Eastern European Media Holdings S.A.

Company Financial Statements
For the 4 month period ended 31 July 2011

Luxembourg registered number: B 159867

Eastern European Media Holdings S.A.

Report of the directors for the period ended 31 July 2011

The Directors present their annual report and the financial statements of Eastern European Media Holdings S.A. ("the Company") for the 4 month period from 21 March 2011 to 31 July 2011.

1. INCORPORATION

The Company was incorporated in the Grand Duchy of Luxembourg on 21 March 2011 with subscribed share capital of £27,063.92.

2. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

At a general meeting held on 20 May 2011, the founder member of the Company resolved as follows:

- To decrease the share capital to nil;
- To increase the share capital to £1,458,335.31 by issuing 145,833,531 new shares with a par value of 1 pence each;
- To allot the newly issued shares to the shareholders of CV(Bulgaria) Limited (formerly Content Ventures Limited) pro-rata to their shareholding in that entity with 100% of the shares of CV(Bulgaria) Limited being acquired by the Company in consideration.

On 21 July 2011, CV (Bulgaria) Limited declared a distribution in specie to the Company of CV (Bulgaria) Limited's interest in Nova Television AD. This investment is now held directly by the Company.

On 31 May 2012, CV(Bulgaria) Limited declared a distribution in specie to the Company of CV (Bulgaria) Limited's remaining assets and liabilities.

On 9 October 2012, CV (Bulgaria) limited was dissolved.

As a result of the above, the Company is a holding company for a small group of television and music businesses.

3. RESULT AND ALLOCATION

The result for the period ended 31 July 2011 is a loss of £1,607,000, which we propose to absorb as follows:

	£
• Loss for the period	(1,607,000)
• Retained earnings brought forward	-
• Retained earnings carried forward	(1,607,000)

The accumulated loss at 31 July 2011 exceeded the share capital of the Company. In accordance with article 100 of the Luxembourg law of 10th August 1915 on commercial companies, the shareholders should deliberate whether the Company should carry on its activities. The directors consider that it is appropriate for the Company to carry on its activities.

4. POST BALANCE SHEET EVENTS

The significant post balance sheet events are detailed in note 13 to the financial statements.

5. RESEARCH AND DEVELOPMENT

The Company did not have any activities of research and development during the period.

6. PURCHASE OF OWN SHARES

As at 31 July 2011 and at the current date, the Company does not hold any of its own shares.

7. DISCHARGE

We propose to approve the financial statements as well as the proposed allocation of the results and to give full discharge to the Directors and to the "Commissaire aux comptes" for their mandate for the period ended 31 July 2011.

8. BOARD OF DIRECTORS

Roby Burke resigned from the Board with effect from 21 October 2012. Didier Stoessel is appointed as a director with effect from 12 December 2012 and has agreed to act as chairman of the Board. Ratification of his appointment will be proposed at the Company's Annual General Meeting.

By order of the Board

Martin Johnston

Director
12 December 2012

Report of the commissaires aux comptes
to the members of Eastern European Media Holdings S.A.

In our capacity as commissaires aux comptes and in accordance with our engagement dated 4 October 2012 setting out our responsibilities, we have audited the financial statements of Eastern European Media Holdings S.A. ("the Company") for the period ended 31 July 2011 which comprise the Statement of comprehensive income, Statement of financial position, Statement of cash flows, Statement of changes in equity and the related notes ("the financial statements"). The financial reporting framework that has been applied in their preparation is International Financial Reporting Standards ("IFRSs") as adopted by the EU and relevant legislation where applicable.

This report is made solely to the Company's members. 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 accordance with our engagement letter dated 4 October 2012 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, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for keeping adequate accounting records that set out with reasonable accuracy, at any time, the financial position of the Company, and for preparing financial statements which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and relevant legislation and in accordance with our engagement letter dated 4 October 2012. In preparing the financial statements, the directors are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

In accordance with our engagement letter of 4 October 2012, our responsibility is to audit the financial statements in accordance with the International Standards on Auditing and specifically International Standard on Auditing 800 – (The Independent Auditor's Report on Special Purpose Audit Engagements) issued by the International Auditing and Assurance Standards Board, and, in accordance with applicable law. The International Standards on Auditing require us to comply with the UK Auditing Practices Board'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 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.

