Apace Media plc

Interim results for the six months ended 30 June 2008

CHAIRMAN'S STATEMENT AND OPERATIONAL REVIEW

OVERVIEW

I am pleased to report on a satisfactory first half of the 2008 year for Apace Media plc ("Apace"). During the period, both divisions, Content and Broadcasting, were profitable.

During the half year and on a comparable basis, turnover grew to £6.4m, an increase of 74% over last year's turnover of £3.7m for the same period.

At the same time, our profit before tax for the period was £460,000, a decrease of 34% compared to last year on a reported basis. However, this result comes entirely from continuing operations, which made a loss of £590,000 in the first half of 2007. This improvement reflects a good performance.

OPERATIONAL REVIEW

Content Creation

The Content activities have increased their turnover by 74% in the first half of 2008 when compared with the same period in 2007 (£6.4m in 2008 compared with £3.7m in 2007). This activity generated EBITDA of £728,000 in the first half of 2008 compared to £158,000 in the first half of 2007 on a comparable basis.

Steadfast Television Limited ("Steadfast") has increased both its sales and client base this year and now has eight major primetime factual series either in production or on air. As well as BBC One, National Geographic US Channel, ITV2 and Discovery Canada, Steadfast is now making programmes for ITV1, Sky One, Virgin Media, National Geographic International and FIVE. Ratings series winners during the last 12 months include *SKY COPS* (BBC One), *SEND IN THE DOGS* (ITV1), *BRIT COPS* (Bravo), *CARS, COPS & CRIMINALS* (BBC One), *CCTV CITIES* (Five) and *YOU ARE BEING WATCHED* (BBC One).

In addition, three further popular factual series are in the final stages of production or waiting to be transmitted: *DOCTORS AND NURSES AT WAR* (ITV1) (a first time look at Britain's Battlefield ER in Afghanistan); *UK BORDER FORCE* (Sky) (a first time behind-the-scenes portrait of Britain's Border and Immigration Agency at work); and, *SALVAGE CODE RED* (National Geographic International & Discovery Canada) (about the men who risk their lives saving ships and retrieving wrecks).

Steadfast International Ltd, now in its second year of trading as distributor for Steadfast, has signed sales contracts for considerable sales in many overseas territories. This includes sales to major networks in Australia, the United States and Europe. Steadfast programmes are now seen in 120 different countries.

Pro-Active Projects Limited ("Pro-Active") continues to explore new business areas that will build on its successful business model. On the Television Management side of the business, the strong relationship with the IRB continues, with Pro-Active retaining contracts for the Rugby Sevens World Cup next year as well as the Sevens World Series. Furthermore the two parties are close to agreeing terms on the next IRB Junior World Championship which will see Pro-Active operating out of Japan next summer. New projects in cricket also look likely to expand, along with more traditional work in sailing and other water sports. On the magazine programme side of the business, revenues are slightly increased and the contract for the "Airsports World" series has been renewed for a second year by the world governing body, the FAI, and sponsor Breitling. A new series called "Mountain bike World" was launched this autumn and already looks to be attracting potential sponsorship in this growing business area.

Pro-Active has also geared up to handle its first post-production project for Steadfast, thereby retaining spending within the Group and opening up the potential for regional productions to be totally handled by Pro-Active in the future.

Apace Music Limited ("Apace Music") has achieved greater market penetration in the UK in the first six months of 2008 as the retail market has settled down. We have been able to open up new key accounts (such as

Tesco). In overseas markets, we are now benefiting from the distributor changes that took place in 2007. These new accounts in the USA, Canada, Scandinavia, Germany and Eastern Europe are achieving greater market penetration through larger retail chains in their respective regions. In addition to the increase in CD volumes, we have also achieved a substantial growth in Performing Rights Society income, generated by the placement of Apace Music repertoire on Steadfast and Pro-Active productions.

Eastern European Broadcasting

After the transaction reflected in the 2007 year end financial statements, Balkan Media Group Limited (BMGL) is now reported as an associate in our financial statements.

For the period, the Apace share of BMGL's results has been a profit of £385,000 whereas on a comparable basis, BMGL suffered a loss of approximately £450,000 in the first half of 2007. This turnaround, as reported in our March trading update, is primarily due to a higher than expected audience share for the Diema channels in Bulgaria and a resulting increase in the advertising revenues of the channel. Our advertising revenues in the first half of 2008 are, excluding the effect of Euro 2008, more than four times greater than in the first half of 2007.

This increase in advertising revenues is very pleasing even though the channels are obviously starting from a low base of advertising revenues in the first half of 2007.

