June 12th 2007

Preliminary Results for the year ended 31st December 2006

Highlights

- Turnover up 98% to £10.6 million (2005: £5.3million*)
- EBITDA of £418,000 (2005: £321,000*)
- Pre tax loss of £116,000 (2005: profit of £25,000*)
- Strong balance sheet: net assets of £15.3 million with £1.5 million cash
- Successful £3 million fund raising to accelerate development of Eastern European broadcasting and Content Creation activities
- Eastern European Broadcasting highlights:
    - 49% growth in revenues
    - Acquired 66% of Diema Vision AD in Bulgaria
    - Acquired 66% of terrestrial channel in Macedonia
    - Acquisition of mobile and web rights to English Premier League across Eastern Europe
    - Progress towards acquisition of terrestrial licenses in Albania and Bulgaria
- Content Creation highlights
    - 139% growth in revenues
    - New BBC, ITV, National Geographic and other commissions
    - Music activities growing through expanding distribution and Sony/BMG catalogue deal
- Post Balance sheet launch of Balkan Media Group, joint venture Eastern European media company with Modern Times Group

**For comparative purposes we are using unaudited proforma results for the year ended 31st December 2005 as if all currently owned businesses were part of the group throughout that period. Fair value adjustments on the acquisition of Diema Vision have been written off in the 2005 pro forma result where appropriate. The 2005 figures also exclude the one-off catalogue restructuring gain. Operations discontinued in 2006 are excluded from both periods.*

Chairman and Chief Executive Didier Stoessel commented:

"We look forward to the future with confidence. All our operations are performing well and our strategy of becoming a major investor in media and other assets is on course and bearing fruit."

For further information please contact:
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Chairman’s statement and operating & financial review

Overview

I am pleased to be able to report on a very successful year, a period that saw great strategic and financial progress. The Company is now established as a major broadcasting force in the fast-growing economies of Eastern Europe and a rapidly growing UK and international content producer. A transformational development was the joint venture Balkan Media Group (BMGL) announced early in 2007 with Modern Times Group (MTG), the international media company. This creates one of the strongest broadcasting partnerships in the Balkan region and paves the way for the new company to become the leading media business in the area. Alongside the JV Apace continues to develop its own stand-alone Eastern European media activities, for example the recent acquisition of mobile and web rights to English Premier League Football across the region.

Apace’s holding in BMGL and the continuing successful acquisition of additional media assets are evidence of the commercial strategy of Apace: acquiring media or related assets in fast-growing emerging economies and identifying under-valued assets and restructuring situations in more mature markets. An example of this was the investment in March in 2% of Catalyst Media Group PLC, a UK-based AIM media company, which owns 20% of SIS, the betting industry and race course television business. Our investment focus shall be media but where the Board deems it sensible those investment criteria will stretch to other undervalued assets.

For comparative purposes we are using unaudited proforma results for the year ended 31st December 2005 in this statement. This assumes that the currently owned businesses were part of the Group throughout that period and ignores discontinued operations. Fair value adjustments on the acquisition of Diema Vision have been written off in the 2005 pro forma results where appropriate and the 2005 figures also exclude the one-off catalogue restructuring gain. During 2006 turnover grew 98% to £10.6 million (2005: £5.3million), generating EBITDA of £418,000 (2005: £321,000) and making a pre tax loss of £116,000 (2005: profit of £25,000).

We believe this was a strong performance given the high degree of business development investment during the period. This included the hiring of high quality creative staff and management in Eastern Europe and the UK as well as start-up costs for new channels in Bulgaria. Across the Group we also strengthened the business structure to manage future growth investing in additional administration resources. Content Creation year-on-year grew 139%, contributing 65% of the turnover and Eastern European Broadcasting grew 49%, representing 35% of group turnover. Our balance sheet remains strong with net assets of £15.3 million, of which £1.5 million is in cash.

Fund raising

In December 2006 we concluded a successful £3 million fundraising through a placing of 20,000,000 new Ordinary Shares at 15 pence per share. The funds, which were raised from existing and new shareholders, have been used to develop the Company’s Eastern European media activities and drive further organic growth of the Content Creation business.

Acquisitions

In January 2006 we completed the acquisition of 50% of Diema Vision, the Bulgarian channel operator. In March we acquired a further 16%. In November 2006 we announced the acquisition of a 66% interest in TV Era, which is the leading Albanian language channel in Macedonia.

Following the acquisitions, Apace controlled and distributed eight channels in Eastern Europe - seven cable and satellite channels in Bulgaria and one in neighbouring Macedonia.

Balkan Media Group Joint Venture

As noted above during 2006 we negotiated a strategic partnership in the Balkans with MTG Broadcasting AB (MTG), the international entertainment broadcasting group. This strategic alliance, creating a new 50/50 joint venture company, Balkan Media Group Limited (BMGL) has the potential to become the leading broadcaster in the Balkans and holds all of Apace's Eastern European channel assets. MTG paid an initial consideration to Apace of €8,574,100 for its 50% holding in BMGL. Apace and MTG have each paid €3,075,000 to acquire their share of the remaining minority holdings in Diema. This transaction values the former Apace Balkan assets at approximately €17m (£11.5 m) and marks a shift in the Company's channel operating business, significantly de-risking the Eastern European activities. Apace will benefit from the greatly strengthened channel business in the Balkans but avoid bearing the full development costs and operational risk. Early initiatives include the restructuring of the pay channels in Bulgaria, by changing Diema+ into a free-to-air channel capable of attracting far larger audiences. The move has been made in order to capitalise on the rapidly growing television advertising market. This strategic switch mirrors a successful initiative introduced by MTG in Hungary with Viasat 3 which resulted in a significant increase in audience. Driving this free-to-air development will require additional programme spend, which will have a negative impact on short term profitability. We have also secured exclusive Bulgarian broadcast rights for English Premier League Football until 2010 as well as the 2008 UEFA European Championships. This gives our Bulgarian channels access now to top football from England, France and Spain – by far the strongest sports offering in the region.

