGS SA



GROUP STRUCTURE AND SHAREHOLDERS

Group Structure

Operational Group Structure

ADB-Advanced Digital Broadcast Ltd. was founded in 1995 as a digital TV software company and subsequently expanded into the design, manufacturing and development of digital TV and broadband equipment and integrated digital TV systems. Since its inception, it has developed a worldwide presence, with offices in Argentina, Brazil, India, Italy, Poland, Taiwan, Spain, Switzerland, the United Kingdom, Ukraine and the United States of America ("US"). Its product offering has grown to encompass a broad range of hardware and software solutions for broadcasters and operators of pay-TV and broadband data communication services over cable, satellite, terrestrial and IPTV networks. Its focus has consistently remained on advanced, complex, state-of-the art hardware and software systems for the digital TV industry. Over the years, it has become a group of companies ("ADB Group" or the "Group"), whose growth has been financed predominantly by cash generated from operations. The Group did not rely upon external sources of equity prior to the Initial Public Offering ("IPO") of the shares of its holding company in April 2005.

Advanced Digital Broadcast Holdings SA ("ADB Holdings" or the "Company") was incorporated in July 2004 in Geneva, Switzerland, and has been the holding company of the Group since 1 January 2005, pursuant to its merger with ADB-Advanced Digital Broadcast Ltd.

ADB Holdings registered office and worldwide headquarters are located at:
Avenue de Tournay 7
1292 Pregny-Chambésy
Geneva
Switzerland

ADB Holdings' shares have been listed on the SIX Swiss Exchange since 29 April 2005

under the symbol ADBN, ISIN CH0021194664. At 31 December 2011, the total market capitalisation was approximately CHF 46 million and approximately 54% of ADB Holdings shares were considered to be "free float".

ADB Holdings manages the Group and performs all Group general management, treasury and financing, budgeting, control and strategic duties. The Group's affiliates operate under management and control of ADB Holdings.

In 2011, the Group operated on a worldwide scale under one main operating segment, Digital TV Products and Services. This segment performs activities for the development, design, marketing, sale and after sale support of equipment, software and services for operators of digital television and broadband data communication networks, and relies on external contract manufacturers for the production of equipment. This segment operates essentially under the Group's ADB, ADB Broadband, Vidiom, i-CAN and Osmosys brands.

The Digital TV Products and Services business is supported by five main functional organisations:

- Strategy and Technology: research and development, as well as strategy and marketing activities are performed in Italy, Poland, Switzerland, Taiwan, Ukraine and US under the supervision of the Executive Vice President, Group Strategy and Technology
- Operations and Procurement: procurement, purchasing, manufacturing and logistics activities are conducted in Italy and Taiwan, under the supervision of the Vice President, Global Operations and Procurement. Manufacturing is fully subcontracted. During 2011, the Group utilised the services of six Electronic Manufacturing

[Note regarding this corporate governance report](#)

This report details the principles governing the management and control mechanisms of the ADB Group, as required in order to comply with the Directive on Information Relating to Corporate Governance issued by the SIX Swiss Exchange. Unless otherwise mentioned, it has been prepared to reflect the situation at 31 December 2011

Services (EMS) suppliers located in China, Czech Republic, Thailand and Vietnam

- **Quality and Reliability:** design, deployment, implementation and control of quality and reliability procedures for hardware and software products and services, as well as for processes and activities of the entire Group organisations are performed under the supervision of the Chief Executive Officer
- **Finance, Legal and Intellectual Property:** accounting, treasury, legal and intellectual property licensing activities in the main regions and subsidiaries are performed under the supervision of the Executive Vice President, Chief Financial Officer
- **Human Resources and Administration:** administrative activities in the main regions and subsidiaries are

performed under the supervision of the Executive Vice President, Chief Administrative Officer.

Additional information on the Group's operating segment is provided in Note 31 of the Consolidated Financial Statements (page 103).

In 2010, the Group acquired the broadband technology subsidiaries of Pirelli Group, an Italian conglomerate. This acquisition brought to the Group complementary know-how, geographical presence, customers and products in the area of broadband data transmission. During 2011, the Group reorganised its activities, partly to take advantage of the significant synergies with the acquired companies in the domain of products, technologies, resources, markets and sales. Additional information on this business combination is provided in Note 27 of the Consolidated Financial Statements (page 97).

The Group and its Affiliates

ADB Holdings owns, directly or indirectly, 100% of all the ADB Group companies. Note 1 of the Consolidated Financial Statements (page 47) provides details of

each Group company. Except for ADB Holdings, no company of the Group is publicly listed on a stock exchange.

Significant Shareholders

Pursuant to the Swiss Federal Act on Stock Exchanges and Security Trading (SESTA) and to the SIX Swiss Exchange Listing Rules and Directives, whosoever, directly, indirectly, or in concert with third parties, acquires or sells shares, for its own account, in a company incorporated in Switzerland whose equity securities are listed, in whole or in part, in Switzerland and thereby attains, falls below or exceeds the following threshold percentages of the voting rights, whether or not such rights may be exercised, shall be obliged to notify the Company and the SIX Swiss Exchange:

Percentage of the share capital	Number of shares
3%	167,145
5%	278,574
10%	557,149
15%	835,723
20%	1,114,298
25%	1,392,872
33 ¹ / ₃ %	1,857,163
50%	2,785,744
66 ² / ₃ %	3,714,325

To the knowledge of the Board of Directors of ADB Holdings, in addition to the Company, which owns 266,548 shares held in treasury, two other shareholders own individually, directly and indirectly, more than 3% of the Company's shares:

- 4T SA, a-Luxembourg based company, which owns 2,299,330 shares, or 41.27% of the total outstanding shares
- Pirelli & C. S.p.a., V.le Piero e Alberto Pirelli 25, Milano ("Pirelli"), which owns 229,840 shares, or 4.13% of the total outstanding shares.

Andrew N. Rybicki - Chairman, President and CEO, members of his family, John Justo, Krzysztof Bilinski and Alessandro Brenna - members of Group Management, and Thomas Steinmann - Director, are, directly or indirectly, in aggregate, controlling shareholders of 4T SA, the main shareholder of the Company.

Significant shareholders and their movements across thresholds that were reported in 2011 to the Company and to the SIX Swiss Exchange Disclosure Office are available through:

http://www.six-swiss-exchange.com/shares/companies/major_shareholders_en.html

Cross-Shareholdings

There are no cross-shareholdings in place within the Group.

CAPITAL STRUCTURE

Capital

The Company has one class of ordinary shares, which carry no right to fixed income. The share capital of ADB Holdings amounts to CHF 1,392,872 and is composed of 5,571,488 fully paid-in registered shares with a nominal value of CHF 0.25 each.

At the end of December 2008, the Company held 595,512 own shares in treasury.

In September 2008, the Company started a share purchase programme with the objective of acquiring 330,000 shares before the end of March 2009. On 30 January 2009, the Company completed the programme acquiring all shares as planned. 22,077 shares were acquired under this programme in 2009.

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to start a share purchase programme for up to 10% of the outstanding share capital, and that the shares acquired under this programme shall be cancelled by way of reduction of the share capital after final approval by the General Meeting of Shareholders. The programme started in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010. The number of shares purchased under this programme at 31 December 2009 was 449,158. During 2010, the Company purchased 169,896 shares, completing the programme on 4 February 2010.

At the Annual General Meeting of Shareholders held on 25 June 2010, it was resolved to reduce the share capital by way of cancellation of the 619,054 shares repurchased under the programme. The shares were cancelled on 5 October 2010.

Pursuant to the exercise of stock options granted in 2008, 2,532, 33,263 and 25,580 shares were respectively sold in 2011, 2010 and 2009 by the Company.

On 29 November 2010, the Company transferred 400,000 treasury shares to Pirelli as part of the consideration paid for the business combination described in Note 27 of the Consolidated Financial Statements (page 97).

On 2 August 2011, the Company purchased 133,334 shares pursuant to the exercise of the first tranche of the Put Option described in the section "Convertible Bonds and Warrants/Options" (page 12) of this Corporate Governance report.

On 4 November 2011, 23,000 shares were transferred upon grant of shares to certain employees of the Group as described in the section "Content and Method of Determining the Compensation and the Share-Ownership Programmes" (page 28) of this Corporate Governance report.

As a result of all of the above, at 31 December 2011, the total nominal value of shares held in treasury amounted to CHF 66,637, consisting of 266,548 shares with a nominal value of CHF 0.25 each.

Additional information on the share capital is provided in Note 21 of the Consolidated Financial Statements (page 80) and Note 8 of the Statutory Financial Statements of the Company (page 117).

At 31 December 2011, the share capital of the Company is as follows:

Total outstanding shares	5,571,488
of which	
▪ Shares held in treasury	266,548
▪ Shares in circulation	5,304,940
of which	
▪ Free-float	3,005,610
Authorised capital shares	-
Conditional capital shares	1,024,523

Authorised Capital

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to replace the Authorised Capital, which expired on 22 June 2009, with a new Authorised Capital of CHF 500,000 that could have been used by the Company's Board of Directors to increase the Company share capital by a maximum of 2,000,000 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 26 June 2011.

Beneficiaries could have been new or existing shareholders of ADB Holdings. Statutory pre-emptive rights to which existing shareholders of ADB Holdings are entitled under Swiss law could have been excluded by the Board of Directors if a capital increase was effected for the purpose of acquisition of enterprises or part of it, acquisition of participations in enterprises, strategic investments of the Group, or financing and refinancing of such transactions.

The Board of Directors could have increased the share capital of ADB Holdings by any amount of the authorised capital at its discretion. The Board of Directors could have set the date of issuance, the price of issuance, the manner in which the shares were to be paid-up, the conditions of the exercise of the pre-emptive rights, and the time from which rights to dividend would have applied. To this effect, the Board of Directors could have issued shares through underwriting by a bank or a consortium.

Any share for which the pre-emptive right would not have been exercised could have been available to the Board of Directors, which was entitled to use it in the interests of the Company.

At the Annual General Meeting of Shareholders held on 17 June 2011, the Authorised Capital, which expired on 25 June 2011, was not renewed.

Conditional Capital

The conditional capital amounts to CHF 256,131, consisting of 1,024,523 shares with a nominal value of CHF 0.25 each, and is structured as follows:

- Pursuant to the Article 5a of the Company's Articles of Association, ADB Holdings' share capital may be increased by up to CHF 106,131 consisting of 424,523 shares with a nominal value of CHF 0.25 each through the issuance of fully paid-in shares, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of ADB Holdings or affiliated companies. Existing shareholders' preferential subscription rights are excluded. The Board of Directors shall establish employee participation schemes (employee stock option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the option rights shall be set by the Board of Directors. Issuance at a price below the market price is authorised. Details on the Company's equity compensation plans are available in the sections "Convertible Bonds and Warrants/Options" (page 12) and "Content and Method of Determining the Compensation and the Share-Ownership Programmes" (page 28) of this Corporate Governance report and in Note 30 of the Consolidated Financial Statements (page 101)
- At the Annual General Meeting of Shareholders held on 22 June 2007, it was resolved to adopt a new Article 5c in the Company's Articles of Association, allowing ADB Holdings' share capital to be increased by up to CHF 150,000, consisting of 600,000 shares with a nominal value of CHF 0.25 each, for the issuance of conversion or option rights. Option and conversion rights allowing the subscription of shares shall be granted to the creditors holding convertible or option bonds or similar debt instruments, which shall be issued by the Company or by one of its controlled companies, in one or several steps. The pre-emptive subscription rights of shareholders may be excluded in favour of the creditors holders of convertible or option rights by a decision of the Board of Directors for valid reasons as follows: if the convertible or option bonds are to be placed in priority on the foreign market, or if the proceeds from the issuance contribute to the financing or refinancing of the acquisition of enterprises, or parts thereof, or of participations in enterprises, to the financing of strategic

investments of the Group, or to the financing of the repurchase of convertible or option bonds that have been issued before by the Company or its subsidiaries. The Board of Directors sets the terms and conditions of the conversion and option rights. From the moment of their issuance by the exercise of conversion or option rights, as well as upon each subsequent transfer, the new shares are subject to the restrictions set forth in the relevant provisions of the Articles of Association. In the event that the convertible or

option bonds are not offered in priority to the shareholders, they shall be placed publicly at market conditions, the term to exercise conversion rights may not exceed ten years and seven years for option rights, in each case from the date of the bond issue and the conversion or option price for the new shares must be at least equivalent to the market conditions as of the time of the bond issuance.

The conditional capital does not bear a time limit.

Changes in Capital over the Last Three Financial Years

Note 8 of the Statutory Financial Statements (page 117) provides details on the historical changes in capital of the Company.

Shares and Participation Certificates

Each of the registered shares carries one vote at shareholders' meetings, which may be exercised only after a shareholder has been registered in the Group's share register as a shareholder with voting rights. The Company cannot exercise the voting rights of the shares held in treasury.

All shares carry dividend rights. At the Annual General Meeting of Shareholders held on 25 June 2010, the shareholders approved the proposal of the Board of Directors to distribute a gross dividend of CHF 3.00 per share, prior to applicable Swiss withholding tax of up to 35%. The ex-dividend date was 30 June 2010, and the payment date was 15 July 2010. No dividend was declared payable or paid by the Company prior to 2010.

At the Annual General Meeting of Shareholders held on 17 June 2011, the Company's shareholders approved the proposal of the Board of Directors to

create a capital contribution reserve - which aggregates the Company's share premium, general reserve, reserve available for distribution and reserve on own shares - and to distribute a gross dividend of CHF 1.00 per share. The 2011 dividend consisted of a restitution of share premium to shareholders. Pursuant to Swiss tax legislation, which entered into force in 2010, this distribution was not subject to withholding taxes in Switzerland. The ex-dividend date was 26 July 2011, and the payment date was 29 July 2011.

As registered shares, the shares are in collective custody with a depository institution (SIX SAG AG, Olten) in book-entry form only, without any rights for shareholders to request printed share certificates.

All of the issued share capital is fully paid-in.

Profit Sharing Certificates

ADB Holdings has not issued any non-voting equity security such as participation certificates or profit sharing certificates.

Limitations on Transferability and Nominees Registration

ADB Holdings' shares are registered shares, the transfer of which is effected by use of a share registration form and by a corresponding entry in the books of a bank or a depository institution following an assignment in writing by the selling shareholder and notification to ADB Holdings of such assignment.

On 29 November 2010, the Company transferred 400,000 treasury shares to Pirelli as part of the consideration paid for the business combination described in Note 27 of the Consolidated Financial Statements (page 97). These 400,000 shares are restricted from trading as follows:

- Pirelli cannot sell the shares for two months following closing of the transaction, i.e. until 29 January 2011
- After 29 January 2011, Pirelli shall be permitted to sell in any given trading day a number of shares not exceeding 25% of the average trading volume of the shares on the SIX Swiss Exchange for the ten trading days preceding the day of trade. Such restriction on trading volume shall not apply to any transfer of shares executed in block sales
- Pirelli shall not lend any of the shares it owns
- Pirelli shall offer the Company the purchase of any blocks of no less than 100,000 shares that it has decided to sell at the price notified to the Company by Pirelli. If the Company refuses to purchase shares from Pirelli, or does not respond promptly to the offer received, Pirelli shall then be entitled to sell the shares to any third parties.

During the first-half of 2011, Pirelli sold 36,826 shares of the Company to third parties, and on 2 August 2011, it exercised the conversion rights of the first tranche of the Put Option described in the

section "Convertible Bonds and Warrants/Options" (page 12) of this Corporate Governance report, selling 133,334 shares to the Company. At the date of this report, the number of shares of the Company owned by Pirelli and subject to the above mentioned trading restriction is 229,840.

Other than for the above, there are no trading restrictions with regard to the shares. The Board of Directors will update the share register after receiving the respective request of a shareholder to be entered as a shareholder into ADB Holdings' share register. A purchaser of shares will be recorded in ADB Holdings' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address, and gives a declaration that it has acquired the shares in its own name and for its own account. Failing such registration, a shareholder may not vote at, or participate in, a shareholders' meeting but will still be entitled to receive dividends and other rights with financial value, such as pre-emptive rights.

Nominees and fiduciary holders' registration in the shareholders' register is permitted, but such registration is done without voting rights. In addition, registration of any shareholder is limited to 5% of voting rights, as explained in the section "Voting Rights and Representation Restrictions" (page 31) of this Corporate Governance report.

No action has been or will be taken in any jurisdiction other than Switzerland that would permit a public offering of ADB Holdings' shares, or the possession, circulation or distribution of any material relating to the shares in any jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and no offering material or advertisements in connection with the shares may be distributed or published, in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Convertible Bonds and Warrants/Options

580,000 stock options with a strike price of CHF 30.47 each, and 15,000 stock options with a strike price of CHF 33.22 each, were granted respectively on 21 February 2008 and on 18 May 2009 to

employees of the Group and to members of the Board of Directors. The stock options granted vest over three years from the date of grant, in the proportion of one-third at each twelve-month

anniversary of the grant date: vesting is subject only to the continued employment of the beneficiary within ADB Group. Vesting can be accelerated in case of a change of control of the Group. The stock options expire four years from the date of grant. Shares required upon exercise of these options shall come from the Company's treasury shares or conditional capital. Each share option converts into one share of the Company. No amounts are paid or payable to the Company by the recipient upon receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Additional information on these stock options can be found in the section "Share-Ownership Programmes" (page 28) of this Corporate

Governance report and in Note 30 of the Consolidated Financial Statements (page 101).

On 29 November 2010, the Company entered into a put and call option agreement with Pirelli as a result of the business combination described in Note 27 of the Consolidated Financial Statements (page 97). Pursuant to the provisions of this agreement, Pirelli has a right to sell to the Company for the price of CHF 29.00 per share, all or part of, but not more than, the 400,000 shares received as partial consideration of the acquisition ("Put Option"). At the same time, the Company also has the right to purchase from Pirelli, at the price of CHF 34.80 per share, all or part of, but not more than, the 400,000 shares transferred as part of the consideration ("Call Option"). The rights of Pirelli under the Put Option, and those of the Company under the Call Option, can be exercised in three tranches:

Tranche of the Put and Call Options	Number of Shares Concerned	Start of Vesting Period	End of Vesting Period
First tranche	133,334	1 Aug 2011	1 Sep 2011
Second tranche	133,333	15 Feb 2012	15 Mar 2012
Third tranche	133,333	1 Aug 2012	1 Sep 2012

The rights not exercised at the expiry of each tranche shall immediately become null and void. Each party can only exercise its rights with respect to the entire amount of shares of each tranche. If the rights of a tranche are exercised by one party, then the rights of the other party for the same tranche shall immediately become null and void. If Pirelli sells shares before vesting of the options, the shares sold shall be deducted starting from the number of shares concerning the last tranche of the option agreement.

On 2 August 2011, Pirelli exercised the conversion rights of the first tranche of the Put Option.

Additional information on the accounting of the Put Option and Call Option are available in Note 27 of the Consolidated Financial Statements (page 97).

Except for the above, ADB Holdings has not issued any convertible bonds or other derivative equity instruments at 31 December 2011.

Changes since 31 December 2011

At the date of publication of this Corporate Governance report, all stock options granted to employees in 2008 have expired without exercise, and only 10,000 stock options of those granted in 2009 remain outstanding. In particular, all stock options granted to members of the Board of Directors and to Group Management expired.

On 24 February 2012, Pirelli exercised the conversion rights of the second tranche of the Put Option, selling 133,333 shares to the Company.

BOARD OF DIRECTORS

Members of the Board of Directors of the Company

Name	Year of Appointment	Year of Birth	Nationality	Executive/ Non-Executive	Position
Andrew N. Rybicki	2004	1948	Poland	Executive	Chairman of the Board of Directors, CEO & President of the Group
Jean-Christophe Hocké	2004	1969	Switzerland	Non-executive	Member of the Board of Directors
Philippe Geyres	2011	1952	France	Non-executive	Member of the Board of Directors
Thomas Steinmann	2004	1961	Switzerland	Non-executive	Member of the Board of Directors



Andrew N. Rybicki is Chairman of the Board of Directors, Chief Executive Officer and President of the Group. He founded the Group in 1995. Prior to that, Mr. Rybicki held several technical, business and marketing positions at Nokia Corp. and Salora OY between 1974 and 1978, Blonder-Tongue Laboratories Inc. between 1979 and 1988, and was an engineering director at General Instruments Corp. between 1988 and 1990. From 1990 to 1996, Mr. Rybicki served as Marketing Director for STMicroelectronics' Asia Pacific region where he initiated and led the effort of business and product development of the world's first highly integrated, complete chipset for digital TV set-top boxes. He earned an MSc in Electronics Engineering from Technical University of Poznan, Poland in 1973.



Jean-Christophe Hocké is a member of the Board of Directors since 2004. Since January 2004, Mr. Hocké is a partner of the Geneva-based law firm Python & Peter where he has been working since 1994. In 1993 and 1994, he worked as a legal trainee with GOLENBOCK, EISEMANN, ASSOR, BELL & Partners, New York. Mr. Hocké holds a law degree from the University of Geneva (1993).

Jean-Christophe Hocké has, from time to time, provided legal advice to ADB Group, the terms and conditions of which were at arm's-length. Mr Hocké has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.



Philippe Geyres is a member of the Board of Directors since 2011. He was also member of the Board of Directors in 2005 and 2008. Mr. Geyres began his professional career in 1973 with IBM at Corbeil-Essonnes, near Paris, before joining the Schlumberger Group in 1980, working first in its oil services and then at Fairchild Semiconductors. He worked for STMicroelectronics or predecessor companies from 1983 to 2006. In 1983, Philippe Geyres was appointed Director of Thomson Semiconducteurs' bipolar integrated circuits division. Following the merger in June 1987 of Thomson Semiconducteurs and SGS Microelettronica, he was nominated Corporate Vice President, Strategic Planning, at SGS-Thomson, the predecessor company to STMicroelectronics. In January 2005, Philippe Geyres was assigned responsibility for the newly created "home, personal, communication groups (HPC)" and became Executive Vice President following the formation of STMicroelectronics' Corporate Executive Committee. In January 2007, he was appointed CEO of Oberthur Card Systems, a French smart card company publicly listed on Euronext (Paris). Since 2009, he consults for the electronics and smart card industries. Philippe Geyres graduated as an engineer from the Ecole Polytechnique of Paris in 1973.

Mr Geyres has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report. In February 2011, Mr Geyres was appointed interim-CEO of Trident Microsystems, Inc. and resigned from the Board of Directors in order to avoid a conflict of interests with his other professional activities. His assignment with Trident Microsystems, Inc. ended in June 2011. Mr Geyres was re-elected to the Board of Directors on 26 August 2011 during an Extraordinary General Meeting of Shareholders.



Thomas Steinmann is a member of the Board of Directors since 2004. Mr. Steinmann has been a partner with the Geneva-based law firm Python & Peter since 1995, where he previously worked as an associate from 1991 to 1994. In 1990 and 1991, he worked as an associate with Gibson, Dunn & Crutcher, New York. He holds bachelor's degrees in law and in political science from the University of Lausanne (1983) and a doctorate in law from the University of Lausanne (1991). Since 1995, Mr. Steinmann has been a Professor in international contracts at the Business School of the University of Lausanne (HEC). He is the author and co-author of numerous publications.

Thomas Steinmann has, from time to time, provided legal advice to ADB Group, the terms and conditions of which were at arm's-length. Mr Steinmann has not been part of the Group Management in the last three years and has not held functions in the Group other than those disclosed in this report.



Other Activities and Vested Interests

	Outside ADB Group	Inside ADB Group
Andrew N. Rybicki	<p>Sole shareholder and CEO of Alliance Technology Ltd.</p> <p>Member of the Board of Directors of TVN SA, the owner of a customer of the Group</p> <p>Chairman and main shareholder of 4T SA, the main shareholder of ADB Holdings SA</p>	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> ■ Advanced Digital Broadcast Spain S.L.U. ■ Advanced Digital Broadcast Ltd. ■ Advanced Digital Broadcast (UK) Ltd. ■ Advanced Digital Broadcast Hong Kong Ltd. ■ Advanced Digital Broadcast Inc. ■ ADB Broadband S.p.a. ■ Vidiom Systems Inc. ■ SIMPLE S.r.l.
Jean-Christophe Hocké	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> - Byron Investments Services SA - Even Capital SA - Finartis Capital SA - Finartis Properties SA - Peer Management SA 	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> ■ Advanced Digital Broadcast SA ■ ADB Services SA ■ Vidiom SA
Philippe Geyres	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> - Arteris Inc. - ASK SA - Oasis Smart SIM Pte. Ltd. - Trident Microsystems Inc. 	None
Thomas Steinmann	<p>Member of the Board of Directors of 4T SA, the main shareholder of ADB Holdings</p>	<p>Member of the Board of Directors of</p> <ul style="list-style-type: none"> ■ Advanced Digital Broadcast SA ■ ADB Services SA

Other than the above, the members of the Board of Directors do not hold other offices or carry out other principal activities which are of importance to the Group.

Elections and Terms of Office

According to the Articles of Association of the Company, the Board of Directors consists of at least three members who are elected individually for a term of one year, their mandate expiring at the Annual General Meeting of Shareholders following the end of such one year term. Members may be re-elected. ADB Holdings' Board of Directors consists of four members.

According to the Company's Organisational Regulations, a member of the Board of Directors, Group Management, Audit Committee or Nomination and Compensation Committee shall resign with effect from the end of the business year during which he celebrated his 70th birthday.

	First election to the Board of Directors	Last election	Expiry date
Andrew N. Rybicki	20 July 2004	17 June 2011	Next Annual General Meeting of Shareholders
Jean-Christophe Hocké	20 July 2004	17 June 2011	Next Annual General Meeting of Shareholders
Philippe Geyres	29 March 2005	26 August 2011	Next Annual General Meeting of Shareholders
Thomas Steinmann	20 July 2004	17 June 2011	Next Annual General Meeting of Shareholders

Internal Organisational Structure

Allocation of Tasks within the Board of Directors

The Board of Directors' non-transferable and inalienable duties according to Swiss law include the ultimate strategic management and the supervision of ADB Group. The Board of Directors appoints the Group Management.

The Board of Directors is comprised as a minimum of the Chairman and at least two other Directors. The Board of Directors may pass resolutions on all matters that are not reserved for the shareholders' meeting by law or by the Articles of Association. According to the Articles of Association, the adoption of resolutions by the Board of Directors requires the absolute majority of the votes made. In case of a split vote, the Chairman has the casting vote. To validly pass a resolution, the majority of the members of the Board of Directors is required to be present. No quorum is required for a resolution implementing capital increases and the amendments of the Articles of Association in connection with these capital increases pursuant to art. 651a, 652g and 653g of the Swiss Code of Obligations. Moreover, the Board of Directors may delegate the management and representation of ADB Group, either in whole or in part to one or several of its members (delegates) or to third parties in accordance with the Organisational Regulations. The Board of Directors entrusts the running of day-to-day business matters to the Group Management under the chairmanship of the CEO, who is responsible for the operative management of the Group and for all affairs, which do not lie within the responsibility of the Board of Directors by law, statute, or Organisational Regulations.

The Board of Directors meets at least once a quarter. At the invitation of the Chairman, the members of Group Management and/or other employees and third parties may attend the meetings of the Board of Directors to report information. The Committees report on their activities and consequent results to the Board of Directors. They prepare information for the Board of Directors in their respective areas but do not have any decision-making authority, with the exception of the Audit Committee for imminent threats or danger, or unless such authority has been conferred on them specifically. In all such cases, they decide together with the Chairman of the Board of Directors. The overall responsibility of the Board of Directors is not affected by the existence of the Committees.