Our audience figures in the first half of 2008 have remained around 9% in the 18–49 demographic (2007: around 6%). However, the arrival of significant new competition (CME) will require additional investment in content to maintain and build upon our current position.

Staff

I would like to thank all of the Group's employees for their contribution to the half year's strong performance. In a period of rapid growth, our staff has continued to demonstrate flexibility, commitment and adaptability.

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 the interim period. We will however keep this policy under regular review.

Current trading and future prospects

Despite the good performance in the first half of 2008, management expects to see activities operate at a loss in the second half of 2008 before exceptional items. This loss is mainly due to a programming investment in Bulgaria for the relaunch of one of the channels and some cost overruns in our content division.

Given the recent and rapid worsening of the financial and economic conditions, the directors will update the market on expectations for the full year 2008 in December.

For the last 6 months, management has been trying hard to improve the strategic position and financial flexibility of Apace. We are currently in negotiation with one other company to combine our content activities with theirs. In Eastern Europe, we are currently reviewing the business plan following the acquisition (subject to regulatory approval) by our JV partner, MTG, of a terrestrial channel in Bulgaria.

However, in this market environment, the directors believe financial liquidity is crucial to achieving over the medium to long term, meaningful value for the assets we own. We are currently in discussions with our advisers over ways in which to strengthen our balance sheet. This may include a future equity fundraising.

We remain confident that, in the medium to long term, we have valuable, realisable assets in both Content and Broadcasting.

Roby Burke
Chairman
30 September 2008

Consolidated income statement

Continuing operations	Notes	6 months to 30 June 2008 (unaudited) £'000	6 months to 30 June 2007 (unaudited) £'000 restated	12 months ended 31 December 2007 (audited) £'000
Revenue		6,385	3,668	8,059
Cost of sales		(4,140)	(2,244)	(5,288)
Gross profit		2,245	1,424	2,771
Other income	3	-	-	20
Administrative expenses				
Exceptional	4	(130)	-	(3,283)
Normal		(2,064)	(1,886)	(4,068)
Operating profit / (loss) and profit / (loss) on ordinary activities before interest		51	(462)	(4,560)
Finance costs		-	-	(30)
Finance income		24	40	118
Share of profit / (loss) of associate	8	385	(167)	(760)
Profit / (loss) on ordinary activities before income tax		460	(589)	(5,232)
Income tax expense on ordinary activities	5	-	-	(16)
Profit / (loss) on ordinary activities after income tax from continuing operations	2	460	(589)	(5,248)
Discontinued operations				
Net profit from discontinued operations	2	-	1,287	1,461
Profit/(loss) for the period		460	698	(3,787)
Attributable to:				
Shareholders' equity	11	382	883	(3,575)
Minority interest		78	(185)	(212)
		460	698	(3,787)
Earnings per share	6			
From continuing operations				
Basic and diluted (pence)		**0.41**	**(0.66)**	**(5.86)**
From continuing and discontinued operations				
Basic and diluted (pence)		**0.41**	**0.99**	**(4.01)**

Consolidated balance sheet

	Notes	30 June 2008 (unaudited) £'000	30 June 2007 (unaudited) £'000 restated	31 December 2007 (audited) £'000
Assets				
Non-current assets				
Property, plant and equipment		462	523	479
Intangible assets - goodwill		2,633	2,633	2,633
Intangible assets - other		877	1,028	940
Investment property		-	160	-
Investment in associate	8	5,044	5,037	4,585
Available for sale financial assets		188	454	481
Investments – acquisition projects		608	664	520
Total non-current assets		9,812	10,499	9,638
Current assets				
Inventories		925	1,225	1,069
Trade and other receivables		5,042	6,129	3,122
Cash and cash equivalents		-	730	555
Total current assets		5,967	8,084	4,746
Total Assets		15,779	18,583	14,384
Liabilities				
Non-current liabilities				
Deferred tax liabilities		65	49	65
Total non-current liabilities		65	49	65
Current liabilities				
Trade and other current payables		2,605	2,701	3,090
Other taxes and social security		192	66	-
Borrowings	9	908	-	-
Total current liabilities		3,705	2,767	3,090
Total liabilities		3,770	2,816	3,155
Net assets		12,009	15,767	11,229
Capital and reserves				
Called up share capital	10	8,135	7,797	7,797
Share premium	11	6,908	6,840	6,840
Other reserve	11	1,375	1,375	1,375
Translation reserve	11	(61)	-	-
Shares to be issued		61	32	49
Profit & loss account	11	(4,270)	(174)	(4,652)
Equity shareholders' funds		12,148	15,870	11,409
Minority interests		(139)	(103)	(180)
Capital employed		12,009	15,767	11,229

