CONTENT VENTURES LIMITED

(formerly Apace Media plc)

Annual Report
For the year ended 31 December 2009

Company number: 03848181

Chairman's statement and operating & financial review

OVERVIEW

I am pleased to report that the 2009 full-year result has seen Content Ventures Limited ("the Company") deliver a solid performance in a difficult environment for media and production companies. Our television businesses in broadcasting, sports and factual production, and programme sales and distribution showed improved results compared to 2008, including the production of modest positive free cashflow.

Comparisons to 2008 are affected by the steep decline and (in a subsequent event in 2010) ultimate liquidation of Apace Music Limited due to insolvencies of major UK music distributors in the final quarter of 2008, as previously reported to shareholders. The Company has also recognized the following one-off non-cash charges:

- £103,000 charge for goodwill impairment
- £550,000 in respect of music catalogue impairment
- £180,000 of translation reserve "recycled" through the income statement due to the changes in the nature of the Group's Balkan interests (now accounted for as an investment rather than an associate).

For the full year, turnover from continuing operations was £9.89 million compared to £11.52 million for 2008. Excluding the decline in the Music business, turnover in the other businesses increased by just under £0.6m.

The Group reports a loss of £451,000 (2008: £3,015,000) after exceptional items and generated free cashflow of £238,000 (2008: cash resources expended of £847,000).

OPERATIONAL REVIEW

UK Content

The Group's UK television production businesses in 2009 contributed good performances in a deteriorating commissioning environment. As previously reported to shareholders, commissioning visibility in 2010 is poor as the broadcasting sector continues to be cautious in response to the severe economic contraction of the previous 18 months.

Steadfast Television Limited and Steadfast International Limited, the factual production and distribution companies, turned in combined revenues of £7.3 million (2008: £7.1 million) from better than expected international sales and the strength of returning series.

Pro-Active Projects Limited's sports production business had a good year with revenues of £2.1 million (2008: £1.8 million) from the production and distribution of sports events and programmes in rugby, sailing, power boating, mountain biking, and air sports.

We continue to receive small revenues from the licensing of Apace Rights Limited's music catalogue, largely for use in television programmes.

Eastern European Broadcasting

Our share of Balkan Media Group's profit rose to £658,000 this year (2008: £588,000), a modest improvement in a very difficult advertising market in Bulgaria. I refer investors to the website of Modern Times Group (www.mtg.se) to review the results and commentary of TV Nova, the underlying investment. Please also refer to the Report of the Directors on page 4, where the changes relating to the ownership of the Eastern European interests are disclosed more fully.

Delisting from AIM and re-registration as a private limited company

After giving consideration during the year to the costs and benefits of the listing on AIM of the Company's ordinary shares, the board resolved to propose to shareholders that the shares be delisted. As a result, the admission of the ordinary shares to trading on AIM was cancelled on 16 March 2010. The Company has subsequently been re-registered as a private limited company.

Chairman’s statement and operating & financial review

Proposed capital restructuring and tender offer

The notice of Annual General Meeting is being circulated to shareholders with this annual report. In addition to the normal AGM business on the agenda, it is proposed to seek shareholder approval at that meeting for a capital reduction and, subject to that approval, for the Company to make a tender offer to buy and cancel a limited number of ordinary shares in issue. I recommend shareholders to read the circular, exercise their vote by proxy and attend the meeting if possible.

Current trading and future prospects

The Group’s strategy is to concentrate its investments in Central and Eastern Europe where we believe the combination of our permanent managerial presence, banking relationships, and access to deal-flow will enable us to take advantage of depressed valuations to make significant returns for shareholders. The Directors continue to review options regarding ways to maximize the value of the Group’s remaining UK television production businesses.

Roby Burke
Chairman
18 August 2010

The directors present their report and the audited financial statements of Content Ventures Limited (formerly Apace Media plc) ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2009.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under AIM Rules of the London Stock Exchange the directors have prepared the Group and the Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union. In preparing these financial statements, the directors have also complied with IFRS, issued by the International Accounting Standards Board ("IASB"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group as at the year end and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosure of information to auditors

So far as each of the directors is aware at the time the report is approved:

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

This information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Report of the directors
For the year ended 31 December 2009

Principal activities, review of the business and future developments

The principal activity of the Company was that of a holding company for subsidiaries and associates / investments involved in the creation, acquisition, broadcasting, distribution and exploitation of intellectual properties in the television, sports and entertainment sectors.

UK subsidiaries

- Content Ventures Television Limited (formerly Apace Television Limited) – a holding company for its wholly-owned subsidiaries, namely:-
  - (1) Steadfast Television Limited – factual, documentary and other television programme production;
  - (2) Pro-Active Projects Limited – sports television programming production;
  - (3) Steadfast International Limited – the distribution of Steadfast Television Limited's television programming and other television programming;

- Apace Rights Limited – music publishing

UK associate / Bulgarian investment
Balkan Media Group Limited (BMGL) – a holding company for Balkan media companies (50% owned). The other 50% of BMGL is owned by Modern Times Group MTG AB (MTG). The principal investment of BMGL is:

Nova Televizia (Nova), the number two terrestrial broadcaster in Bulgaria.

On 5 August 2009, BMGL sold its Bulgarian broadcasting subsidiary, Diema Vision, and its interest in TV ERA to Nova in exchange for 10% of the enlarged share capital of Nova. BMGL is currently in solvent liquidation. Although the liquidation is not yet complete, the Company has been informed that, on 21 June 2010, it became registered in Nova's books as the beneficial owner of 5% of Nova's issued share capital. As a result of these events, the BMGL / Nova investment has ceased to be accounted for as an associate undertaking with effect from 5 August 2009 and is now treated as an available for sale financial asset.

A review of the Group's financial position at 31 December 2009 and proposed future developments and strategies and a description of the principal risks and uncertainties facing it including an analysis of the development and performance of the Group during the year and the position of the Group at the year end are reported in the Chairman's statement and operating and financial review on pages 1 to 2.

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in debt market prices, credit risk, liquidity risk, currency risk and interest rate risk. The Group manages risks in a way that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the Group's finance department.

Treasury activities and financial instruments

The Group's financial instruments comprise cash, bank borrowings and other items such as debtors and creditors. It is the Group's policy to keep surplus funds on deposit to earn the prevailing market rate of interest. At 31 December 2009, the Group had positive cash balances of £2,105,000 (2008 - £256,000). The Group does not speculate in derivative financial instruments in either sterling or foreign currencies.