The Chairman has the power to sign individually on behalf of ADB Holdings. All other members of the Board of Directors have the power to represent ADB Holdings by signing jointly with the Chairman, with the exception of members of the Board of Directors that are domiciled in Switzerland and are non-executive, who have the power to represent ADB Holdings by signing jointly by two.

At 31 December 2011, the allocation of functions within the Board of Directors is as follows:

- Chairman: Mr. Andrew N. Rybicki
- Secretary of the Board: Mr. Thomas Steinmann.

Members List, Tasks and Area of Responsibility for Each Committee of the Board of Directors

Audit Committee

In accordance with its Organisational Regulations, the Board of Directors has formed an Audit Committee to support its work. The Audit Committee consists of at least two members of the Board of Directors, which are non-executive. The Chairman is appointed by the Board of Directors. The term of office is one year. The Audit Committee meets at least once per year and provides an annual report on its activities to the Board of Directors. It may invite to its meetings any person whom it deems necessary to hear, within the scope of its competence.

The Audit Committee is currently composed of Thomas Steinmann and Philippe Geyres.

The main task of the Audit Committee is to review the Company's annual and other accounts and issue recommendations to the Board of Directors regarding the acceptance thereof. The Group's external auditor also reports at least once a year to the Audit Committee regarding audits and thereafter the Audit Committee suggests improvements of the auditing process if this should prove necessary.

Nomination and Compensation Committee

In accordance with its Organisational Regulations, the Board of Directors has formed a Nomination and Compensation Committee ("NCC") to support its work. The NCC consists of at least two members of the Board of Directors, of which at least one is non-executive. The Chairman is appointed by the Board of Directors. The term of office is one year. The NCC meets at least once per year and provides an annual report on its activities to the Board of Directors.

The NCC is currently composed of Philippe Geyres and Jean-Christophe Hocké. The main tasks of the NCC are:

- preparing the resolutions to be brought before the shareholders' meeting with regard to electing and dismissing members of the Board of Directors
- preparing the personnel decisions to be made by the Board of Directors, such as human resources planning, proposals for the nomination and dismissal of the CEO of the Company
- proposing modifications to the compensation

The Audit Committee is also responsible for evaluating the independent auditor as well as the internal control, risk management and compliance systems on behalf of the Board of Directors.

The Audit Committee does not have any decision making authority with the exception of imminent threats or danger, or unless such authority has been conferred on it specifically. In such case, it decides together with the Chairman of the Board of Directors. The overall responsibility of the Board of Directors is not limited by the Audit Committee.

In 2011, the Audit Committee met four times, and the independent auditor participated at three of these meetings. The meetings last typically two to four hours.

At 31 December 2011, the allocation of functions within the Audit Committee is as follows:

- Chairman: Mr. Thomas Steinmann.

structure for the Board of Directors and CEO of the Company

- periodically reviewing the measures taken to retain and promote top management
- administering employee share compensations' plans.

In addition, the NCC has been assigned by the Board of Directors the duties of Related Parties Transactions Committee. The main task under such duties is to assess all transactions entered into by the Group with related parties. This includes evaluating their appropriateness and ensuring that such transactions are at arm's-length.

The NCC does not have any decision making authority.

In 2011, the NCC met twice. The meetings last typically one to two hours.

At 31 December 2011, the allocation of functions within the NCC is as follows:

- Chairman: Mr. Philippe Geyres.

Work Methods of the Board of Directors and its Committees

In 2011, the Board of Directors and its Committees met or resolved as follows:

- Board of Directors: nine times (three times in person, three times by phone, and three times by e-mail)
- Audit Committee: four times
- Nomination and Compensation Committee: twice.

The average attendance at the Board of Directors meetings and Committee meetings, either in person, by telephone or by e-mail, was more than 90%. The meetings last typically one to seven hours, depending on the complexity of the agenda. The subjects covered at the Board of Directors meetings and Committee meetings included among others:

- Board of Directors: delegation of powers to management, company reorganisations, review of the consolidated and statutory financial statements of the Company and approval, evaluation of various risks, amendment of the bylaws, strategic initiatives and compensation matters
- Audit Committee: review of the consolidated and statutory financial accounts of the Company, review of the directives to and reports of the independent auditor, Internal Control System

and risk management policies and actions, as well as relations with the independent auditor

- Nomination and Compensation Committee: compensation policies, human resources policies, related-parties transactions assessment.

At each meeting, the Board of Directors or the Committee requires certain members of the Group Management to present on specific topics.

The CEO, CFO and CAO were requested to participate at every meeting of the Board of Directors and report on applicable activities on behalf of the Group Management. The CFO was requested to participate at every meeting of the Audit Committee. The CAO was requested to participate at every meeting of the Nomination and Compensation Committee.

In 2011, the independent auditor was requested to participate at three of the four meetings of the Audit Committee.

The minutes of each meeting, which typically also contain the list of presence, agenda and duration, are prepared by the secretary, approved by all members of the Board of Directors or of the Committee, as applicable, signed by the Chairman of the meeting and the secretary, and filed in the Company's archives.

Definition of Areas of Responsibility

The Board of Directors decides on all Group activities for which it is responsible under Swiss law (especially art. 716a of the Swiss Code of Obligations on non-transferable and inalienable duties of the Board of Directors), the Articles of Association, and the Organisational Regulations. The Board of Directors has sole authority for the following:

- to carry out the overall management of the Company and establish the necessary instructions
- to establish the organisation of the Company
- to establish the accounting and financial control principles as well as the financial plan to the extent that it is necessary for the management of the Company

- to appoint and remove the persons charged with the management and representation
- to carry out the supervision of the persons responsible for the group management, notably in order to ensure that they observe the law, the Articles of Association, the Organisational Regulations, the Group's Internal Control System and the given instructions
- to establish the annual report, prepare the shareholders' meetings and execute their decisions
- to inform the judge in case of over-indebtedness.

In addition, the Board of Directors has decided not to delegate, and therefore has exclusive power to adopt resolutions on the following matters:

- to examine, if required, the professional qualifications of the specially qualified auditor
- to hire and dismiss the Chief Executive Officer and to fix his full compensation
- to keep the shareholders' register
- to approve the Company's three year business plan as well as the annual financial plan and budget
- to decide on any single financial commitment of the Company in excess of US\$ 1 million other than those contemplated in the business plan and/or budget, except the Group Management's decision to invest the IPO proceeds in a secure financial instrument offered by an internationally recognised financial institution and convert the currency in which the proceeds are held
- to create, acquire, sell or dissolve subsidiary companies or divisions of the Company
- to sign credit or loan agreements on behalf of the Company whether as lender or as borrower, in excess of US\$ 1 million, or to enter into off-balance sheet agreements for a notional value in excess of US\$ 1 million other than those contemplated in the business plan and/or budget
- to enter into guarantee or security agreements of any kind for an amount in excess of Euro 50 million
- to enter into continuing contracts exceeding a period of five years
- to enter into any contract of an amount exceeding US\$ 50 million
- to make individual investments in excess of US\$ 1 million other than those contemplated in the business plan and/or budget, except the Group Management's decision to invest the IPO proceeds in a secure financial instrument offered by an internationally recognised financial institution and convert the currency in which the proceeds are held
- to appoint the CEO of the Company, the Audit Committee, and the NCC
- to initiate and settle judicial and administrative proceedings and disputes exceeding US\$ 4 million.

The Chairman has the power to sign individually for the Company. All other members of the Board of Directors have the power to represent the Company by signing jointly with the Chairman, with the exception of the members of the Board of Directors that are domiciled in Switzerland and are non-executive, who have the power to represent ADB Holdings by signing jointly by two.

The Board of Directors has delegated the operational management to the Group Management.

Information and Control Instruments vis-à-vis the Group Management

The Board of Directors monitors and controls Group Management and the Group's operations through the following instruments:

- the Board of Directors adopts the Company's Organisational Regulations, which in particular govern the organisation, deliberations, powers and duties of the Group Management
- the Board of Directors adopts the Group's Internal Control System
- the Board of Directors has delegated internal audit to the Group Management under the supervision of the Audit Committee
- regular meetings of the Board of Directors and its Committees, where the Group Management reports about the evolution of business of the Group, financials, risk management system, Management Information Systems, as well as other business matters
- the CEO, CFO and CAO are generally requested to participate at every meeting of the Board of Directors to report on applicable activities on behalf of the Group Management. The CFO is generally requested to participate at every meeting of the Audit Committee. The CAO is generally requested to participate at every meeting of the Nomination and Compensation Committee

- pursuant to the Company's Organisational Regulations, each member of the Group Management reports immediately any extraordinary event and any change within the Company to the Chairman and CEO
- pursuant to the Company's Organisation Regulations, the Board of Directors reviews and approves, amongst other things, changes in ADB Group's structure and organisation, as well as significant transactions, including acquisitions, major commercial contracts and major investments
- the Group Management is not empowered to delegate the powers that have been delegated to it by the Board of Directors
- the periodical monitoring and assessment by the Board of Directors and the Group Management of various risk factors bearing on ADB Group and its business. The Audit Committee and the Board of Directors can request specific audit assessments at their discretion, for example to evaluate specific risk factors
- additional management instruments for the monitoring of management processes include annual budgeting and semi-annual forecasts. Regular reports are presented to the Board of Directors and the Audit Committee on topics such as deviation from budget and forecast, legal issues and risk management
- the documentation and implementation by Group Management of policies regarding Group control which comply with the Group's Internal Control System, the Organisational Regulations of ADB Holdings and with regulations of all Group's subsidiaries. Such policies are made available to the Board of Directors and its Committees by Group Management at any time, upon request. The Board of Directors or the Audit Committee can at any time request an internal audit on the Group's compliance to its policies
- the Board of Directors, or other governing bodies as applicable, of all subsidiaries of the Group generally include one or more members of the Group Management or of the Company's Board of Directors
- the Company's finance department provides the Group Management with a monthly report that includes the consolidated balance sheet and income statement of the whole Group as well as other relevant information. This report is reviewed by the Group Management who takes decisions and issues directives to the managers responsible of each company and organisation within the Group. The Audit Committee receives a copy of the report from the Company's finance department.

Pursuant to the Company's Organisation Regulations, each member of the Board of Directors may request information about all matters of the Company. During the meetings, each member of the Board of Directors may request information from the other members of the Board of Directors, as well as from the Group Management. Outside of the meetings, each member of the Board of Directors may request from the Group Management information concerning the course of the business and, with the authorisation of the Chairman, about specific matters.

To the extent necessary for the performance of his duties, each member of the Board of Directors may request from the Chairman to have access to specific accounting books and files. If the Chairman rejects a request for information, whether for a hearing or for an inspection, the Board of Directors shall vote on the matter at the next meeting. The member who has made the request shall have the right to vote.

The Management Information System ("MIS") of the Company is based on commercially available software systems from reputable firms and encompasses data for the entire Group. The MIS records all appropriate balance sheet and income statement items (including all income and expenses). The MIS is available to the Group Management at any time, but not directly accessible to the Board of Directors and its Committees. However, reports can be issued to the Board of Directors and its Committees upon request. In addition, the Group Management operates a web-based set of business tools tracking sales plan, shipments, and customer purchase orders. The data generated by these tools are available to the Group Management at any time, while specific reports can be generated and issued to the Board of Directors and its Committees upon request.

For several years, the Company has addressed risk management through a number of specific procedures and policies that apply Group-wide to the different operational or corporate domains, and through ad-hoc identification and assessment of specific business risks. The Company gathered these procedures and policies in the ADB Group Policy Manual.

The ADB Group has also adopted and deployed an Internal Control System. By establishing the ADB Group's Internal Control System, the Board of Directors aimed to (i) create a management tool to support the ADB Group and its management in achieving its objectives in terms of procedures, information, and protection of the ADB Group's assets and (ii) comply with the provisions of Swiss law that entered into force on 1 January 2008, and in particular with articles 728a and 728b of the Swiss Code of Obligations.

The main risk factors identified by the Board of Directors as bearing on the Group's business are mapped according to the following categories:

■ Information and Consolidated Reporting

■ Engaging the Group, Protecting its Assets, Compliance

■ Industry Risks

- Changes of technology in the industry
- Future developments of the world digital TV market
- Competitive market situation
- Industry consolidation
- Commoditisation of basic products
- Changes in governmental regulation
- Macroeconomic, social and political changes

■ Risks Related to the Group's Business

Technology

- Innovation
- Changes in industry trends
- Protection of the Group's intellectual property rights
- Licensing third-party intellectual property

Sales and marketing

- Customer concentration
- Reliance on certain business partners
- Product portfolio evolution
- Unsuccessful strategy or execution

Operations

- Quality
- Availability and inventory
- Managing growth
- Supplier concentration
- Dependence on certain strategic suppliers

Finance and administration

- Currency exchange rate fluctuations
- Reliance on systems
- Intellectual property rights infringements
- Reliance on key personnel
- Changes of government policies, laws and regulations

■ Information, Legal Entity Reporting, Social Security and Tax

■ Engaging the Legal Entity, Protecting its Assets, Legal Entity Compliance.

The risk map classifies risks in terms of their frequency, impact and relevance to the Group activities and to the Group's financial performance.

In 2011, the Group addressed with specific emphasis the risks rated with high relevance by its Internal Control System, while maintaining strong focus on its established risk management policies for those areas rated with a lower relevance.

Group Management's attention was in particular drawn to:

Risk	Actions
Intellectual Property	In 2011, the Group filed 18 patent, 1 design and 1 trademark applications and was granted 30 patent and 1 design registrations. The Group's total portfolio of intellectual property rights currently includes 209 patent, 46 design and 83 trademark registrations and pending applications.
Concentration of sales and customer default	Customers receivables were secured for a large majority by letter of credit or credit insurance
Efficiency of operations	The Group maintained a well diversified supplier base for key components and finished goods
Quality	The Group continued its program aimed at reinforcing its Total Quality Management processes and the organisation in charge of quality
Systems and tools	The Group continued its efforts and investments in projects aimed at extending its financial information system to the newly acquired companies, and at enhancing the overall performance of its Management Information System
Currency exchange rate fluctuations	In the very volatile environment of 2011, the Group undertook new initiatives and continued its efforts aimed at controlling the currency exchange risks and the impact that currency fluctuations produce on its accounts
Contractual engagements and powers	The Group continued its effort aimed at reinforcing the control over undertaking contractual engagements
Compliance with changes in regulations	The Group reinforced compliance and governance procedures and fostered their deployment

GROUP MANAGEMENT

Members of Group Management

Name	Year of Appointment	Year of Birth	Nationality	Position	Main duties
Andrew N. Rybicki	1995	1948	Poland	President & Chief Executive Officer (CEO)	Overall Group Management
Alessandro Brenna	2004	1965	Italy	Executive Vice President, Chief Financial Officer (CFO)	Group's Finance, Legal Affairs and Intellectual Property Management
Jas Saini	2011	1959	UK	Executive Vice President, Group Strategy and Technology	Group's Technology, Marketing and Strategy Management
William G. Luehrs	2006	1944	US	Executive Vice President, US Cable Division and Chief Administrative	US Cable Division and Group's Human Resources Management
Krzysztof Bilinski	2010	1966	Poland	Executive Vice President, Broadcast Division	Broadcast Division Management
Francesco Schiavinato	2011	1969	Italian	Executive Vice President, Broadband Division	Broadband Division Management
John Justo	2011	1971	Portugal	Executive Vice President, Services Division	Services Division and Information Technologies Management
Belinda Wong	2006	1958	Portugal	Executive Vice President, Finance	Group's Accounting and Treasury Management

Andrew N. Rybicki, President & Chief Executive Officer (CEO), see Members of the Board of Directors.



Alessandro Brenna, Executive Vice President, Chief Financial Officer (CFO), joined ADB Group in 2004. He previously worked for Foster Wheeler Italiana from 1992 to 1993, McKinsey & Company from 1993 to 1996 and STMicroelectronics from 1996 to 2004. At STMicroelectronics, his last position was Director, Financial Control of the Telecom Products Group, managing the financial aspects of an organisation with sales of US\$ 1.4 billion. Before that, Mr. Brenna was Director of Corporate Planning and Development and Director of Investor Relations at STMicroelectronics. He holds an MSc in Industrial Technologies Engineering from Politecnico di Milano, Italy, in 1990, an MBA from INSEAD, France, in 1994, and he is a CFA Charterholder since 2002.



Jas Saini, Executive Vice President, Group Strategy and Technology, joined ADB Group in 2010. Before joining ADB Group, he was CEO of UDCast, a mobile TV company, Vice President for Consumer Devices at NDS, and Vice President for Products at Irdeto. Prior to that, Mr. Saini spent many years at Thomson, where he was responsible for the Home Networking and User Interface laboratory, then Thomson's worldwide Digital Product

Development, before setting up and heading the European and Asian Digital Business Unit. Mr. Saini started his career working with the inventor and visionary Sir Clive Sinclair, designing digital telephones. He then served on the Board of Directors of C-Cube Microsystems, an MPEG pioneer, NXVision, a place shifting company, OpenTV, a middleware vendor, and TCEC, a joint venture between STMicroelectronics and Thomson. Mr. Saini earned a BSc in Electronic Engineering, in 1981, and a PhD in Computer Design, in 1984, from University of Southampton, UK.



William G. "Bill" Luehrs, Executive Vice President, US Cable Division and Chief Administrative Officer (CAO), joined ADB Group in 2002. From 2002 to 2005, he was Regional President, Americas Region and President of Advanced Digital Broadcast Inc. He was appointed Executive Vice President, Chief Administrative Officer (CAO) of the Group, in 2006, and Executive Vice President, US Cable Division in 2011. Mr. Luehrs has been involved in the cable and telecommunications industries for over 20 years. Prior to joining ADB Group, he held general management positions at Motorola's Broadband Communications Group, Zenith Electronics, and Scientific Atlanta. Mr. Luehrs also worked seventeen years with General Electric, where he held a number of general management and strategic marketing positions. He received a BSc in Electronic Engineering from Marquette University, US, in 1967, and an MBA from Gannon University, US, in 1976.



Krzysztof Bilinski, Executive Vice President, Broadcast Division, joined ADB Group in 1997. He held various design and management positions within research and development, including R&D Director from 1999 till 2005, Vice President of R&D from 2005 to 2006, and CTO from 2006 and 2007. In 2008, he became the head of Business Unit Central Coordination Office, and in 2009 he was appointed General Manager of the Satellite and Terrestrial Business Unit, which, in 2011, was expanded to become the Broadcast Division.

Mr. Bilinski earned an MSc in Automatics and Metrology from the University of Zielona Gora, Poland, in 1990, and a PhD in Computer Aided Design from the University of Bristol, UK, in 1997.



Francesco Schiavinato, Executive Vice President, Broadband Division, joined ADB Group in 2010. He was Chief Operating Officer and member of the Board of Directors of Pirelli Broadband Solutions, where he oversaw all sales, marketing, operations and product development activities as well as the implementation of new strategic initiatives. Mr. Schiavinato joined Pirelli Broadband Solutions in 2006, bringing over ten years of international management experience. Prior to this, he held executive positions at several start-ups in the broadband access business, including Telsey and Access Media, and led the turnaround of a company in a different industry. Mr. Schiavinato earned an MSc in Communication Sciences from the University of Perugia, Italy, and an Executive MBA from MIB in Trieste, Italy, in 2004.

Mr. Schiavinato earned an MSc in Communication Sciences from the University of Perugia, Italy, and an Executive MBA from MIB in Trieste, Italy, in 2004.



John Justo, Executive Vice President, Services Division, joined ADB Group in 1999, opening the first US office as General Manager and Director of the Group's information technology. He then moved to Europe to start the Customer Care Department which, in 2011, was expanded to become the Services Division. Mr. Justo has more than eighteen years of experience in information technology, engineering and customer care. Before joining ADB Group, Mr. Justo was Director of Management Information

Systems and Senior Engineer for a large US environmental engineering corporation managing the information technology systems and quality control team for the city of Boston, US, during the Big Dig Project. Mr. Justo holds a BSc in Civil Engineering from Wentworth Institute of Technology in Boston, US, in 1993, and an MBA from Kellogg in Chicago, US, in 2006.



Belinda Wong, Executive Vice President, Finance, joined ADB Group in 1998. Before joining ADB Group, from 1995 to 1998, she was commercial manager of the Taiwan branch office of the CSR Group, an Australian company active in the sugar and building materials business. From 1992 to 1994, she worked with Ross System PLC, a computer software company from the US. Prior to that, Ms. Wong worked from 1981 to 1992 with CTM, a subsidiary of Cable & Wireless PLC, where she held several managerial and financial

positions, including the management of financial accounting. Ms. Wong received an MBA degree from University of East Asia, Macau, in 1992.

Other Activities and Vested Interests

	Outside ADB Group	Inside ADB Group
Andrew N. Rybicki	See Board of Directors	See Board of Directors
Alessandro Brenna	Member of the investment committee of the investment fund Emertec 2	Member of the Board of Directors of <ul style="list-style-type: none"> ■ ADB Services SA ■ ADB Broadband S.p.a. ■ SIMPLE S.r.l. Owner of 1 share (0.01% of capital) of ADB Broadband Tecnologia e Telecomunicações Ltda, held on a fiduciary basis
Jas Saini	None	None
William G. Luehrs	None	Member of the Board of Directors of Vidiom Systems Inc. Officer of Vidiom SA
Krzysztof Bilinski	None	None
Francesco Schiavinato	None	None
John Justo	Member of the Board of Director of <ul style="list-style-type: none"> ■ Lasvit (HK) Ltd. ■ Effortless Securities Ltd. 	Member of the Board of Director of <ul style="list-style-type: none"> ■ Advanced Digital Broadcast (Australia) Pty Ltd. ■ ADB Services SA
Belinda Wong	None	Member of the Board of Directors of <ul style="list-style-type: none"> ■ Advanced Digital Broadcast Ltd. ■ Advanced Digital Broadcast Hong Kong Ltd. ■ Advanced Digital Broadcast India Private Ltd.

Other than the above, the members of the Group Management do not hold other offices or carry out other principal activities which are of importance to the Group.

Definition of Areas of Responsibility

The Group Management is responsible for:

- general management of the Group
- operational implementation of the Group's strategy
- allocation and use of resources in accordance with the budget
- operational management and control of the Group
- monitoring compliance of subsidiaries with the Group's Internal Control System, the Company's Organisational Regulations and with the Group's policies
- establishment of a management and corporate culture in line with the Group's objectives.

The Group Management is not empowered to delegate the powers that have been delegated to it by the Board of Directors.

The Board of Directors appoints the CEO of the Company who shall have the power to represent it. The Board of Directors shall preferably confer joint signature by two. Such power may or may not be entered in the commercial registers. The CEO notifies in writing each key officer authorised to represent the Company and specifies in such notification the extent of such power. The power can, for instance, be limited to a certain financial amount. Any subsequent withdrawal or limitation of power shall be notified in writing to the key officer and shall take immediate effect upon receipt of such notification by the key officer. The Board of Directors shall maintain an updated list of the key officers authorised to represent the Company and the extent to which they can represent it.

Management Contracts

The Group is not party to any management contract delegating Group Management tasks to companies or individuals external to the Group.

COMPENSATION, SHAREHOLDINGS AND LOANS

Content and Method of Determining the Compensation and the Share-Ownership Programmes

Share-Ownership Programmes

Share-ownership and stock options programmes are established at the sole discretion of the Board of Directors, and are administered by the NCC. The NCC, the CEO and the CAO, eventually consulting with the Group Management, decide how the total number of shares and stock options of each programme is to be distributed among entitled participants, within the guidelines approved by the Board of Directors. No external consultant is involved in this process. The criterion for allocation and distribution of shares and stock options among participants are different for each programme, and are not subject to pre-defined rules.

On 4 November 2011, 23,000 shares were granted to certain employees of the Group and members of the Group Management who recently joined the Group. No amounts were paid or payable to the Company by the recipient on grant of the shares. Issuance was planned to come from the Company's treasury shares at a later date, but vesting was immediate, at the date of grant. This grant was the only share-ownership programme for the year 2011.

At its meeting of 21 December 2007, the Board of Directors approved the creation of a stock option plan for the employees, directors and officers of the Group. The plan has the following main characteristics:

- instrument: options to purchase ADB Holdings' shares
- exercise price: closing market prices for the shares on the last trading day before the grant, plus a 10% premium if the share price is below CHF 51
- vesting: one-third after twelve months, one-third after twenty-four months, one-third after thirty-six

months; vesting is only conditional upon the beneficiary still being employed by the Group at the end of each vesting period

- duration of the option: four years
- duration of the plan: five years
- maximum number of shares allowed under the plan: 600,000
- change of control provision: possible acceleration of vesting in case the successor entity does not assume the plan obligation or substitute the plan with a plan that provides for equivalent benefits
- administration: by the Board of Directors, which has the power to amend the plan's characteristics at any time.

On 21 February 2008, 580,000 options were granted to employees, directors and officers of the Group with an exercise price of CHF 30.47 each.

On 18 May 2009, 15,000 options were granted to employees of the Group with an exercise price of CHF 33.22 each.

Each share option converts into one share of the Company. No amount is paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Additional information on these share-ownership programmes can be found in Note 30 of the Consolidated Financial Statements (page 101).

Members of the Board of Directors

The compensation and share-ownership programmes for the Board of Directors are proposed by the Group Management and the NCC, and subsequently submitted to the Board of Directors for approval. No external consultant participates in the process of setting the compensation for the Board of Directors, and no benchmark or reference to market is used.

The compensation and share-ownership programmes for the members of the Board of Directors include:

1. Fixed annual fee amounting to CHF 15,000 for all Directors of the Company and to CHF 25,000 for the Chairman, adjusted pro rata to the number of months of service in a given year
2. Fixed presence fee amounting to CHF 3,000 for Board of Directors meetings attended in person and CHF 500 for meetings by telephone
3. Discretionary equity-based compensation: the Board of Directors may decide, from time to time, to grant discretionary free share grants or share option grants to Directors. The Board of Directors may award such free grants only in connection with another Group-wide distribution scheme approved by the Board of Directors. Availability is at the same conditions as the employee participation schemes, which shall, without limitation, be based on actual performance of the Group. Such equity-based compensation is not guaranteed to take place every year, and may vary in size.

Members of the Group Management

The compensation and share-ownership programmes of the Chief Executive Officer are determined by the Board of Directors, upon proposal by the NCC.

The compensation and share-ownership programmes for all other members of the Group Management are determined by the CEO, upon proposal by the CAO or the NCC. The share-ownership programmes shall be within the scope of the employee share-ownership programmes as decided and approved by the Board of Directors. No external consultant participates in the process of setting the compensation for Group Management, and no benchmark or reference to market is used.

4. Compensation for members of the Committees
 - a. Fixed annual fee amounting to CHF 5,000 for all members of a committee and to CHF 10,000 for the Chairman, adjusted pro rata to the number of months of service in a given year
 - b. Fixed presence fee amounting to CHF 1,500 for Committee meetings attended in person and CHF 400 for meetings by telephone
5. Project or mission related fees as expressly requested or approved by the Board of Directors and reimbursement of reasonable expenses actually incurred
6. Directors and Officers insurance coverage.

In 2011, no equity-based compensation was allocated to any member of the Board of Directors.

During 2011, no project or mission related fee was paid to members of the Board of Directors or members of the Committees. The compensation scheme of the Board of Directors does not include benefits in kind, bonus, variable schemes, severance provisions or special post-employment benefits. No compensation scheme exists for former members of the Board of Directors or of its committees.