Report of the commissaires aux comptes
to the members of Eastern European Media Holdings S.A. (continued)

Opinion on financial statements

In our opinion:

- the Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU; and

- the financial statements have been prepared in accordance with the requirements of relevant legislation where applicable.

RAWLINSON & HUNTER
Statutory Auditor
Chartered Accountants

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

Date: 12 December 2012

Eastern European Media Holdings S.A.

Statement of comprehensive income
For the period ended 31 July 2011

	Notes	Period ended 31 July 2011 £'000
Revenue		10
Administrative expenses		(18)
Loss from operations		(8)
Income from investments	1	5,564
Impairment of investments	4	(7,163)
Loss before tax		(1,607)
Taxes	3	-
Loss and total comprehensive income for the year		(1,607)

All results relate to continuing operations.

The notes on pages 12 to 16 form part of these financial statements.

Eastern European Media Holdings S.A.
Registered Number: Luxembourg B159867

Statement of financial position
As at 31 July 2011

	Notes	31 July 2011 £'000
Assets		
Non-current assets		
Investments in subsidiary undertakings	4	46
Available for sale financial assets	5	5,564
		5,610
Current assets		
Trade and other current receivables	6	5
Cash and cash equivalents		1
Total current assets		6
Total assets		5,616
Liabilities		
Current liabilities		
Trade and other current payables	7	23
Total current liabilities		23
Total liabilities		23
Net assets		5,593
Equity		
Share capital	8	1,458
Share premium	9	5,742
Retained earnings	9	(1,607)
Equity shareholders' funds		5,593

The financial statements were approved by the Board on 12 December 2012

M. J. H. Johnston

Director

The notes on pages 12 to 16 form part of these financial statements.

Eastern European Media Holdings S.A.

Statement of cash flows
For the period ended 31 July 2011

	Notes	Period ended 31 July 2011 £'000
Cash flows from operating activities		
Cash generated from operations	10	10
Net cash from operating activities		10
Purchase of Balkan Capital EAD		(9)
Net cash used in investing activities		(9)
Net increase in cash and cash equivalents		1
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		1

The notes on pages 12 to 16 form part of these financial statements.

Eastern European Media Holdings S.A.

Statement of changes in equity
For the period ended 31 July 2011

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At incorporation 21 March 2011	-	-	-	-
Loss for the period	-	-	(1,607)	(1,607)
Total comprehensive income for the period	-	-	(1,607)	(1,607)
Incorporation shares issued	27	-	-	27
Scheme of Arrangement 16 May 2011:				
• cancellation of incorporation shares	(27)	-	-	(27)
• issue of shares pursuant to Scheme of Arrangement	1,458	5,742	-	7,200
Balance at 31 July 2011	**1,458**	**5,742**	**(1,607)**	**5,593**

Statement of accounting policies
for the period ended 31 July 2011

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 in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg.

Critical accounting estimates and judgements

The Company 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) 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 for the period ended 31 July 2011.

The Company had net assets of £5,593,000 as at 31 July 2011. The directors consider that the going concern basis is appropriate on the grounds that there is sufficient cash to meet the Company's liabilities as they fall due over the twelve months from the date of approval of these statements.

Basis of consolidation

For the purposes of these financial statements and in accordance with Luxembourg law, consolidated accounts were not prepared.

Revenue recognition

Turnover comprises management fees charged to group companies.

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 Statement of comprehensive income.

Statement of accounting policies
for the period ended 31 July 2011

Investment in subsidiary undertakings

Investments in subsidiary undertakings are valued at cost less provision for impairment.

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". Available-for-sale financial assets are held at the mid-market price for quoted equities and at cost less provision for impairment if appropriate for unlisted equity securities.

Trade and other current receivables

Trade and other current receivables are initially measured at original invoice amount and subsequently measured after deducting any provision for impairment.

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.