Board, Management and staff

In January of this year Chris Rowlands, Deputy Chairman and Chief Operating Officer, stepped down from the Board and resigned from the Company to pursue other interests. At the beginning of 2006 we welcomed William Vanderfelt, an experienced investor and 7% shareholder in Apace, onto the Board as a non-executive director. I would like to thank all the staff for their contribution to the year's strong performance. Throughout a period of great activity Apace's staff have shown flexibility and commitment.

Dividend

As we focus on developing the business over the next few years we shall be investing in people, rights and marketing. Consequently we do not intend to propose a dividend for 2006. We will keep this policy under regular review.

Current trading and prospects

Based on current trading the directors believe that revenue in the current financial year will be in line with market expectations. However our significant step-up in programming investment for Diema+ and Diema Family will result in lower short and medium term profitability for the businesses. The directors believe that this programming investment will benefit the Group greatly in the following years.

The Company’s prospects are excellent with the BMGL partnership a well resourced, strong regional broadcasting operation that will capitalise on the Balkan states' fast-growing economies. The sale of 50% of our broadcasting assets to this new joint venture means the Company has significant cash resources. These funds are being used to accumulate undervalued media assets, other strategic non-media investments and to continue driving the UK-based Content Creation activities. We are constantly looking for strategic partners, mergers and acquisitions for these activities to accelerate their growth.

We look forward to the future with confidence. All our operations are performing well and our strategy of becoming a major investor in media and other assets is on course and bearing fruit.

Operational Review

Content Creation

Led by Apace Music, Steadfast Television and Pro-Active Productions, our content creation and IP activities have generated EBITDA, (normalised excluding discontinued activities) of £0.5 million on a turnover of £6.9 million. This is despite substantial, sustained, investment in people and IP development effort during the period.

The full year saw Steadfast Television, the group's factual and entertainment programme specialist, establish itself as a major independent producer with some 30 hours now confirmed from leading UK and international broadcasters. Steadfast was a start-up in July 2005 and only fully commenced operations in early 2006.

The key to this initial success has been the quantity and quality of programming ideas and formats originating from our highly-focused creative team, combined with their reputations to deliver successful high-rating programming.

Highlights of the period include:

- *Fans United,* a 13-part series of advertiser funded programme, which screened on ITV in the UK and over 30 countries internationally.
- *Sky Cops,* for BBC One. A 5-part primetime popular factual series which secured an average 21% share of the audience, one of the largest audiences of the year in the prime 8.00pm time slot. Sky Cops has been recommissioned and a further four hours is in production.
- *Last Chance Driving School*, for ITV1. A peaktime factual entertainment format which has been commissioned by ITV as a 90-minute special for transmission during 2007.
- *IdentityTheft: They Stole My Life* for BBC One. Another ratings success which has been re-commissioned.
- *My Famous Cousin*, for ITV2. An unusual factual entertainment format about ordinary British people who have famous American cousins they don't know about. Commissioned as a pilot.
- *Car Crime in the 21st Century,* a three-part peaktime series for BBC One, currently in production.
- *Road Rage*, one hour special about the fight for road space in the UK.
- *Earth Shocks*, four-part CGI popular science factual series for National Geographic US Channel and UKtv about events which changed our lives forever.
- *Salvage Code Red*, a four-part action adventure co-production with Discovery Canada and National Geographic International.

- *The Science of Manipulation,* for Discovery Canada. A two-hour pilot special, to be made in Canada and then rolled out internationally, about the way in which people are manipulated into buying things they don't want.

- *The Day the Music Died*. A six-part popular music series, for the new Smithsonian Network in the USA, about American music icons who die young.

The commissioning of The Science of Manipulation and The Day The Music Died are a key part of our stated strategy of developing ideas and projects which have the potential of becoming long running international formats. My Famous Cousin and Last Chance Driving School also fall into that category. Steadfast expects to announce further important commissions from domestic and international broadcasters within the coming weeks.

To increase further the value of our television content creation activities, we set up Steadfast International six months ago. Already, we have seen this fledgling business begin to give us an increased return from the programming and formats made and developed by the production division last year. A small team of international sales specialists now handle the global exploitation of Steadfast product and they have already sold programming to over 100 different territories.

Our sports specialist production company, Pro-Active, has also expanded its activities during the period - confirming its position as one of the leading sports producers in Europe. Pro-Active generated 250 hours of original programming reaching audiences in a potential estimated 300 million households in 80 countries.

The greatest growth was in the area of rugby, where we were appointed international broadcast managers for the IRB (International Rugby Board). The appointment gives Pro-Active a pivotal position in the IRB's key tournaments (excluding the Rugby World Cup) including the highly popular IRB Sevens World Series and the IRB Under 19 and Under 21 World Championships. Other Pro-Active highlights included:

- squash coverage, where we delivered over 20 hours of live broadcasting including coverage for Sky and BBC 1 of the English Open.

- as part of developing a new production relationship with the British Ice Skating Federation, Pro-Active have been called on to give more coverage to two key events in the governing body's calendar.