Financial risk management (continued)

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. Where debt finance is utilised, that is subject to pre-approval by the board of directors and such approval is limited to financial institutions with an AA rating or better.

Liquidity risk

The Group actively maintains a mixture of cash and short-term debt finance that is designed to ensure that the Group has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk

The Group has both interest bearing assets and interest bearing liabilities. Interest bearing assets include only cash balances, which earn interest at a variable rate. Interest bearing liabilities arise from time to time when a bank facility may be used to finance the production of a television programme.

The directors will reconsider the appropriateness of this policy should the Group's operations change in size or nature.

Currency risk

The Group manages trading risks by the natural matching of sales revenues in a foreign currency with acquisition costs for various rights. TV productions sold in foreign currency are, where possible, matched by production costs being incurred in the same currency. Other specific material risks are considered for hedging by forward contracts. The Group has no other hedging policy.

Post balance sheet events

1. On 11 February, 2010, the creditors of Apace Music Limited resolved that the company be wound up. On 5 February 2009, Apace Music Limited had entered into a Company Voluntary Arrangement ("CVA") with its third party creditors. This was necessitated by the failure of that company's main distribution channels, with both Pinnacle and Entertainment UK, which were the principal entities operating CD distribution across the United Kingdom, entering into Administration proceedings during November and December 2008.

2. On 22 February 2010, Apace Rights Limited executed an agreement with a third party which, amongst other things, granted that party an option to acquire, on either the first or second anniversary of the agreement, the company's music catalogue for the sum of £100,000.

3. On 16 March 2010, the Company cancelled admission to trading of its Ordinary Shares on AIM.

4. On 16 June 2010, the Company was re-registered as a private limited company with the name Content Ventures Limited.

Results and dividends

The results of the Group for the year are set out in the financial statements and show a loss for the year of £451,000 (2008: loss of £3,015,000). The directors are not in a position to recommend the payment of a dividend (2008 - £nil).

Creditor payment policy

The Group agrees payment terms with suppliers when it enters into purchase contracts. The Group seeks to abide by the payment terms agreed with the supplier whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard or code that deals specifically with the payment of suppliers. Average creditor days for the year ended 31 December 2009 were 51.5 (2008: 45.6 days).

Charitable and political donations

No charitable or political donations were made during either period.

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Substantial interests

The directors have been notified that, as at the date of signing of these consolidated financial statements, the following shareholders held disclosable interests of 3% or more of the issued share capital of the Company:

Beneficial owner	No. of 1p ordinary shares	% held
Didier Stoessel and his family	96,813,925	66.39
Banque Paribas Suisse	10,301,161	7.06
William Vanderfelt	6,326,967	4.34

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Corporate governance

The Company is no longer listed on the Alternative Investment Market (AIM) and is not required to comply with the provisions of the Combined Code. Nevertheless, the Company seeks, within the practical confines of being a small company, to act in compliance with the principles of good governance and the code of best practice. Given the small number of employees, internal control is exercised by the close involvement of directors in the day to day management of the Company’s affairs.

Directors meet regularly and retain full and effective control over the Company. At the date of signing these consolidated financial statements, the Company has an executive Chairman, two executive directors and three non-executive directors. The non-executive directors are independent of the management.

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”. Options under both schemes were granted in the year to 31 December 2006 and run for a period of ten years. All employees are eligible to participate in the schemes. During the year to 31 December 2009, options have neither been granted nor exercised.

Report of the directors
For the year ended 31 December 2009

Directors

The directors who served on the board of the Company during the year to 31 December 2009 and to the date of this report were:

Robert Burke (Executive Chairman)
Didier Stoessel (Chief executive)
Martin Johnston (Finance director)
Charles Thompson (executive)
Anthony Vickers (non-executive) (resigned 24 April 2009)
Michael Morris (non-executive) (resigned 24 April 2009)
William Vanderfelt (non-executive)
Francesco Abbruzzese (non-executive) (appointed 29 April 2009)

On 17 February 2010, Francesco Abbruzzese resigned as a non-executive director and on 17 March 2010 Olivier Dorier was appointed as a non-executive director. On 1 April 2010, Didier Stoessel resigned as a director. On 19 April 2010, Vassil Ivanov was appointed as a non-executive director.

Directors' and officers' liability insurance

The Company has purchased insurance cover to cover directors' and officers' liability, as permitted by section 233 of the Companies Act 2006. This was in force throughout the year under review and at the date of signing these consolidated financial statements.

Auditors

In accordance with relevant legislation, a resolution to confirm the reappointment of Rawlinson & Hunter as auditors will be proposed at the next annual general meeting.

By order of the Board

Robert Carter
Company Secretary
18 August 2010

Independent auditors' report
to the shareholders of Content Ventures Limited

We have audited the Group and the Company financial statements ("the financial statements") of Content Ventures Limited for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the Group and Company balance sheets, the Group and Company cash flow statement, the Group and Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the EU and, as regards the Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's shareholders in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out in the Report of the Directors, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2009 and of the Group's loss for the year then ended;

- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;

- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or

- the Company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Christopher Bliss (Senior Statutory Auditor)
For and on behalf of

RAWLINSON & HUNTER
Statutory Auditors
Chartered Accountants

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Date: 19 August 2010

Consolidated income statement
For the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Revenue	1	9,887	11,518
Cost of sales		(7,027)	(8,360)
Gross profit		2,860	3,158
Administrative expenses			
Exceptional	4	(411)	(3,226)
Normal		(3,409)	(3,613)
Operating loss and loss on ordinary activities before interest	3	(960)	(3,681)
Finance costs	2	(5)	(21)
Finance income	2	36	59
Share of profit of associate	13	658	588
Translation reserve transferred through profit & loss	13	(180)	-
Loss on ordinary activities before income tax	3	(451)	(3,055)
Income tax credit on loss on ordinary activities	8	-	40
Loss on ordinary activities after income tax		(451)	(3,015)
Loss for the year		(451)	(3,015)
Attributable to:			
Equity shareholders		(711)	(2,858)
Minority interests		260	(157)
		(451)	(3,015)
Earnings per share			
Basic and diluted (pence)	7	**(0.52)**	**(3.04)**

All results relate to continuing operations

The notes on pages 20 to 38 form part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2009

	2009 £'000	2008 £'000
Loss for the year	(451)	(3,015)
Other comprehensive income:		
Prior period adjustment	(5)	(9)
Currency translation differences	-	(183)
Other comprehensive income for the year	(5)	(192)
Total comprehensive income for the year	(456)	(3,207)
Attributable to:		
Equity shareholders	(716)	(3,050)
Minority interests	260	(157)
Total comprehensive income for the year	(456)	(3,207)

The notes on pages 20 to 38 form part of these financial statements.