The compensation of the members of Group Management includes:

1. Fixed cash salary
2. Performance-related annual bonus: the performance is measured against a set of measurable personal objectives defined at the beginning of each year with the CEO (or with the Board of Directors in the case of the CEO, upon suggestion of the NCC). The objective may be quantitative or qualitative, related to achievements of financial targets or not. Objectives and weightings vary significantly from

case to case, and are set on an individual basis. The bonus represents a maximum of eight months of the fixed cash salary, and a minimum of zero. The bonus can be paid in cash, shares or a combination of both, according to the discretion of the Board of Directors

3. Pension schemes as per standard and mandatory schemes that apply to all employees of the relevant legal entities
4. Business vehicle

5. Other benefits in kind for certain members of Group Management.

Benefits in kind have a fair value estimated as the amount of cash disbursements actually made to purchase such benefit from the market. No special post-employment benefit or severance provision is part of the compensation scheme for members of the Group Management. No compensation scheme exists for former members of the Group Management.

Compensation for Acting Members of Governing Bodies

Disclosure as required by Swiss law on the compensation, shareholdings and loans for members of the Board of Directors and of the

Group Management is presented in Notes 14 and 15 of the Statutory Financial Statements of the Company (pages 123 and 125).

Loans Granted to Members of the Governing Bodies

No loan to members of the Board of Directors or of the Group Management was either granted in 2011 or outstanding at 31 December 2011.

During 2008, loans for a total aggregate amount of approximately CHF 0.3 million were granted to two members of Group Management for the financing of

immediate tax obligations incurred with the share options grant of 2008. The loans are to be repaid with the proceeds from the exercise of share options and bear interest at the prevailing market rate plus a spread of 1%. One loan was repaid during 2010, and the other during 2011. The value of the loans outstanding at 31 December 2011 is nil.

Guarantees Granted by Members of the Governing Bodies to ADB Group

There is no guarantee granted by members of the governing bodies to ADB Group at 31 December 2011.

SHAREHOLDERS' RIGHTS

Voting Rights and Representation Restrictions

In shareholders' meetings, except as noted below, each shareholder has equal rights, including equal voting and financial rights. Each share is entitled to one vote.

Failing a proper registration of its shares in ADB Holdings' share register (see "Inscription in the Share Register" at end of this section), a shareholder may not vote at nor participate in a shareholders' meeting, but still is entitled to receive dividends and other rights with financial value such as pre-emptive rights. Voting rights are also excluded for nominees and fiduciary holders of shares.

In Switzerland, resolutions generally require the approval of an absolute majority of the shares represented at a shareholders' meeting. A resolution passed at a shareholders' meeting with a super-majority of at least two-thirds of the shares and the absolute majority of the nominal capital represented at such meeting is required for: (i) changes in a company's purpose; (ii) the creation of shares with privileged voting rights; (iii) restrictions on the transferability of registered shares; (iv) an authorised or conditional increase in a company's share capital; (v) an increase in a company's share capital by way of capitalisation of reserves; (vi) the restriction or elimination of pre-emptive rights; or (vii) a relocation of domicile. Pursuant to the Swiss Federal Merger Act, special quorum rules apply by law to a merger, demerger or conversion of a company. In addition, any article providing for a greater voting requirement than is prescribed by law or the existing Articles of Association must be adopted by such a super-majority.

A shareholders' meeting also has the power to vote by absolute majority to amend the Articles of Association, elect the members of the Board of Directors and the independent auditor, approve the annual report and the annual accounts, set the annual dividend, and discharge the directors from liability for matters disclosed to the shareholders' meeting. A shareholders' meeting, by an absolute majority, also has the power to order an independent investigation into specific matters proposed to the shareholders' meeting.

Shareholders of ADB Holdings can be represented by proxy at shareholders' meetings but solely by another shareholder. The Board of Directors is entitled to approve agreements with banks and professional asset managers to allow them to exercise the voting rights of shares deposited with them on behalf of the beneficial owners of the shares. At shareholders' meetings, votes are taken on a show of hands unless the shareholders' meeting resolves to have a ballot or such ballot is ordered by the Chairman of the shareholders' meeting. According to the Articles of Association, in case of a split vote, the Chairman has the casting vote.

At the Annual General Meeting of Shareholders held on 22 June 2007, it was resolved to limit the registration of shareholders with voting rights by amending Article 6a of the Company's Articles of Association.

As a result, no person, physical or legal, shall be registered as a shareholder with voting rights for the shares that such person holds, directly or indirectly, for more than five percent (5%) of the total number of shares registered in the share register. Corporations and partnerships, which are acting in concert through capital or voting arrangements, common management or any other similar arrangement, as well as all physical or legal entities or partnerships that act in concert through a pool, a syndicate, or are in some other way acting in a coordinated manner for the purpose of circumventing the limitation on registration, shall be considered as a single entity for the purpose of this provision. This 5% limitation also applies to shares acquired or subscribed by the exercise of subscription, option or conversion rights attached to shares or other securities issued by the Company or by third parties.

The Board of Directors may approve exceptions to this rule by a majority of two thirds of its members in case of purchase of companies or participations by exchange of shares, in case of merger, as well as in other special justified cases. The Board of Directors may cancel the registration of a purchaser as a shareholder with voting rights, with retroactive effect to the date of registration, if said registration resulted from false declarations of the purchaser.

The Board of Directors shall define the responsibilities applicable to the maintenance of the share register, as well as the conditions and powers applicable for considering persons as shareholders or usufructuaries with or without voting rights, as well as their registration in the share register.

Modification of any provisions of the Articles of Association regarding the limitation of registration and voting rights can only be adopted by a shareholders' meeting with a super-majority of two-thirds.

Statutory Quorums

There is no provision in the Articles of Associations of ADB Holdings requiring a presence quorum for shareholders' meetings of the Company.

Convocation of the General Meeting of Shareholders

Provisions in the Articles of Associations of ADB Holdings for the setting of rules for convocation of a shareholders' meeting are those set out in Swiss law.

Under Swiss law, a shareholders' meeting must be held within six months after the end of a company's preceding financial year. In the case of ADB Holdings, this means on or before June 30.

Shareholders' meetings may be convened by the Board of Directors or, if necessary, by the Company's

independent auditor. The Board of Directors is further required to convene an extraordinary shareholders' meeting if so resolved by a shareholders' meeting or if so requested by holders of shares holding in aggregate at least 10% of the nominal share capital of the Company. A shareholders' meeting is convened by publishing a notice of such meeting in the Swiss Official Gazette of Commerce or by letter sent to each shareholder to the address registered in the shareholders' register at least 20 days prior to such meeting.

Agenda

The agenda is published in the convocation of the shareholders' meeting.

In particular, according to the Articles of Association, shareholders holding shares with a value of at least

10% of the nominal share capital of the Company or with a nominal value of CHF 150,000 have the right to request that a specific agenda item be discussed and voted upon at the next shareholders' meeting.

Registration in the Share Register

Pursuant to the Articles of Association, ADB Holdings' shares are registered shares, not issued in certificated form but delivered in book-entry form only, into collective custody at SIX SAG AG, Olten. Shareholders do not have the right to ask for printing or delivery of share certificates.

The transfer of shares is executed through a share registration form and by a corresponding entry in the books of a bank or a depository institution (SIX SAG AG, Olten) following an assignment in writing by the selling shareholder and notification to the Company of such assignment.

The Board of Directors will update the share register after receiving the respective request of a shareholder to be entered as a shareholder into ADB Holdings' share register. A purchaser of shares is recorded in ADB Holdings' share register as a shareholder with voting rights if the purchaser discloses its name, citizenship or registered office and address, and gives a declaration that it has acquired the shares in its own name and for its own account.

Nominees and fiduciary holders of shares are registered without voting rights.

CHANGE OF CONTROL AND DEFENSE MEASURES

Duty to Make an Offer

Pursuant to the applicable provisions of the Swiss Federal Act on Stock Exchanges and Security Trading (SESTA), if a person acquires shares of a Swiss listed company, whether directly, indirectly, or acting in concert with third parties, which, when added to the shares already held by such person, exceed the threshold of 33 $\frac{1}{3}$ % of the voting rights (whether exercisable or not) of such company, that person must make a bid to acquire all of the listed shares of the company. A company's articles of incorporation may either eliminate this provision of the SESTA or may raise the relevant threshold to 49% ("opting-out" or "opting-up", respectively).

The Annual General Meeting of Shareholders held on 9 June 2006 voted in favour of the introduction

of an "opting-up" clause in the Company's Articles of Association, pursuant to which whosoever, directly, indirectly, or acting in concert with third parties, acquires shares of the Company which, when added to the shares already owned by such person, exceed the threshold of 49% of the voting rights, whether exercisable or not, shall be obliged to make a bid to acquire all of the listed shares of the Company.

There is no obligation to make a bid under the foregoing rules if the voting rights in question are acquired as a result of a gift, succession or partition of an estate, a transfer based upon matrimonial property law, or execution proceedings.

Clauses on Change of Control

There is no change of control clause included in agreements and schemes benefiting members of the Board of Directors and/or Group Management other than the one of the stock options programme

described in the section "Share-Ownership Programmes" (page 28) of this Corporate Governance report.

AUDITOR

Duration of the Mandate and Term of Office of the Independent Auditor

Deloitte SA, Route de Pré-Bois 20, 1215 Geneva, has held the external audit mandate of ADB Holdings and ADB Group since the financial year ended 31 December 2005, and is elected as external

statutory and group auditor until the end of the 2011 financial year. Mr. Peter Quigley has been the lead engagement partner since the 2005 audit.

Auditing Fees

Deloitte received a fee of approximately CHF 0.5 million for the audit of the 2011 statutory and consolidated financial statements of ADB Holdings and subsidiaries.

Additional Fees

Deloitte received additional fees of less than CHF 0.1 million for other services; approximately half of these fees related to the review of the half year results for the Company and its subsidiaries, and the remaining fees related to other professional services, predominantly in connection with tax advisory for certain of the Group's legal entities.

Informational Instruments Pertaining to the External Audit

The Audit Committee is responsible for setting the scope of audits, audit plans and relevant processes with the independent auditor and for discussing the results of the audits with them. On behalf of the Board of Directors, the Audit Committee also evaluates the independent auditor's performance, including assessment of their independence. Final decision on the engagement and on the proposed appointment at the Annual General Meeting of Shareholders is made by the Board of Directors.

The Audit Committee bases its recommendation for selection and assessment of the independent auditor's audit services principally on the following factors:

- name and reputation of the firm
- capability to offer a worldwide service
- independence

- availability and responsiveness to requests of the Audit Committee, Board of Directors, and Group Management

- cost.

The Audit Committee bases its recommendation for selection and assessment of the independent auditor's non-audit services principally on the basis of:

- independence
- availability and speed of response to requests of the Group Management
- cost.

The Company does not specify frequency of rotation for the external auditor or for the lead engagement partner. By law, the lead engagement partner must rotate after a maximum of seven years. Mr. Peter

Quigley, the lead engagement partner, will reach in 2011 his seventh and last year of audit of the Group and of the Company.

Representatives of the independent auditor are regularly invited to meetings of the Audit Committee. In 2011, the independent auditor, including the lead

engagement partner, was requested to participate and report in person in three of the four meetings of the Audit Committee and none of the six meetings of the Board of the Directors. The independent auditor presented its audit reports, audit of procedure reports, and Internal Control System and risk management reports.

Internal Audit

The internal audit is under the responsibility of the Audit Committee, and is executed principally by the CFO and, if applicable, other members of the Group Management. The internal audit works on a project by project basis, as requested and specified by the

Board of Directors. The CFO generally participates to all meetings of the Audit Committee and of the Board of Directors and reports on internal audit projects as requested.

INFORMATION POLICY

ADB Group regularly informs investors of the developments pertaining to its business, its organisation, its financial results and all other applicable matters in compliance with the rules of the SIX Swiss Exchange, including the rules regarding Ad-Hoc Publicity and Financial Reporting.

Information is mainly released in the form of Press Releases issued in the English language.

Financial information is published twice a year through an annual results release, followed by the annual report (within four months from the end of the reporting fiscal year), and an interim financial report for the six months following the end of the previous fiscal year.

In addition, the Group regularly provides mid-period business updates on the developments of its business at about the mid-point of each half-fiscal year. Such updates are provided through a Press Release and a publicly announced telephone conference with members of the Group Management.

All parties interested in receiving ADB Group Press Releases can subscribe to the Company's mailing lists by sending a request to the Investor Relations department.

ADB Group's website contains all published information as well as the principal dates of the institutional calendar.

ADB Group web site

www.adbholdings.com

Annual Reports, Interim Reports and Financials

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-reportsAnnual>

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-reportsOther>

Calendar

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-calendar>

Presentation Material

<http://www.adbholdings.com/phoenix.zhtml?c=193256&p=irol-presentationsAGM>

Investor and Media Relations, General Information

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ADVANCED DIGITAL BROADCAST HOLDINGS SA



ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS

YEARS ENDED 31 DECEMBER 2011 AND 2010

(Expressed in United States Dollars)

	Notes	Excluding reorganisation \$	Reorga- nisation \$	2011 \$	Excluding reorganisation \$	Reorga- nisation \$	2010 \$
Revenue	3	398,964,653	-	398,964,653	356,619,397	-	356,619,397
Cost of sales	4	<u>(274,948,521)</u>	<u>-</u>	<u>(274,948,521)</u>	<u>(241,898,796)</u>	<u>-</u>	<u>(241,898,796)</u>
Gross profit		124,016,132	-	124,016,132	114,720,601	-	114,720,601
Research and development expenses	4, 6	(68,526,173)	(5,486,658)	(74,012,831)	(48,918,533)	-	(48,918,533)
Selling, general and administrative expenses	4, 6	(48,828,569)	(3,168,314)	(51,996,883)	(43,681,682)	-	(43,681,682)
Other income	5	2,518,372	-	2,518,372	1,001,534	-	1,001,534
Other expenses	5, 6	<u>(1,554,414)</u>	<u>(6,697,902)</u>	<u>(8,252,316)</u>	<u>(5,378,074)</u>	<u>-</u>	<u>(5,378,074)</u>
Earnings (loss) before interest, tax, acquisition and integration expenses		<u>7,625,348</u>	<u>(15,352,874)</u>	<u>(7,727,526)</u>	<u>17,743,846</u>	<u>-</u>	<u>17,743,846</u>
Acquisition and integration expenses	6			<u>(946,385)</u>			<u>(538,539)</u>
(Loss) earnings before interest and tax				(8,673,911)			17,205,307
Finance income	7			552,232			2,111,027
Finance costs	7			<u>(5,394,495)</u>			<u>(4,526,086)</u>
(Loss) profit before tax				(13,516,174)			14,790,248
Income tax credit (expense)	8			<u>1,332,288</u>			<u>(1,883,360)</u>
(Loss) profit for the year				<u>(12,183,886)</u>			<u>12,906,888</u>
(Loss) earnings per share	9						
Basic				<u>(2.27)</u>			<u>2.55</u>
Diluted				<u>(2.27)</u>			<u>2.51</u>

ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

YEARS ENDED 31 DECEMBER 2011 AND 2010

(Expressed in United States Dollars)

	Notes	2011 \$	2010 \$
Movement in available-for-sale investments	13, 22	(123,750)	(626,086)
Credit of deferred tax on movement in available-for-sale investments	22	872	49,022
Actuarial gain (loss) directly recognised in equity	22, 24	65,553	(133,601)
Credit (charge) of deferred tax on direct recognition of actuarial gain (loss) in equity	8, 22	14,503	(3,942)
Movement in cash flow hedges	22	3,904,963	(726,027)
(Charge) credit of deferred tax on movement in cash flow hedges	22	(450,832)	52,194
Translation adjustments	22	<u>(2,802,697)</u>	<u>307,336</u>
Other comprehensive income for the year		608,612	(1,081,104)
(Loss) profit for the year		<u>(12,183,886)</u>	<u>12,906,888</u>
Total comprehensive income for the year		<u>(11,575,274)</u>	<u>11,825,784</u>

ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

31 DECEMBER 2011 AND 2010

(Expressed in United States Dollars)

	Notes	2011 \$	2010 \$
ASSETS			
Non-current assets			
Goodwill	10	25,265,925	25,792,385
Intangible assets	11	28,059,012	32,784,758
Property and equipment	12	15,675,281	15,773,046
Deferred income tax assets	8	6,875,200	4,785,778
Other non-current assets		<u>484,450</u>	<u>1,027,545</u>
Total non-current assets		<u>76,359,868</u>	<u>80,163,512</u>
Current assets			
Inventories, net	15	29,574,748	50,362,159
Other current assets	14	21,277,001	28,096,129
Trade receivables, net	13	52,792,516	92,822,350
Treasury investments	13	14,336,691	14,522,613
Cash and cash equivalents		<u>42,321,383</u>	<u>84,502,898</u>
Total current assets		<u>160,302,339</u>	<u>270,306,149</u>
Total assets		<u>236,662,207</u>	<u>350,469,661</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	1,193,563	1,193,563
Share premium		53,371,617	59,786,295
Share-based compensation reserve		4,608,964	4,586,298
Other reserves	22	(7,161,793)	(13,102,458)
Retained earnings		6,701,342	19,630,344
Treasury shares	21	<u>(6,734,954)</u>	<u>(3,370,395)</u>
Total equity		<u>51,978,739</u>	<u>68,723,647</u>

continued

	Notes	2011 \$	2010 \$
Non-current liabilities			
Long-term bank loans	16	13,396,924	2,906,044
Retirement benefit obligations	24	6,796,232	7,243,199
Deferred income tax liabilities	8	842,432	398,888
Long-term liabilities	20	<u>1,876,657</u>	<u>8,211,074</u>
Total non-current liabilities		<u>22,912,245</u>	<u>18,759,205</u>
Current liabilities			
Bank loans	16	12,519,810	63,624,901
Current portion of long-term bank loans	16	1,871,096	904,834
Trade and other payables	20	107,215,546	144,400,590
Accrued expenses	17	23,287,029	34,483,385
Provisions	18	6,963,014	10,868,616
Taxes payable		444,863	515,797
Other current liabilities	19	<u>9,469,865</u>	<u>8,188,686</u>
Total current liabilities		<u>161,771,223</u>	<u>262,986,809</u>
Total liabilities		<u>184,683,468</u>	<u>281,746,014</u>
Total equity and liabilities		<u>236,662,207</u>	<u>350,469,661</u>

ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED 31 DECEMBER 2011 AND 2010

(Expressed in United States Dollars)

	Notes	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) profit for the year		(12,183,886)	12,906,888
Adjustments for:			
Income tax (credit) expense	8	(1,332,288)	1,883,360
Depreciation	12	3,806,520	2,394,061
Amortisation	11	33,888,672	18,031,398
Finance costs	7	5,394,495	4,526,086
Finance income	7	(552,232)	(2,111,027)
Share-based payment expense	30	352,676	396,223
Provision for inventory	5	1,258,767	1,473,069
Provision for inventory pursuant to reorganisation	5, 6	6,482,451	-
Others		200,197	201,983
Profit before working capital changes		37,315,372	39,702,041
Working capital changes:			
Trade and other receivables		40,029,834	29,675,570
Inventories		13,046,193	(21,395,907)
Other current assets		10,090,713	(11,673,027)
Trade and other payables		(37,185,044)	4,665,102
Accrued expenses		(10,433,945)	(13,595,662)
Provisions		(3,905,602)	(1,068,740)
Other current liabilities		(1,163,014)	40,581
Others		1,334,320	967,980
Cash generated by operating activities		49,128,827	27,317,938
Interest paid		(4,479,799)	(2,965,504)
Tax paid		(753,474)	(3,942,790)
Net cash provided by operating activities		43,895,554	20,409,644

continued

	Notes	2011 \$	2010 \$
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	12	(5,168,683)	(3,979,037)
Proceeds from sale of property and equipment		73,703	116,026
Payments for intangible assets	11	(29,524,173)	(23,493,535)
Proceeds from sale of intangible assets		3,194	-
Sale of treasury investments and time deposits	13	62,172	19,756,904
Interest received		552,802	2,114,303
Payments for acquisition of business	27	<u>(787,394)</u>	<u>(8,600,424)</u>
Net cash used in investing activities		<u>(34,788,379)</u>	<u>(14,085,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
(Decrease) increase in bank loans		(39,647,949)	34,896,180
Share sale pursuant to exercise of stock options		81,567	925,908
Purchase of treasury shares		(4,924,611)	(8,318,291)
Dividend paid	21	<u>(6,414,678)</u>	<u>(13,955,473)</u>
Net cash (used in) provided by financing activities		<u>(50,905,671)</u>	<u>13,548,324</u>
TRANSLATION ADJUSTMENT ON FOREIGN CURRENCY		<u>(383,019)</u>	<u>(774,340)</u>
NET (DECREASE) INCREASE IN CASH		(42,181,515)	19,097,865
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		<u>84,502,898</u>	<u>65,405,033</u>
CASH AND CASH EQUIVALENTS, END OF YEAR		<u>42,321,383</u>	<u>84,502,898</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Time deposits		1,668,390	7,521,703
Cash and bank balances		<u>40,652,993</u>	<u>76,981,195</u>
		<u>42,321,383</u>	<u>84,502,898</u>

ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED 31 DECEMBER 2011 AND 2010

(Expressed in United States Dollars)

	Share Capital \$	Share Premium \$	Share- Based Compen- sation Reserve \$	Other Reserves \$	Retained Earnings \$	Treasury Shares \$	Total Equity \$
Balance at 1 January 2010	1,326,181	76,551,414	4,373,022	(768,854)	39,252,110	(42,759,071)	77,974,802
Profit for the year	-	-	-	-	12,906,888	-	12,906,888
Other comprehensive income	-	-	-	(1,081,104)	-	-	(1,081,104)
Total comprehensive income	-	-	-	(1,081,104)	12,906,888	-	11,825,784
Transfer of treasury shares pursuant to acquisition (Note 27)	-	-	-	-	-	11,247,238	11,247,238
Put option issued pursuant to acquisition (Notes 21, 27)	-	-	-	282,751	-	-	282,751
Liability arising in case of exercise of put option issued pursuant to acquisition (Notes 21, 27)	-	-	-	(11,535,251)	-	-	(11,535,251)
Capital reduction (Note 21)	(132,618)	-	-	-	(30,645,178)	30,777,796	-
Payment of dividend (Note 21)	-	(16,765,119)	-	-	2,809,646	-	(13,955,473)
Purchase of ordinary shares	-	-	-	-	-	(8,617,372)	(8,617,372)
Sale of treasury shares pursuant to exercise of stock options	-	-	-	-	-	1,394,710	1,394,710
Losses on sale of treasury shares	-	-	-	-	(4,876,069)	4,586,304	(289,765)
Share-based payments (Note 30)	-	-	213,276	-	182,947	-	396,223
Balance at 31 December 2010	1,193,563	59,786,295	4,586,298	(13,102,458)	19,630,344	(3,370,395)	68,723,647
Loss for the year	-	-	-	-	(12,183,886)	-	(12,183,886)
Other comprehensive income	-	-	-	608,612	-	-	608,612
Total comprehensive income	-	-	-	608,612	(12,183,886)	-	(11,575,274)
Reclassification	-	-	-	444,639	(444,639)	-	-
Credit of deferred tax on reclassification	-	-	-	(45,738)	-	-	(45,738)
Reduction of liability of put option issued pursuant to acquisition (Notes 21, 27)	-	-	-	4,933,152	-	(3,882,965)	1,050,187
Payment of dividend (Note 21)	-	(6,414,678)	-	-	-	-	(6,414,678)
Sale of treasury shares pursuant to exercise of stock options	-	-	-	-	-	81,567	81,567
Losses on sale of treasury shares	-	-	-	-	(630,487)	436,839	(193,648)
Share-based payments (Note 30)	-	-	22,666	-	330,010	-	352,676
Balance at 31 December 2011	<u>1,193,563</u>	<u>53,371,617</u>	<u>4,608,964</u>	<u>(7,161,793)</u>	<u>6,701,342</u>	<u>(6,734,954)</u>	<u>51,978,739</u>

ADVANCED DIGITAL BROADCAST HOLDINGS SA AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED 31 DECEMBER 2011 AND 2010

(Expressed in United States Dollars unless otherwise stated)

1. GENERAL INFORMATION

Advanced Digital Broadcast Holdings SA (“ADB” or the “Company”) and its subsidiaries (together the “Group”) are engaged in the development and sale of equipment, services and software for the digital television and broadband data communication industry worldwide, and rely on external contract manufacturers for the production of equipment.

Shares of ADB are publicly traded on the SIX Swiss Exchange, under the ticker ADBN. ADB’s registered office and the Group’s worldwide headquarters are at 7, avenue de Tournay, 1292 Pregny-Chambésy (Geneva), Switzerland.

At 31 December 2011, companies in which ADB has effective control are summarised as follows:

Entity	Country of Incorporation	Issued and Fully Paid Shares / Registered Capital	Percentage of Ownership	Principal Activities
Advanced Digital Broadcast India Private Ltd. (“ADBIND”)	India	50,000 shares of INR 10 each / INR 500,000	100%	Marketing, sales and technical support
Advanced Digital Broadcast Polska Sp. z.o.o. (“ADBP”)	Poland	16,000 shares of PLN 500 each / PLN 8,000,000	100%	Research and development, marketing, sales and technical support
Advanced Digital Broadcast Spain S.L.U. (“ADBS”)	Spain	1,000 shares of EUR 3.00506 each / EUR 3,005.06	100%	Marketing, sales and technical support
Advanced Digital Broadcast SA (“ADBG”)	Switzerland	100 shares of CHF 1,000 each / CHF 100,000	100%	Marketing, selling, sales and technical support
Advanced Digital Broadcast Ltd. (“ADBT”)	Taiwan, ROC	1,000,000 shares of NT\$ 10 each / NT\$ 10,000,000	100%	Marketing, sales and technical support, manufacturing control and procurement
Advanced Digital Broadcast (UK) Ltd. (“ADBUK”)	UK	10 shares of GBP 1 each / GBP 10	100%	Marketing, sales and technical support
Advanced Digital Broadcast Inc. (“ADBI”)	US	1,500 shares, no par value	100%	Marketing, sales and technical support
ADB Services SA (“ADBSSA”)	Switzerland	200,000 shares of CHF 1 each / CHF 200,000	100%	Selling and financial services
ADB Ukraine Ltd. (“ADBUKR”)	Ukraine	1 share of UAH 600,000 / UAH 600,000	100%	Research and development

continued

Entity	Country of Incorporation	Issued and Fully Paid Shares / Registered Capital	Percentage of Ownership	Principal Activities
ADB Broadband S.p.a. ("ADBBIT")	Italy	9,120,000 shares of EUR 1 each / EUR 9,120,000	100%	Marketing, selling, sales and technical support, research and development, manufacturing control and procurement
ADB Broadband Argentina SA ("ADBBAR")	Argentina	1,283,070 shares of ARS 1 each / ARS 1,283,070	100%	Marketing, selling, sales and technical support
ADB Broadband Brasil Tecnologia e Telecomunicações Ltda ("ADBBBR")	Brazil	2,000,000 shares of BRL 1 each / BRL 2,000,000	100%	Marketing, selling, sales and technical support
Vidiom SA ("VSA")	Switzerland	10,000 shares of CHF 10 each / CHF 100,000	100%	Marketing and selling
Vidiom Systems Inc. ("VSU")	US	1,500 shares, no par value	100%	Marketing, selling, sales and technical support, research and development
Advanced Digital Broadcast (Australia) Pty Ltd. ("ADBA")	Australia	1 share of AU\$ 1 / AU\$ 1	100%	None (in liquidation)
Advanced Digital Broadcast Hong Kong Ltd. ("ADBHK")	Hong Kong	1 share of HK\$ 1 / HK\$ 1	100%	None (in liquidation)
SIMPLE S.r.l. ("SIMPLE")	Italy	EUR 100,000	100%	None (in liquidation)

ADBIND, a marketing, sales and technical support centre, was incorporated on 22 September 2010 in India with an initial share capital of INR 500,000, divided into 50,000 shares of INR 10 per share.