- in water sports, we continued to be a major international producer with highlights including supplying global broadcast coverage of the IWSF Water-ski tour and over 100 hours of magazine and event programming to the Sailing Channel.

- Sky Sports renewed Pro-Active's block supply deal of 175 hours per annum for a further three years, and ESPN Star renewed their contract for 100 hours per annum for another two years. New clients secured during the year for bulk programme arrangements included Setanta.

The year saw another very strong performance by Apace Music, our compilation CD company, operating in the mid-price sector.

- During the period we grew market share significantly selling 1.1 million units – an 83% increase on the previous year.
- We released 80 albums, as against 60 titles in 2005.
- As well as broadening the range of music titles we successfully expanded the number of major retail clients both in the UK and abroad.

In the UK, for example, new accounts were opened in Tesco, Boots, Woolworths, Music Zone and Impulse. Ongoing relationships with ASDA, HMV, Borders, Fopp, Sainsbury's and WH Smiths were also strengthened during the year.

- Internationally Apace Music's distribution also grew with campaigns in the major music chains in Germany, Holland, Italy, Spain and South Africa.

In the UK a key factor in the sales growth has been the success of our relationship with Sony/BMG. This has seen us releasing quality albums under license for such artists as Bill Withers, Isley Brothers, The O'Jays and Earth Wind and Fire. The compilation content has also strengthened with titles released including such genres as 90's Hits, 80's Hits, Swing, Jazz, R&B, Disco, Jazz Funk and Love. One of this activity's valuable assets is Apace Music's recording and publishing catalogue, which now stands at 5000 tracks. 1,000 of these are owned outright with no royalty payments due to any third parties.

Eastern European broadcasting

Our Eastern European media activities generated EBITDA of £0.7 million on a turnover of £3.6 million. This strong performance was achieved even though we increased costs by 63% on the previous year to expand our activities. By the end of the year we controlled and distributed eight television channels in Eastern Europe with the additional acquisition in November of 66% of TV Era, a Macedonian terrestrial television channel. In June we had also added a new channel in Bulgaria, Diema Family, to cater for children's and family viewing.

Advertising revenues at Diema grew by 140% year-on-year. Bulgaria is an extremely buoyant advertising market as more international brands enter the market following EU membership. Coca Cola, Nestle, Johnson & Johnson, Proctor & Gamble are just some of the dozens of international brands now advertising on our channels. With the further liberalisation of the market, advertising prospects are excellent and the Apace team is working hard to take advantage of these opportunities. Another driver of this revenue growth was our increasing of cable carriage rates, a tactic we are able to employ because of the high quality programming that we now offer.

During the period we extended our exclusive rights for the English Premier League, Spanish and French top flight football. We also broke the Bulgarian state broadcaster's monopoly of World and European football championship coverage by acquiring rights to the UEFA European 2008 Championships. As holder of the rights for these other major sports events including international tennis and basketball tournaments (extremely popular in Bulgaria), Apace is now firmly positioned as the major sports broadcaster in Bulgaria. As part of our broadcasting development strategy Diema also acquired extensive rights to a large number of new top flight movies including rights to their cinema and home entertainment release.

2006 was a year when we also introduced greater streamlining and efficiencies between our various channels. All eight channels are now being distributed through Diema. We also combined our marketing, PR and advertising sales activities to offer a greatly enhanced cross-channel proposition to advertisers. However, while we were able to introduce greater economies of scale we also increased staff numbers year-on-year with employees in our Eastern European operations growing by 20% to 159. This investment in staff also included the establishment of a new highly experienced management team.

Following negotiations in 2006 and in early 2007 we announced a strategic partnership with Modern Times Group (MTG), the international entertainment group, creating a new 50/50 joint venture company, BMGL. The joint venture holds all of Apace's Eastern European broadcasting assets including 100% of Diema after the minority shareholder was bought out. We believe that this partnership will significantly enhance the value for Apace shareholders of our Balkan investments.

Didier Stoessel
Chairman and Chief Executive
12 June 2007

Consolidated profit and loss account
For the year ended 31 December 2006

		Year ended 31 December 2006					
	Notes	**Discontinued operations £'000**	**Acquisitions £'000**	**Other continuing operations £'000**	**Total £'000**	**Period ended 31 December (18 months) 2005 £'000**	**2005 discontinued operations (18 months) £'000**
Turnover	1	3	3,197	7,388	**10,588**	1,986	126
Cost of sales		(4)	(1,758)	(4,549)	**(6,311)**	(1,112)	(23)
Gross profit / (loss)		(1)	1,439	2,839	**4,277**	874	103
Other income	2					59	36
Administrative expenses							
Exceptional	5	(78)	-	-	**(78)**	(135)	-

Normal		(56)	(987)	(3,448)	**(4,488)**	(1,338)	(101)
Operating loss and loss on ordinary activities before interest		(135)	452	(609)	**(289)**	(540)	38
Interest payable	3	-	-	-	**(21)**	(16)	-
Interest receivable	3	-	-	-	**63**	60	-
Loss on ordinary activities before taxation	4	-	-	-	**(247)**	(496)	-
Tax on loss on ordinary activities	9	-	-	-	**(23)**	(11)	-
Loss on ordinary activities after taxation		-	-	-	**(270)**	(507)	
Minority interests		-	-	-	**(67)**	(52)	
Loss for the period	22	-	-	-	**(337)**	(559)	
Loss per share - basic and diluted (pence)	8				**(0.48)**	(3.37)	

All recognised gains and losses are included in the profit and loss account.