Balance sheet
31 December 2009

		Group		Company	
	Notes	31 December 2009 £'000	31 December 2008 £'000	31 December 2009 £'000	31 December 2008 £'000
Assets					
Non-current assets					
Property, plant and equipment	9	373	475	23	50
Intangible fixed assets	10	189	864	-	-
Investments in subsidiary undertakings	12	-	-	1,891	1,741
Investment in associate undertaking	13	-	5,198	-	5,198
Available for sale financial assets	14	5,915	169	5,915	169
Investments – acquisition projects	15	73	73	73	73
		6,550	6,779	7,902	7,231
Current assets					
Inventories	16	135	644	-	-
Trade and other current receivables	17	2,923	4,269	607	1,619
Cash and cash equivalents		2,105	256	2,128	1,159
Total current assets		5,163	5,169	2,735	2,778
Total assets		11,713	11,948	10,637	10,009
Liabilities					
Non-current liabilities					
Deferred tax liabilities	19	24	24	-	-
Total non-current liabilities		24	24	-	-
Current liabilities					
Trade and other current payables	18	2,460	3,096	249	539
Total current liabilities		2,460	3,096	249	539
Total liabilities		2,484	3,120	249	539
Net assets		9,229	8,828	10,388	9,470
Capital and reserves					
Called up share capital	20	8,636	8,136	8,636	8,136
Share premium	22	7,311	6,908	7,311	6,908
Other reserve	22	1,375	1,375	1,375	1,375
Translation reserve	22	-	(183)	-	-
Shares to be issued	22	67	60	67	60
Retained earnings	22	(8,235)	(7,519)	(7,001)	(7,009)
Equity shareholders' funds		9,154	8,777	10,388	9,470
Minority interests	22	75	51		-
Capital employed		9,229	8,828	10,388	9,470

The financial statements were approved by the Board on 18 August 2010.

M J H Johnston
Director

The notes on pages 20 to 38 form part of these financial statements.

Cash flow statement
For the year ended 31 December 2009

		Group		Company	
		Year ended		Year ended	
	Notes	**31 December 2009 £'000**	**31 December 2008 £'000**	**31 December 2009 £'000**	**31 December 2008 £'000**
Cash flows from operating activities					
Cash generated from operations	23	238	(848)	(925)	(755)
Interest paid	2	(5)	(21)	(5)	-
Net cash generated from operating activities		233	(869)	(930)	(755)
Purchase of minority interest in subsidiary undertaking	12	(150)	-	(150)	-
Investment in associate	13	(227)	(312)	(227)	(312)
Refund of capital on liquidation of associate	13	522	-	522	-
Proceeds from termination of investment project		-	888	-	888
Purchase of tangible fixed assets	9	(68)	(148)	-	(8)
Purchase of intangible fixed assets	10	(3)	(136)	-	-
Purchase of investment property		-	(82)	-	(82)
Disposal of investment property		-	221	-	221
Investment project work in progress	15	-	(88)	-	(88)
Interest received	2	36	59	58	218
Net cash generated from investing activities		110	402	203	837
Proceeds from issue of ordinary shares	20	1,000	406	1,000	406
Related expenses	22	(97)	-	(97)	-
Net loan repaid by / (made to) associate		793	(163)	793	(163)
Dividends paid – minority interest		(190)	(75)	-	-
Net cash generated from financing activities		1,506	168	1,696	243
Net increase / (decrease) in cash, cash equivalents and bank overdrafts		1,849	(299)	969	325
Cash, cash equivalents and bank overdrafts at beginning of the year		256	555	1,159	834
Cash, cash equivalents and bank overdrafts at the end of the period		2,105	256	2,128	1,159

The notes on pages 20 to 38 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2009

Group	Called up share capital	Share premium	Other reserve	Translation reserve	Shares to be issued	Retained earnings	Total	Minority interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2008	**7,797**	**6,840**	**1,375**	**0**	**49**	**(4,652)**	**11,409**	**(180)**	**11,229**
Comprehensive income									
(Loss) for the period	-	-	-	-	-	(2,858)	(2,858)	(157)	(3,015)
Prior year adjustment	-	-	-	-	-	(9)	(9)	-	(9)
Other comprehensive income									
Exchange difference on associate's opening net assets			-	(183)	-		(183)	-	(183)
Total comprehensive income for the year	**0**	**0**	**0**	**(183)**	**0**	**(2,867)**	**(3,050)**	**(157)**	**(3,207)**
Transactions with owners, recorded directly in equity									
Shares issued	339	68	-	-	-	-	407	-	407
Minority interest								388	388
Movement in the period	-	-	-	-	11	-	11	-	11
Total transactions with owners	**339**	**68**	**0**	**0**	**11**	**0**	**418**	**388**	**806**
31 December 2008	**8,136**	**6,908**	**1,375**	**(183)**	**60**	**(7,519)**	**8,777**	**51**	**8,828**
Comprehensive income									
(Loss) for the period	-	-	-	-	-	(711)	(711)	260	(451)
Realised exchange difference	-	-	-	183	-	-	183	-	183
Prior year adjustment	-	-	-	-	-	(5)	(5)	-	(5)
Total comprehensive income for the year	**0**	**0**	**0**	**183**	**0**	**(716)**	**(533)**	**260**	**(273)**
Transactions with owners, recorded directly in equity									
Share placing	500	500	-	-	-	-	1,000	-	1,000
Share placing expenses		(97)	-	-	-	-	(97)	-	(97)
Minority interest	-	-	-	-	-	-	-	(236)	(236)
Movement in period	-	-	-	-	7	-	7	-	7
Total transactions with owners	**500**	**403**	**0**	**0**	**7**	**0**	**910**	**(236)**	**674**
31 December 2009	**8,636**	**7,311**	**1,375**	**0**	**67**	**(8,235)**	**9,154**	**75**	**9,229**

Company	Called up share capital £'000	Share premium £'000	Other reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
At 1 January 2008	**7,797**	**6,840**	**1,375**	**49**	**(2,921)**	**13,140**
Shares issued	339	68	-	-	-	407
Loss for period	-	-	-	-	(4,088)	(4,088)
Movement in period	-	-	-	11	-	11
31 December 2008	**8,136**	**6,908**	**1,375**	**60**	**(7,009)**	**9,470**
Prior year adjustment	-	-	-	-	2	2
Share placing	500	500	-	-	-	1,000
Share placing expenses	-	(97)	-	-	-	(97)
Profit for the period	-	-	-	-	6	6
Movement in period	-	-	-	7	-	7
31 December 2009	**8,636**	**7,311**	**1,375**	**67**	**(7,001)**	**10,388**

Statement of accounting policies
for the year ended 31 December 2009

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

Companies legislation and Accounting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

IAS 1 (revised) Presentation of Financial Statements ("IAS 1") is mandatory for accounting periods beginning on or after 1st January 2009. The revised standard prohibits the presentation of items of income and expenditure within the consolidated statement of changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement. Entities can choose whether to present one performance statement (the consolidated statement of comprehensive income) or two (the consolidated income statement and consolidated statement of comprehensive income). The Group has elected to present a consolidated income statement and consolidated statement of comprehensive income.