Consolidated cash flow statement

	6 months to 30 June 2008 £'000 (unaudited)	6 months to 30 June 2007 £'000 (unaudited)	Year ended 31 December 2007 £'000 (audited)
Cash flows from operating activities			
Cash (used in) / generated from operations (note 12)	(1,351)	(1,659)	838
Interest paid	-	-	(30)
Net cash (used in) / generated from operating activities	(1,351)	(1,659)	808
Purchase of subsidiary undertakings	-	(155)	(93)
Proceeds from disposal of subsidiary undertaking	-	5,354	5,498
Costs relating to the disposal of subsidiary undertaking	-	(268)	(529)
Investment in associate	(135)	(2,078)	(2,157)
Cash disposed of with disposal of subsidiary undertakings	-	(348)	(348)
Purchase of tangible fixed assets	(75)	(132)	(185)
Purchase of intangible fixed assets	(64)	(153)	(223)
Purchase of investment property	(82)	(160)	(324)
Disposal of investment property	246	-	-
Purchase of available for sale financial assets	-	(557)	(602)
Proceeds from disposal of available for sale financial assets	-	116	345
Investment in TV Arberia (Albania)	-	-	(753)
Investment project work in progress	(88)	(441)	(716)
Interest received	24	40	75
Net cash (used in)/generated from investment activities	(174)	1,218	(12)
Proceeds from issue of ordinary shares	406	-	-
Loan to TV Arberia (Albania)	-	-	(1,763)
Net loan repayment by/ (made to) associate	(307)	-	386
Bank borrowings drawn / (eliminated)	-	(342)	(342)
Increase in bank overdrafts	908	-	-
Proceeds from issue of shares in subsidiaries to minority interests	-	23	23
Dividends paid – minority interest	(37)	(35)	(70)
Net cash generated from / (used in) financing activities	970	(354)	(1,766)
Net decrease in cash, cash equivalents and bank overdrafts	(555)	(795)	(970)
Cash, cash equivalents and bank overdrafts at beginning of the period	555	1,525	1,525
Cash and cash equivalents at the end of the period	-	730	555

Statement of changes in equity
For the period from 1 January 2007 to 30 June 2008

	Called up share capital	Share premium	Other reserve	Translation reserve	Shares to be issued	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2007 as reported	**7,797**	**6,840**	**1,375**	**-**	**18**	**(1,011)**	**15,019**
Prior periods amortisation on IFRS adoption	-	-	-	-	-	(66)	(66)
At 1 January 2007 restated	**7,797**	**6,840**	**1,375**	**-**	**18**	**(1,077)**	**14,953**
Profit for period as reported						903	903
Movement in period					14		14
30 June 2007	**7,797**	**6,840**	**1,375**	**-**	**32**	**(174)**	**15,870**
Loss for period						(4,458)	(4,458)
IFRS amortisation for period						(20)	(20)
Movement in period					17		17
31 December 2007	**7,797**	**6,840**	**1,375**	**-**	**49**	**(4,652)**	**11,409**
Share placings	338	68					406
Exchange difference on associate's opening net assets				(61)			(61)
Profit for period						382	382
Movement in period					12		12
30 June 2008	**8,135**	**6,908**	**1,375**	**(61)**	**61**	**(4,270)**	**12,148**

Notes to the interim report

1. Summary accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2008 have been prepared under applicable International Financial Reporting Standards adopted by the European Union ("IFRS") which have been adopted and incorporated into the principal accounting policies as set out below. Where appropriate, the reconciliation between UK GAAP and IFRS is given in the notes to the accounts.

The financial information included in this document is unaudited and does not comprise statutory accounts within the meaning of section 240 of the Companies Act 1985. The comparative figures for the financial year ended 31 December 2007 are those in the statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2007, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The auditor gave an unqualified report, without any statement under section 237(2) or (3) of the Companies Act 1985.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of adopted IFRS as at 30 June 2008 that are effective as at 30 June 2008. Based on these adopted IFRS, the directors have applied the accounting policies which they expect to apply when the financial statements are prepared for the year ending 31 December 2008. Furthermore the comparative figures for the six months ended 30 June 2007 have been restated as noted in note 14.

The directors do not consider that there are any material departures from the accounting policies applied in the 31 December 2007 financial statements to those used in preparing these interim financial statements. Furthermore, the comparative figures for the six months ended 30 June 2007 have been restated as noted in note 14 to ensure that these are stated on a comparable basis.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings made up to 31 December each year.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal.