Trade and other current payables

Trade and other current payables are stated based on the amounts which are considered to be payable in respect of goods or services received up to the date of the Statement of financial position.

Provisions

A provision is recognised in the balance sheet when the Company 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 Company's liability.

Taxes

Corporate income 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.

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

International Financial Reporting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following standards, which are effective for annual accounting periods beginning on or after the stated effective date. These standards have not been applied early in the preparation of these consolidated financial statements:

Accounting Standard/Interpretation	**Effective date**
IFRS 7 – Financial Instruments: Disclosures (Amendment)	1st July 2011
IAS 12 – Limited Scope Amendment (Recovery of Underlying Assets)	1st January 2012
IAS 1 – Presentation of Items of Other Comprehensive Income (Amendment)	1st January 2012
IFRS 10 – Consolidated Financial Statements	1st January 2013
IFRS 13 – Fair Value Measurement	1st January 2013
IFRS 9 – Financial Instruments	1st January 2015

Notes to the financial statements
For the period ended 31 July 2011

1. Income from investments

Income from investments relates to a £5,564,000 distribution in specie at book value from CV (Bulgaria) Limited as detailed in note 4.

2. Staff costs

The Company employs no staff. The directors are unpaid.

3. Taxation on loss on ordinary activities

Owing to the loss incurred in the period, the Company required no provision for tax.

4. Investments in subsidiary undertakings

	2011 £'000
At incorporation 21 March 2011	**-**
Acquisition of CV (Bulgaria) Limited by Scheme of Arrangement	**7,200**
Acquisition of Balkan Capital EAD	**9**
Impairment of investment in CV (Bulgaria) Limited re Albanian settlement	**(1,599)**
Adjustment of carrying value of investment in CV (Bulgaria) Limited subsequent to distribution in specie	**(5,564)**
At 31 July 2011	**46**

At 31 July 2011, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held	Share capital and reserves	Profit / (loss)
CV (Bulgaria) Limited [formerly Content Ventures Limited]	Holding company	England	100%	6,914,000	(2,801,000)
Content Ventures Television Limited*	Holding company	England	100%	608,669	(1,006,190)
Balkan Capital EAD	Holding company	Bulgaria	100%	9,000	(11,000)
Apace Rights Limited*	Music publishing	England	100%	125,408	70,318
Pro-Active Projects Limited **	Television production	England	100%	869,968	257,098
Apace Music Limited **	In liquidation	England	100%	-	-
Steadfast Television Limited **	In administration	England	75%	-	-
Steadfast International Limited **	In liquidation	England	100%	-	-

* - subsidiary undertakings of Balkan Capital EAD.
**- subsidiary undertakings of Content Ventures Television Limited.

Notes to the financial statements
For the period ended 31 July 2011

The share capital and reserves, and profit / (loss) for Content Ventures Television Limited, Apace Rights Limited and Pro-Active Projects Limited relate to the period ended 30 June 2011. For Content Ventures Television Limited the results are of the Company only. For CV (Bulgaria) Limited and Balkan Capital EAD the results are for the year ended 31 December 2010.

On 7 June 2011, the Company:

- Acquired all of the ordinary shares of Balkan Capital EAD from CV (Bulgaria) Limited for consideration of €10,000.
- Transferred all of the ordinary shares of Content Ventures Television Limited and Apace Rights Limited to Balkan Capital EAD for consideration of €2,740,000.

Steadfast International Limited went from administration into liquidation on 8 June 2011.

Content Ventures Limited changed its name on 11 July 2011 to CV (Bulgaria) Limited.

On 21 July 2011, CV (Bulgaria) Limited:

- distributed its shares in Nova Television AD to the Company by means of a distribution in specie at book value. The Company has adjusted the carrying value of its investment in CV (Bulgaria) Limited as a result of the distribution in specie.
- settled its litigation in Albania. The Company has impaired its investment in CV (Bulgaria) Limited as a result.