ADBP, a technical support, engineering, software research and development centre, was incorporated on 2 October 1995 in Poland, with an initial share capital of PLN 4,000, divided into 80 shares of PLN 50 per share. During 1998, ADBP increased its capital by PLN 7,996,000 through issuance of 159,920 new shares of PLN 50 each. In 2002, the par value of ADBP's stock was increased from PLN 50 to PLN 500, and the number of shares was reduced from 160,000 to 16,000. In 2008, ADBP activities expanded to include marketing and sales support for Eastern Europe.

ADBS, a marketing, sales and technical support centre, was incorporated on 12 June 2000 in Spain, with an initial share capital of 500,000 pesetas then converted into EUR 3,005.06, divided into 1,000 shares of EUR 3.00506 per share.

ADBG, a marketing and selling centre, was incorporated in Switzerland on 8 May 2001 with an initial share capital of CHF 100,000, divided in 100 shares of CHF 1,000 per share. In 2006, ADBG activities expanded to include sales and technical support.

ADBT was incorporated on 30 December 2003 in Taiwan, the Republic of China ("ROC") with registered capital of NT\$ 1,000,000 as a centre providing local sales support, procurement, manufacturing control and technical support services. On 19 August 2004, the registered capital of ADBT was increased to NT\$ 10,000,000.

ADBUK, a marketing, sales and technical support centre, was incorporated in the United Kingdom on 22 November 2004, with an initial share capital of GBP 10, divided into 10 shares of GBP 1 per share.

ADBI, a marketing, sales and technical support centre, was incorporated on 23 February 2000 in the United States of America, a Delaware Corporation, with no initial share capital.

ADBSSA, a selling and financial services centre, was incorporated on 28 September 2006 in Switzerland, with an initial share capital of CHF 200,000, divided into 200,000 shares of CHF 1 per share.

ADBUKR, a research and development centre, was incorporated on 4 October 2005 in Ukraine, with an initial share capital of UAH 600,000.

ADBBIT (formerly 'Pirelli Broadband Solutions S.p.a.'), a marketing, selling, sales and technical support, research and development, manufacturing control and procurement centre, was incorporated in Italy on 15 October 2004. Its share capital is EUR 9,120,000, divided into 9,120,000 shares of EUR 1 per share. This company was acquired on 29 November 2010.

ADBBAR (formerly 'Pirelli Soluciones Tecnologicas SA'), a marketing, selling, sales and technical support centre, was incorporated in Argentina on 26 March 1991. Its share capital is ARS 1,283,070, divided into 1,283,070 shares of ARS 1 per share. This company was acquired on 29 November 2010.

ADBBBR (formerly 'Pirelli Broadband Solutions Soluções em Telecomunicações Ltda'), a marketing, selling, sales and technical support centre, was incorporated in Brazil on 22 August 1969. Its share capital is BRL 2,000,000, divided into 2,000,000 shares of BRL 1 per share. This company was acquired on 29 November 2010.

VSA, a marketing and selling centre, was incorporated in Switzerland on 23 July 2003, with an initial share capital of CHF 100,000, divided into 10,000 shares of CHF 10 per share.

VSU, a marketing, selling, sales and technical support centre, was incorporated on 26 August 2004 in the United States of America, a Delaware Corporation, with no initial share capital. On 1 February 2006, following the acquisition of the business of Vidiom Systems Corporation, the scope of activities of VSU has been enlarged to include research and development and technical support.

ADBA, a marketing, sales and technical support centre, was incorporated on 27 October 1998 in Australia with an initial share capital of AU\$ 1. In 2011, ADBA ceased its activities and its liquidation process started.

ADBHK, a marketing, sales and technical support centre, was incorporated on 13 August 2009 in Hong Kong, a Special Administrative Region of the People's Republic of China, with an initial capital of HK\$ 1. In 2011, ADBHK ceased its activities and its liquidation process started.

SIMPLE, a digital TV content development, marketing and selling centre, was incorporated on 15 November 2005 in Italy, with an initial share capital of EUR 100,000. In 2008, SIMPLE ceased its activities and its liquidation process started.

Advanced Digital Broadcast Italia S.r.l., a marketing, sales and technical support centre, was incorporated on 1 July 2004 in Italy with an initial share capital of EUR 50,000 and was merged with ADBBIT on 1 October 2011.

Vidiom Systems Polska Sp. z.o.o., a software research and development centre, was incorporated on 23 July 2003 in Poland, with an initial share capital of PLN 200,000, divided into 400 shares of PLN 500 per share and was sold on 31 March 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

All significant accounting policies of the Group in 2011 are the same as those applied in 2010, with the exception of the Group's adoption of the new IFRS effective for accounting periods beginning on 1 January 2011.

The Consolidated Financial Statements are presented in United States Dollars as this is the currency of the majority of the transactions of the Group. Foreign operations are consolidated in accordance with the policies set out below.

These Consolidated Financial Statements have been prepared on an accrual basis and the historical cost basis, modified as required for the revaluation of certain financial instruments.

Adoption of new and revised International Financial Reporting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on or before 1 January 2011. The adoption of these new and revised Standards and Interpretations has not had a material impact on the Consolidated Financial Statements.

At the date of authorisation of these Consolidated Financial Statements, the following Standards and Interpretations were in issue but not yet effective:

Standards and Interpretations	Title	Effective for accounting periods beginning on or after
IFRS 1 (amended)	Removal of fixed dates for first-time adopters	1 July, 2011
IFRS 1 (amended)	Severe hyperinflation	1 July, 2011
IFRS 7 (amended)	Enhanced derecognition disclosure requirements	1 July, 2011
IFRS 7 (amended)	Offsetting financial assets and financial liabilities	1 January, 2013
IFRS 9	Financial Instruments	1 January, 2015
IFRS 10	Consolidated financial statements	1 January, 2013
IFRS 11	Joint arrangements	1 January, 2013

continued

Standards and Interpretations	Title	Effective for accounting periods beginning on or after
IFRS 12	Disclosure of interests in other entities	1 January, 2013
IFRS 13	Fair value measurement	1 January, 2013
IAS 1 (amended)	Presentation of financial statements – presentation of items of other comprehensive income	1 July, 2012
IAS 12 (amended)	Income taxes – recognition of underlying assets	1 January, 2012
IAS 19 (amended)	Employee benefits	1 January, 2013
IAS 27 (revised)	Separate financial statements	1 January, 2013
IAS 28 (revised)	Investments in associates and joint ventures	1 January, 2013
IAS 32 (amended)	Offsetting financial assets and financial liabilities	1 January, 2014
IFRIC 20	Stripping costs in the production phase of a surface mine	1 January, 2013

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the Consolidated Financial Statements of the Group.

Basis of Consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and of the entities controlled by the Company (its subsidiaries) up to 31 December of each year. Control means that the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Business Combinations

Acquisitions of subsidiaries or businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values, at the date of exchange, of all assets transferred, all liabilities incurred and assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. Acquisition related costs are recognised in the Consolidated Income Statement when incurred.

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

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value-added tax and other sales related taxes.

Sales of goods are generally recognised when goods are delivered and title has passed. Sales and related costs of software designed and supplied by third parties and/or by the Group are recognised upon the completion of the inspection and acceptance by customers. Revenue from services is recognised upon delivery of service.

The Group charges royalties to customers for the use of certain of its products. In addition, royalties are charged to customers for the transfer of the right to use certain third parties' intellectual property. Revenue from royalties is recognised based on customers' declarations.

Cost of Sales

Cost of sales includes material costs, contract manufacturing costs, engineering hours devoted to and external services purchased for the production of the delivered services as well as freight and duties incurred for sales. Cost of sales includes the adjustments to carrying value of inventory performed on a continuous basis.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rental expense under operating leases is charged to the Consolidated Income Statement on a straight-line basis over the term of the relevant lease.

Foreign Currencies

Transactions in currencies other than the entities' functional currency are recorded at the rate of exchange prevailing on the dates of transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the Consolidated Income Statement for the period. Gains and losses from retranslation of trade receivables or trade payables are included in other income or other expense (Note 5) while gains and losses from retranslation of cash or debt are included in finance income or finance costs (Note 7).

From time to time, the Group hedges the foreign exchange exposure of its revenue and cost of sales cash flows which are not denominated in the functional currency of the relevant subsidiary: it does so by entering into options or forward foreign currency derivative contracts. The Group's accounting policies in respect of such derivative financial instruments are explained below in the section Financial Instruments, Derivative Financial Instruments and Hedge Accounting of this note.

On consolidation, the assets and liabilities of the Group's subsidiaries are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period. Translation differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or expense in the period in which the subsidiary is disposed of.

Finance Income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset form part of the cost of that asset. All other borrowing costs are recognised in the Consolidated Income Statement in the period in which they are incurred.

Retirement Benefit Costs

Payments to defined contribution retirement schemes are charged as an expense as they fall due. Payments made to state-managed retirement schemes are dealt with as payments to defined contribution schemes, where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement scheme.

For defined benefit retirement schemes, the costs of providing benefits are determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each year end. In accordance with IAS 19, the Group recognises actuarial gains and losses in the period in which they occur directly in equity. The effects of this policy are presented in the Consolidated Statement of Comprehensive Income.

The retirement benefit obligation recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs, and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to the present value of available refunds and deductions in future contributions to the plan.

Taxation

Income tax expense includes all taxes based upon the taxable profits of the Group including tax adjustments from prior years. Taxes on income are recognised in the income statement except to the extent that they relate to items directly charged or credited to equity, in which case the related income tax effect is recognised in equity.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the Consolidated Income Statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are neither taxable nor deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except when the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantially enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on the straight-line method over the estimated useful lives of the related assets:

Buildings and leasehold improvements	10 to 50 years
Furniture and fixtures	2 to 5 years
Equipment	2 to 10 years

Equipment includes machinery, vehicles and general equipment.

Land and construction in progress are carried at cost less any recognised impairment losses, and are not depreciated. Construction in progress is reclassified as building or equipment when the assets are ready for their intended use, at which time depreciation of the assets begins.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Goodwill

Goodwill, computed as explained above in the section Business Combinations of this note, is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss of the disposal.

Internally-Generated Intangible Assets - Software Development Costs

Expenditure on research activities is recognised as an expense in the Consolidated Income Statement of the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognised only if all of the following conditions are met:

- the product is clearly defined and the development costs attributable to the product can be separately identified and measured reliably;
- the technical feasibility of the product can be demonstrated;
- the enterprise intends to produce and market or use the product;
- the existence of a market or, if to be used internally rather than sold, its usefulness to the enterprise, can be demonstrated; and
- adequate resources exist, or their availability can be demonstrated, to complete the project and to market or use the product.

The extent of capitalisation is limited to that amount which, taken together with further related costs, will be recovered from the future economic benefits associated to the asset.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and any impairment losses. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives, generally 12 to 24 months. The Group begins amortisation when the products are available for general release to customers or put to use. Such amortisation of software development costs is recorded as research and development expense in the Consolidated Income Statement. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Other Intangible Assets

Other intangible assets primarily include rights to use land in Poland and purchased computer and product testing programs. The amortisation period for these intangibles is based on the estimated useful lives, generally 12 to 36 months, except the right to use of land in Poland, the useful life of which is 92 years. These assets are amortised on a straight-line basis.

Impairment of Tangible and Intangible Assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired. Goodwill is the only indefinite life intangible asset of the Group.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset, for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Goodwill is also impaired when the actual results and latest business plan of the concerned cash-generating unit, if known as at acquisition date, would have then generated a recoverable amount lower than the goodwill carrying amount.

Other than for goodwill, when an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Inventories are adjusted in value on a continuous basis and any related loss is immediately recognised in cost of sales. Devaluation of inventories caused by exceptional events is immediately recognised as a loss and is reported within cost of sales, selling general and administrative expenses or other expenses, as appropriate. Provisions for obsolescence of inventory are reported within other expenses.

The Group purchases key component raw materials, which are shipped to and paid by its contract manufacturers, which invoice the Group for the cost of manufacturing of finished goods, inclusive of the cost of key components and other raw materials used in production. Other raw materials are sourced directly by the contract manufacturers, under appropriate co-ordination from the Group.

Based on the substance of the contract manufacturing agreements, inventories of the Group include inventories "held by contract manufacturers" which constitute the key components raw materials held by contract manufacturers for the assembly of finished goods.

Financial Instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes a party to the contractual provisions of the instrument.

Derivative Financial Instruments and Hedge Accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. Interest rate risk arises from bank loans (Note 25).

The Group uses derivative financial instruments (notably options or foreign currency forward contracts) to hedge the risks associated with foreign currency fluctuations impacting its cash flow from revenue and cost of sales which are not denominated in the functional currency of the relevant subsidiary. These hedging relationships qualify for cash-flow hedge accounting under IAS 39.

Derivative financial instruments designated as hedging instruments are initially measured at fair value on the contract date and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in the Consolidated Income Statement. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Income Statement as they arise.

Gains and losses on derivative financial instruments utilised in hedging revenue which are not denominated in the functional currency of the relevant subsidiary are included in revenue (Note 3).

The use of financial derivatives is governed by the Group's policies which provide written principles consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes (Note 25).

Treasury Investments

Treasury instruments are recorded in the balance sheet at fair value.

For those instruments designated as available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the Consolidated Income Statement of the period.

For those instruments designated as fair value through profit and loss investments, gains and losses arising from changes in fair value are recognised in the Consolidated Income Statement as they arise.

Trade Receivables

Trade receivables do not accrue interest and are principally due within six months. Trade receivables are valued using the amortised cost method. Interest deductions are not included in the valuation of trade receivables, as the amount is deemed immaterial.

Trade receivables are reduced by appropriate allowances for estimated irrecoverable amounts.

Financial Liabilities and Equity

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

Bank Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the Consolidated Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

There were no direct issue costs incurred for the years ended 31 December 2011 and 2010.

Trade Payables

Trade payables are not interest bearing and are principally due within six months. Trade payables are valued using the amortised cost method. Interest deductions are not included in the valuation of trade payables, as the amount is deemed immaterial.

Provisions

The Group records provisions when it has an obligation, legal or constructive, to satisfy a claim or when it is probable that an outflow of Group resources will be required to satisfy the obligation, provided that a reliable estimate of the amount can be made.

In the case of litigation and claims relating to services rendered, the amount that is ultimately recorded is the result of a process of assessment of a number of variables, and relies on management's informed judgment about the circumstances surrounding the past provision of services. It also relies on expert legal advice and actuarial assessments. Changes in estimates are reflected in the Consolidated Income Statement in the period in which the change occurs.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at management's best estimate of the expenditure required to settle the Group's future liabilities, and is assessed at each reporting date.

Provisions for royalties are based on contractual agreements with intellectual property owners.

Earnings per Share

Basic earnings per share are calculated by dividing the Group's profit for the year by the weighted average number of shares outstanding during the year, excluding treasury shares. For diluted earnings per share, the weighted average number of shares outstanding is adjusted assuming conversion of all potential dilutive shares. Group profit for the year is also adjusted to reflect the net after-tax impact of conversion, if any.

In 2011 and 2010, the share options granted to employees and members of the Board of Directors (Note 30) were the only instruments with dilutive effect on the Group's earnings per share (Note 9).

Freight and Related Expenses

Freight and related expenses are recognised in cost of sales as incurred.

Warranty and Product Reworking Expenses

Warranty and product reworking expenses are included in the selling, general and administrative expenses in the Consolidated Income Statement (Note 4). The Group provides for warranty costs when products are sold, based on management's best estimate of future warranty claims on products sold.

Equity Compensation Plans

During 2011, 2009 and 2008, the Group has distributed shares and share options to certain of its employees and members of the Board of Directors. In accordance with IFRS 2, the Group recognises as an expense in the Consolidated Income Statement all equity-settled share-based payments at their fair value at the date of grant (Note 30). All equity-settled share-based payments expenses are recognised against an equivalent increase of the "share-based compensation reserve", in equity.

Factoring of Trade Receivables

The Group factors certain of its trade receivables, which meet the criteria for derecognition as defined in IAS 39. The Group derecognises its trade receivables when substantially all of the risks and rewards of ownership have transferred to the counterparty, which is generally when cash is received from the counterparty. In 2011 and 2010, the counterparties to these transactions were third party banks which, for a fee, accepted the risks and rewards of ownership for certain of the Group's trade receivables. Factoring fees, interest and expenses for credit insurance related to the factoring of trade receivables are recognised as finance costs in the Consolidated Income Statement.

Critical Accounting Judgements in Applying the Group's Accounting Policies

The preparation of the Consolidated Financial Statements and related disclosures in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Estimates are used in accounting for estimated impairment losses on goodwill and intangible assets, bad debt allowances on receivables, inventory allowances, depreciation, employee benefits, taxes, provisions and contingencies. Estimates and assumptions are reviewed periodically and the effects of any changes of estimates are immediately reflected in the Consolidated Income Statement.

In the process of applying the Group's accounting policies, which are described in this note, management has made certain judgements and estimates that could be considered significant to the Consolidated Financial Statements, which could impact the carrying amounts of assets and liabilities. Based on historical experience and other factors, management considers as relevant the following judgements and estimates:

Impairment of Goodwill

Management determines whether goodwill is impaired at least on an annual basis. To perform the impairment test, management must estimate the value in use of the cash-generating unit to which the goodwill is allocated and also compare the actual results and latest business plans to the initial business plan as at acquisition date. The estimate of the value in use requires management to assess the business plans of the cash-generating unit, to estimate the projections of the future cash flows and to determine the discount rate used to compute the present value of the future cash flows.

Revenue Recognition, Warranty Provisions and Royalties Accruals

Management has considered the criteria set out in IAS 18 for recognition of revenue from sale of goods and services. Accordingly, revenue is recognised when the Group has transferred to the buyer the significant risk and rewards of ownership of the goods and services. Following detailed quantification of (i) the Group's liability in respect to eventual rectification work, and of the agreed limitation on the customer's ability to require further work or replacement of the goods, and of (ii) the Group's liability in respect to licensing or infringements of third parties intellectual property rights, management is satisfied that the significant risk and rewards for the goods which have generated revenue have been transferred and that in the current year the recognition of revenue and recognition of the corresponding provisions for warranty costs and royalties payable to third parties intellectual property owners are appropriate.

When a single transaction implies the delivery of more than one product or service, the revenue recognition is applied separately to the different components of the transaction. The amount recognised as revenue for each component is its fair value in relation to the fair value of the arrangement as a whole. This requires a degree of management judgement as the fair value of each component of a transaction are best estimates, for which timing and amount of revenue recognition can vary depending on the management assessments. The determination of whether the amount of revenue can be measured reliably or whether the fees are collectible is inherently judgemental.

The estimate of the fair value of warranty provisions requires a high degree of management judgement, particularly for products having a short life or experiencing quality issues. A high degree of management judgment is required as well when estimating accruals for royalties, particularly in assessing the economic impact of alleged intellectual property infringement claims. The determination of whether the amount of these provisions and accruals can be measured reliably or whether claims and cash disbursements will occur in the future is inherently judgemental. Details of accruals for royalties and of warranty provisions are available in Notes 17 and 18.

Classification of Treasury Investments

Note 13 describes the Group's treasury investments in certain financial assets classified as available-for-sale or fair value through profit and loss investments. In accordance with IAS 39, management is required to designate the classification of these assets into categories, which then dictates how to account for the initial and subsequent measurement of these assets.

Management determined that its investment in non-derivative financial assets should be designated as fair value through profit and loss when the assets have no maturity or expiry date, such as in the case of funds of bonds offered by professional asset managers. Therefore, unrealised gains and losses on these investments are recognised in the Consolidated Income Statement as they arise. Management determined that its investment in non-derivative financial assets should be designated as available-for-sale when they cannot be classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Therefore, unrealised gains and losses on these investments are recorded directly in equity.

Derecognition of Financial Assets

As described in this note, management has determined that certain of the Group's receivables meet the derecognition requirements of IAS 39. The result of this accounting treatment is that approximately \$55 million and \$54 million in trade receivables were derecognised in the Consolidated Balance Sheets at 31 December 2011 and 2010, respectively. As part of this judgement, management is required to assess if substantially all the risks and rewards of ownership were transferred to the counterparty. Management determined this to be the case as, in its assessment, one of the more significant risks that is entirely transferred to the counterparty is the credit risk associated with the trade receivables.

Key Sources of Estimation Uncertainty

Key assumptions concerning future business and other key sources of estimation uncertainty, that, at the reporting date, have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Recoverability of Internally-Generated Intangible Assets

During the year, management has regularly tested the recoverability of all its internally-generated intangible assets arising from the Group's capitalisation of software development costs. These assets are included in the Consolidated Balance Sheets at 31 December 2011 and 2010 for a net amount of approximately \$22.6 million and \$27.0 million, respectively. The capitalised projects meet customer demand and management estimates sufficient anticipated revenue and margin from these projects to support the carrying value. Increased competition and price pressure are also considered by management when assessing future revenue and anticipated margins on these products. Following this analysis, management is confident that the carrying amount of the assets should be recovered in full. The nature and value of these assets are regularly and closely monitored. Adjustments may be made in future periods if market evolutions indicate that such adjustments are appropriate.

Recoverability of Tax Assets

Management has carefully estimated the recoverability of all its tax assets recorded in the Consolidated Balance Sheets at 31 December 2011 and 2010 for a total aggregate amount of \$6.9 million and \$4.8 million, respectively. For each legal entity concerned, on the basis of the local tax regulations and of the most updated future business perspectives, management has concluded that the carrying amount of the assets at the reporting dates should be recovered in full. Adjustments may be made in future periods if developments of business for each legal entity indicate that such adjustments are appropriate.

Employee Post-Employment Benefit Obligations

The Group maintains defined benefit pension plans in accordance with local conditions and practices in the countries where it operates. The related obligations recognised in the Consolidated Balance Sheet represent the present value of the defined benefit obligations calculated annually by independent actuaries. These actuarial valuations include assumptions such as discount rates, return on assets, salary progression rates and mortality rates. These actuarial assumptions vary according to the local prevailing economic and social conditions. Details of the assumptions are provided in Note 24.

3. REVENUE

An analysis of the Group's revenue for the years ended 31 December 2011 and 2010 is as follows:

	2011 \$	2010 \$
Sales of goods	359,218,656	330,072,286
Services and licensing income	40,344,697	22,597,096
Loss (gain) arising on foreign currency derivatives (Note 25)	<u>(598,700)</u>	<u>3,950,015</u>
	<u>398,964,653</u>	<u>356,619,397</u>

4. EXPENSES

Cost of sales for goods mainly comprises costs of components and, to a much lower extent, assembly fees, freight expenses and duties. Cost of sales for services and licensing mainly comprises the cost to the Group of the engineering hours devoted to develop the software products and services that are delivered to customers according to specifications which are either Group standards or agreed with customers.

An analysis of the expenses for the years ended 31 December 2011 and 2010 is as follows:

	2011 \$	2010 \$
Research and development expenses		
Incurred and expensed excluding amortisation	26,516,482	18,140,343
Amortisation of software development costs (Note 11)	25,181,482	16,047,331
Amortisation of right to use of land and computer programs (Note 11)	4,559,184	1,937,875
Royalty expenses (Note 28)	<u>12,269,025</u>	<u>12,792,984</u>
Total before reorganisation	<u>68,526,173</u>	<u>48,918,533</u>
Reorganisation expenses (Note 6)		
Incurred and expensed excluding amortisation	972,377	-
Amortisation of software development costs (Note 11)	3,143,298	-
Amortisation of computer programs (Note 11)	924,613	-
Provision for prepaid royalty expenses	<u>446,370</u>	<u>-</u>
Total reorganisation impact	<u>5,486,658</u>	<u>-</u>
Total research and development expenses	<u>74,012,831</u>	<u>48,918,533</u>

	2011 \$	2010 \$
Selling, general and administrative expenses		
Selling and marketing expenses	21,862,981	20,726,681
General and administrative expenses excluding amortisation	15,338,472	13,190,833
Amortisation of computer programs and other (Note 11)	73,418	46,192
Operations overheads and customer service	10,368,503	7,035,432
Warranty expenses	1,174,563	2,316,213
Other	<u>10,632</u>	<u>366,331</u>
Total before reorganisation	<u>48,828,569</u>	<u>43,681,682</u>
Reorganisation expenses (Note 6)		
Selling and marketing expenses	1,014,270	-
General and administrative expenses excluding amortisation	<u>2,154,044</u>	<u>-</u>
Total reorganisation impact	<u>3,168,314</u>	<u>-</u>
Total selling, general and administrative expenses	<u>51,996,883</u>	<u>43,681,682</u>

Depreciation of property and equipment for an amount of \$3,806,520 and \$2,394,061 in 2011 and 2010, respectively, is included in the expense items above mentioned.

Staff costs of \$57,552,252 and \$49,603,196 in 2011 and 2010, respectively, are included in the items mentioned above. In 2011, staff costs of \$1,859,357 are part of the reorganisation expenses. The monthly average number of employees was 944 and 805 in 2011 and 2010, respectively.

Warranty expenses in each year include the yearly charge of provision for warranty disclosed in Note 18 and other in-warranty gains or losses incurred during the year. In 2011, this line item is shown net of a gain of approximately \$ 3.0 million.

5. OTHER INCOME AND EXPENSES

Other income includes:

	2011 \$	2010 \$
Net exchange gain on trade receivables and payables	2,091,806	-
Compensation	-	370,244
Other	426,566	631,290
	<u>2,518,372</u>	<u>1,001,534</u>

Other expenses include:

	2011 \$	2010 \$
Net exchange loss on trade receivables and payables	-	(3,161,961)
Provision for inventory	(1,258,767)	(1,473,069)
Other	(295,647)	(743,044)
Total before reorganisation	<u>(1,554,414)</u>	<u>(5,378,074)</u>
Reorganisation expenses (Note 6)		
Provision for inventory pursuant to reorganisation	(6,482,451)	-
Other reorganisation expenses	(215,451)	-
Total reorganisation impact	<u>(6,697,902)</u>	<u>-</u>
Total other expenses	<u>(8,252,316)</u>	<u>(5,378,074)</u>

6. ACQUISITION, INTEGRATION AND REORGANISATION EXPENSES

Acquisition and integration expenses of \$946,385 and \$538,539 in years 2011 and 2010, respectively, are expenses incurred pursuant to the business combination described in Note 27. In 2011, they mainly comprise the costs of integration of the information, operations, financial and human resources management systems of the acquired companies. In 2010, they mainly comprise antitrust, legal, audit and other fees and costs incurred for the execution of the transaction. Acquisition and integration expenses of 2011 include amortisation of intangible assets for an amount of \$6,677.

In 2011, the Group started reorganising its activities to pursue the integration of the acquired companies, to simplify its processes and to eliminate layers of management, in order to focus on key projects, while increasing efficiency and the cost effectiveness of overheads. Certain business initiatives and projects were terminated, and the related intangible assets and inventories were realised for a reduced value or impaired. Several offices were closed or resized or moved to less expensive premises. Rental contracts for relocated or closed offices and certain subcontracting and employment contracts were terminated. The activities of certain legal entities were transferred to other companies of the Group. Expenses of these reorganisation activities include:

	2011 \$	2010 \$
Business terminations	12,403,890	-
Fundamental reorganisation of the Group	1,809,180	-
Changes in management structure	674,504	-
Closure and relocation of offices	465,300	-
	15,352,874	-

Reorganisation expenses included in the line items of the Consolidated Income Statements are:

	2011 \$	2010 \$
Research and development expenses	5,486,658	-
Selling, general and administrative expenses	3,168,314	-
Other expenses	6,697,902	-
	15,352,874	-

Terminations of businesses and changes of management structure were substantially completed by the end of 2011, but management anticipates further reorganisation of the Group and closures of offices in 2012.