Balance sheet
31 December 2006

		Group		Company	
		31 December 2006	**31 December 2005**	**31 December 2006**	**31 December 2005**
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Fixed assets					
Intangible assets	11	1,343	221	-	-
Goodwill	12	8,732	3,943	-	-
Tangible assets	10	1,570	581	116	82
Investments in subsidiary undertakings	13	-	-	10,260	4,940
Investments	14	435	383	435	383
		12,080	5,128	10,811	5,405

Current assets

	Notes				
Stocks	15	849	292	-	-
Debtors	16	4,795	4,716	4,102	4,719
Cash at bank and in hand		1,525	3,683	1,200	3,501
		7,169	8,691	5,302	8,220
Creditors: amounts falling due Within one year	17	(3,404)	(1,277)	(542)	(1,013)
Net current assets		3,765	7,414	4,760	7,207
Total assets less current liabilities		15,845	12,542	15,571	12,612
Creditors: amounts falling due after more than one year	18	(477)	(1)	(18)	-
Provisions for liabilities and charges	19	(51)	(45)	-	-
Net assets		15,317	12,496	15,553	12,612
Capital and reserves					
Called up share capital	20	7,797	6,792	7,797	6,792
Share premium	22	6,840	4,990	6,840	4,990
Other reserve	22	1,375	1,375	1,375	1,375
Profit and loss account	22, 23	(1,011)	(674)	(459)	(545)
Equity shareholders' funds	23	15,001	12,483	15,553	12,612
Minority interests		316	13	-	-
Capital employed		15,317	12,496	15,553	12,612

Cash flow statement
For the year ended 31 December 2006

	Notes	Year ended 31 December 2006 £'000	18 months to 31 December 2005 £'000
Reconciliation of operating result to net cash flow from operating activities			
Operating loss		(289)	(540)
Charges in respect of shares issued in compensation		19	-
Amortisation of intangible fixed assets	11	213	60
Depreciation of tangible fixed assets	10	367	51
Profit on disposal of investments		-	(59)
(Loss) / profit on disposal of tangible fixed assets		3	(40)
Increase in stocks		(520)	(153)
Decrease / (increase) in debtors		1,203	(3,605)
(Decrease) / Increase in creditors		(933)	146
Net cash inflow / (outflow) from operating activities		63	(4,140)

Cash flow statement

	Note		
Net cash inflow / (outflow) from operating activities		63	(4,140)
Returns on investments and servicing of finance			
Interest received		63	59
Interest paid		(21)	(16)
Dividends paid – minority interest		(65)	(85)
Net cash (outflow)/inflow		(23)	(42)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	10	(342)	(166)
Disposal of tangible fixed assets		7	62
Purchase of intangible fixed assets	11	(949)	(189)
Purchase of investments		-	(143)
Disposal of investments		-	350
Investment project work in progress	14	(52)	(383)
Net cash inflow / (outflow)		(1,336)	(469)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(4,535)	(665)
Cash acquired with acquisition of subsidiary undertakings		403	225
Net cash inflow / (outflow)		(4,132)	(440)
Financing			
Proceeds from issue of ordinary shares	20	3,000	9,000
Related expenses		(164)	(607)
Debt due beyond a year - Bank borrowing		342	-
Proceeds from issue of shares in subsidiaries to minority interests		92	-
Net cash inflow		3,270	8,393
(Decrease)/increase in cash in the period	24, 25	**(2,158)**	3,302

Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the period.

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and are in accordance with applicable accounting standards.

Going concern

The going concern basis has been used to prepare the financial statements of the Company and the Group for the year ended 31 December 2006.

The Group had net assets of £15,317,000 as at 31 December 2006 (2005: £12,496,000). The directors consider that the going concern basis is appropriate on the grounds that there is sufficient cash to meet the Company's liabilities as they fall due over the twelve months from the date of approval of these statements.

Basis of consolidation

The financial statements of the Group include the results of the Company and all of its subsidiary undertakings. The results of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent and using consistent accounting policies.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into sterling at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated into sterling at average annual exchange rates. Foreign exchange differences arising on retranslation are recognised directly in a separate translation reserve within equity.

No profit and loss account is prepared for the Company, as permitted by Section 230 of the Companies Act 1985. The Company made a profit for the year of £86,000 (2005: loss of £430,000).

Minority interests represent the portions of profit or loss and net assets of subsidiaries that are not held by the Group and are presented separately within equity in the consolidated accounts.

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the profit and loss account. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Business combinations and goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the excess of the fair value of the purchase consideration for the interests in subsidiary undertakings over the fair value to the Group of the net assets and any contingent liabilities acquired.

Goodwill arising on acquisitions is stated at cost less any accumulated impairment losses. Goodwill is allocated on acquisition to cash-generating units that are anticipated to benefit from the combination. It is not amortised but is reviewed annually for impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This estimate of recoverable amount is performed at each balance sheet date.

The estimate of recoverable amount requires significant judgement, and is based on a number of factors such as the near-term business outlook for the cash generating unit, including both its operating profit and operating cash flow performance. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Intangible fixed assets

Intangible fixed assets are stated at cost less accumulated amortisation and impairment losses. Amortisation of intangible assets is charged to administrative expenses in the income statement on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Music rights: 3 years or, if less, the life of the rights
Film and sports rights: over the life of the rights

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairments in value.

Depreciation is provided on a straight-line or reducing balance basis to write off the cost, less their estimated residual value over their estimated useful lives. Estimated useful lives are as follows:

Leasehold improvements:	15% p.a. or the length of the lease
Office equipment:	between 5 and 8 years
Computer equipment:	3 years

Investments

Investments held as fixed assets are stated at cost less provision for impairment in value, if any.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash equivalents for the purposes of the cash flow statement.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability.