IFRS 8 Operating Segments, IFRS 7 Financial Instruments: Disclosures (Amendment), Amendment to IAS 23 Borrowing Costs and Amendment to IFRS 2 Share Based Payments are also effective for annual periods beginning on or after 1st January 2009 and have been adopted in preparing these consolidated financial statements. The adoption of these standards has not had a material impact on these financial statements.

Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the preparation of the financial statements. The estimates and assumptions that have a significant risk of causing material adjustment are discussed below:

(a) Impairment testing of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the Goodwill accounting policy. The recoverable amounts of cash-generating units have been determined using value-in-use calculations. Details of the impairment review are provided in note 11.

(b) Revenue recognition

In making its judgement of when to recognise revenue, management have applied the detailed criteria for the recognition of revenue from the sale of goods and rendering of services as detailed in IAS 18.

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 2009.

The Group had net assets of £9,229,000 as at 31 December 2009 (2008: £8,828,000). The directors consider that the going concern basis is appropriate on the grounds that there is sufficient cash to meet the Group'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. Associates have been accounted for using the equity accounting method prescribed by IAS 28.

No income statement is prepared for the Company, as permitted by Section 408 of the Companies Act 2006. The Company made a profit for the year of £6,000 (2008: loss of £4,088,000).

Business combinations

The results of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists where the Group has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

All business combinations are accounted for by using the acquisition accounting method. This involves recognising identifiable assets and liabilities of the acquired business at fair value. 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.

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 year end exchange rates. Foreign exchange differences arising on retranslation of opening net investments in foreign operations are recognised directly in a separate translation reserve within equity.

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.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. On the date of disposal or reclassification of an associate, the Group ceases equity accounting for that associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Revenue recognition

Turnover comprises sales of goods and services after deduction of discounts and VAT. It does not include sales between group companies.

Turnover is recognised when the risks and rewards of the underlying products and services have been substantially transferred to the customer. Revenue from services is recognised as the services are performed.

For television production, turnover comprises amounts receivable for work carried out in producing television programmes, which is recognised over the period of the production in line with the terms of the underlying contract, and licence fees in respect of the distribution of those programmes to the extent that the company has a contractual right to such fees, exclusive of Value Added Tax.

For programme distribution, turnover comprises revenue recognised on selling licences at the point of contractually agreeing the distribution, exclusive of Value Added Tax.

For the sale of CDs, turnover comprises revenue recognised at the point of delivering the CD, exclusive of Value Added Tax.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the balance sheet date. 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. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Exchange gains and losses are recognised in the income statement.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on the acquisition of subsidiaries is disclosed separately.

Goodwill on the acquisition of subsidiaries 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.

Goodwill on the acquisition of associates is included in 'investments in associates' and is reviewed for impairment at least annually. More regular reviews are performed if events indicate that they are necessary.

Intangible fixed assets

The Group recognises any specifically identifiable intangible assets separately from goodwill. 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 catalogue:	20 years
Other 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.

Property, plant and equipment

Property, plant and equipment is 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 the estimated residual value over the estimated useful lives of the asset. 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

Property, plant and equipment is subject to review for impairment if triggering events or circumstances indicate that it is necessary. Any impairment is charged to the income statement as it arises.

Investments – acquisition projects in progress

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Gains or losses arising from changes in fair value are presented in the income statement within "exceptional administrative expenses".

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 UK cash management facility are netted against credit balances in the same facility and 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.

Inventory and work in progress

Inventory and work in progress are valued at the lower of cost and net realisable value. Cost represents direct costs incurred and, where appropriate, a proportion of attributable overheads. Inventory 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 is provided in full using the balance sheet liability method for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantively enacted tax rates.

Deferred tax assets are recognised to the extent that the temporary difference will reverse in the foreseeable future and that it is probable that future taxable profit will be available against which the asset can be utilised.

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 proportion of share awards 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 the notes to the financial statements:

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

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

Leases

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.

Assets held under finance leases are recognised as non-current assets of the Group at their fair value at the date of commencement of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments relating to operating leases are charged to the income statement on a straight-line basis over the lease term.

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these consolidated financial statements, the IASB and IFRIC have issued the following standards and interpretations which are effective for annual accounting periods beginning on or after the stated effective date. These standards and interpretations are not effective for and have not been applied in the preparation of these consolidated financial statements:

- IFRS 3: Business Combinations (revised) (effective as of 1st July 2009)

- IAS 27: Consolidated and Separate Financial Statements (amended) (effective as of 1st July 2009)

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial adoption. Other standards, amendments and interpretations have been issued but are not yet effective and are not expected to be relevant to the Group's operations.

1. Segmental reporting

The Group has two business segments, which are separately managed and which have very different business risks and returns. The Board regards this segmentation as its primary format for segmental reporting and geographical segmentation as its secondary format.

The transition from the provisions of IAS 14 Segment Reporting ("IAS 14") to IFRS 8, which became mandatory for accounting periods beginning on or after 1 January 2009, has not given rise to any specific changes in the way the Group reports on its operating segments. However, management have reviewed the current segments and have confirmed the existing approach to be satisfactory under the provisions of IFRS 8.