Reorganisation expenses of 2011 include amortisation of intangible assets for an amount of \$4,067,911 and depreciation of property and equipment for an amount of \$7,713. In addition, inventories of terminated businesses were impaired for a total aggregate amount of \$6,482,451, which contributed to the significant increase of the inventory allowance (Note 15).

7. FINANCE INCOME AND FINANCE COSTS

Finance income of \$552,232 and \$2,111,027 in years 2011 and 2010, respectively, comprises interest earned on cash reserves, time deposits and treasury investments held by the Company.

Finance costs include:

	2011 \$	2010 \$
Interest on bank loans	1,944,954	1,539,939
Other financial expense	1,996,615	960,624
Foreign exchange loss on cash and unsecured bank loans	563,213	500,660
Foreign exchange loss on liability arising in case of exercise of put option issued pursuant to acquisition (Note 27)	889,713	724,160
Foreign exchange loss on hedging positions of acquired companies	-	800,703
	<u>5,394,495</u>	<u>4,526,086</u>

Other financial expense includes costs, fees and commissions paid for the execution of financing operations, the set-up and availability of credit lines, as well as other bank charges.

8. TAXES

(Credit) expense for income tax for 2011 and 2010 is as follows:

	2011 \$	2010 \$
Current tax		
Foreign tax	646,345	793,068
Domestic tax	50,284	911,089
Deferred tax		
Foreign tax	(147,089)	330,824
Domestic tax	<u>(1,881,828)</u>	<u>(151,621)</u>
	<u>(1,332,288)</u>	<u>1,883,360</u>

Taxation for jurisdictions where the Group operates is calculated at the tax rates prevailing in the respective jurisdictions. (Loss) profit before tax consisted of the following:

	2011 \$	2010 \$
Switzerland	(18,924,751)	11,781,469
Other jurisdictions	5,408,577	3,008,779
(Loss) profit before tax	<u>(13,516,174)</u>	<u>14,790,248</u>

The differences between the provision for income taxes and income taxes computed at the respective statutory income tax rates are explained as follows:

	2011 \$	2010 \$
Tax at the local rates applicable to profits in the countries concerned	509,263	1,958,878
Tax effect of non-deductible and non-taxable items	(710,966)	(480,483)
Tax charge from (usage of) unrecognised tax losses	(1,179,283)	277,719
Final taxation of previous periods	22,193	47,816
Other	26,505	79,430
	<u>(1,332,288)</u>	<u>1,883,360</u>

In 2011, the effective tax rate is 9.9% compared to 12.7% in 2010.

Components of deferred tax assets and liabilities recognised by the Group and movements during 2011 and 2010 are as follows:

	2011		2010	
	Assets \$	Liabilities \$	Assets \$	Liabilities \$
Net loss carryforwards	4,953,581	-	2,847,155	-
Retirement provisions not currently deductible	1,430,668	-	1,294,783	-
Provisions and accruals	379,563	-	471,411	-
Cash flow hedges	-	(398,638)	52,194	-
Accrued intercompany sales	-	(296,823)	-	(351,691)
Difference between tax base and IFRS value of intangible assets	-	(132,722)	-	(64,565)
Unrealised foreign exchange loss	49,309	-	96,375	-
Others	62,079	(14,249)	23,860	17,368
	<u>6,875,200</u>	<u>(842,432)</u>	<u>4,785,778</u>	<u>(398,888)</u>

	Net Loss Carry- forwards \$	Retirement Provisions Not Currently Deductible \$	Provisions and Accruals \$	Cash Flow Hedges \$	Others \$	Total \$
At 1 January 2010	1,350,968	1,214,212	1,180,487	-	(1,213,333)	2,532,334
Additions pursuant to acquisition (Note 27)	1,813,306	-	-	-	771	1,814,077
(Charge) credit to equity	-	(3,942)	-	52,194	49,022	97,274
(Charge) credit to income	(310,569)	(33,935)	(671,163)	-	836,464	(179,203)
Exchange differences	(6,550)	118,448	(37,913)	-	48,423	122,408
At 31 December 2010	2,847,155	1,294,783	471,411	52,194	(278,653)	4,386,890
(Charge) credit to equity	-	(31,235)	-	(450,832)	872	(481,195)
Credit (charge) to income	2,169,539	14,153	(44,441)	-	(110,334)	2,028,917
Exchange differences	(63,113)	152,967	(47,407)	-	55,709	98,156
At 31 December 2011	4,953,581	1,430,668	379,563	(398,638)	(332,406)	6,032,768

The deferred tax assets credited to the Consolidated Income Statements for 2011 and 2010 include the amount of tax loss carryforwards estimated by management at the end of the year as recoverable because of the expected future profits for the concerned legal entities. Deferred tax assets for the legal entities which incurred losses in 2011 or 2010 are expected to be realised pursuant to the profit expected from the future activities of these legal entities: at 31 December 2011 and 2010, the aggregate amount for these tax assets was \$0.6 million and \$0.8 million, respectively. At 31 December 2011 and 2010, the Group had tax losses, available for offset against future profits, for a total aggregate amount of \$62.7 million and \$54.4 million, respectively. Deferred tax assets have been recognised in respect of these losses for a total amount of \$5.0 million and \$2.8 million, respectively.

At 31 December 2011 and 2010, the useful life of unused tax losses, for which no deferred tax assets were recognised, is set out in the following table:

	2011 \$ million	2010 \$ million
Three years	1.9	-
Four years	1.6	8.0
Five years	-	1.7
Seven years	2.5	4.9
Fifteen years	2.6	-
Sixteen years	4.1	2.1
Seventeen years	4.1	4.1
Eighteen years	1.0	4.1
Nineteen years	-	1.0
Twenty years	0.1	-
Unlimited	9.6	8.4
Total unused tax losses	27.5	34.3

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2011 and 2010 is based on the following data:

(Loss) Earnings	2011 \$	2010 \$
(Loss) earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	(12,183,886)	12,906,888
Effect of dilutive potential ordinary shares from share options	-	-
(Loss) earnings for the purpose of diluted earnings per share	<u>(12,183,886)</u>	<u>12,906,888</u>

Number of shares	2011 \$	2010 \$
Weighted average number of ordinary shares for the purpose of computing basic earnings per share (Note 21)	5,363,400	5,053,944
Effect of dilutive potential ordinary shares	<u>42</u>	<u>86,843</u>
Weighted average number of ordinary shares for the purpose of computing diluted earnings per share	<u>5,363,442</u>	<u>5,140,787</u>

(Loss) earnings per share	2011 \$	2010 \$
Basic (loss) earnings per share	<u>(2.27)</u>	<u>2.55</u>
Diluted (loss) earnings per share	<u>(2.27)</u>	<u>2.51</u>

10. GOODWILL

Goodwill in years 2011 and 2010 evolved as follows:

	\$
COST	
At 1 January 2010	15,906,695
Addition pursuant to acquisition (Note 27)	16,373,250
Retirement	-
Exchange differences	<u>25,695</u>
At 31 December 2010	32,305,640
Addition	16,749
Retirement	-
Exchange differences	<u>(543,209)</u>
At 31 December 2011	<u>31,779,180</u>
ACCUMULATED IMPAIRMENT LOSSES	
At 1 January 2010	6,513,255
Charge for the year	-
Retirement	-
At 31 December 2010	6,513,255
Charge for the year	-
Retirement	-
At 31 December 2011	<u>6,513,255</u>
CARRYING AMOUNT	
At 31 December 2011	<u>25,265,925</u>
At 31 December 2010	<u>25,792,385</u>

At the end of 2011, the carrying amount of goodwill include a PBS goodwill of \$15,872,485, related to the acquisition in 2010 of Pirelli Broadband Solutions S.p.a. and its subsidiaries (together "PBS" – Note 27), and a Vidiom goodwill \$9,393,440, related to the acquisition in 2006 of Vidiom. The addition of goodwill in 2011, amounting to \$16,749, is due to an adjustment of the PBS goodwill. The exchange differences in 2011 and 2010 are also related to the PBS goodwill, which is denominated in Euro.

At the end of the year, an impairment review was conducted for the PBS goodwill based on value-in-use: the cash-generating unit corresponded to the broadband division, which was created in 2011 to manage all the activities of the Group in the broadband telecommunication business, whether acquired through PBS or already present in the Group at the time of the acquisition. Cash flows were based on the financial plans of the cash-generating unit. Key assumptions for the financial plans are: customer base development, penetration of new markets, and the evolution of product margins and overhead expenses. Key assumptions were valued reflecting the most recent sales and marketing plan for the cash-generating unit, the road map for new products introduction with the implied cost savings, the experience of product price evolutions over time and the impact of the expected reorganisation initiatives. Cash flows were projected for 5 years, and a final value of the business was estimated based on valuation multiples for comparables companies. The growth rate assumed to extrapolate cash-flows projections beyond the period covered by the most recent business plan for the cash-generating unit

is approximately 2%, which underestimates the long term average growth rates of the products and markets where the cash-generating unit operates. Cash flows and final value were discounted at a pre-tax rate of 10%, reflecting the specific risks and uncertainties of the business. As a result of this analysis, the Group concluded that the recoverable amount of the cash-generating unit exceeded the carrying amount of the PBS goodwill at 31 December 2011. An increase of 1% of the discount rate, or a reduction by a third of the final value, does not change the conclusions of the PBS goodwill impairment test.

For the Vidiom goodwill, an impairment review was conducted based on value-in-use for the cash-generating unit addressing the American digital cable TV market, to which the Vidiom goodwill is allocated. Cash flows for the first five years are based on financial plans of the cash-generating unit, with the following five years subject to conservative growth assumptions. Key assumptions for the financial plans are: acquisition of customers, investment in product developments, growth of sales, marketing, general and administrative expenses, and investment in working capital. Cash flow projections used in this calculation were discounted at a pre-tax rate of 12%, reflecting the specific risks and uncertainties of this business. As a result of this analysis, the Group concluded that the recoverable amount of the cash-generating unit exceeded the carrying amount of the Vidiom goodwill at 31 December 2011. An important sensitivity parameter for the Vidiom goodwill impairment test is the average sales growth rate for the last five years of the period. Had this growth rate been reduced to 1% instead of 3% per year, the recoverable amount of the cash-generating unit would have still exceeded its carrying amount. An increase of 1% of the discount rate does not change the conclusions of the Vidiom goodwill impairment test.

11. INTANGIBLE ASSETS

	Software Development Costs \$	Right to Use of Land \$	Computer Programs and Other \$	Total \$
COST				
At 1 January 2010	29,568,761	412,101	2,185,681	32,166,543
Additions pursuant to acquisition (Note 27)	6,208,191	-	2,559,170	8,767,361
Additions	20,054,505	-	3,439,030	23,493,535
Retirement	(13,217,112)	-	(1,294,758)	(14,511,870)
Exchange differences	20,645	(12,162)	9,849	18,332
At 31 December 2010	42,634,990	399,939	6,898,972	49,933,901
Additions	24,153,400	-	5,370,773	29,524,173
Retirement	(25,690,005)	-	(3,798,261)	(29,488,266)
Exchange differences	(599,418)	(56,443)	(254,160)	(910,021)
At 31 December 2011	40,498,967	343,496	8,217,324	49,059,787
ACCUMULATED AMORTISATION				
At 1 January 2010	12,842,823	39,098	689,187	13,571,108
Charge for the year	16,047,331	4,331	1,979,736	18,031,398
Retirement	(13,217,112)	-	(1,241,690)	(14,458,802)
Exchange differences	6,505	(958)	(108)	5,439
At 31 December 2010	15,679,547	42,471	1,427,125	17,149,143
Charge for the year	28,324,780	4,422	5,559,470	33,888,672
Retirement	(25,690,005)	-	(3,798,261)	(29,488,266)
Reclassification	(45,261)	-	45,261	-
Exchange differences	(357,757)	(6,528)	(184,489)	(548,774)
At 31 December 2011	17,911,304	40,365	3,049,106	21,000,775
CARRYING AMOUNT				
At 31 December 2011	<u>22,587,663</u>	<u>303,131</u>	<u>5,168,218</u>	<u>28,059,012</u>
At 31 December 2010	<u>26,955,443</u>	<u>357,468</u>	<u>5,471,847</u>	<u>32,784,758</u>

Retirement relates to development projects that either reach completion or are terminated during the year. Amortisation of computer programs is included in the line items "research and development expenses" and "selling, general and administrative expenses" as set out in Note 4. Amortisation of right to use of land is included in line item "selling, general and administrative expenses" as set out in Note 4. The assets acquired in 2010 pursuant to the business combination described in Note 27 consist of capitalised development projects and intellectual property rights such as patents, trademarks and designs.

12. PROPERTY AND EQUIPMENT

	Land and Buildings \$	Furniture and Fixtures \$	Equipment (incl. prepayments) \$	Construction in Progress \$	Total \$
COST					
At 1 January 2010	9,917,015	1,710,393	11,418,843	140,304	23,186,555
Additions pursuant to acquisition (Note 27)	-	88,661	1,884,159	448,002	2,420,822
Additions	16,410	359,034	2,362,501	1,241,092	3,979,037
Retirement	(14,668)	(365,419)	(2,114,343)	-	(2,494,430)
Reclassification	211,793	10,751	101,024	(323,568)	-
Exchange differences	<u>519,852</u>	<u>(3,622)</u>	<u>(16,867)</u>	<u>22,656</u>	<u>522,019</u>
At 31 December 2010	10,650,402	1,799,798	13,635,317	1,528,486	27,614,003
Additions	80,089	181,290	2,531,288	2,376,016	5,168,683
Retirement	(105,255)	(370,306)	(1,258,996)	-	(1,734,557)
Reclassification	2,478,057	42,952	45,610	(2,566,619)	-
Exchange differences	<u>(1,163,654)</u>	<u>(147,703)</u>	<u>(1,396,104)</u>	<u>(70,100)</u>	<u>(2,777,561)</u>
At 31 December 2011	<u>11,939,639</u>	<u>1,506,031</u>	<u>13,557,115</u>	<u>1,267,783</u>	<u>28,270,568</u>
ACCUMULATED DEPRECIATION					
At 1 January 2010	2,399,084	1,094,531	8,322,870	-	11,816,485
Charge for the year	222,800	253,667	1,917,594	-	2,394,061
Retirement	(10,079)	(292,306)	(2,003,327)	-	(2,305,712)
Exchange differences	<u>(8,009)</u>	<u>(4,491)</u>	<u>(51,377)</u>	<u>-</u>	<u>(63,877)</u>
At 31 December 2010	2,603,796	1,051,401	8,185,760	-	11,840,957
Charge for the year	265,327	231,394	3,309,799	-	3,806,520
Retirement	(12,038)	(243,077)	(1,211,067)	-	(1,466,182)
Exchange differences	<u>(343,932)</u>	<u>(86,933)</u>	<u>(1,155,143)</u>	<u>-</u>	<u>(1,586,008)</u>
At 31 December 2011	<u>2,513,153</u>	<u>952,785</u>	<u>9,129,349</u>	<u>-</u>	<u>12,595,287</u>
CARRYING AMOUNT					
At 31 December 2011	<u>9,426,486</u>	<u>553,246</u>	<u>4,427,766</u>	<u>1,267,783</u>	<u>15,675,281</u>
At 31 December 2010	<u>8,046,606</u>	<u>748,397</u>	<u>5,449,557</u>	<u>1,528,486</u>	<u>15,773,046</u>

Retirement relates to assets that either reach the end of their useful life or that are disposed of during the year. At 31 December 2011 and 2010, the fire insurance coverage for the Group's property and equipment amounted to approximately \$25 million. Amounts pledged or secured in relation to bank loans are reported in Note 16. Construction in progress at 31 December 2011 and 2010 principally relates to building improvements in process at ADBP. At 31 December 2011, the contractual commitments to acquire fixed assets and the carrying amount of assets held under finance leases were immaterial.

13. OTHER FINANCIAL ASSETS

Trade Receivables, Net

Trade receivables, net at 31 December 2011 and 2010 comprise amounts receivable for the sales of goods and services for \$52,792,516 and \$92,822,350, respectively. In accordance with the Group policy, the credit terms provided on sales of goods and services are generally 30 to 60 days, with a few exceptions for 2011, where credit terms were extended to 180 days. No interest is earned on trade receivables. At 31 December 2011 and 2010, the allowance for estimated irrecoverable amounts from the sales of goods and services was \$1,419,601 and \$2,248,304, respectively. This allowance has been determined by reference to past default experience.

Management considers that the carrying amount of trade receivables, net approximates their fair value.

Treasury Investments

Cash reserves of the Company, whether invested in financial instruments designated as fair value through profit and loss or as available-for-sale, are aggregated as treasury investments in the Consolidated Balance Sheets.

	31 December 2011 \$	31 December 2010 \$
Available-for-sale investments	8,588,077	10,160,384
Fair value through profit and loss	5,748,614	4,362,229
Treasury investments	14,336,691	14,522,613

Available-for-sale investments	Fair Value of Investments \$	Unrealised Gain (Loss) \$	Deferred Tax Assets on Unrealised (Loss) Gain \$	Impact on Other Reserves (Note 22) \$
Balance at 1 January 2010	28,731,753	637,218	(49,894)	587,324
Net investments in 2010	(17,945,283)	-	-	-
Change in value during 2010	(626,086)	(626,086)	49,022	(577,064)
Balance at 31 December 2010	10,160,384	11,132	(872)	10,260
Net investments in 2011	(1,448,557)	-	-	-
Change in value during 2011	(123,750)	(123,750)	872	(122,878)
Balance at 31 December 2011	8,588,077	(112,618)	-	(112,618)

The Group invests part of its cash reserves in financial instruments with the aim of enhancing returns over a time horizon of twelve to forty-eight months.

The typical available-for-sale investment is an instrument that provides for a guaranteed or full capital repayment plus a minimum return. The fair market value of these instruments, at any time during their life, can result in unrealised gains or losses. The Group has the right to sell these instruments at any time prior to their expiration dates. Unrealised gains or losses from available-for-sale investments are recorded in equity in accordance with IAS 39, as reported in the Consolidated Statements of Comprehensive Income and as disclosed in Note 22. The amount removed from equity on disposal and recognised in the Consolidated Income Statement of 2011 and 2010 was approximately \$0.2 million and \$0.6 million, respectively.

The typical fair value through profit and loss investment is a fund of cash instruments or bonds which has high market liquidity and is managed by a professional asset manager. The (loss) profit from fair value through profit and loss investments recognised in the Consolidated Income Statement of 2011 and 2010 was \$(83,035) and \$171,988, respectively.

The Group's investment advisers provide credit facilities whereby the Company can borrow cash at market interest rates using treasury investments as collateral. None of these credit facilities was utilised at end of 2011 and 2010.

Cash and Cash Equivalents

Cash balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

14. OTHER CURRENT ASSETS

	2011 \$	2010 \$
Factored trade receivables	11,427,089	17,546,288
Prepayments	3,916,441	4,414,305
Foreign currency forward contracts	3,582,682	267,101
Cash deposits	359,259	1,833,935
VAT refund	850,978	1,979,463
Other	<u>1,140,552</u>	<u>2,055,037</u>
	<u>21,277,001</u>	<u>28,096,129</u>

Factored trade receivables correspond to the full or partial value of trade receivables which were sold through factoring and not financed by the purchaser. Prepayments relate to office rental and various purchases of material, insurance coverage, equipment and royalties. Foreign currency forward contracts are hedging positions outstanding at the end of 2011 for conversion from foreign into domestic currencies of future receivables and expected cash-flows for revenue and cost of goods sold. Cash deposits and VAT refund are mainly associated with the import of goods into the European Union.

15. INVENTORIES, NET

	2011 \$	2010 \$
Finished goods	12,728,815	19,250,645
Work-in-process	157,852	354,447
Raw materials	21,501,772	25,345,487
Held by contract manufacturers	<u>4,057,869</u>	<u>8,417,575</u>
Total gross inventories	38,446,308	53,368,154
Less inventory allowance	<u>(8,871,560)</u>	<u>(3,005,995)</u>
Total inventories	<u>29,574,748</u>	<u>50,362,159</u>

The Group purchases key component raw materials, which are shipped to and paid for by its contract manufacturers, which invoice the Group for the cost of manufacturing of finished goods, inclusive of the cost of key components and other raw materials used in production. Other raw materials are sourced directly by the contract manufacturers, under appropriate co-ordination from the Group. Based on the substance of the contract manufacturing agreements, inventories of the Group include inventories "held by contract manufacturers" which constitute the key components raw materials held by contract manufacturers for the assembly of finished goods.

The significant increase of the inventory allowance in 2011 is due to the reorganisation of the Group and the termination of certain businesses as detailed in Note 6.

16. BANK LOANS

	2011		2010	
	Secured \$	Unsecured \$	Secured \$	Unsecured \$
Group borrowings are repayable as follows:				
On demand or within one year	12,709,809	1,681,097	19,689,611	44,840,124
In the second year	195,076	5,054,266	198,471	437,299
In the third to fifth years inclusive	617,064	6,162,797	625,033	-
After five years	<u>1,367,721</u>	<u>-</u>	<u>1,645,241</u>	<u>-</u>
Total Group borrowings	<u>14,889,670</u>	<u>12,898,160</u>	<u>22,158,356</u>	<u>45,277,423</u>
of which amount due for settlement within 12 months	12,709,809	1,681,097	19,689,611	44,840,124
of which amount due for settlement after 12 months	<u>2,179,861</u>	<u>11,217,063</u>	<u>2,468,745</u>	<u>437,299</u>

Bank loans at 31 December 2011 and 2010 amount to a total of \$27,787,830 and \$67,435,779, respectively, and represent short and long-term bank borrowings, with weighted average interest rates at 2.36% and 1.97% per annum, respectively, and denominated in United States Dollars, Euro, Polish Zlotys and Taiwan Dollars. The majority of the unsecured borrowings is classified under long-term liabilities, as they are repayable after one year, while the majority of the secured borrowings is classified under current liabilities, as they are repayable within one year, typically upon collection of receivables from customers.

At 31 December 2011 and 2010, long-term bank borrowings for \$2.2 million and \$2.5 million, respectively, are secured by land, buildings and equipment included in the Consolidated Balance Sheets for an aggregate value of approximately \$6.1 million and \$6.4 million, respectively. At 31 December 2011 and 2010, short-term bank borrowings are secured by letters of credit received or credit insurance for a total amount of \$12.5 million and \$19.5 million, respectively.

Unsecured bank borrowings increased in 2010 mainly pursuant to the financing of the business combination described in Note 27. The majority of the loans used to finance this acquisition were partially repaid during 2011, for a total aggregate amount of Euro 16 million. The majority of the remaining loans, or \$11.0 million, was refinanced as long-term loan, part of a credit line committed until 31 December 2016.

Management considers that the carrying amount of the Group's borrowings approximates their fair value as they are principally arranged at floating rates. Due to these arrangements the Group is principally exposed to cash flow interest rate risk (Note 25).

17. ACCRUED EXPENSES

	2011 \$	2010 \$
Accrued royalty expenses	8,786,430	12,428,828
Accrued employee related liabilities	4,436,227	5,053,084
Accrued marketing, commissions and recycling fees	1,765,773	5,516,164
Accrued duties and taxes	1,043,742	2,447,790
Earn-outs pursuant to acquisition (Note 27)	131,326	1,077,348
Other accruals	7,123,531	7,960,171
	<u>23,287,029</u>	<u>34,483,385</u>

18. PROVISIONS

Provisions for warranty	2011 \$	2010 \$
At 1 January	10,868,616	3,140,133
Additions pursuant to acquisition (Note 27)	-	8,797,224
Charge for the year	1,174,563	2,316,213
Utilisation of provision	(3,190,199)	(3,400,857)
Exchange differences	(52,662)	15,903
At 31 December	<u>8,800,318</u>	<u>10,868,616</u>

Provisions for warranty are made to cover the costs of fixing failures of delivered products during their warranty periods. Standard warranty periods last typically twenty-four to thirty-six months after delivery and the related provisions at 31 December 2011 are \$6,963,014. During 2011, pursuant to customers' requests, the Group started selling products with warranty periods of sixty months. Provisions for extended periods of warranty at 31 December 2011 are \$1,837,304 and are included in the line item "long-term liabilities" of the Consolidated Balance Sheets (Note 20).

The amount of provisions is estimated based on past experience or on computations of product reliability.

19. OTHER CURRENT LIABILITIES

	2011 \$	2010 \$
Current portion of liability arising in case of exercise of put option issued pursuant to acquisition (Note 27)	7,077,025	4,139,643
VAT payable and withholding taxes	725,778	2,742,711
Customer payments received in advance	329,212	308,931
Other	<u>1,337,850</u>	<u>997,401</u>
	<u>9,469,865</u>	<u>8,188,686</u>

20. OTHER FINANCIAL LIABILITIES

Trade and Other Payables

Trade and other payables at 31 December 2011 and 2010 for a total aggregate amount of \$107,215,546 and \$144,400,590, respectively, comprise principally amounts outstanding for the payments of supplies (cost of sales) and operating costs. The credit period available from suppliers is generally 30 to 120 days.

Management considers that the carrying amount of trade and other payables approximates their fair value.

Finance Lease Liabilities

The Group has entered into finance lease arrangements as lessee for certain laboratory, transportation and computer equipment. The average term of finance lease entered into is 3 years. None of the lease arrangements entered into permits a sublease.

Liabilities under these finance lease contracts are:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2011 \$	2010 \$	2011 \$	2010 \$
Within one year	36,984	63,275	33,251	57,232
In the second to fifth years inclusive	<u>43,387</u>	<u>47,337</u>	<u>39,353</u>	<u>45,602</u>
	80,371	110,612	72,604	102,834
Finance expense	<u>(7,767)</u>	<u>(7,778)</u>	-	-
Present value of minimum lease payments	<u>72,604</u>	<u>102,834</u>	<u>72,604</u>	<u>102,834</u>
Amounts included in the Consolidated Balance Sheets				
Current liabilities – Trade and other payables			33,251	57,232
Non-current liabilities – Long-term liabilities			<u>39,353</u>	<u>45,602</u>
			<u>72,604</u>	<u>102,834</u>

The unguaranteed residual values of the assets leased under finance lease at 31 December 2011 are estimated to be nil. No contingent liability was recognised as an expense in the period. The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The average effective interest rate contracted for 2011 and 2010 is approximately 11% per annum and 9% per annum, respectively. These lease agreements provide for a repurchase option at end of the lease.

Long-term Liabilities

	2011 \$	2010 \$
Long-term portion of liability arising in case of exercise of put option issued pursuant to acquisition (Note 27)	-	8,165,472
Provisions for extended warranty (Note 18)	1,837,304	-
Long-term portion of finance lease liabilities	<u>39,353</u>	<u>45,602</u>
	<u>1,876,657</u>	<u>8,211,074</u>

21. EQUITY AND SHARE CAPITAL

Share capital of the Company at 31 December 2011 consists of the following:

	Authorised Capital	Conditional Capital	Issued and fully paid
	Number of Shares	Number of Shares	Number of Shares
Balance at 1 January 2010	2,000,000	1,024,523	6,190,542
Cancellation of 10% of shares on 5 October 2010	-	-	(619,054)
Balance carried forward at 31 December 2010	2,000,000	1,024,523	5,571,488
Expiry of Authorised Capital on 25 June 2011	(2,000,000)	-	-
Balance carried forward at 31 December 2011	-	1,024,523	5,571,488
of which shares in circulation			5,304,940
of which own shares held in treasury			266,548

The Company has one class of ordinary shares, which carries no right to fixed income. The nominal value of each Company share is CHF 0.25.