Stock

Stock and work in progress are carried at the lower of cost and net realisable value. Cost represents direct costs incurred and, where appropriate, a proportion of attributable overheads. Stock is accounted for on a first-in, first-out basis. Provision is made for slow moving and obsolete items based on an assessment of technological and market developments and on an analysis of historic and projected usage.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Share based payments

The Group issues equity settled share-based awards to certain employees. A fair value for the equity settled share award is measured at the date of grant. The Group measures the fair value using the valuation technique most appropriate to value each class of award.

The fair value of the award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share award that will eventually vest. The level of vesting is reviewed annually; and the charge is adjusted to reflect actual or estimated levels of vesting with the corresponding entry to equity.

Financial instruments

In relation to the disclosures made in note 26:

- Short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures; and

- The Company does not hold or issue derivative financial instruments for trading purposes.

Notes to the accounts for the year ended 31 December 2006

1. Turnover

	2006	2005 (18 months)
A geographical analysis of turnover is as follows:	£'000	£'000

UK & Ireland	4,031	940
Rest of Europe	4,967	529
Rest of the world	1,590	517
	10,588	**1,986**

2. Other income

Other income comprises the net revenue from disposal of investments in quoted securities.

3. Interest receivable and interest payable

	2006	2005 (18 months)
	£'000	£'000
Interest receivable		
Bank interest receivable	**63**	60
Interest payable		
Other interest payable	**-**	15
Bank interest payable	**21**	1
	21	16

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging / (crediting):

	2006	2005 (18 months)
	£'000	£'000
Depreciation and amounts written off fixed assets		
- tangible	**367**	51
- intangible	**213**	60
Operating lease rentals and hire of plant and machinery		
- land & buildings	**217**	33
- equipment hire	**34**	41
Auditors' remuneration for audit services	**55**	59
Auditors' remuneration for non-audit services	**35**	13
Foreign exchange differences	**29**	(7)

5. Exceptional administrative expenses

The charge for the year relates to the severance costs on closure of the Group's sports sponsorship business. For the period to 31 December 2005, it related to the due diligence costs for aborted acquisition projects in Eastern Europe.

6. Staff costs

The average monthly number of sales and administrative staff (including executive directors) during the year ended 31 December 2006 was 191 (2005: 15). Their aggregate remuneration comprised:

	2006 £'000	2005 (18 months) £'000
Wages and salaries	**2,057**	604
Severance/termination payments	**78**	15
Social security costs	**264**	73
Other pension costs	**-**	-
	2,399	692

7. Directors' remuneration

Details of directors' remuneration are shown on page 11.

8. Loss per ordinary share

The calculations of loss per share are based on the following losses and numbers of shares:

	2006 Loss £'000	2006 per share p	2005 Loss (18 months) £'000	2005 per share p
Loss				
Loss after taxation	**(337)**	**(0.48)**	(559)	(3.37)
	Number		Number	
Shares				
Weighted average number of shares				
Basic and diluted	**69,973,966**		16,594,675	

The weighted average number of shares in issue in 2005 has been adjusted to allow for the share consolidation carried out on 7 November 2005.

9. Taxation on loss on ordinary activities

The Company’s accounting policy for taxation is set out on page 21.

Analysis of charge in the period	2006	2005 (18 months)
	£'000	£'000
UK corporation tax on loss of the period	-	-
Bulgarian corporation tax	17	-
Deferred tax	6	11
	23	11

Factors affecting the charge for the period:

The tax assessed for the period is at the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006	2005
Loss on ordinary activities before taxation	(247)	(496)
Tax at 30% (2005 - 30%) on loss on ordinary activities	(74)	(149)
Effects of:		
Expenses not deductible for tax purposes	11	-
Timing differences	-	37
Utilisation of tax losses	(3)	-
Tax losses carried forward	156	112
Foreign tax consolidation adjustments	(73)	-
Tax charge for period	17	-

No deferred tax asset as a result of the tax losses available for offset against future taxable profit is recognized in these financial statements.

10. Tangible fixed assets

Group	Leasehold improvements	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2006	46	1,221	27	1,294
Acquisitions	408	976	113	1,497
Additions	62	266	14	342
Transfers	-	(24)	-	(24)
Disposals	(7)	(76)	-	(83)
At 31 December 2006	**509**	**2,363**	**154**	**3,026**
Depreciation				
At 1 January 2006	-	(689)	(24)	(713)
Acquisitions	(29)	(403)	(40)	(472)
Charge for the period	(74)	(275)	(18)	(367)

Transfers	-	24	-	24
Eliminated on disposal	-	72	-	72
At 31 December 2006	**(103)**	**(1,271)**	**(82)**	**(1,456)**
Net book value				
31 December 2006	**406**	**1,092**	**72**	**1,570**
31 December 2005	46	532	3	581

Company	**Leasehold improvements**	**Fixtures, fittings & equipment**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2006	46	36	82
Additions	27	31	58
Transfer	-	6	6
Disposals	-		-
At 31 December 2006	**73**	**73**	**146**
Depreciation			
At 1 January 2006	**-**	-	-
Charge for the period	(13)	(17)	(30)
Eliminated on disposal	-	-	-
			-
At 31 December 2006	**(13)**	**(17)**	**(30)**
Net book value			
31 December 2006	**60**	**56**	**116**
31 December 2005	46	36	82