Primary reporting format – business segments

	Eastern European Broadcasting		Content Creation		Unallocated		Group	
	2009	2008	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue								
External sales	-	-	9,887	11,518	-	-	9,887	11,518
Segment operating result	-	-	440	(509)	(989)	54	(549)	(455)
Impairment of goodwill	-	-	(103)	(3,096)	-	-	(103)	(3,096)
Impairment of intangible asset	-	-	(550)	-	-	-	(550)	-
Revaluation of investments held for resale	-	-	-	-	242	(130)	242	(130)
Interest expense	-	-	(22)	-	-	(21)	(22)	(21)
Interest income	-	-	-	-	53	59	53	59
Share of profit / (loss) of associate	658	588	-	-	-	-	658	588
Translation reserve transferred through profit & loss	(180)	-	-	-	-	-	(180)	-
Profit / (loss) before tax	478	588	(235)	(3,605)	(694)	(38)	(451)	(3,055)
Income tax	-	-	-	40	-	-	-	40
Profit /(loss) for the year	478	588	(235)	(3,565)	(694)	(38)	(451)	(3,015)
Profit /(loss) attributable to minority interests	-	-	260	(157)	-	-	260	(157)
Profit /(loss) attributable to equity shareholders	478	588	(495)	(3,408)	(694)	(38)	(711)	(2,858)

On 5 August 2009, the Company merged its Eastern European Broadcasting interests with Nova Televizia, the Bulgarian subsidiary of Modern Times Group. With effect from that date, equity accounting for this segment ceased and the investment in Nova is classified as an "Available for sale financial asset". The translation reserve of £180,000 arising on the revaluation of the opening net liabilities of the associate for exchange rate changes has been transferred through profit & loss.

The Content Creation segment sales for 2008 include £2,698,000 by Apace Music Limited; the comparable sales for 2009 were £477,000 and, since the year-end, the company has commenced liquidation.

There were no discontinued operations in either 2009 or 2008.

1. Segmental reporting (continued)

	Eastern European Broadcasting		Content Creation		Unallocated		Group	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Other information								
Segment assets	5,564	-	2,967	3,822	3,182	2,928	11,713	6,750
Investment in equity accounted associate	-	5,198	-	-	-	-	-	5,198
Total assets	**5,564**	**5,198**	**2,967**	**3,822**	**3,182**	**2,928**	**11,713**	**11,948**
Segment liabilities	-	-	2,235	2,793	249	327	2,484	3,120
Total liabilities	**-**	**-**	**2,235**	**2,793**	**249**	**327**	**2,484**	**3,120**
Capital expenditure	-	-	68	276	-	8	68	284
Depreciation	-	-	133	143	27	39	160	182
Amortisation of intangibles	-	-	124	212	-	-	124	212
Impairment of intangibles	-	-	550	-	-	-	550	-

Secondary reporting format – geographic segments

	Revenue		Segment assets		Capital expenditure	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Content Creation						
UK & Ireland	4,834	7,902	2,967	3,822	68	276
Rest of Europe	1,236	2,266	-	-	-	-
Rest of the World	3,817	1,350	-	-	-	-
Total Content Creation	9,887	11,518	2,967	3,822	68	276
Unallocated	-	-	3,182	2,928	-	8
Total	9,887	11,518	6,149	6,750	68	284
Investment in equity accounted associate	-	-	-	5,198	-	-
Investment in Nova Televizia	-	-	5,564	-	-	-
Total	**9,887**	**11,518**	**11,713**	**11,948**	**68**	**284**

2. Finance income and costs

	2009	2008
	£'000	£'000
Finance income		
Interest income on short-term bank deposits	**6**	14
Other interest income	**30**	45
	36	59
Finance costs		
Interest cost to banks	**5**	21
	5	21

3. Loss on ordinary activities before income tax

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

	2009	2008
	£'000	£'000
Depreciation of property, plant and equipment		
- Group	**160**	182
- Company	**27**	39
Amortisation of intangibles	**124**	212
Impairment of intangibles	**550**	-
Operating lease rentals and hire of plant and machinery		
- land & buildings	**170**	123
- equipment hire	**16**	14
Foreign exchange differences	**217**	(493)
Amounts payable to the Group's auditor in respect of both audit and non-audit services:		
- Statutory audit of the Company and Group financial statements	**25**	32
- Statutory audit of subsidiary undertakings	**39**	28
- Tax planning, compliance and other services	**39**	60

Exceptional administrative expenses are disclosed in Note 4.

4. Exceptional administrative expenses

The charge for the year relates to:

	2009	2008
	£'000	£'000
Charge for impairment of goodwill	**103**	3,096
Charge for impairment of intangible assets	**550**	-
Revaluation of investments held for resale	**(242)**	130
	411	3,226

The charge for impairment of goodwill has resulted from a detailed review of the value of the Company's subsidiaries. In accordance with the Group's accounting policy for goodwill, the carrying values of the Group's cash-generating units and the goodwill relating to those carrying values have been reviewed for impairment as disclosed in note 11.

The charge for impairment of intangible assets results from a review of the Apace Rights Limited music catalogue and its diminished capacity to earn mechanical royalties following the liquidation of Apace Music Limited.

5. Staff costs

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

	2009	2008
	£'000	£'000
Wages and salaries	**2,257**	1,965
Severance/termination payments	**-**	176
Social security costs	**238**	224
Other pension costs	**43**	10
	2,538	2,375

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

	2009	2008
	No.	No.
Management	**8**	7
Development	**-**	2
Production	**23**	13
Sales	**4**	4
Administration	**9**	11
	44	37

6. Directors' remuneration

The aggregate emoluments of the directors was as follows:

	2009	2008
	£'000	£'000
Basic remuneration	**416**	310
Consultancy fees	**215**	122
Company pension contributions to a money purchase scheme	**43**	10
	674	442

Emoluments of the highest paid director:

	2009	2008
	£'000	£'000
Basic remuneration	**-**	150
Consultancy fees	**210**	-
	210	150

7. Loss per ordinary share

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

	2009 Loss	2009 per share	2008 Loss	2008 per share
	£'000	p	£'000	p
Loss				
Loss after taxation from continuing operations	**(711)**	**(0.52)**	(2,858)	(3.04)
	Number		Number	
Shares				
Weighted average number of shares Basic and diluted	**135,559,559**		94,094,078	

8. Taxation on loss on ordinary activities

Analysis of charge in the period	**2009**	**2008**
	£'000	**£'000**
Current tax on continuing activities (see below)	-	-
Deferred tax (note 19)	-	40
Income tax credit on loss on ordinary activities	-	40
Loss before tax – continuing operations	(451)	(3,055)
Tax at 28% (2008 – 28.5%) on loss on ordinary activities	(126)	(871)
Effects of:		
Expenses not deductible for tax purposes	29	86
Non-taxable income	(29)	
Capital allowances in excess of depreciation	(9)	41
Other timing differences	(2)	45
Foreign tax consolidation adjustments		(167)
Impairment of goodwill on consolidation	29	882
Translation reserve written off	50	-
Amortization of intangible assets	165	-
Gains not taxable		(76)
Brought forward tax losses utilised	(107)	-
Tax losses carried forward	-	60
Current tax on continuing activities	-	-

The Group has tax losses of £1.362m (2008 - £2.631m) available to be carried forward against future trading profits. No deferred tax asset has been recognised in respect of these losses within these financial statements as future recovery and utilisation is uncertain.