At the Annual General Meeting of Shareholders held on 25 June 2010, the Company's shareholders approved the cancellation of 619,054 shares, or 10% of the issued and paid-in capital. After conclusion of the cancellation process in agreement with the provisions of Swiss law, 619,054 shares were cancelled on 5 October 2010.

At the Annual General Meeting of Shareholders held on 17 June 2011, the Authorised Capital, which expired on 25 June 2011, was not renewed.

The Company share capital can be increased by a maximum of 1,024,523 registered shares of CHF 0.25 each, fully paid-in (the "Conditional Capital"), in the following way:

- 424,523 registered shares of CHF 0.25 each, fully paid-in, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of the Company or of affiliated companies. Existing shareholders' preferential subscription rights are excluded. The Board of Directors must establish employee participation schemes (employee stock option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the options are set by the Board of Directors. Issuance at price below market price is authorised;
- 600,000 registered shares of CHF 0.25 each, fully paid-in, for the issuance of conversion or option rights, as resolved at the Annual General Meeting of Shareholders held on 22 June 2007. Option and conversion rights allowing the subscription of shares must be granted to the creditors holding convertible or option bonds or similar debt instruments, which must be issued by the Company or by one of its controlled companies, in one or several steps. The pre-emptive subscription rights of shareholders may be excluded in favour of the creditors holders of convertible or option rights by a decision of the Board of Directors for valid reasons as follows: if the convertible or option bonds are to be placed in priority on the foreign market, or if the proceeds from the issuance contribute to the financing or refinancing of the acquisition of enterprises, or parts thereof, or of participations

in enterprises, to the financing of strategic investments of the Group, or to the financing of the repurchase of convertible or option bonds that have been issued before by the Company or its subsidiaries. The Board of Directors sets the terms and conditions of the conversion and option rights. In the event that the convertible or option bonds are not offered in priority to the shareholders, they must be placed publicly at market conditions, the term to exercise conversion rights may not exceed ten years and seven years for option rights, in each case from the date of the bond issue, and the conversion or option price for the new shares must be at least equivalent to the market conditions as of the time of the bond issuance.

The Conditional Capital does not bear a time limit.

Shares Held in Treasury

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to start a share purchase programme for up to 10% of the outstanding share capital, and that the shares acquired under this programme shall be cancelled by way of reduction of the share capital after final approval by the General Meeting of Shareholders. The programme started in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010. The number of shares purchased under this programme at 31 December 2009 was 449,158 and the average purchase price was CHF 51.09 per share. In the first-half of 2010, the Company completed this programme, purchasing the remaining 169,896 shares at an average price of CHF 51.26 per share. The total cost of the shares purchased by the Company in 2010, translated at the prevailing exchange rates, was \$8,617,372 and no expense was incurred. The cost of the shares purchased under this programme and the related expenses were deducted from equity in accordance with the provisions of IAS 32. No other shares were purchased in 2010.

On 5 October 2010, 619,054 shares were cancelled and the capital of the Company was reduced by a total aggregate amount of \$30,777,796, corresponding to the historical purchase cost of the cancelled shares, inclusive of the related expense for bank commissions, legal advisory fees, stamp duties and stock exchange fees.

On 29 November 2010, the Company transferred 400,000 treasury shares at the 26 November 2010 closing price of CHF 28.00 per share as part of the consideration paid for the business combination described in Note 27 for a total aggregate value, translated at the prevailing exchange rates, of \$11,274,238.

On 2 August 2011, the Company purchased 133,334 shares at the average price of CHF 29.00 per share pursuant to the exercise of the first tranche of the put and call option agreement described in Note 27 for a total aggregate value, computed at the historical share price used to estimate the liability of the put option, of \$3,882,965.

On 4 November 2011, 23,000 shares were transferred upon grant of shares (Note 30) to certain employees of the Group.

Pursuant to the exercise of stock options granted in 2008 (Note 30), 2,532 and 33,263 shares were respectively sold in 2011 and 2010 by the Company at the average price of CHF 30.47 per share. The aggregate proceeds from the sale of these shares, translated at the prevailing exchange rates, were \$81,567 and \$1,394,710, respectively.

As a result of all of the above transactions, the number of shares held in treasury by the Company decreased from 1,041,167 shares at 1 January 2010 to 158,746 shares at 31 December 2010, and then increased to 266,548 at 31 December 2011. The cost of shares held in treasury was \$6,734,954 and \$3,370,395 at 31 December 2011 and 2010, respectively.

Put Option Issued Pursuant to Business Combination

The Company issued a put option in favour of the seller of the companies acquired as part of the business combination described in Note 27. On 29 November 2010, the closing date of the business combination, the value of the put option was \$282,751 and was included in the "other reserves" of the Company's equity (Note 22). At the same date, the present value of the liability that the Company would incur in case of exercise of the put option amounted to \$11,535,251 and was deducted from equity in accordance with the provisions of IAS 32.

During the first-half of 2011, the owner of the put option sold 36,826 shares of the Company to third parties, and on 2 August 2011, it exercised the conversion rights of the first tranche of the put option, selling additional 133,334 shares to the Company. Pursuant to the above transactions, the liability of the Company under the put option was reduced by \$4,933,152, and this amount was credited to the "other reserves" of the Company's equity (Note 22).

Dividends

At the Annual General Meeting of Shareholders held on 25 June 2010, the Company's shareholders approved the proposal of the Board of Directors to distribute a gross dividend of CHF 3.00 per share, for a total aggregate amount, inclusive of Swiss withholding taxes of up to 35%, as applicable, of CHF 15,038,226, or \$13,955,473 when translated at the prevailing exchange rates. The dividend was paid to the Company's shareholders on 15 July 2010.

At the Annual General Meeting of Shareholders held on 17 June 2011, the Company's shareholders approved the proposal of the Board of Directors to distribute a gross dividend of CHF 1.00 per share, for a total aggregate amount of CHF 5,415,274, or \$6,414,678 when translated at the prevailing exchange rates. The dividend paid in 2011 represents a restitution of share premium to shareholders. This distribution is not subject to withholding taxes in Switzerland. The dividend was paid to the Company's shareholders on 29 July 2011.

At 31 December 2011, the amount of non-distributable legal and general reserves of the Group entities, included in retained earnings, is approximately \$3.0 million. In addition, the statutory reserves for treasury shares amounting to approximately \$6.7 million are also non-distributable

Weighted Average Number of Shares

On 1 January 2010, the total number of shares issued and in circulation was 5,149,375, with 1,041,167 shares issued and held in treasury by the Company. During 2010, shares held in treasury decreased to 158,746 by year end, as explained in the section shares held in treasury of this note. As a result of the change of the number of shares held in treasury, the weighted average number of shares during 2010 was 5,053,944 shares.

On 1 January 2011, the total number of shares issued and in circulation was 5,412,742, with 158,746 shares issued and held in treasury by the Company. During 2011, shares held in treasury increased to 266,548 by year end, as explained in the section shares held in treasury of this note. As a result of the change of the number of shares held in treasury, the weighted average number of shares during 2011 was 5,363,400 shares.

22. OTHER RESERVES

	Unrealised Gain (Loss) on Available- for-Sale Investments \$	Actuarial (Loss) Gain Directly Recognised in Equity \$	Unrealised (Loss) Gain on Cash Flow Hedges \$	Put Option Issued Pursuant to Acquisition \$	Translation Reserve \$	Total Other Reserves \$
At 1 January 2010	587,324	(2,027,522)	-	-	671,344	(768,854)
Movement in available-for-sale investments (Note 13)	(626,086)	-	-	-	-	(626,086)
Credit of deferred tax on movement in available-for-sale investments	49,022	-	-	-	-	49,022
Actuarial loss directly recognised in equity (Note 24)	-	(133,601)	-	-	-	(133,601)
Charge of deferred tax for direct recognition of actuarial gain in equity	-	(3,942)	-	-	-	(3,942)
Movement in cash flow hedges (Note 25)	-	-	(726,027)	-	-	(726,027)
Credit of deferred tax from movement in cash flow hedges	-	-	52,194	-	-	52,194
Put option issued pursuant to acquisition (Note 27)	-	-	-	282,751	-	282,751
Liability arising in case of exercise of put option issued pursuant to acquisition (Note 27)	-	-	-	(11,535,251)	-	(11,535,251)
Exchange differences	-	-	-	-	307,336	307,336
At 31 December 2010	10,260	(2,165,065)	(673,833)	(11,252,500)	978,680	(13,102,458)
Movement in available-for-sale investments (Note 13)	(123,750)	-	-	-	-	(123,750)
Credit of deferred tax on movement in available-for-sale investments	872	-	-	-	-	872
Actuarial gain directly recognised in equity (Note 24)	-	65,553	-	-	-	65,553

continued

	Unrealised Gain (Loss) on Available- for-Sale Investments \$	Actuarial (Loss) Gain Directly Recognised in Equity \$	Unrealised (Loss) Gain on Cash Flow Hedges \$	Put Option Issued Pursuant to Acquisition \$	Translation Reserve \$	Total Other Reserves \$
Credit of deferred tax for direct recognition of actuarial loss in equity		14,503	-	-	-	14,503
Movement in cash flow hedges (Note 25)	-	-	3,904,963	-	-	3,904,963
Charge of deferred tax from movement in cash flow hedges	-	-	(450,832)	-	-	(450,832)
Reclassification	-	210,125	234,514	-	-	444,639
Charge of deferred tax on reclassification	-	(45,738)	-	-	-	(45,738)
Reduction of liability of put option issued pursuant to acquisition (Note 27)	-	-	-	4,933,152	-	4,933,152
Exchange differences	-	-	-	-	(2,802,697)	(2,802,697)
At 31 December 2011	<u>(112,618)</u>	<u>(1,920,622)</u>	<u>3,014,812</u>	<u>(6,319,348)</u>	<u>(1,824,017)</u>	<u>(7,161,793)</u>

The reserve for Unrealised Gain (Loss) on Available-for-Sale Investments includes gains and losses on available-for-sale investments, directly recognised in equity as per IAS 39.

The reserve for Actuarial Gain (Loss) Directly Recognised in Equity includes actuarial gains and losses on defined benefit pension plans, directly recognised in equity as allowed by IAS 19.

The reserve for Unrealised Gain (Loss) on Cash Flow Hedges includes gains and losses due to changes of the intrinsic value of cash flow hedging relationships outstanding at the reporting date, directly recognised in equity as per IAS 39.

The reserve for Put Option Issued Pursuant to Acquisition includes the remaining value of the liability that the Company would incur in case of exercise of the put option issued pursuant to the business combination described in Note 27, estimated at 29 November 2010, when the put option was issued, directly recognised in equity as per IAS 32.

The translation reserve includes the exchange differences related to the consolidation of the financial statements of legal entities whose functional currency differs from the United States Dollar.

23. OPERATING LEASE ARRANGEMENTS

At 31 December 2011 and 2010, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 \$	2010 \$
Within one year	2,556,433	3,043,923
In the second to fifth years inclusive	<u>4,558,528</u>	<u>3,076,880</u>
	<u>7,114,961</u>	<u>6,120,803</u>

The main operating lease agreements of 2011 refer to the rental of office space for the Company and for certain of its subsidiaries. Operating lease payments recognised as expenses (Note 4) in the Consolidated Income Statements for 2011 and 2010 amounted to \$4,235,877 and \$3,269,348, respectively. In 2011, operating lease payments of \$224,796 are included in the reorganisation expenses.

24. RETIREMENT BENEFIT SCHEMES

Defined Contribution Schemes

The Group operates defined contribution retirement schemes for all qualifying employees and most of its subsidiaries. Assets of the schemes are held separately from those of the Group in funds under the control of trustees. If employees leave the schemes prior to full vesting of the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The majority of the employees of the Group's subsidiaries are members of state-managed retirement schemes operated by the respective governments. The subsidiaries are required to contribute specified portions of payroll costs to the retirement schemes to fund the benefits. The only obligation of the Group with respect to these retirement schemes is to make the specified contributions.

The total cost charged to the Consolidated Income Statements of 2011 and 2010 was \$2,749,081 and \$2,792,023, respectively, and represents contributions paid or payable to these schemes by the Group at rates specified in the rules of the plans. In 2011, total costs of \$22,996 are part of the reorganisation expenses. At 31 December 2011 and 2010, contributions of \$158,639 and \$250,759, respectively, and due with respect to the current reporting period had not been paid over to the schemes.

Defined Benefits Schemes

The Group operates defined benefits schemes for qualifying employees of certain subsidiaries. Under these schemes, employees are entitled to retirement benefits the value of which depends on factors such as years of service and average compensation before reaching the eligible retirement age. No other post-retirement benefit is provided. These schemes are funded schemes.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out at 31 December 2011 by Mercer (Taiwan) Ltd., Mercer Italia S.r.l. and Fractals SA (Switzerland). The present value of the defined benefit obligations, the related current service cost and past service cost was measured by using the Projected Unit Credit Method.

The 2010 numbers include, for the first time, the impact of the business combination described in Note 27.

	Valuation at	
	2011 %	2010 %
Key assumptions		
Discount rate	1.50-4.90	1.50-4.75
Expected return on scheme assets	2.25-4.10	2.00-3.60
Expected rate of salary increase	2.00	2.50

Amounts recognised in the Consolidated Income Statement with respect to these defined benefit schemes are:

	Years Ended	
	2011 \$	2010 \$
Current service cost	1,275,501	1,408,016
Interest cost	341,611	333,828
Expected return on scheme assets	(331,069)	(265,043)
Settlement gain recognised	(155,073)	-
	<u>1,130,970</u>	<u>1,476,801</u>

Charges for 2011 and 2010 of \$1,130,970 and \$1,476,801, respectively, have been included in the "selling, general and administrative expenses" of the same years.

The amounts included in the Consolidated Balance Sheets and arising from the Group's obligations with respect to its defined benefit retirement schemes are:

	2011 \$	2010 \$
Present value of defined benefit obligations	(14,061,327)	(17,127,932)
Fair value of scheme assets	<u>7,265,095</u>	<u>9,884,733</u>
Retirement benefit obligations	<u>(6,796,232)</u>	<u>(7,243,199)</u>

Changes in the present value of defined benefit obligations in 2011 and 2010 are:

	2011 \$	2010 \$
At 1 January	17,127,932	11,637,475
Additions pursuant to acquisition (Note 27)	-	1,146,328
Service cost	1,275,501	1,408,016
Interest cost	341,611	333,828
Actuarial (gains) losses	(65,303)	48,554
Exchange difference	(2,265)	1,367,740
Plan members' contributions	460,263	465,673
Benefits paid	(4,180,486)	719,652
Premiums paid	(216,525)	(323,143)
Settlement gain recognised	(155,073)	-
Other	(524,328)	323,809
At 31 December	<u>14,061,327</u>	<u>17,127,932</u>

Changes in the present value of the fair value of schemes assets in 2011 and 2010 are:

	2011 \$	2010 \$
At 1 January	9,884,733	6,471,016
Additions pursuant to acquisition (Note 27)	-	-
Expected return on scheme assets	331,069	265,043
Actuarial gains (losses)	250	(85,047)
Exchange difference	(72,715)	799,026
Contributions from the sponsoring companies	1,058,506	1,176,036
Plan members' contributions	460,263	538,341
Benefits paid	(4,180,486)	719,652
Premiums paid	(216,525)	(323,143)
Other	-	323,809
At 31 December	<u>7,265,095</u>	<u>9,884,733</u>

The analysis of the scheme assets and the expected rate of return at the reporting dates are:

	Expected Return		Fair Value of Assets	
	2011 %	2010 %	2011 \$	2010 \$
Pension deposits	<u>2.25-4.10</u>	<u>2.00-3.60</u>	<u>7,265,095</u>	<u>9,884,733</u>

The weighted-average asset allocation of the schemes asset at year end was:

	2011 %	2010 %
Equities	24.3	24.0
Bonds	46.6	46.7
Real estate	10.8	10.6
Other	18.3	18.7
At 31 December	100.0	100.0

Other assets include the assets of the pension plan of the Group subsidiary in Taiwan. These assets are deposited with the Bank of Taiwan, a state-owned bank, and decisions on their investment cannot be influenced by private companies.

The overall expected rate of return is the weighted average of the expected returns of the various categories of plan assets held. Management's assessment of the expected returns is based on historical return trends and analysts' predictions of the market for these assets in the next twelve months.

At 31 December 2011 and 2010, the actual return on plan assets was \$331,319 and \$179,996, respectively.

The history of defined benefit obligations, scheme assets and experience adjustments is as follows:

	2011 \$	2010 \$	2009 \$	2008 \$	2007 \$
Present value of defined benefit obligations	(14,061,327)	(17,127,932)	(11,637,475)	(8,046,860)	(6,619,004)
Fair value of scheme assets	7,265,095	9,884,733	6,471,016	3,875,028	2,578,107
Experience adjustments					
(Decrease) increase of plan liabilities	(65,303)	48,554	571,005	(330,889)	(415,312)
(Increase) decrease of plan assets	(250)	85,047	417	13,179	(130,676)

In 2011, 2010, 2009, 2008 and 2007 actuarial (gains) or losses of approximately \$(65,553), \$133,601, \$571,422, \$(317,710) and \$(545,988), respectively, were recognised directly in equity as allowed by IAS 19. In 2010 the impact on the experience adjustments of the business combination described in Note 27 was immaterial.

In 2011, the Group expects to make contributions to its defined benefit schemes for a total amount of approximately \$965,550.

25. FINANCIAL INSTRUMENTS

Financial Risk Management

The Group is exposed to risks from movements in exchange rates and interest rates that affect the value of its assets and liabilities, generating gains and losses in the Consolidated Income Statement. The Group has no material exposure to market price risk. Financial risk management aims at limiting financial risks through appropriate design and execution of operational, treasury and finance activities. Selected derivative hedging instruments are also used for this purpose. The Group only hedges with derivatives the exchange rates risks that affect the Group's cash flow or receivables. Derivatives are exclusively used as hedging instruments, and not for trading or other purposes. To reduce credit risk, hedging transactions are generally concluded with leading financial institutions. The Group's financial policies are established by management and overseen by the Board of Directors. The Group's finance function is responsible for implementing the policies of financial risk management, and the main transactions require approval of the risk exposure by management.

Categories of Financial Instruments

	2011 \$	2010 \$
FINANCIAL ASSETS		
Cash and cash equivalents	42,321,383	84,502,898
Loans and receivables		
Trade receivables, net	52,792,516	92,822,350
Other current assets	16,377,343	21,992,986
Other non-current assets	2,037	5,422
Total loans and trade receivables	69,171,896	114,820,758
Held to maturity	-	-
Fair value through profit and loss	5,748,614	4,362,229
Available-for-sale investments	8,588,077	10,160,384
Total financial assets	<u>125,829,970</u>	<u>213,846,269</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost		
Bank loans	12,519,810	63,624,901
Current portion of long-term bank loans	1,871,096	904,834
Trade and other payables	107,215,546	144,400,590
Long-term bank loans	13,396,924	2,906,044
Long-term liabilities	39,353	8,211,074
Other current liabilities	13,166,641	10,602,095
Total financial liabilities measured at amortised cost	<u>148,209,370</u>	<u>230,649,538</u>
Financial liabilities measured at fair value through profit and loss		
Derivative instruments in designated hedge accounting relationships	51,089	823,016
Total financial liabilities	<u>148,260,459</u>	<u>231,472,554</u>

Aging Analysis of Financial Assets Past Due But Not Impaired

	2011 \$	2010 \$
Not yet due	64,446,271	102,649,237
0 to 180 days	2,208,381	10,954,011
181 days and above	<u>2,517,244</u>	<u>1,217,510</u>
Loan and trade receivables, net	<u>69,171,896</u>	<u>114,820,758</u>

Financial Assets – Allowance on Trade Receivables, net

	2011 \$	2010 \$
At 1 January	2,248,304	580,222
Additions pursuant to acquisition (Note 27)	-	997,408
(Credit) charge for the year	(410,364)	630,780
Utilisation of allowance	(551,364)	-
Exchange differences	<u>133,025</u>	<u>39,894</u>
At 31 December	<u>1,419,601</u>	<u>2,248,304</u>

Maturity Analysis of Contractual Liabilities

	2011 \$	2010 \$
NON-DERIVATIVE FINANCIAL LIABILITIES		
Within one year	127,699,800	215,398,820
Second year	5,262,981	683,107
Third to fifth year	6,809,609	625,033
Sixth to tenth year	1,143,383	1,147,938
Eleventh to fourteenth year	<u>224,338</u>	<u>497,303</u>
Total non-derivative contractual liabilities	<u>141,140,111</u>	<u>218,352,201</u>

	2011 \$	2010 \$
DERIVATIVE FINANCIAL LIABILITIES		
Within one year	7,128,114	4,962,659
Second year	-	8,165,472
Total derivative contractual liabilities	<u>7,128,114</u>	<u>13,128,131</u>

Derivative contractual liabilities at 31 December 2011 and 2010 include forward foreign currency contracts liabilities of \$51,089 and \$823,016, respectively, due within one year, and the liability arising in case of exercise of the put option issued pursuant to the business combination described in Note 27, due within one year for the amount of \$7,077,025 and \$4,139,643, respectively, and in the second year for the amount of nil and \$8,165,472, respectively.

Fair Value Measurement

Treasury investments and the call option issued pursuant to the business combination described in Note 27 are the only financial instruments measured at fair value after initial recognition. Treasury investments fall within the Level 1 fair value measurement category as defined by IFRS 7. Level 1 fair value measurements are those derived from quoted prices in active markets. The call option falls within the Level 2 fair value measurement category as defined by IFRS 7. Level 2 fair value measurements are those derived from inputs other than quoted prices which are observable either directly or indirectly.

Financial Risk Management Objectives

The Group's finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks related to the operations of the Group through internal risk assessments which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative and non-derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors. Compliance with policies and exposure limits is reviewed by the Audit Committee. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's finance function reports on main risks and their management to the Audit Committee, upon request.

Market Risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. In 2011, there have been no changes to the Group's exposure to market risks or to the manner in which the Group manages and measures these risks.

Foreign Currency Risk Management

The Group is exposed to the effects of fluctuation in exchange rates of foreign currencies. The growing proportion of sales not denominated in United States Dollars has triggered the Group decision to hedge future cash flows related to foreign currency denominated revenue. The business combination described in Note 27 has triggered the need of hedging future cash flow related to cost of sales which are not denominated in the functional currency of the acquired subsidiaries.

Foreign Exchange Derivative Contracts

In 2011, the total net loss on foreign exchange derivatives contracts recorded in the Consolidated Income Statement is \$2,406,118, of which a total net amount of \$1,391,951 is recorded as part of "Cost of Sales". An additional loss is recorded as "(loss) gain arising on foreign currency derivatives" within revenue (Note 3) for a total net amount of \$598,700. In 2010, the total net gain on foreign exchange derivatives contracts recorded in the Consolidated Income Statement is \$4,087,683, of which a total net amount of \$3,950,015 is recorded as "(loss) gain arising on foreign currency derivatives" within revenue (Note 3). The main loss is recorded as "foreign exchange loss on hedging positions of acquired companies" within finance costs (Note 7) for a total net amount of \$800,703.

At 31 December 2011 and 2010, certain forward contracts at a fixed exchange rate and at specified future maturities of less than twelve months were outstanding.

The following table details the forward foreign currency ("FC") contracts outstanding at the reporting date:

Cash Flow and Receivable Hedges	Average Exchange Rate		Foreign Currency Notional Amount		Contract Value		Fair Value Assets (Liabilities)	
	2011 \$/FC	2010 \$/FC	2011 FC'000	2010 FC'000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Sell Euro								
Less than 3 months	1.4103	1.3227	16,838	32,727	23,746	43,288	1,949	(380)
3 to 6 months	1.4131	1.3538	7,545	11,135	10,662	15,074	882	34
7 to 9 months	1.4129	-	5,128	-	7,245	-	585	-
Sell Polish Zlotys								
Less than 3 months	0.2964	0.3375	24,626	58,400	7,299	19,709	111	9
3 to 6 months	0.2909	-	5,019	-	1,460	-	5	-
							<u>3,532</u>	<u>(337)</u>

Foreign Currency Sensitivity Analysis

The functional and presentation currency of the Group is the United States Dollar. Financial instruments include cash and cash equivalents, time deposits, accounts receivable, trade payables, listed equity securities and borrowings. Listed equity securities are related to treasury investments.

For the currency sensitivity analysis, proportional foreign exchange rate movements of -5% (depreciation) and of +5% (appreciation) of the functional currencies of certain affiliates against the United States Dollar

were assumed. The main functional currencies of the Group affiliates other than the United States Dollar are Euro and Polish Zlotys. These assumptions are considered as reasonably possible based on historical movements, future expectations and economic forecasts and are consistent with the assumptions used by the Group's finance function for budgeting and planning purposes.

If these movements were to occur for each significant transactional currency, the after tax impact on the Consolidated Income Statement at 31 December 2011 and 2010, excluding the impact of hedging, is indicated in the following table:

Currency	2011		2010	
	+5% appreciation Profit / (Loss) \$000	-5% depreciation Profit / (Loss) \$000	+5% appreciation Profit / (Loss) \$000	-5% depreciation Profit / (Loss) \$000
Euro	(330)	330	(77)	77
Polish Zloty	395	(395)	613	(613)

If the movements above mentioned were to occur for each significant transactional currency, the after tax impact on the Consolidated Statement of Comprehensive Income at 31 December 2011 and 2010 is indicated in the following table:

Currency	2011		2010	
	+5% appreciation Gain/ (Loss) \$000	-5% depreciation Gain/ (Loss) \$000	+5% appreciation Gain/ (Loss) \$000	-5% depreciation Gain/ (Loss) \$000
Euro	(1,625)	1,625	(1,038)	1,038

Interest Rate Risk Management

The Group is exposed to interest rate risk as entities in the Group borrow funds at floating interest rates. The risk is managed by monitoring at Group level the interest rate market. The Group has no hedging policy or activity related to interest rates.

Interest Rate Sensitivity Analysis

For the interest rate sensitivity analysis, a parallel shift of +100bp/-100bp in the interest rates was assumed, with all other variables held constant.

If this movement was to occur, the after tax impact on the Consolidated Income Statement at 31 December 2011 and 2010 is indicated in the following table:

	2011		2010	
	+100 bp Profit/ (Loss) \$000	-100 bp Profit/ (Loss) \$000	+100 bp Profit/ (Loss) \$000	-100 bp Profit/ (Loss) \$000
Net (decrease) increase of profit after tax	(100)	100	(349)	349

Other Price Risks

The Group is not materially exposed to equity price risks arising from equity investments. Equity investments of the Group are related to affiliates held for strategic rather than trading purposes. None of these subsidiaries is publicly listed on a stock exchange. The Group does not actively trade these investments.

Credit Risk Management

The Group's principal financial assets are bank balances, cash and cash equivalents, time deposits, treasury investments and trade receivables. The carrying values of these assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group has limited credit risk exposure to its trade receivables as the majority of receivables are covered by either irrevocable letters of credit or credit insurance. Amounts presented in the Consolidated Balance Sheets are net of an allowance for doubtful receivables, estimated by the Group's management based on experience and assessment of the current economic environment.

Credit risk on liquid funds and treasury investments is limited. Counterparties are principally banks, institutions and corporations with high credit-ratings as assigned by international credit-rating agencies.

At the reporting date there are no significant concentrations of credit risk.

Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has requested that the Group's management perform an appropriate liquidity risk assessment and control the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has sufficient operating capital to meet cash flow requirements of its current operation. Management estimates that the Group does not have significant exposure to liquidity risk. More details on the credit facilities for the Group are described in Note 16.

Capital Management

The Group's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

Management sets the amount of capital in proportion to risk. Management defines the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Board of Directors may from time to time decide to issue new shares or share based debt instruments or to sell assets.

Consistently with others in the industry, management monitors capital on the basis of the net debt over equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (as shown in the Consolidated Balance Sheet) less cash and cash equivalents, time deposits and less treasury investments, which are cash investments in highly liquid instruments for the purpose of ensuring cash reserves to the Group. A negative net debt is referred to as a net cash position.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the net debt over equity ratio below 1.00.

The net debt over equity ratio at 31 December 2011 and 2010 is indicated in the following table:

	2011 \$ million	2010 \$ million
Bank loans	12.5	63.6
Current portion of long-term bank loans	1.9	0.9
Long-term bank loans	<u>13.4</u>	<u>2.9</u>
Total loans	27.8	67.4
Less:		
Cash and cash equivalents	(42.3)	(84.5)
Treasury investments	<u>(14.4)</u>	<u>(14.5)</u>
Total net (cash) debt	<u>(28.9)</u>	<u>(31.6)</u>
Total equity	<u>52.0</u>	<u>68.7</u>
Total net (cash) debt over equity	<u>(0.56)</u>	<u>(0.46)</u>

The net cash over equity ratio is not significant at 31 December 2011 and 2010 as the Group has a net cash position.

At the end of the year, the Group met the liquidity and other requirements of its credit lines.

26. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel

Remuneration of the key management personnel of the Group is set out below:

	2011 \$	2010 \$
Short-term employee benefits	4,845,561	5,194,462
Post-employment benefits	246,681	190,053
Termination benefits	-	-
Share-based payments	271,606	181,042
Total remuneration	<u>5,363,848</u>	<u>5,565,557</u>

Key management personnel consisted of 8 employees and 4 Directors of the Board during 2011 and 9 employees and 4 Directors of the Board during 2010. Short-term employee benefits consist of salaries, bonuses, retention packages and benefits. Further disclosures as required by Swiss law on the compensation paid to the Board of Directors and key management personnel as well as their shareholdings are presented in Notes 14 and 15 to the Statutory Financial Statements of the Company.

Related Parties

During 2006 and during 2010, the Company, acting also on behalf of certain of its subsidiaries, entered into rental contracts for office space with a related party. The rental costs have been assessed by the Nomination and Compensation Committee of the Board of Directors, in its role as Related Parties Transactions Committee, as being in line with the market prices for rental of similar type of real estate in the vicinity. At the end of 2011, the annual rental commitment under the outstanding contractual engagements is approximately \$1.0 million, of which \$0.8 million for one year and \$0.2 million for four years, and the amount expensed in 2011 and 2010 in the Consolidated Income Statement is approximately \$1.0 million and \$1.1 million, respectively. In 2010 and 2011, certain companies of the Group sourced business air-transportation services provided by a related party for a total amount \$0.4 million and \$0.2 million, respectively. There is no commitment by the Group towards the related party for the purchase of such services. Prices, terms and conditions of these services are in line with the market practices for similar type of services, as assessed by the Nomination and Compensation Committee of the Board of Directors, in its role as Related Parties Transactions Committee.

During 2008, loans for a total aggregate amount of approximately CHF 0.3 million were granted to two members of management for the financing of immediate tax obligations incurred with the share options grant of 2008 (Note 30). The loans are to be repaid with the proceeds from the exercise of share options and bear interest at the prevailing market rate plus a spread of 1%. One loan was repaid during 2010, and the other in 2011. At 31 December 2011 and 2010, the value of the loan outstanding was nil and approximately CHF 0.2 million, respectively.

Vidiom Systems Polska Sp. z.o.o. was sold on 31 March 2011 to a related party to avoid certain reorganisation costs. The impact of this disposal on the Consolidated Financial Statements is immaterial.

27. BUSINESS COMBINATION

In 2010, the Group acquired the broadband technology subsidiaries of the Pirelli Group, an Italian conglomerate, in a transaction which closed on 29 November 2010. This acquisition brings to the Group complementary know-how, geographical presence, customers and products in the area of broadband data transmission. During 2011, the Group reorganised its activities (Note 6) also to take advantage of the important synergies in the domain of products, technologies, resources, markets and sales. Pirelli & C. S.p.a., the holding company of the Pirelli Group, became a shareholder of the Company as a result of this acquisition.

Pursuant to the acquisition, the Group acquired the full ownership of three subsidiaries of the Pirelli Group. The consideration paid by the Group was in cash and shares of the Company. A put and call option agreement between the Company and Pirelli & C. S.p.a. was entered into as part of the business combination. The following sections of this note provide further information on this business combination.

The Group made no acquisitions in 2011. There have been no disposals in 2011 or 2010 other than the sale of Vidiom Systems Polska Sp. z.o.o. on 31 March 2011, which had an immaterial impact on the Consolidated Financial Statements.

Subsidiaries Acquired

Subsidiary (Note 1)	Principal activity	Date of acquisition	Percentage of ownership acquired
ADBBIT	Marketing, selling, sales and technical support, research and development, manufacturing control and procurement	29 Nov 2010	100%
ADBBAR	Marketing, selling, sales and technical support	29 Nov 2010	100%
ADBBBR	Marketing, selling, sales and technical support	29 Nov 2010	100%

Consideration Transferred

The total consideration transferred for the acquisition of the full control of ADBBIT, ADDBAR, and ADDBBR was \$46,275,704 and was composed of the following items:

	Consideration Transferred \$
Cash	33,769,392
Fair value of the Company shares transferred at date of acquisition	11,247,238
Put and call option agreement valuation	183,414
Earn-outs	1,075,660
	<u>46,275,704</u>

The Company closed the acquisition on 29 November 2010 ("Closing Date"). In addition to cash, as a partial consideration for this acquisition, the Company transferred 400,000 treasury shares which

were valued at CHF 28.00 each, the closing price of the Company's shares on the SIX Swiss Exchange as at 26 November 2010, the last trading day preceding the Closing Date. The value of the shares transferred for this payment is computed as follows:

Number of Treasury Shares Transferred	Fair Value of Shares	Exchange Rate (\$/CHF)	Value of Shares Transferred
400,000	CHF 28.00	1.00422	\$11,247,238

The shares transferred came from the treasury shares were locked up for a period of two months following the Closing Date. This period expired on 28 January 2010.

The Company has also entered into a put and call option agreement with Pirelli & C. S.p.a. ("Pirelli"). Pursuant to the provisions of this agreement, Pirelli has a right to sell to the Company for the price of CHF 29.00 per share, all or part of, but not more than, the 400,000 shares received as partial consideration of the acquisition ("Put Option"). At the same time, the Company also has the right to purchase from Pirelli, at the price of CHF 34.80 per share, all or part of, but not more than, the 400,000 shares transferred as part of the consideration ("Call Option"). The rights of Pirelli under the Put Option, and those of the Company under the Call Option, can be exercised in three tranches:

Tranche of the Put and Call Options	Number of Shares Concerned	Start of Vesting Period	End of Vesting Period
First tranche	133,334	1 Aug 2011	1 Sep 2011
Second tranche	133,333	15 Feb 2012	15 Mar 2012
Third tranche	133,333	1 Aug 2012	1 Sep 2012

The rights not exercised at the expiry of each tranche shall immediately become null and void. Each party can only exercise its rights with respect to the entire amount of shares of each tranche. If the rights of a tranche are exercised by one party, then the rights of the other party for the same tranche shall immediately become null and void. If Pirelli sells shares before vesting of the options, the shares sold shall be deducted starting from the number of shares concerning the last tranche of the option agreement.

As a result of the put and call option agreement, and in accordance with the provisions of IAS 32, the current portion of the Put Option liabilities that would arise for the Company in case of exercise of the Put Option by Pirelli, has been included in the line item "other current liabilities" (Note 19) in the Consolidated Balance Sheets at 31 December 2011 and 2010 and amounts to \$7,077,025 and \$4,139,643, respectively. The long-term portion of the Put Option liabilities has been recognised in the line item "long-term liabilities" (Note 20) in the Consolidated Balance Sheets at 31 December 2011 and 2010 and amounts to nil and \$8,165,472, respectively. The Present value of these liabilities at the Closing Date of the transaction amounts to \$11,535,251 and was deducted from "other reserves" (Note 22). In 2011, Pirelli sold some shares and exercised its rights under the first tranche of the Put Option (Note 21), thus reducing the deduction of this liability from the "other reserves" (Note 22). The Put Option liabilities are denominated in Swiss Francs and their revaluation at each balance sheet date is recorded in the Consolidated Income Statement, within "finance costs" (Note 7). In 2011 and 2010, the revaluation of the Put Option corresponded to a loss of \$746,709 and \$769,864, respectively.

The current portion of the Call Option value is an asset included in the line item "other current assets" in the Consolidated Balance Sheets at 31 December 2011 and 2010 and amounts to nil and \$139,619, respectively. The long-term portion of the Call Option are assets recognised in the line item "other non-current assets" in the Consolidated Balance Sheets at 31 December 2011 and 2010 and amounts to \$nil and \$5,422, respectively. The Call Option assets are denominated in Swiss Francs and their revaluation at each balance sheet date is recorded in the Consolidated Income Statement, within "finance costs" (Note 7). In 2011, the revaluation of the Call Option corresponded to a loss of \$143,004 and in 2010 to a gain of \$45,704.

The earn-outs correspond to cash that the Company shall pay to Pirelli contingent to the fact that within a certain timeframe the acquired subsidiaries successfully convert the amounts of certain assets into cash. Management estimates that all these assets will be converted into cash in the agreed timeframe and that all these earn-outs shall therefore be paid. As the earn-outs amounts substantially match the amounts of the underlying assets, a difference in the management judgement regarding the earn-outs has no material impact to the purchase price allocation of the acquisition, and in particular to the amount of goodwill. Earn-outs are predominantly denominated in currencies other than the United States Dollar and their revalued amount was \$1,077,348 at 31 December 2010. In 2011, earn-outs were paid to Pirelli for a total aggregate amount of \$787,394.

In 2011 and 2011, acquisition and integration expenses amounting to \$946,385 and \$538,539, respectively, have been excluded from the consideration transferred and have been recognised as an expense, within the 'acquisition and integration expenses' line item in the Consolidated Income Statement (Note 6).

Assets Acquired and Liabilities Recognised at the Date of Acquisition

	ADBBIT \$	ADBBAR \$	ADBBBR \$	Total \$
Current assets				
Cash and cash equivalents	24,770,998	30,914	367,056	25,168,968
Trade receivables, net	39,809,338	44,189	-	39,853,527
Inventories, net	10,254,442	-	462,133	10,716,575
Other current assets	9,820,757	237,925	669,233	10,727,915
Non-current assets				
Property and equipment	2,420,822	-	-	2,420,822
Intangible assets	8,767,361	-	-	8,767,361
Deferred income tax assets	1,813,306	771	-	1,814,077
Other non-current assets	-	-	192,839	192,839
Current liabilities				
Current portion of long-term bank loan	(689,206)	-	-	(689,206)
Trade and other payables	(44,279,153)	-	(182,807)	(44,461,960)
Accrued expenses	(12,165,344)	(75,430)	(335,840)	(12,576,614)
Provisions	(8,797,224)	-	-	(8,797,224)
Taxes payable	-	(1,157)	-	(1,157)
Other current liabilities	(1,262,469)	-	(7,457)	(1,269,926)
Non-current liabilities				
Long-term bank loan	(817,215)	-	-	(817,215)
Retirement benefit obligations	(1,146,328)	-	-	(1,146,328)
Fair value of net assets acquired	<u>28,500,085</u>	<u>237,212</u>	<u>1,165,157</u>	<u>29,902,454</u>

At Closing Date, acquired receivables consist only of trade receivables valued at \$40,850,935. As contractual amounts not expected to be collected from these trade receivables are \$997,408, net trade receivables amount to \$39,853,527.

No contingent asset or liability was acquired by the Group as part of this business combination.

Goodwill Arising on Acquisition

	Total \$
Consideration transferred	46,275,704
Less: fair value of net assets acquired	<u>(29,902,454)</u>
Goodwill arising on acquisition	<u>16,373,250</u>

Goodwill arose in the acquisition because the cost of the combination included the benefit of expected synergies, revenue growth and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. In 2011, an increase in liabilities produced a small increase in goodwill for \$16,749 (Note 10).

The goodwill arising on this acquisition can be deductible for tax purposes subject to certain conditions that will be better assessed in later periods.

Net Cash Outflow on Acquisition

	31 Dec 2010 \$
Consideration paid in cash	33,769,392
Less: cash and cash equivalent balances acquired	<u>(25,168,968)</u>
Net cash outflow on acquisition	<u>8,600,424</u>

Impact of Acquisitions on the Results of the Group

In 2010, revenue and profit for the year include \$20.1 million and \$0.8 million, respectively, which are attributable to the additional business generated by the acquired subsidiaries.

Had the business combination been effected on 1 January 2010, the contribution of the acquired subsidiaries to the revenue of the Group would have been \$158.6 million, and to the profit for the year would have been \$8.9 million.

In determining the 'pro-forma' contribution to the revenue and profit of the Group had the acquired subsidiaries been acquired at the beginning of 2010, management has considered that no event connected to the acquisition process nor any change of accounting policies to comply with those of the Group materially impacted the accounts of the acquired subsidiaries in 2010, with the exception of the creation of a tax asset on tax losses carryforwards for which the positive impact on profit for the year was excluded from the "pro forma" contribution.

28. MAJOR LICENSE AGREEMENTS

The Group has entered into various license agreements with respect to software developments and intellectual property rights for digital TV equipment, broadband communication and digital television related products.

During 2011, the Company continued its efforts initiated in prior years to review licensing obligations and renegotiate licensing agreements with various licensors. These efforts resulted in reduced royalty expenses in 2011 and 2010 due to both the one-time effect of the reversal of certain existing provisions and the redesign of products and the reduction of royalty rates, whose effects shall continue in the future.

29. SIGNIFICANT CONTRACT MANUFACTURER

Since 2000, the Group has operated with one significant contract manufacturer, which used to produce all of the Group's digital TV equipment in one major location in Thailand.

In 2008, the Group initiated discussions with a new contract manufacturer based in Taiwan and operating manufacturing facilities in Asia, Europe and the Americas. This new contract manufacturer is a joint-design, joint-development, manufacturing, assembly and after-sales services supplier to several companies in the computer, communication and consumer-electronics industry. Supply of goods and services by this new contract manufacturer started in 2009. This manufacturer is also supplying the majority of the digital TV and broadband equipment designed and sold by the subsidiaries acquired as a result of the business combination described in Note 27.

In addition, four contract manufacturers operating manufacturing facilities in the People's Republic of China supply digital TV and broadband equipment products to the Group. Three of these suppliers were acquired as a result of the business combination described in Note 27.

30. EQUITY COMPENSATION PLANS

In 2008, the Company's Board of Directors approved an employee stock option programme designed to retain and motivate employees, directors and officers of the Group. The plan is allocated a maximum of 600,000 shares, which shall come from the Company's treasury shares or conditional capital.

580,000 stock options with a strike price of CHF 30.47 each were granted on 21 February 2008 to employees of the Group and to members of the Board of Directors. The stock options granted vest over three years from the date of grant, in the proportion of one-third at each twelve-month anniversary of the grant date: vesting is subject only to the continued employment of the beneficiary within the Group. Vesting can be accelerated in case of a change of control of the Group. The stock options expire four years from the date of grant. Each stock option converts into one share of the Company. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

15,000 additional options under the same programme and bearing the same terms were granted on 18 May 2009 with a strike price of CHF 33.22 each.

The following share-based payment arrangements were in existence in 2011 and 2010:

Share Options Series	Number	Date of Grant	Date of Expiry	Exercise Price	Exchange Rate (CHF/ \$)	Average Fair Value at Grant
Series 1	580,000	21 Feb 2008	20 Feb 2012	CHF 30.47	1.09173	\$5.8
Series 2	15,000	18 May 2010	17 May 2013	CHF 33.22	1.11331	\$11.4

The number of stock options exercisable at the end of years 2011 and 2010 was 437,983 and 317,903, respectively.

Stock options were priced using the Black-Scholes model. The expected life used in the model was adjusted taking into effect for early exercise, which was assumed as the mid point in time between vesting date and expiry date for each option. Expected volatility for the grant of 2008 was computed as the share price volatility of comparable companies over the same periods of time, due to the absence of data on the Company share price for a sufficiently long period as requested by the application of the model. Expected volatility for the grant of 2010 was computed as the volatility of the Company shares over the corresponding time period. Risk-free rate was computed as the average of various interest rates paid or implied by risk-free financial instruments denominated in Swiss Francs and prevailing at the period of grant. Consistently with the dividend policy of the Company at the date of grant, no dividend distribution was assumed.

The following table summarises the inputs of the Black-Scholes model for the share-based payment arrangements that were in existence in 2011 and 2010:

Share Options Series	Grant Share Price	Exercise Price	Average Expected Volatility	Option Duration	Dividend Yield	Risk-free Interest Rate
Series 1	CHF 27.70	CHF 30.47	35.5%	3 years	-	2.22%
Series 2	CHF 30.20	CHF 33.22	66.9%	3 years	-	1.50%

The stock options granted under employee stock options plans that were outstanding at the end of years 2011 and 2010 are as follows:

	2011		2010	
	Number of options	Weighted Average Exercise Price CHF	Number of options	Weighted Average Exercise Price CHF
Balance at beginning of year	500,969	30.55	561,539	30.54
Granted	-	-	-	-
Forfeited	(60,454)	31.15	(27,307)	30.47
Exercised	(2,532)	30.47	(33,263)	30.47
Expired	-	-	-	-
Balance at end of year	<u>437,983</u>	30.47	<u>500,969</u>	30.55

2,532 and 33,263 stock options were exercised during 2011 and 2010, and the weighted average share price at the dates of exercise was CHF 32.58 and CHF 43.89, respectively.

The expense for share-based payment related to the amortisation of the value of stock options granted in February 2008 and May 2009 was \$34,001 and \$396,223 in the 2011 and 2010 Consolidated Income Statements, respectively.

On 4 November 2011, 23,000 shares were granted to certain employees of the Group. No amounts were paid or payable to the Company by the recipient on grant of the shares. Issuance was planned to come from the Company's treasury shares at a later date, but vesting was immediate, at date of grant. The computation of the value of the share-based payment related to this plan is as follows:

Number of Treasury Shares Granted	Date of Grant	Price at Grant	Exchange Rate (CHF/ \$)	Fair Value of Shares
23,000	4 Nov 2011	CHF 12.30	0.88774	\$318,675

31. OPERATING SEGMENTS

In agreement with the provisions of IFRS 8, segment information is presented in respect to the Group's operating segments in the format used by the chief operating decision maker. The Group has identified the Board of Directors as its chief operating decision maker for the periodic review of internal management reports, budget and forecast information to evaluate performance and make decisions. The Board of Directors assesses the performance of the Group and takes decisions by reviewing the accounts of the Group presented in their consolidated form.

The Group operates activities in the domain of Digital TV Products and Services. This segment includes the development, design, marketing, sales and after sales support of equipment, software and services for operators of digital television and broadband data communication networks, on a worldwide basis, and relies on external contract manufacturers for the production of equipment. This segment operates under the Group's ADB, ADB Broadband, Vidiom, i-CAN and Osmosys brands.

In 2011, the group operated other minor activities which fall below the threshold for reporting segments in accordance with IFRS 8. These activities were reorganised during the first-half of 2011 (Note 6) and merged with the main ones of the Group. As a result of the reorganisation, there is one sole reporting segment for the second-half of the year, Digital TV Products and Services.

Additional disclosures are provided in relation to the countries in which sales occur.

Business Segments

Business segment information for 2011 and 2010 is as follows:

Year 2011	Digital TV Products and Services \$	Other \$	Eliminations \$	Consolidated \$
REVENUE				
External sales	398,964,653	-	-	398,964,653
Inter-segment sales	-	179,265	(179,265)	-
Total revenue	<u>398,964,653</u>	<u>179,265</u>	<u>(179,265)</u>	<u>398,964,653</u>
RESULT				
Segment result	<u>8,588,436</u>	<u>(963,088)</u>	-	<u>7,625,348</u>
Acquisition and integration expenses				(946,385)
Reorganisation				(15,352,874)
Finance income				552,232
Finance costs				(5,394,495)
Income tax credit				<u>1,332,288</u>
Loss for the year				<u>(12,183,886)</u>
ASSETS				
Segment assets	<u>236,662,207</u>	-	-	<u>236,662,207</u>

Year 2010	Digital TV Products and Services \$	Other \$	Eliminations \$	Consolidated \$
REVENUE				
External sales	356,522,095	97,302	-	356,619,397
Inter-segment sales	13,072	2,169,293	(2,182,365)	-
Total revenue	356,535,167	2,266,595	(2,182,365)	356,619,397
RESULT				
Segment result	18,648,925	(905,079)	-	17,743,846
Acquisition and integration expenses				(538,539)
Reorganisation				-
Finance income				2,111,027
Finance costs				(4,526,086)
Income tax expense				(1,883,360)
Profit for the year				12,906,888
ASSETS				
Segment assets	237,868,619	2,620,170	(323,863)	240,164,926
Unallocated corporate assets				110,304,735
Consolidated total assets				350,469,661

Geographical Segments

The following table shows the Group's revenue and non-current assets by country for 2011 and 2010:

Country	Region**	Revenue		Non-Current Assets*	
		2011 \$	2010 \$	Year Ended 31/12/11 \$	Year Ended 31/12/10 \$
A	EMEA	63,480,295	69,415,781	-	-
B	EMEA	68,257,706	64,148,564	5,030,274	4,863,919
C	EMEA	77,629,965	44,530,834	27,867,063	27,714,037
D	EMEA	18,623,738	709,841	28,952,421	34,182,950
Other		170,972,949	177,814,377	7,634,911	8,616,828
		398,964,653	356,619,397	69,484,669	75,377,734

* Non-current assets excluding financial instruments and deferred tax assets

** EMEA: Europe, Middle East and Africa

In 2011 and 2010, revenue in the country of domicile of the Company was approximately \$18.6 million and \$0.7 million, respectively.

Significant Customer Information

The following table provides an analysis of the Group's customers exceeding 10% of Group's revenue:

Customer	2011		2010	
	Amount \$	% of Total Revenue	Amount \$	% of Total Revenue
A	61,049,097	15.3	69,269,120	19.4
B	40,132,108	10.1	6,930,698	1.9

32. SUBSEQUENT EVENTS

At the date of publication of this report, all the Series 1 stock options granted to employees in 2008 (Note 20) expired without exercise, and only 10,000 of the Series 2 stock options granted in 2009 remain outstanding.

On 24 February 2012, the owner of the put option issued pursuant to the business combination described in Note 27 exercised the conversion rights of the second tranche of the put option, selling 133,333 shares to the Company.

33. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the preparation and the presentation of the Consolidated Financial Statements. The Consolidated Financial Statements were authorised for issue by the Board of Directors on 20 April 2012 and will be submitted for approval at the Annual General Meeting of Shareholders to be held on 15 June 2012.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Advanced Digital Broadcast Holdings SA, Pregny-Chambésy

Report on the Consolidated Financial Statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Advanced Digital Broadcast Holdings SA, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, presented on pages 39 to 106, for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law, Swiss Auditing Standards and International Standards on Auditing (ISA). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE SA



Peter Quigley
Licensed audit expert
Auditor in charge



Lesley Griffiths
Licensed audit expert

Geneva, 20 April 2012

2011

Financial
STATEMENTS

Statutory financial statements

ADVANCED DIGITAL BROADCAST HOLDINGS SA



ADVANCED DIGITAL BROADCAST HOLDINGS SA, Pregny-Chambésy

BALANCE SHEET

AT 31 DECEMBER 2011

(Expressed in Swiss Francs, with 2010 comparative figures)

	Notes	2011 CHF	2010 CHF
CURRENT ASSETS			
Cash and cash equivalents		6,697,567	21,336,915
Due from group companies		13,381,845	38,586,228
Due from employees - short-term portion	4	-	72,012
Prepaid expenses and other receivables		262,935	305,344
Total current assets		20,342,347	60,300,499
NON-CURRENT ASSETS			
Financial investments, net	3	15,617,687	15,716,996
Own shares, net	8	2,199,022	3,929,791
Rental guarantee deposits		31,863	31,616
Due from employees - long-term portion	4	-	179,831
Fixed assets, net	5	296,218	382,019
Intangible assets, net	6	6,573	7,796
Goodwill, net	7	9,379,122	10,411,686
Total non-current assets		27,530,485	30,659,735
Total assets		47,872,832	90,960,234
CURRENT LIABILITIES			
Due to group companies		4,498,619	16,977,546
Short-term loans	12	1,220,084	31,518,027
Other payables and accrued expenses		1,400,413	1,702,232
Total current liabilities		7,119,116	50,197,805
NON-CURRENT LIABILITIES			
Long-term loans	12	10,323,792	-
Total non-current liabilities		10,323,792	-
Total liabilities		17,442,908	50,197,805
SHAREHOLDERS' EQUITY			
Share capital	8	1,392,872	1,392,872
Capital contribution reserve	8	28,500,430	33,915,704
Retained earnings		536,622	5,453,853
Shareholders' equity		30,429,924	40,762,429
Total equity and liabilities		47,872,832	90,960,234

ADVANCED DIGITAL BROADCAST HOLDINGS SA, Pregny-Chambésy

STATEMENT OF LOSS AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Swiss Francs, with 2010 comparative figures)

	Notes	2011 CHF	2010 CHF
INCOME			
Financial income		806,715	1,554,539
Service and management fees		7,743,136	10,190,703
Dividends from group companies	16	1,200,000	10,000,000
Foreign exchange gain, net		-	160,960
Other income		52,266	267,469
Total income		9,802,117	22,173,671
EXPENSES			
Payroll and related costs		2,984,562	3,895,440
Services from group companies		303,781	927,669
Administrative and other expenses		2,632,028	2,576,724
Depreciation	5	118,585	132,988
Goodwill amortisation	7	748,876	883,279
Translation losses		1,539,527	3,175,980
Financial expenses		620,049	219,768
Movement in provision for investment in own shares	8	4,783,678	-
Loss on own shares sold		557,099	4,779,764
Other expenses		369,678	128,206
Foreign exchange losses, net		61,485	-
Total expenses		14,719,348	16,719,818
NET (LOSS) INCOME BEFORE TAXATION		(4,917,231)	5,453,853
Income tax	9	-	-
NET (LOSS) INCOME AFTER TAXATION		(4,917,231)	5,453,853
RETAINED EARNINGS (ACCUMULATED DEFICIT), beginning of the year		5,453,853	(12,055,662)
Transfer from reserve available for distribution	8	-	12,055,662
RETAINED EARNINGS, end of the year		536,622	5,453,853

NOTES TO THE STATUTORY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Swiss Francs, unless otherwise stated)

1. ACTIVITIES

Advanced Digital Broadcast Holdings SA ("the Company"), incorporated on 26 July 2004 in the Canton of Geneva, is the holding company of an international group of companies (together with its subsidiaries the "Group") that are engaged in the development and sale of equipment, services and software for the digital television and broadband data communication industry worldwide, and rely on third party contract manufacturers for the production of equipment.

In 2005, the Company made an Initial Public Offering ("IPO") and since 29 April 2005 the shares of the Company have been publicly traded on the SIX Swiss Exchange under the ticker ADBN.