11. Intangible fixed assets

Group	**Music rights**	**Film rights**	**Other intangible assets**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 January 2006	318	**-**	25	343
Opening balance adjustment	(31)	**-**	1	(30)
Acquisitions	-	398	11	409
Additions	187	745	17	949
At 31 December 2006	**474**	**1,143**	**54**	**1,671**

Depreciation

At 1 January 2006	(97)	-	(25)	(122)
Opening balance adjustment	31	-	(1)	30
Acquisitions	-	(16)	(7)	(23)
Charge for the period	(135)	(75)	(3)	(213)
At 31 December 2006	**(201)**	**(91)**	**(36)**	**(328)**
Net book value				
31 December 2006	**273**	**1,052**	**18**	**1,343**
31 December 2005	221	-	-	221

12. Goodwill

Group

	Goodwill £'000
Cost	
At 1 January 2006	3,943
Additions	4,789
At 31 December 2006	**8,732**
Amortisation	
At 1 January 2006	-
Charge for the period	-
At 31 December 2006	**-**
Net book value	
31 December 2006	**8,732**
31 December 2005	3,943

Purchased goodwill arising on the acquisition of subsidiary undertakings is capitalised and accounted for in accordance with the accounting policy for business combinations and goodwill on page 20.

Goodwill comprises:	£'000
At 1 January 2006	3,943
Additions in the year:	
- arising from the acquisition of Televizia MM OOD	171
- arising from the acquisition of Diema Vision AD	4,191
- arising from the acquisition of TV ERA EOOD	397
- arising from the acquisition of the minority shares in Steadfast International Ltd.	30
Net book value at 31 December 2006	**8,732**

The directors have reviewed goodwill and do not consider an impairment charge to be necessary.

13. Investments in subsidiary undertakings

	Company	
	2006	2005
	£'000	£'000
At 1 January 2006	**4,940**	-
Acquisitions:	**-**	
Apace Sports Limited	**-**	4,211
Televizia MM OOD	**286**	578
Steadfast Television Limited	**-**	151
Transfer of Apace Sports Limited subsidiaries	**-**	560
less: impairment of Apace Sports Limited	**-**	(560)
Diema Vision AD	**4,531**	-
Apace Media Bulgaria EOOD	**37**	-
TV ERA EOOD	**466**	-
	10,260	4,940

At 31 December 2006, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held
Apace Sports Limited	Dormant	England	100%
Pro-Active Projects Limited	Television production	England	90%
Apace Music Limited	Record label and music publishing	England	100%
Steadfast Television Limited	Television production	England	75%
Steadfast International Limited (formerly Apace Branded Content Limited)	Television programme distribution	England	100%
Apace Media Bulgaria EOOD	Management services	Bulgaria	100%
Television MM OOD	Television broadcasting	Bulgaria	66%
Diema Vision AD	Television broadcasting	Bulgaria	66%
TV ERA EOOD	Television broadcasting	Macedonia	66%

On 4 January 2006 the Company acquired 50% of the issued share capital of Diema Vision AD. On 31 March 2006 the Company acquired a further 16%. The operating assets and liabilities of Diema Vision AD on 4 January 2006 were as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Fixed assets	1,268	-	1,268
Stock	35	-	35
Debtors	1,367	(97)	1,270
Cash	402	-	402
Creditors	(1,584)	(586)	(2,170)
Provision for liabilities & charges	(974)	-	(974)
Minority interests	(175)	232	57
Minority interest adjustment	110	-	110
	449	(451)	(2)
Consideration			3,664
Related expenses			525
Goodwill			(4,191)
Fair value of net assets acquired			**(2)**

On 23 October 2006 the Company completed the acquisition of 66% of the issued share capital of TV ERA DOOEL (ERA). The operating assets and liabilities of ERA on 23 October 2006 were as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Fixed assets	145	-	145
Stock	2		2
Debtors	12	-	12
Cash	1	-	1
Creditors	(56)	-	(56)
Minority interests	(35)	-	(35)
	69	-	69
Consideration			203
Related expenses			263
Goodwill			(397)
Fair value of net assets acquired			**69**

The adjustments shown above in respect of ERA are provisional and will be reviewed based on additional information up to 31 December 2007. The directors do not anticipate that any net adjustments resulting from such review would be material to the Group.

Financial information regarding acquired businesses

The following table summarises the relevant financial information for the accounting period prior to acquisition by the Company

	Year ended 31 December 2005	
	Diema	**ERA**
	£'000	**£'000**
Turnover	2,252	141
Operating profit / (loss)	465	60
Profit / (loss) before tax	449	56
Taxation	(82)	-
Profit / (loss) after tax	366	56

14. Investments

Investments comprise expenditure to date on various potential acquisitions.

15. Stocks

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Work in progress	**350**	48	**-**	-
Finished goods and goods for resale	**499**	244	**-**	-
	849	292	**-**	-

16. Debtors

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Trade debtors	**1,969**	455	**-**	-
Inter-company	**-**	-	**2,870**	777
Prepayments & accrued income	**1,542**	277	**38**	19
Other debtors	**179**	164	**89**	103
Loan	**-**	1,050	**-**	1,050
Placing debtors	**1,105**	2,770	**1,105**	2,770

	4,795	4,716	**4,102**	4,719

£446,000 of prepayments (2005: £90,000) is recoverable in more than 12 months.