2. Continuing and discontinued activities by segment

		6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000 *restated*	12 months ended 31 December 2007 £'000
Continuing				
Content Creation	Revenue	6,385	3,668	8,059
	Expenses	(6,103)	(3,905)	(8,866)
	Taxation	-	-	(16)
		282	(237)	(823)
Central costs	Expenses	(207)	(185)	(3,665)
Associate	Share of profit / (loss)	385	(167)	(760)
Profit / (loss) from continuing activities		460	(589)	(5,248)
Attributable to:	Equity shareholders	382	(584)	(5,217)
	Minority interests	78	(5)	(31)
Discontinued				
Eastern European Broadcasting	Revenue	-	908	902
	Expenses	-	(1,362)	(1,358)
	Exceptional items	-	(117)	(117)
	Taxation	-	-	-
		-	(571)	(573)
	Gain on disposal	-	1,858	2,034
Profit / (loss) from discontinued activities		-	1,287	1,461
Attributable to:	Equity shareholders	-	1,467	1,642
	Minority interests	-	(180)	(181)

3. Other income

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months ended 31 December 2007 £'000
Gains on disposal of investments	-	-	20
	-	-	20

4. Exceptional expenses

The exceptional expenses for the period under review represent impairment provisions relating to investment property and available for sale financial assets.

5. Tax on profit on ordinary activities

Due to the losses brought forward from the previous period, no provision has been made for UK taxation on trading.

6. Profit / (loss) per ordinary share

The calculations of profit / (loss) per share are based on the following profits / (losses) and numbers of shares:

	6 months ended 30 June 2008		6 months ended 30 June 2007		12 months ended 31 December 2007	
	Profit	**per share**	**Profit / (loss)**	**per share**	**Loss**	**per share**
	£'000	**p**	**£'000**	**p**	**£'000**	**p**
From continuing operations	**382**	**0.41**	**(584)**	**(0.66)**	**(5,217)**	**(5.86)**
From continuing and discontinued operations	**382**	**0.41**	**883**	**0.99**	**(3,575)**	**(4.01)**

Shares	**Number**	**Number**	**Number**
Weighted average number of shares			
Basic and diluted	**92,335,511**	**89,069,331**	**89,069,331**

There is no potential dilution of loss per share**.**

7. Subsidiary undertakings

At 30 June 2008, 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%
Apace Music Limited	Record label and music publishing	England	100%
Apace Television Limited (formerly Steadfast Rights Limited)	Holding company	England	100%
Pro-Active Projects Limited	Television production	England	90%
Steadfast International Limited	Television programme distribution	England	100%
Steadfast Television Limited	Television production	England	75%

8. Associate

The Company owns 50% of the issued share capital of Balkan Media Group Limited ("BMGL"), a company incorporated in England. MTG Broadcasting AB ("MTG"), a company incorporated in Sweden, owns the remaining shares. The shareholders are the parties to a shareholder agreement under which MTG exercises management control of BMGL and its subsidiaries. BMGL is consequently accounted for by Apace as an associate in accordance with IAS 28.

	£'000
Balance brought forward at 1 January 2008	4,585
Exchange difference taken to translation reserve	(61)
Further investment in the period	135
	4,659
Apace share of profit of associate	385
At 30 June 2008	5,044

9. Borrowings

Under the bank facility provided by The Royal Bank of Scotland plc ('RBS') and available to all UK members of the Group, the following amounts have been drawn as at the end of the period:

	£'000
Borrowings to fund specific TV productions	750
Borrowing under general overdraft facility	158
	908

The terms of the bank facility are as follows:

- A maximum of £1,000,000 is available for the funding of TV productions, whereby each individual production so funded has its own separately agreed overdraft facility, subject to its own specific terms and conditions and secured on that particular production; repayment in full is set for a specific repayment date and interest accrues at 2% over the RBS base rate during the period;
- a Group net overdraft facility of up to £500,000 is available and is repayable on demand;
- interest is calculated daily on the Group net overdraft facility borrowings at 1.5% over the RBS base rate;
- interest is credited daily on the Group's net sterling credit balance at a variable rate in excess of RBS base rate;
- each UK group company guarantees the bank's exposure to each other group company.