9. Property, plant and equipment

Group	**Leasehold improvements £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost			
At 1 January 2009	73	1,385	1,458
Prior year adjustment	-	-	-
Additions	-	68	68
Disposals	-	(66)	(66)
At 31 December 2009	**73**	**1,387**	**1,460**
Depreciation			
At 1 January 2009	(43)	(940)	(983)
Prior year adjustment	-	-	-
Charge for the period	(15)	(145)	(160)
Eliminated on disposal		56	56
At 31 December 2009	**(58)**	**(1,029)**	**(1,087)**
Net book value			
31 December 2009	**15**	**358**	**373**
31 December 2008	30	445	475

Group - comparatives	**Leasehold improvements £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost			
At 1 January 2008	73	1,198	1,271
Prior year adjustment	-	39	39
Additions	-	148	148
Disposals	-	-	-
At 31 December 2008	**73**	**1,385**	**1,458**
Depreciation			
At 1 January 2008	(28)	(764)	(792)
Prior year adjustment	-	(9)	(9)
Charge for the period	(15)	(167)	(182)
Eliminated on disposal	-	-	-
At 31 December 2008	**(43)**	**(940)**	**(983)**
Net book value			
31 December 2008	**30**	**445**	**475**
31 December 2007	45	434	479

9. Property, plant & equipment (continued)

Company	**Leasehold improvements**	**Fixtures, fittings & equipment**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2009	73	83	156
Additions	-	-	-
At 31 December 2009	**73**	**83**	**156**
Depreciation			
At 1 January 2009	(43)	(63)	(106)
Charge for the period	(15)	(12)	(27)
At 31 December 2009	**(58)**	**(75)**	**(133)**
Net book value			
31 December 2009	**15**	**8**	**23**
31 December 2008	30	20	50

Company - comparatives	**Leasehold improvements**	**Fixtures, fittings & equipment**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2008	73	75	148
Additions	-	8	8
At 31 December 2008	**73**	**83**	**156**
Depreciation			
At 1 January 2008	(28)	(39)	(67)
Charge for the period	(15)	(24)	(39)
At 31 December 2008	**(43)**	**(63)**	**(106)**
Net book value			
31 December 2008	**30**	**20**	**50**
31 December 2007	45	36	81

10. Intangible fixed assets

Group	Music rights	
	2009	2008
	£'000	£'000
Cost		
At 1 January 2009	1,578	1,442
Additions	3	136
Write-down on intra-group transfer	(541)	-
Disposals	(4)	-
At 31 December 2009	**1,036**	**1,578**
Depreciation		
At 1 January 2009	(714)	(502)
Charge for the period	(124)	(212)
Write-back on intra-group transfer	541	-
Impairment charge	(550)	-
At 31 December 2009	**(847)**	**(714)**
Net book value		
31 December 2009	**189**	**864**
31 December 2008	864	940

Included within music rights are buyout costs relating to the acquisition of music rights. Following the acquisition of the catalogue by Apace Rights Limited and the entry of Apace Music Limited (which previously held the music right assets) into a CVA and subsequently in February 2010 into formal liquidation proceedings, a review was performed for impairment of the valuation of the intangible asset. Estimates of the future cash flow streams from the exploitation of the rights over the next 10 years were made and a discounted cash flow analysis performed using a pre-tax discount rate of 10%. Based on this review the directors consider that the asset is materially impaired. The principal cause of the impairment is the reduction in royalty flow from the mechanical reproduction of the music, which was previously carried out by Apace Music Limited.

The Company owns no intangible fixed assets.

11. Goodwill

Group

	2009 £'000	2008 £'000
Cost		
At 1 January 2009	3,096	2,633
Goodwill arising from the acquisition of minority interests	103	463
At 31 December 2009	**3,199**	**3,096**
Amortisation		
At 1 January 2009	(3,096)	-
Charge arising from impairment review	(103)	(3,096)
At 31 December 2009	**(3,199)**	**(3,096)**
Net book value		
31 December 2009	**-**	**-**

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

Goodwill comprises:	2009 £'000	2008 £'000
At 1 January 2009	**-**	2,633
Acquisition of minorities in UK content companies	**103**	463
Provision for impairment	**(103)**	(3,096)
Net book value at 31 December 2009	**-**	-

The goodwill impairment provision results from an impairment review carried out in accordance with the Company's accounting policy (see pages 15 & 17)

12. Investments in subsidiary undertakings

	Company 2009 £'000	2008 £'000
At 1 January 2009	**1,741**	4,363
Inter-company debts capitalised	**-**	2,212
Provision for impairment	**-**	(4,834)
Minority interest acquired	**150**	-
At 31 December 2009	**1,891**	1,741

At 31 December 2009, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	**Principal activity**	**Country of incorporation**	**% of equity and votes held**
Content Ventures Television Limited	Holding company	England	88%
Apace Rights Limited	Music publishing	England	100%
Pro-Active Projects Limited *	Television production	England	100%
Apace Music Limited *	In liquidation	England	100%
Steadfast Television Limited *	Television production	England	100%
Steadfast International Limited *	Television programme distribution	England	100%

* - subsidiary undertakings of Content Ventures Television Limited.

In March 2009, Content Ventures Limited acquired shares from minority shareholders in Content Ventures Television Limited, reducing the minority holding to 12.1%.