17. Creditors: amounts falling due within one year

	Group		Company	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	**12**	-	**-**	-
Trade creditors	**2,102**	830	**173**	364
Inter-company	**-**	-	**100**	413
Other taxation and social security	**310**	100	**102**	27
Accruals & deferred income	**788**	286	**75**	209
Other creditors	**192**	61	**92**	-
	3,404	1,277	**542**	1,013

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

	Group		Company	
	2006	**2005**	**2006**	**2005**
	£'000	**£'000**	**£'000**	**£'000**
Bank loans and overdrafts	**342**	-	**-**	-
Liability for share-based payment	**18**	-	**18**	-
Other creditors	**117**	1	**-**	-
	477	1	**18**	-

The bank loan represents the outstanding balance under a facility of up to Euro 2 million between Diema Vision AD and Societe Generale Expressbank in Sofia. Interest is payable at 3 month EURIBOR + 3% and the facility is guaranteed by Apace Media plc. The bank holds a pledge over two-thirds of the shares of Diema Vision AD as collateral.

19. Provision for liabilities and charges

	Group		Company	
	2006	**2005**	**2006**	**2005**
Deferred taxation	**£'000**	**£'000**	**£'000**	**£'000**
1 January 2006	**45**	-		
Increase in provision	**6**	45		
31 December 2006	**51**	45	**-**	-

Deferred taxation is provided in respect of accelerated capital allowances.

20. Share capital

Ordinary shares	**2006**			2005		
	Number	**Par value**	**£'000**	Number	Par value	£'000
Authorised						
1 January 2006	**138,500,000**	**5.0p**	**6,925**	80,000,000	0.5p	400
Ordinary shares of 0.5p each	**-**	**-**	**-**	80,000,000	0.5p	400
Capital increase	**-**	**-**	**-**	1,670,000,000		8,350
				1,750,000,000	0.5p	8,750
Share consolidation	**-**	**-**	**-**	(1,706,250,000)		-
				43,750,000	20.0p	8,750
Sub-division of issued shares	**-**	**-**	**-**	-		(3,344)
Sub-division of unissued shares	**-**	**-**	**-**	64,370,768		-
	-	**-**	**-**	108,120,768	5.0p	5,406
Capital increase	**-**	**-**	**-**	30,379,232	5.0p	1,519
31 December 2006	**138,500,000**	**5.0p**	**6,925**	138,500,000	5.0p	6,925
Issued, called up and fully paid						
1 January 2006	**68,959,742**	**5.0p**	**3,448**	55,056,390	0.5p	275
Capital reduction	**-**	**-**	**-**	-		-
				55,056,390	0.5p	275
Consideration shares & share placing	**-**	**-**	**-**	816,666,666		4,083
				871,723,056	0.5p	4,358
Consideration shares	**-**	**-**	**-**	20,000,000		100
				891,723,056	0.5p	4,458
Share consolidation	**-**	**-**	**-**	(869,429,980)		-
	-	**-**	**-**	22,293,076	20.0p	4,458
Sub-division & creation of deferred shares	**-**	**-**	**-**	-		(3,344)
				22,293,076	5.0p	1,114
Shares as compensation for loss of office	**109,589**	**5.0p**	**5**	-	-	-
Share placing	**20,000,000**	**5.0p**	**1,000**	46,666,666	5.0p	2,333
31 December 2006	**89,069,331**	**5.0p**	**4,453**	68,959,742	5.0p	3,448

Deferred shares	**2006**			2005		
	Number	**Par**	**£'000**	Number	Par	£'000
Authorised, issued, called up and fully paid						
Creation of deferred shares	**22,293,076**	**15p**	**3,344**	22,293,076	15p	3,344

	2006	2005
Total shares	**7,797**	6,792

On 12 December 2006, 20,000,000 new ordinary shares were placed at a price per share of 15p and admitted to trading on AIM.

The rights attaching to deferred shares, which have not been admitted to trading on AIM or any other recognised investment exchange, renders them effectively valueless. No share certificates have been issued in respect of deferred shares. It is intended that the deferred shares will be repurchased by the Company for a nominal amount in due course. The deferred shares will have no rights to vote or to participate in dividends and will carry limited deferred rights on any return on capital (whether on a liquidation or otherwise).

21. Share options

The Company has two option schemes for employees, the "Apace Media plc Employee Share Option Scheme" and the "Apace Media plc Unapproved Share Option Scheme". All employees are eligible to participate in the schemes. The details of the arrangements are described in the following table:

	Approved			Unapproved
Nature of the arrangement	**Share options**	**Share options**	**Share options**	**Share options**
Date of grant	15 May 2006	8 June 2006	13 October 2006	8 June 2006
Number or instruments granted	476,190	2,726,410	932,500	897,760
Exercise price (pence)	20	20	20	20
Share price at grant (pence)	18	18	18	18
Vesting period (years)	3	3	3	3
Vesting conditions	None	None	None	None
Option Life (years)	10	10	10	10
Expected volatility	20.00%	20.00%	20.00%	20.00%
Risk free rate	4.75%	4.75%	4.75%	4.75%
Number of employees	1	29	5	6
Settlement	Shares	Shares	Shares	Shares
% expected to vest (based upon leavers)	100.00%	87.00%	100.00%	100.00%
Number expected to vest	476,190	2,366,410	932,500	897,760
Fair value per granted instrument (pence)	22.90	22.90	22.90	22.90
Charge for year ending 31 December 2006 (£)	1,834	9,115	3,592	3,459

In accordance with the Group's accounting policy for share based payment, share options have been valued using an appropriate option pricing model. The total fair value of options in issue at the date of grant was £107,000, of which £18,000 has been charged to the profit and loss account for the year.