10. Share capital

Ordinary shares

	Number	Par Value	£'000
Authorised			
1 January 2008 and 30 June 2008	138,500,000	5p	6,925
Issued, called up and fully paid			
1 January 2008	89,069,331	5p	4,453
Share placings at 6p each	6,764,200	5p	338
30 June 2008	95,833,531	5p	4,791

Deferred shares

	Number		£'000
Authorised, issued, called up and fully paid			
1 January 2008 and 30 June 2008	22,293,076	15p	3,344

Total share capital

1 January 2008	7,797
30 June 2008	**8,135**

11. Reserves

	Share premium account £'000	Other reserve £'000	Translation reserve £'000	Profit & loss account £'000
At 1 January 2008	6,840	1,375	-	(4,652)
Share placings	68	-	-	-
Exchange difference	-	-	(61)	-
Profit for the period	-	-	-	382
At 30 June 2008	6,908	1,375	(61)	(4,270)

12. Cash generated from operations

	6 months ended 30 June 2008 £'000	6 months ended 30 June 2007 £'000	Year ended 31 December 2008 £'000
Continuing operations			
Profit / (loss) for the period	460	(589)	(5,248)
Adjustments for:			
(Loss) / profit reported by associate	(385)	167	760
Impairment of investment in TV Arberia (Albania)	-	-	992
Impairment of loan to TV Arberia (Albania)	-	-	1,763
Aborted investment projects written off	-	-	212
Revaluation of investments held for resale	130	-	120
Amortisation of intangible fixed assets	125	92	235
Depreciation of tangible fixed assets	90	46	127
Profit on disposal of investments	-	(12)	(20)
Loss on disposal of tangible fixed assets	-	-	11
Share-based payment expense	12	-	31
Interest payable	-	-	30
Interest receivable	(24)	(40)	(119)
Exchange gain	(100)	-	-
Decrease / (increase) in inventories	144	(550)	(394)
(Increase) / decrease in trade and other receivables	(1,612)	(2,311)	612
(Decrease) / increase in payables	(191)	1,418	1,608
Cash generated from continuing operations	(1,351)	(1,779)	720
Discontinued operations			
Profit for the period	-	1,467	1,461
Adjustments for:			
Gain on disposal of subsidiary	-	(2,038)	(2,034)
Amortisation of intangible fixed assets	-	34	34
Depreciation of tangible fixed assets	-	73	73
Interest expense	-	23	23
Increase in inventories	-	(8)	(8)
Increase in trade and other receivables	-	(806)	(806)
Increase in payables	-	1,375	1,375
Cash flow for discontinued operations	-	120	118
Cash (used in) / generated from operations	(1,351)	(1,659)	838

13. Share-based payments

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.

No share options have been granted or exercised in the period.

14. Transition to IFRS

The Group adopted IFRS in its June 2007 interim report. A subsequent review of intangible assets gave rise to an adjustment between intangible assets and goodwill relating to Apace Music Ltd's music catalogue. The results for the period ended 30 June 2007 and the balance sheet at 30 June 2007 are restated in this report to reflect the impact of that adjustment. A reconciliation of the balance sheet as originally reported to the restated balance sheet included in the financial statements is given below. The adjustment against retained earnings is made up of a brought forward balance in respect of additional amortisation of £66,000 and an additional charge for the period ended 30 June 2007 of £20,000.

Reconciliation of equity at 30 June 2007

Group

Balance Sheet 30 June 2007	As originally reported £000	Adjustments £000	**Adjusted IFRS £000**
Assets			
Non-current assets			
Property, plant and equipment	523	-	523
Intangible assets - goodwill	3,429	(796)	2,633
Intangible assets - other	298	710	1,008
Investment property	160	-	160
Investment in associate	5,037	-	5,037
Available for sale financial assets	454	-	454
Investments – acquisition projects	664	-	664
Total non-current assets	10,565	(86)	10,479
Current assets			
Inventories	1,225	-	1,225
Trade and other receivables	6,129	-	6,129
Cash and cash equivalents	730	-	730
Total current assets	8,084	-	8,084
Total assets	18,649	(86)	18,563
Liabilities			
Non-current liabilities			
Trade and other payables	-	-	-
Deferred tax liabilities	49	-	49
Total non-current liabilities	49	-	49
Current liabilities			
Trade and other payables	2,701	-	2,701
Other taxes and social security	66	-	66
Total current liabilities	2,767	-	2,767
Total liabilities	2,816	-	2,816
Net assets	15,833	(86)	15,747
Capital and reserves			
Called up share capital	7,797	-	7,797
Share premium	6,840	-	6,840
Other reserve	1,375	-	1,375
Shares to be issued	32	-	32
Retained earnings	(108)	(86)	(194)
Equity shareholders' funds	15,936	(86)	15,850
Minority interests	(103)	-	(103)
Capital employed	15,833	(86)	15,747

Directors and advisers

Directors
R E Burke (non-executive chairman)
D G P Stoessel (chief executive)
M J H Johnston (finance director)
C V Thompson
M G Morris (non-executive)
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This interim report and the report and accounts for the year ended 31 December 2007 are available from the Company's website:

www.apacemedia.co.uk