Details of the Company's subsidiaries are listed in Note 3.

2. PRINCIPAL ACCOUNTING POLICIES

Accounting Basis

The Statutory Financial Statements have been prepared in accordance with the provisions of the Swiss Code of Obligations. As permitted by the laws of Switzerland, the books of the Company are maintained in United States Dollars ("\$").

Translation of Foreign Currencies

Assets and liabilities expressed in foreign currencies at year-end are translated into United States Dollars at the rate of exchange prevailing at that date. Income and charges arising during the year in foreign currencies are translated into United States Dollars at rates of exchange in effect at the date of the transaction. Exchange differences are included in net income.

The United States Dollar Statutory Financial Statements have been translated into Swiss Francs as follows:

Assets (except goodwill, investments in subsidiaries and own shares) and liabilities	closing rate
Goodwill, investments in subsidiaries, own shares and shareholders' equity	historical rate
Income and expenses	average rate

Translation gains are deferred and translation losses are included in the determination of net income. The translation into Swiss Francs should not be construed as representations that United States Dollar amounts could be converted into Swiss Francs at these or any other rate of exchange.

Financial Investments

Depending on the nature of the investment, financial investments are carried in the books at cost, less provision for impairment where appropriate. Investments in subsidiaries are carried in the books at historical cost, less provision for impairment where appropriate.

Fixed Assets

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated using the straight-line method over their useful economic life. The periods of depreciation are as follows:

Leasehold improvements	8 years
Furniture and fixtures	2-5 years
Equipment	2-10 years

Goodwill

Goodwill is amortised over its expected useful life for a maximum period of 15 years.

Taxation

The Company, which benefits from the reductions available to holding companies, follows the policy of providing in each year for all income and capital taxes which will be assessed on the net income and shareholders' equity shown in the Statutory Financial Statements.

Own Shares

Own shares are valued at the lower of cost and realisable value at the balance sheet date. The reserve on own shares is part of the capital contribution reserve and corresponds to the historical purchase cost of the own shares.

Risk Assessment

The Company manages risks through a number of specific procedures and policies that apply Group-wide. The Company gathered these procedures in the ADB Group Policy Manual. It also adopted and deployed Group-wide the ADB Group's Internal Control System ("ICS").

The ICS is designed to identify, communicate, and mitigate risks in order to minimise their potential impact on the Group. A risk assessment analysis was performed by the Board of Directors. This analysis provided a high-level mapping of risks to allow Group Management to make appropriate decisions on the future of the Group. This map identified the following main areas of risks related to:

- Information and Consolidated Reporting
- Engaging the Group, Protecting its Assets, Compliance
- The Group's Industry
- The Group's Business
- Information, Subsidiary Reporting, Social Security and Tax
- Engaging Subsidiaries, Protecting their Assets, Local Compliance.

Financial risk management is described in more detail in Note 25 of the Consolidated Financial Statements.

3. FINANCIAL INVESTMENTS, NET

	2011 CHF	2010 CHF
Financial investments	13,425,495	13,524,804
Investments in subsidiaries, net	<u>2,192,192</u>	<u>2,192,192</u>
Financial investments, net	<u>15,617,687</u>	<u>15,716,996</u>

Investments in subsidiaries comprise the following:

	Ownership %	2011 CHF	2010 CHF
Advanced Digital Broadcast Polska Sp. z.o.o., Poland	100	1,277,429	1,277,429
Advanced Digital Broadcast SA, Switzerland	100	66,123	66,123
Advanced Digital Broadcast Ltd., Taiwan, ROC	100	351,697	351,697
Advanced Digital Broadcast Inc., US	100	1,142	1,142
ADB Services SA, Switzerland	100	200,000	200,000
ADB Ukraine Ltd., Ukraine	100	156,641	156,641
Vidiom SA, Switzerland	100	100,000	100,000
Vidiom Systems Inc., US	100	39,160	39,160
SIMPLE S.r.l., Italy	100	-	-
Total investment in subsidiaries, net		<u>2,192,192</u>	<u>2,192,192</u>

The activities of Simple S.r.l. ceased during 2008. The residual value of this investment has been assessed as nil.

4. DUE FROM EMPLOYEES

In 2011, a loan made to an employee in 2002 has been repaid in full.

During 2008, loans for a total aggregate amount of approximately CHF 0.3 million were granted to two members of Group Management for the financing of immediate tax obligations incurred with the stock options grant explained in Note 8. One loan was repaid during 2010, and the other during 2011. At 31 December 2011, no loan to employees is outstanding.

5. FIXED ASSETS, NET

	2011 CHF	2010 CHF
At cost :		
Leasehold improvements	84,651	84,248
Furniture and fixtures	216,094	215,064
Machinery, equipment and others	<u>424,027</u>	<u>386,881</u>
Total at cost	724,772	686,193
Less : accumulated depreciation	<u>(428,554)</u>	<u>(304,174)</u>
Fixed assets, net	<u>296,218</u>	<u>382,019</u>

At 31 December 2011, the fixed assets of the Company and of its Swiss subsidiaries are insured against the risk of fire for approximately CHF 0.5 million.

6. INTANGIBLE ASSETS, NET

	2011 CHF	2010 CHF
At cost :		
Software licenses	10,869	9,053
Less : accumulated amortisation	<u>(4,296)</u>	<u>(1,257)</u>
Intangible assets, net	<u>6,573</u>	<u>7,796</u>

7. GOODWILL, NET

Following approval by the Company's Board of Directors on 31 January 2006, the Group completed the acquisition of the business of Vidiom Systems Corporation. This acquisition contributed \$ 18,030,051, or CHF 21,966,436, in goodwill to the Company.

At end of 2009, a goodwill impairment review was conducted for the Group's cash-generating unit addressing the American digital cable TV market, to which the goodwill was allocated. As a result of this analysis, the Group concluded that goodwill should be impaired by CHF 4,786,505.

	2011 CHF	2010 CHF
Goodwill at beginning of year, net of impairment	17,179,931	17,179,931
Accumulated amortisation	<u>(7,800,809)</u>	<u>(6,768,245)</u>
Goodwill, net	<u>9,379,122</u>	<u>10,411,686</u>

Additional information on goodwill and its impairment can be found in Note 10 of the Consolidated Financial Statements.

8. SHAREHOLDERS' EQUITY

Share Capital

	2011	2010
Number of registered shares of nominal value CHF 0.25 each, fully paid	5,571,488	5,571,488
In CHF	1,392,872	1,392,872

The share capital of the Company at 31 December 2011 consists of the following:

Ordinary shares of CHF 0.25 each	Authorised Capital	Conditional Capital	Issued and fully paid
	Number of Shares	Number of Shares	Number of Shares
Balance at 1 January 2009	1,000,000	1,024,523	6,190,542
Expiry of Authorised Capital on 22 June 2009	(1,000,000)	-	-
Creation of new Authorised Capital on 26 June 2009	<u>2,000,000</u>	<u>-</u>	<u>-</u>
Balance carried forward at 31 December 2009	2,000,000	1,024,523	6,190,542
Cancellation of 10% of shares on 5 October 2010	<u>-</u>	<u>-</u>	<u>(619,054)</u>
Balance carried forward at 31 December 2010	2,000,000	1,024,523	5,571,488
Expiry of Authorised Capital on 25 June 2011	<u>(2,000,000)</u>	<u>-</u>	<u>-</u>
Balance carried forward at 31 December 2011	<u>-</u>	<u>1,024,523</u>	<u>5,571,488</u>
of which shares in circulation			5,304,940
of which own shares held in treasury			<u>266,548</u>

The Company has one class of ordinary shares, which carries no right to fixed income.

At the Annual General Meeting of Shareholders held on 25 June 2010, the Company's shareholders approved the cancellation of 619,054 shares, or 10% of the issued and paid-in capital. After conclusion of the cancellation process in accordance with the provisions of Swiss law, 619,054 shares were cancelled on 5 October 2010.

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to replace the Authorised Capital, which expired on 22 June 2009, with a new Authorised Capital that can be used by the Company's Board of Directors to increase the Company share capital by a maximum of 2,000,000 registered shares of CHF 0.25 each, fully paid-in, in one or several steps, until 26 June 2011. Statutory pre-emptive rights of the existing shareholders of the Company can be excluded if the capital increase is used for:

- the acquisition of enterprises or part of it;
- the acquisition of participations in enterprises;
- strategic investments of the Group; or
- the financing and refinancing of such transactions.

At the Annual General Meeting of Shareholders held on 17 June 2011, the Authorised Capital, which expired on 25 June 2011, was not renewed.

The Company's share capital can be increased by a maximum of 1,024,523 registered shares of CHF 0.25 each, fully paid-in (the "Conditional Capital"), in the following way:

- 424,523 registered shares of CHF 0.25 each, fully paid-in, in proportion to the exercise of option rights which shall be attributed to employees or members of the Board of Directors of the Company or of affiliated companies. Existing shareholders' preferential subscription rights are excluded. The Board of Directors must establish employee participation schemes (employee stock option plans and employee stock ownership plans) and the shares shall be issued in accordance with such employee participation schemes. The conditions of exercise of the options are set by the Board of Directors. Issuance at price below market price is authorised;
- 600,000 registered shares of CHF 0.25 each, fully paid-in, for the issuance of conversion or option rights, as resolved at the Annual General Meeting of Shareholders held on 22 June 2007. Option and conversion rights allowing the subscription of shares must be granted to the creditors holding convertible or option bonds or similar debt instruments, which must be issued by the Company or by one of its controlled companies, in one or several steps. The pre-emptive subscription rights of shareholders may be excluded in favour of the creditors holders of convertible or option rights by a decision of the Board of Directors for valid reasons as follows: if the convertible or option bonds are to be placed in priority on the foreign market, or if the proceeds from the issuance contribute to the financing or refinancing of the acquisition of enterprises, or parts thereof, or of participations in enterprises, to the financing of strategic investments of the Group, or to the financing of the repurchase of convertible or option bonds that have been issued before by the Company or its subsidiaries. The Board of Directors sets the terms and conditions of the conversion and option rights. In the event that the convertible or option bonds are not offered in priority to the shareholders, they must be placed publicly at market conditions, the term to exercise conversion rights may not exceed ten years and seven years for option rights, in each case from the date of the bond issue, and the conversion or option price for the new shares must be at least equivalent to the market conditions as of the time of the bond issuance.

The Conditional Capital does not bear a time limit.

Stock Options

580,000 stock options with a strike price of CHF 30.47 each and 15,000 stock options with a strike price of CHF 33.22 each were granted respectively on 21 February 2008 and on 18 May 2009 to employees of the Group and to members of the Board of Directors. The stock options granted vest over three years from the date of grant, in the proportion of one-third at each twelve-month anniversary of the grant date: vesting is subject only to the continued employment of the beneficiary within ADB Group. Vesting can be accelerated in case of a change of control of the Group. The stock options expire four years from the date of grant. Shares required upon exercise of these options shall come from the Company's treasury shares or Conditional Capital. Each stock option converts into one share of the Company. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Additional information on these stock options can be found in Note 30 of the Consolidated Financial Statements.

In 2010, the Group acquired the broadband technology subsidiaries of Pirelli Group, an Italian conglomerate, in a transaction which closed on 29 November 2010. Part of the consideration paid was made using 400,000 of the Company's shares and the seller, Pirelli & C. S.p.A. ("Pirelli"), the holding company of the Pirelli Group, became a shareholder of the Company.

Additional information on this business combination can be found in Note 27 of the Consolidated Financial Statements.

At closing of the transaction, the Company entered into a put and call option agreement with Pirelli. Pursuant to the provisions of this agreement, Pirelli has a right to sell to the Company for the price of CHF 29.00 per share, all or part of, but not more than, the 400,000 shares received as partial consideration of the acquisition ("Put Option"). At the same time, the Company also has the right to purchase from Pirelli, at the price of CHF 34.80 per share, all or part of, but not more than, the 400,000 shares transferred as part of the consideration ("Call Option"). The rights of Pirelli under the Put Option, and those of the Company under the Call Option, can be exercised in three tranches:

Tranche of the Put and Call Options	Number of Shares Concerned	Start of Vesting Period	End of Vesting Period
First tranche	133,334	1 Aug 2011	1 Sep 2011
Second tranche	133,333	15 Feb 2012	15 Mar 2012
Third tranche	133,333	1 Aug 2012	1 Sep 2012

The rights not exercised at the expiry of each tranche shall immediately become null and void. Each party can only exercise its rights with respect to the entire amount of shares of each tranche. If the rights of a tranche are exercised by one party, then the rights of the other party for the same tranche shall immediately become null and void. If Pirelli sells shares before vesting of the options, the shares sold shall be deducted starting from the number of shares concerning the last tranche of the option agreement.

During the first-half of 2011, Pirelli sold 36,826 shares of the Company to third parties, and on 2 August 2011 it exercised the conversion rights of the first tranche of the Put Option, selling additional 133,334 shares to the Company.

Shares Granted

On 4 November 2011, 23,000 shares were granted to certain employees of the Group. No amounts were paid or payable to the Company by the recipient on grant of the shares. Issuance was planned to come from the Company's treasury shares at a later date, but vesting was immediate, at date of grant.

Additional information on these shares granted can be found in Note 30 of the Consolidated Financial Statements.

Capital Contribution Reserve

At 31 December, the capital contribution reserve is made up as follows:

	2011 CHF	2010 CHF
Share premium, net	20,729,753	29,197,936
General reserve	773,818	773,818
Reserve on own shares	6,982,700	3,929,791
Reserve available for distribution	<u>14,159</u>	<u>14,159</u>
Capital contribution reserve	<u>28,500,430</u>	<u>33,915,704</u>

At the Annual General Meeting of Shareholders held on 17 June 2011, the Company's shareholders approved the proposal of the Board of Directors to create a capital contribution reserve - which aggregates the Company's share premium, general reserve, reserve available for distribution and reserve on own shares - and to distribute a gross dividend of CHF 1.00 per share, for a total aggregate amount of CHF 5,415,274. The 2011 dividend consisted of a restitution of share premium to shareholders. Pursuant to Swiss tax legislation, which entered into force in 2010, this distribution was not subject to withholding taxes in Switzerland. All distributions of reserves are subject to the requirements of the Swiss Code of Obligations.

Share Premium, Net

Share premium, net and capital contribution reserve consists of the following:

	CHF
Share premium, net at 1 January 2009	66,936,811
Less : cost of shares purchased (see below - own shares)	(23,552,229)
Add : cost of shares sold (see below – own shares)	<u>2,074,120</u>
Share premium, net at 31 December 2009	45,458,702
Less : cost of shares purchased (see below - own shares)	(8,708,894)
Add : cost of shares sold (see below – own shares)	19,401,411
Add : share capital reduction	154,764
Less : transfer to reserve available for distribution	<u>(27,108,047)</u>
Share premium, net and capital contribution reserve at 31 December 2010	29,197,936
Less : cost of shares purchased (see below - own shares)	(3,866,686)
Add : cost of shares sold (see below – own shares)	813,777
Less : dividend paid (see above – capital contribution reserve)	<u>(5,415,274)</u>
Share premium, net at 31 December 2011	<u>20,729,753</u>

Reserve Available for Distribution

At the Annual General Meeting of Shareholders held on 25 June 2010, the Company's shareholders approved the proposal of the Board of Directors to distribute a gross dividend of CHF 3.00 per share, prior to applicable Swiss withholding tax of up to 35%. The dividend was paid on 15 July 2010. The gross dividend paid, inclusive of withholding taxes as applicable, corresponded to CHF 15,038,226.

A reserve available for distribution was created, consisting of the following:

	CHF
Reserve available for distribution at 1 January 2010	-
Add : transfer from share premium, net	27,108,047
Less : transfer to retained earnings	(12,055,662)
Less : dividend paid	<u>(15,038,226)</u>
Reserve available for distribution at 31 December 2010 and 2011	<u>14,159</u>

Own Shares

	Number of shares	CHF
Treasury shares, net, at 1 January 2009	595,512	17,091,195
Share purchase	471,235	23,552,229
Shares sold pursuant to exercise of stock options	(25,580)	(2,074,120)
Revaluation at cost of investment in own shares (see below)	-	<u>7,709,744</u>
Treasury shares, net, at 31 December 2009	1,041,167	46,279,048
Share purchase	169,896	8,708,894
Shares sold pursuant to exercise of stock options	(33,263)	(2,636,218)
Share capital reduction	(619,054)	(31,656,740)
Transfer of shares pursuant to acquisition	<u>(400,000)</u>	<u>(16,765,193)</u>
Treasury shares, net, at 31 December 2010	158,746	3,929,791
Share purchase pursuant to exercise of put option	133,334	3,866,686
Shares sold pursuant to exercise of stock options	(2,532)	(82,390)
Shares granted to employees	(23,000)	(731,387)
Reduction in value of own shares	-	<u>(4,783,678)</u>
Treasury shares, net, at 31 December 2011	<u>266,548</u>	<u>2,199,022</u>

At 31 December 2011, the historical value of the 266,548 own shares was CHF 6,982,700 (2010 – CHF 3,929,791).

At 31 December 2011, the net value of the 266,548 own shares, after deduction of a provision of CHF 4,783,678 to reduce the value of the shares to the closing price on the SIX Swiss Exchange on the last trading day of 2011, was CHF 2,199,022 (2010 – CHF 3,929,791).

At the end of December 2008, the Company held 595,512 own shares in treasury. Following the reduction of the publicly traded share price to CHF 28.70 per share at the end of 2008, the cost of shares held in treasury at 31 December 2008 was reduced to CHF 17,091,195.

In September 2008, the Company started a share purchase programme with the objective of acquiring 330,000 shares before the end of March 2009. On 30 January 2009, the Company completed the programme. The total number of shares purchased under this programme was 330,000 and the average purchase price was CHF 31.44 per share. 22,077 shares were acquired under this programme in 2009, at the average purchase price of CHF 27.38 per share.

At the Annual General Meeting of Shareholders held on 26 June 2009, it was resolved to start a share purchase programme for up to 10% of the outstanding share capital, and that the shares acquired under this programme shall be cancelled by way of reduction of the share capital after final approval by the General Meeting of Shareholders. The programme started in September 2009 with the objective of acquiring 619,054 shares before 7 September 2010. The number of shares purchased under this programme at 31 December 2009 was 449,158 and the average purchase price was CHF 51.09 per share.

At the end of December 2009, the number of shares purchased under both programmes since 1 January 2009 was 471,235, the average purchase price was CHF 49.98 per share, the total cost of the shares purchased was CHF 23,552,229. Following the increase of the publicly traded share price to CHF 51.50 per share at the end of 2009, the shares in treasury at 31 December 2009 were revalued at their historical cost for a revaluation amount of CHF 7,709,744.

Having acquired since the beginning of the year the remaining 169,896 shares at the average purchase price of CHF 51.26 per share, on 4 February 2010, the Company completed the programme started in September 2009. The total number of shares purchased under this programme was 619,054 and the average purchase price was CHF 51.14 per share. The total cost of the shares purchased by the Company in the first-half of 2010 was CHF 8,708,894. No other shares were purchased in 2010. At the Annual General Meeting of Shareholders held on 25 June 2010, it was resolved to reduce the share capital by way of cancellation of the 619,054 shares repurchased under the programme. The shares were cancelled on 5 October 2010 at the historical cost of CHF 31,656,740.

Pursuant to the exercise of stock options granted in 2008, 2,532, 33,263, and 25,580 shares were respectively sold in 2011, 2010 and 2009 by the Company at the average price of CHF 30.47 per share. The aggregate proceeds from the sale of these shares were CHF 77,150, CHF 1,013,524 and CHF 779,423 in 2011, 2010 and 2009, respectively.

On 29 November 2010, the Company transferred 400,000 treasury shares as part of the consideration paid to Pirelli for the business combination described in Note 27 of the Consolidated Financial Statements. The historical cost of these shares was CHF 16,765,193.

On 2 August 2011, the Company purchased 133,334 shares at the average price of CHF 29.00 per share pursuant to the exercise of the first tranche of the put option described in the section "stock options" of this note for a total aggregate value of CHF 3,866,686.

On 4 November 2011, 23,000 shares were transferred upon grant of shares to certain employees of the Group as described in the section "shares granted" of this note.

As a result of all of the above transactions, the number of shares held in treasury by the Company increased from 595,512 at 1 January 2009 to 1,041,167 shares at 31 December 2009, then decreased to 158,746 shares at 31 December 2010, and then increased to 266,548 shares at 31 December 2011.

9. TAXATION

In 2011, the Company had a net loss of CHF 4,917,231 (2010 – net income of CHF 5,453,853). The Company had no income tax charge in both years.

10. AMOUNTS DUE TO PENSION FUND

At 31 December 2011, an amount of CHF 1,987 was due to the employee pension fund (2010 – CHF 729).

11. COMMITMENTS

At 31 December 2011, the Company has provided third party guarantees for a total amount of approximately CHF 41 million (2010 – CHF 50 million). These guarantees were mostly issued to banks lending money to the Company's subsidiaries.

In 2011 and 2010, the Company was committed, also on behalf of certain of its subsidiaries, to be party to a rental agreement with a related party for the premises of the Company and of those subsidiaries for an expected gross annual expense of approximately CHF 1.2 million (2010 – CHF 1.1 million). The Company has total future minimum lease commitments, inclusive of the above rental agreements commitments, amounting to CHF 1.2 million (2010 - CHF 1.2 million).

12. BANK LOANS

In November 2010, the Company entered into loan agreements with financial institutions in order to finance to one of its subsidiaries the cash portion of the consideration paid for the business combination described in Note 27 of the Consolidated Financial Statements. The majority of the loans used to finance this acquisition was partially repaid during 2011. The majority of the remaining loans was refinanced as long-term loan, part of a credit line committed until 31 December 2016. The total amount of these loans outstanding as of 31 December 2011 is CHF 11.5 million (2010 - CHF 31.5 million).

13. CONTINGENT LIABILITIES

The Company is part of a group for VAT purposes with other affiliates of the Group in Switzerland. The Company is jointly and severally liable towards tax authorities for current and future VAT payable for the VAT group to which it belongs.

14. BOARD OF DIRECTORS AND MANAGEMENT COMPENSATION

In 2010, the compensation granted to members of the Board of Directors is summarised in the following table:

CHF	Andrew N. Rybicki	Philippe Geyres	Jean-Christophe Hocké	Thomas Steinmann	Total Directors
	Chairman*	Director	Director	Director	
Cash compensation					
Fees	-	14,500	36,000	46,000	96,500
Benefits in kind					
Social security	-	-	3,427	-	3,427
Share-based payments					
Stock options granted (Note 8)	-	-	845	1,267	2,112
Total	-	14,500	40,272	47,267	102,039

* In 2011, the Chairman was also member of Group Management. His 2011 compensation, as member of the Group Management, is included in the table summarising Group Management compensation.

Python & Peter, the law firm employing Thomas Steinmann and Jean-Christophe Hocké, received in 2011 fees amounting in total to approximately CHF 200,000 for legal advisory services rendered to the Company and its subsidiaries.

In 2011, the compensation granted to the eight members of the Group Management is summarised in the following table:

CHF	Total Group Management	Of which highest: Andrew N. Rybicki President and CEO
Cash compensation		
Salaries	3,836,848	1,098,290
Benefits in kind		
Social security and insurance	392,264	1,192
Pension plan	231,517	74,500
Car and housing	218,648	-
Share-based payments		
Stock options and shares granted (Note 8)	252,797	1,751
Total	4,932,074	1,175,733

No performance bonus was granted in 2011 to any member of the Board of Directors. Performance bonus for members of the Group Management, computed on an accrual basis, is included in the salaries. No compensation of any type was paid in 2011 to former members of the Board of Directors or of the Group Management. No compensation which is not customary in the market was paid in 2011 to persons who are close to members of the Board of Directors or of the Group Management. The related party of the rental agreement mentioned in Note 11 is a member of the Board of Directors and of the Group Management. A loan granted to a member of the Group Management was repaid in 2011 as explained in Note 4.

15. SIGNIFICANT SHAREHOLDERS AND SHARE OWNERSHIP OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE GROUP MANAGEMENT

To the knowledge of the Board of Directors of the Company, in addition to the Company, which owns 266,548 shares held in treasury, two other shareholders own individually directly and indirectly more than 3% of the Company's shares. One is 4T SA, a Luxembourg-based company, which owns 2,299,330, or 41.3% of the total shares outstanding. The second is Pirelli & C. S.p.A., which owns 229,840 shares, or 4.1% of the total shares outstanding.

To the knowledge of the Board of Directors of the Company, the total number of shares and stock options owned by each member of the Board of Directors and of the Group Management together with closely related persons at the end of 2011 is as follows:

	Shares	Stock Options
Andrew N. Rybicki, Chairman, President and CEO	4T SA	20,730
Philippe Geyres, Director	1,000	-
Jean-Christophe Hocké, Director	1,000	10,000
Thomas Steinmann, Director	4T SA	15,000
Alessandro Brenna, EVP CFO	4T SA	43,767
Jas Saini, EVP Group Strategy and Technology	4,200	-
William G. Luehrs, EVP US Cable Division and CAO	20,300	10,000
Krzysztof Bilinski, EVP Broadcast Division	266 + 4T SA	10,000
Francesco Schiavinato, EVP Broadband Division	14,600	-
John Justo, EVP Services Division	30,200 + 4T SA	9,899
Belinda Wong, EVP Finance	17,000	3,334

Andrew N. Rybicki and members of his family, Krzysztof Bilinski, Alessandro Brenna, John Justo, Thomas Steinmann and other employees of the Group have contributed their individual holdings of the Company into 4T SA, a Luxembourg-based company, and are, directly or indirectly, in aggregate, controlling shareholders of 4T SA, the main shareholder of the Company.

16. DIVIDENDS FROM GROUP COMPANIES

The Company has accrued a dividend of CHF 1,200,000 from a subsidiary. This dividend will be approved by the shareholders' meeting of the subsidiary, which will be held in May, before the shareholders' meeting of the Company. The dividend receivable recorded in 2010 was received in 2011.

17. SUBSEQUENT EVENTS

At the date of publication of this report, all stock options granted to employees in 2008 expired without exercise, and only 10,000 stock options of those granted in 2009 remain outstanding. In particular, all stock options granted to members of the Board of Directors and to Group Management expired.

On 24 February 2012, Pirelli exercised the conversion rights of the second tranche of the put option described in Note 8, selling 133,333 shares to the Company.

ADVANCED DIGITAL BROADCAST HOLDINGS SA, Pregny-Chambésy

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2011

(Expressed in Swiss Francs)

The Board of Directors of the Company proposes that the retained earnings at 31 December 2011 amounting to CHF 536,622 be carried forward.

REPORT OF THE STATUTORY AUDITOR

To the General Meeting of Advanced Digital Broadcast Holdings SA, Pregny-Chambésy

Report on the Financial Statements

As statutory auditor, we have audited the accompanying financial statements of Advanced Digital Broadcast Holdings SA, which comprise the balance sheet, statement of loss and retained earnings and notes presented on pages 109 to 126, for the year ended 31 December 2011.

Board of Directors' Responsibility

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion

Opinion

In our opinion, the financial statements for the year ended 31 December 2011 comply with Swiss law and the company's articles of incorporation.

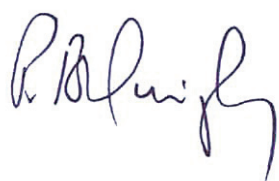
Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

DELOITTE SA



Peter Quigley
Licensed audit expert
Auditor in charge



Lesley Griffiths
Licensed audit expert

Geneva, 20 April 2012

2011

Financial
STATEMENTS



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