Investment in associate undertaking

Associate undertaking	Principal activity	Country of incorporation	% of equity held
Balkan Media Group Limited	Holding company for media businesses in Bulgaria and Macedonia	England	50%

	Group	
	2009	**2008**
	£'000	**£'000**
At 1 January 2009	5,198	4,585
Share placing in lieu of Bulgarian consultancy fee	-	100
Further costs capitalised	227	108
Exchange difference on opening net assets	3	(183)
	5,428	4,610
Share of associate's profit for the year	658	588
Refund of capital on merger into Nova	(522)	**-**
Transfer to available for sale financial assets (Note 14)	(5,564)	**-**
At 31 December 2009	**-**	**5,198**

	Company	
	2009	**2008**
	£'000	**£'000**
At 1 January 2009	5,198	4,585
Share placing in lieu of Bulgarian consultancy fee	-	100
Further costs capitalised	227	108
	5,425	4,610
Movement on impairment provision	661	588
Refund of capital on merger into Nova	(522)	**-**
Transfer to available for sale financial assets (Note 14)	(5,564)	**-**
At 31 December 2009	**-**	**5,198**

On 5 August 2009, Balkan Media Group Limited (BMGL) sold its Bulgarian broadcasting subsidiary, Diema Vision EAD, to Nova Televizia EAD (Nova) in exchange for 10% of the enlarged share capital of Nova. BMGL is currently in solvent liquidation. Although the liquidation is not yet complete, the Company has been informed that, on 21 June 2010, it became registered in Nova's books as the beneficial owner of 5% of Nova's issued share capital. As a result of these events, the BMGL / Nova investment has ceased to be accounted for as an associated undertaking with effect from 5 August 2009 and is now treated as an available for sale financial asset (see note 14 below).

Available for sale financial assets

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Investment in quoted shares	**351**	169	**351**	169
Investment in Nova Televizia EAD (Note 13)	**5,564**	-	**5,564**	-
	5,915	169	**5,915**	169

Available for sale financial assets are held at :
- the mid-market price for quoted equities.
- Cost for unlisted equity securities

Investments – acquisition projects

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
East European media projects	**73**	73	**73**	73
	73	73	**73**	73

Inventories

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Work in progress	**107**	226	**-**	-
Finished goods and goods for resale	**28**	418	**-**	-
	135	644	**-**	-

Trade and other current receivables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Trade receivables	**2,086**	2,196	**67**	288
Amounts due from group undertakings	**-**	-	**271**	139
Prepayments & accrued income	**553**	745	**40**	49
Loan to associate	**-**	1,092	**-**	1,092
Other receivables	**284**	236	**229**	51
	2,923	4,269	**607**	1,619

Trade receivables are provided for based on estimated irrecoverable amounts from sales, determined by the company's management based on prior experience, their knowledge of the Group's debtors and their assessment of the current economic environment.

Movement in the allowance for doubtful debts:

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January	**327**	58	**-**	-
Amounts written off during the year	**(3)**	(30)	**-**	-
Increase in allowance recognised in the income statement	**169**	299	**-**	-
	493	327	**-**	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited as the Group's exposure is spread over a large number of customers. The majority of the increase in the provision in the year relates to the final write-down of Apace Music Limited debtors on the decision to liquidate the company.

The Group's trade receivable balance does not include a material amount relating to debtors, which are past due at the reporting date and for which provision has not been made. Group companies do not hold collateral over receivable balances.

Trade and other current payables

	Group		Company	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	**611**	1,220	**141**	246
Amounts due to related parties	**-**	-	**-**	3
Social security and other taxes	**288**	212	**9**	14
Accruals and deferred income	**1,542**	1,462	**99**	276
Other payables	**19**	202	**-**	-
	2,460	3,096	**249**	539

Provision for liabilities and charges

	Group		Company	
	2009	**2008**	**2009**	**2008**
Deferred taxation	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2009	**24**	64	**-**	-
Credit to the income statement	**-**	(40)	**-**	-
At 31 December 2009	**24**	24	**-**	-

Deferred taxation is provided in respect of accelerated capital allowances and the timing of the reversal is uncertain**.**
No asset has been recognised in respect of the capital and trading tax losses accumulated within the Group as the extent and timing of recovery of these against future profits is uncertain.

Share capital

Ordinary shares	**2009**			**2008**		
	Number '000s	**Par value**	**£'000**	**Number '000s**	**Par value**	**£'000**
Issued, called up and fully paid						
1 January 2009	95,834	1p	958	89,069	5p	4,453
Share placing	50,000	1p	500	6,764	5p	338
				95,833		4,791
Redesignation & subdivision					(4p)	(3,833)
31 December 2009	145,834	1p	1,458	95,833	1p	958
A Deferred shares						
Issued, called up and fully paid						
1 January 2009 and 31 December 2009	22,293	15p	3,344	22,293	15p	3,344
B Deferred shares						
Issued, called up and fully paid						
1 January 2009	95,834	4p	3,834	-		-
Creation of B Deferred shares	-		**-**	95,834	4p	3,834
31 December 2009	95,834	4p	3,834	95,834	4p	3,834
Total issued share capital						
1 January 2009			8,136			7,797
31 December 2009			**8,636**			**8,136**

On 17 March 2009, shareholders approved the issue of 50 million ordinary shares at a price of 2 pence each to Balkan Advisors EOOD, a company controlled by Didier Stoessel. At the same

meeting, shareholders approved the Rule 9 Waiver "White Wash" from the Takeover Panel removing the requirement for Mr Stoessel and his concert party to make a general offer for the remaining shares in the Company which they do not own. These new ordinary shares were admitted for trading on AIM on or about 18 March 2009. As a result of this placing and subsequent purchases of shares in the market, Didier Stoessel became the beneficial owner of 66.39% of the Company's issued ordinary share capital.

The rights attaching to the deferred shares, which were not admitted to trading on AIM or any other recognised investment exchange, render them effectively valueless. No share certificates have been issued in respect of deferred shares. The deferred shares have no rights to vote or to participate in dividends and carry limited deferred rights on any return on capital (whether on a liquidation or otherwise).

Since the balance sheet date, the AIM listing of the ordinary shares has been cancelled (see note 27).

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:

Nature of the arrangement	**Share options**	**Approved Share options**	**Share options**	**Unapproved Share options**
Date of grant	15 May 2006	8 June 2006	13 October 2006	8 June 2006
Outstanding at 1 January 2009	476,190	1,589,742	432,500	597,760
Forfeited during the year	-	(179,992)	-	-
Outstanding at 31 December 2009	476,190	1,409,750	432,500	597,760
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	13	4	3
Settlement	Shares	Shares	Shares	Shares
% expected to vest	90.00%	90.00%	90.00%	90.00%
Number expected to vest	428,571	1,268,775	389,250	537,984
Fair value per granted instrument (pence)	2.29	2.29	2.29	2.29
Charge for year ending 31 December 2009 (£)	1,517	1,995	2,756	846

In accordance with the Group's accounting policy for share based payments, 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, after adjustment for options forfeited, £7,000 has been charged to the income statement for the year (2008 - £11,000).

2. Reserves

Movements on reserves are shown in the Statement of changes in equity.

The “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 Limited (previously called Apace Group Limited) on 25 April 2005, as permitted then by section 131 of the Companies Act 1985. This reserve is not currently distributable.