22. Reserves

	Group			Company		
	Share premium account	**Other reserve**	**Profit & loss account**	**Share premium account**	**Other reserve**	**Profit & loss account**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2006	4,990	1,375	(674)	4,990	1,375	(545)
Shares as compensation						

for loss of office	14	-	-	14	-	-
Issue of placing shares - 14 December 2006	2,000	-	-	2,000	-	-
Placing expenses	(164)	-	-	(164)	-	-
(Loss) / profit for the year	-	-	(337)	-	-	86
At 31 December 2006	6,840	1,375	(1,011)	6,840	1,375	(459)

Other reserve represents the premium on allocation of shares by the Company in pursuance of the arrangement in consideration for the acquisition of 100% of the shares in Apace Sports Ltd (previously called Apace Group Ltd) on 25 April 2005, as permitted by section 131 of the Companies Act. This reserve is not currently distributable.

23. Reconciliation of movements in equity shareholders' funds

	Group		Company	
	2006 **£'000**	**2005** **£'000**	**2006** **£'000**	**2005** **£'000**
(Loss) / profit for the year	**(337)**	(559)	**86**	(430)
Issue of new share capital	**3,019**	13,275	**3,019**	13,275
Related expenses	**(164)**	(606)	**(164)**	(606)
Net increase / (decrease) in equity shareholders' funds	**2,518**	12,110	**2,941**	12,239
Opening equity shareholders' funds	**12,483**	373	**12,612**	373
Closing equity shareholders' funds	**15,001**	12,483	**15,553**	12,612

24. Analysis of changes in net funds

	31 December 2005 **£'000**	**Cash flow** **£'000**	**31 December 2006** **£'000**
Cash at bank and in hand	3,683	(2,158)	1,525
Debt due after one year	-	(342)	(342)
Net funds	3,683	(2,500)	1,183

25. Reconciliation of net cash flow to movement in net funds

	Year to 31 December 2006 **£'000**	**18 months to 31 December 2005** **£'000**

(Decrease)/increase in cash in the period	(2,158)	3,302
Cash (inflow) from (increase) in (debt)	(342)	-
Movement in net (debt)/fund in the period	(2,500)	3,302
Net fund at 1 January 2006	3,683	381
Net funds at 31 December 2006	1,183	3,683

26. Financial instruments

The directors' report on pages 6 to 12 includes an explanation of the role that financial instruments have played during the year in creating or changing the risks the Company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Certain financial assets such as investments in subsidiary undertakings are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

The Group has no financial assets other than cash balances of £1,525,000 (2005: £3,683,000), which are part of the financing arrangements of the Company. The sterling cash balances comprise bank current accounts and deposits placed at investment rates of interest, which ranged between 4.81% p.a. and 5.22% p.a. in the period (2005: ranged between 4.51% p.a. and 4.81% p.a.). Maturity periods ranged between immediate access and 32 days.

Currency hedging

During the year, the Group did not engage in any form of currency hedging transaction (2005: none).

Financial liabilities

The Company has established a bank borrowing facility, which is available to all UK members of the Group. Under the facility:

- A Group net overdraft of up to £500,000 is available;
- £1,000,000 is available for the funding of TV productions
- Interest is calculated daily on the Group's net borrowings at 1.5% over base rate;
- Interest is credited daily on the Group's net credit balance at a variable rate in excess of base rate;
- Each UK group company guarantees the bank's exposure to each other group company;

In addition, Diema Vision AD has a loan facility of up to Euro 2million with Societe Generale Expressbank in Sofia. Interest is payable at 3 month EURIBOR + 3% and the facility is guaranteed by Apace Media plc. The bank holds a pledge over two-thirds of the shares of Diema Vision AD as collateral.

Fair values

The fair values of the financial assets and liabilities at 31 December 2006 are not materially different from their book values.

27. Commitments under operating leases

As at 31 December 2006 the Group was committed to make the following payments in 2007 in respect of operating leases:

	2006		2005	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
for leases expiring within a year:	17	19	-	-
for leases expiring in more than a year but less than five years:	109	54	98	4
for leases expiring in more than five years:	120	-	-	-

28. Contingent liability

Apace Music Limited is defending a claim brought against it late in 2006 by a French company, Georges V Records S.A.R.L, in the High Court, Chancery Division, for alleged infringement of various registered trade marks and "passing-off", arising from the use of the word "Buddha" in the titles of its "lounge" or "chill-out"" compilation CDs which are sold under Apace Music Limited's own registered European Community trade marks. The trial is set to take place on 10 December 2007. Apace Music Limited has been advised by specialist Intellectual Property leading and junior counsel. Acting on that advice it will be defending the claims and has also brought a counterclaim to revoke the trademark registrations on which the claim is based. Apace Music Limited has also voluntarily intervened in similar proceedings brought against its distributor, Socadisc, by Georges V Records S.A.R.L in France. The Board of the Company intends to vigorously defend these proceedings.

29. Post balance sheet event

On 7 February 2007, the Company incorporated and subscribed to 100% of the shares of Balkan Media Group Limited (BMG). On 16 February 2007, the Company executed an agreement with MTG Broadcasting AB (MTG) to sell 50% of the shares of BMG to MTG, subject to, amongst other things:

- the transfer by the Company to BMG of its shares in its non-UK subsidiaries;
- the acquisition by BMG of the minority interest in Diema Vision AD

This transaction was completed on 20 March 2007.

The initial consideration paid by MTG for 50% of BMG was €8,574,100, of which €650,000 is retained in escrow pending agreement of completion accounts. The Company paid €3,075,000 into BMG to finance its portion of the cost of acquiring the Diema minority interest.