Cash generated from operations

	Group		Company	
	Year to 31 December 2009 £'000	**Year to 31 December 2008 £'000**	**Year to 31 December 2009 £'000**	**Year to 31 December 2008 £'000**
(Loss) / profit for the year	(451)	(3,015)	6	(4,088)
Adjustments for:				
Profit reported by associate	(658)	(588)	-	-
Impairment of Goodwill	103	3,096	-	-
Provision for impairment of investment in subsidiaries	-	-	-	4,834
(Reversal of) / provision for impairment in associate	-	-	(661)	(405)
Revaluation of investments held for resale	(182)	172	(182)	172
Amortisation of intangible fixed assets	674	211	-	-
Depreciation of tangible fixed assets	160	181	27	39
Loss on disposal of tangible fixed assets	9	-	-	-
Gain on termination of acquisition project	-	(268)	-	(268)
Share-based payment expense	7	11	7	11
Interest expense	5	21	5	-
Interest receivable	(36)	(59)	(58)	(218)
Unrealised exchange gain	-	(254)	-	(254)
Translation reserve transferred through profit & loss	180	-	-	-
Decrease in inventories	509	425	-	-
Decrease / (increase) in trade and other receivables	554	(746)	221	2,308
Intercompany debts capitalised	-	-	-	(2,212)
(Decrease) in payables	(636)	(35)	(290)	(674)
Cash generated from operations	238	(848)	(925)	(755)

. Financial instruments

The Group's financial instruments comprise loans to participating interests, cash and liquid resources and various other items, such as trade debtors, trade creditors and other debtors and creditors. These arise directly from the Group's operations.

The Group has not entered into any derivatives transactions.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are price risk, credit risk, liquidity risk, interest rate cash flow risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised in the Directors' Report under "Financial Risk Management".

Interest rate profile

The Group has no financial assets other than cash balances of £2,105,000 (2008:£256,000), which are part of the financing arrangements of the Company. The cash balances comprise bank current accounts in Sterling and US dollars and deposits placed at investment rates of interest in Sterling and Euro, which ranged between 0.5% and 1.0% p.a. in the period (2008: ranged between 0.5% and 5.2% p.a). Cash deposits are available on immediate access.

Currency hedging

During the period, the Group did not engage in any form of currency hedging transaction (2008: 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 £250,000 is available;
- Additional sums are available for the funding of TV productions subject to contract;
- Overdraft interest is calculated daily on the Group's sterling net borrowings at 2.5% over RBS base rate;
- Interest is credited daily on the Group's net sterling 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.

The Group net overdraft was subject to a personal guarantee given by Didier Stoessel. The guarantee was released by the bank on 28 May 2010.

Fair values

The fair values of the financial assets and liabilities at 31 December 2009 are not materially different from their book values.

Commitments under operating leases

As at 31 December 2009, the Group was committed to make the following future aggregate minimum lease payments in respect of continuing operations on operating leases:

	2009		2008	
Expiring:	**Land & buildings £'000**	**Other £'000**	**Land & buildings £'000**	**Other £'000**
Within a year:	33	-	12	-
In more than a year but less than five years:	118	25	192	19
In more than five years:	-	-	204	-

Contingent liabilities

Litigation

The Company is a defendant in civil proceedings issued in the Tirana District Court in the Republic of Albania by Artan Sevrani and Arjan Lamaj, ex-shareholders in Television Arberia, claiming damages of €1.1m, plus interest, for breach of contract. The Court of First Instance, Tirana District Court, having in February 2010 given judgment in favour of the Plaintiffs, the Company has now filed an appeal with the Appeal Court of Tirana and has also filed a separate action for invalidity of contract as a result of the Plaintiffs' fraudulent misrepresentation. The directors remain committed to the appeals process and provisions have only been raised for the costs of defence and the appeal.

Post balance sheet events

1. On 11 February, 2010, the creditors of Apace Music Ltd resolved that the company be wound up. On 5 February 2009, Apace Music Limited had entered into a Company Voluntary Arrangement ("CVA") with its third party creditors. This was necessitated by the failure of that company's main distribution channels, with both Pinnacle and Entertainment UK, which were the principal entities operating CD distribution across the United Kingdom, entering into Administration proceedings during November and December 2008.

2. On 22 February 2010, Apace Rights Limited executed an agreement with a third party which, amongst other things, granted that party an option to acquire, on either the first or second anniversary of the agreement, the company's music catalogue for the sum of £100,000.

3. On 16 March 2010, the Company cancelled admission to trading of its Ordinary Shares on AIM.

4. On 16 June 2010, the Company was re-registered as a private limited company with the name Content Ventures Limited.

Related party transactions

During the year, the Company entered into the following transactions with Diema Vision AD. Diema Vision AD was, until 5 August 2009, a subsidiary of Balkan Media Group Limited (BMGL), an associate of the Company:

	Management charges		Loan interest	
	2009	**2008**	**2009**	**2008**
	£'000	**£'000**	**£'000**	**£'000**
Diema Vision AD	66	192	30	45

As at 31 December 2009, Diema owed the Company £65,614 (€75,000) (2008: £55,379) in respect of management charges. This balance was settled in January 2010.

At 31 December 2009, Didier Stoessel owed the Company £23,560 (2008: £17,883). This sum was repaid in full in March 2010.

Included in trade receivables in trade and other current receivables of the parent Company is £144,847 (2008: £150,916) owed by Content Ventures Television Limited, an 88% owned subsidiary company.

Included in other receivables in trade and other current receivables of the Group and parent Company is £164,329 (2008: £nil) owed by Apace Music Bulgaria EOOD, a subsidiary company incorporated in Bulgaria which is not consolidated on the grounds that it is not material to the Group.

During the year the parent Company received management fees of £200,000 (2008: £nil) from Content Ventures Television Limited. This transaction is eliminated on consolidation in the Group accounts.

The parent Company has taken advantage of the exemption not to disclose any transactions with wholly owned subsidiaries of the parent undertaking.

During the year, there were no other transactions with directors other than in respect of directors' remuneration and reimbursement of business expenses.

Ultimate controlling party

The directors consider Didier Stoessel to be the ultimate controlling party.

Directors and advisers

Directors

R E Burke (Executive Chairman)
M J H Johnston (Finance Director)
C V Thompson (Executive Director)
W W Vanderfelt (Non-executive Director)
O Dorier (Non-executive Director)
V Ivanov (Non-executive Director)

Secretary
R B Carter

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