5. Available for sale financial assets

	2011 £'000
Investment in Nova Televizia AD	**5,564**
	5,564

Available for sale financial assets are held at :

- the mid-market price for quoted equities.
- Cost for unlisted equity securities

The investment in Nova Televizia AD represents 5% of Nova's ordinary shares. There exists a shareholder agreement between the Company and Modern Times Group (MTG), which owns the remaining 95% of Nova. Put and call options are contained in the shareholder agreement whereby MTG may oblige the Company to sell, or the Company may oblige MTG to buy, the Company's Nova shares after 5 August 2015 at a fair value proportionate to the total fair value of Nova.

6. Trade and other current receivables

	2011 £'000
Trade receivables	**4**
Prepayments & accrued income	**1**
	5

Notes to the financial statements
For the period ended 31 July 2011

7. Trade and other current payables

	2011 £'000
Amounts due to group undertakings	**12**
Accruals and deferred income	**11**
	23

8. Share capital

Ordinary shares	2011 Number '000s	Par value	£'000
Issued, called up and fully paid			
Issue of incorporation shares	2,706	1p	27
Cancellation of incorporation shares	(2,706)	1p	(27)
Scheme of Arrangement Shares issued	145,834	1p	1,458
31 July 2011	145,834	1p	1,458
Total issued share capital			
31 July 2011			**1,458**

The Company was incorporated in the Grand Duchy of Luxembourg on 21 March 2011 with subscribed share capital of £27,063.92.

At a general meeting held on 20 May 2011, the founder member of the Company resolved as follows:

- To decrease the share capital to nil;
- To increase the share capital to £1,458,335.31 by issuing 145,833,531 new shares with a par value of 1 pence each;
- To allot the newly issued shares to the shareholders of CV(Bulgaria) Limited (formerly Content Ventures Limited) pro-rata to their shareholding in that entity with 100% of the shares of CV(Bulgaria) Limited being acquired by the Company in consideration.

9. Reserves

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

10. Cash generated from operations

	Period to 31 July 2011 £'000
Loss for the period	(1,607)
Adjusted for:	
Impairment of investment in CV (Bulgaria) Limited	1,599
Increase in trade and other receivables	(1)
Increase in payables	19
Cash generated from operations	10

11. Financial instruments

During the period, the Company's financial instruments comprised cash and liquid resources and various other items, such as trade debtors, trade creditors and other receivables and payables. These arise directly from the Company's operations.

The Company has not entered into any derivatives transactions.

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

The main risks arising from the Company's financial instruments are price risk, credit risk, liquidity risk, interest rate risk, cash flow risk and currency risk. The Board reviews and agrees policies for managing each of these risks.

In September 2011, the Company entered into a convertible loan, details of which are given in note 13 below.

Interest rate profile

The Company has no financial assets other than a cash balance of £1,000, which is part of the financing arrangements of the Company. The cash balance comprises a bank current account denominated in Euros.

Currency hedging

During the period, the Company did not engage in any form of currency hedging transaction.

Financial liabilities

The Company had no financial liabilities at the balance sheet date.

Fair values

The fair values of the financial assets and liabilities at 31 July 2011 are not materially different from their book values.

12. Contingent liabilities

The Company has no material contingent liabilities.

13. Post balance sheet events

On 9 July 2011 the Company's subsidiary, CV (Bulgaria) Limited (formerly Content Ventures Limited), reached agreement to pay and has paid €2 million in full and final settlement of its long-running dispute with the former owners of Televizioni Arberia in Albania.

On 27 September 2011, the directors of the Company agreed to lend €1,000,000 to CV (Bulgaria) Limited and to borrow the same amount by means of a convertible loan from its controlling shareholder, Balkan Advisors EAD. The main terms of the convertible loan are as follows:

- Principal amount: €1,000,000;
- Security : Debenture secured with the proceeds of sale of the Nova shares;

- Interest: payable quarterly at the rate of 4.25% p.a. above 3 month EURIBOR from time to time;
- Repayment: the Company may repay all or part of the Principal at any time before the Maturity Date;
- Maturity Date: 30 November 2015 or, if earlier, 30 days after the exercise of an option to sell the Nova shares, the proceeds from which will be applied to repay Principal before any opportunity for conversion;
- Conversion options: the Lender may convert any unpaid Principal and Interest either at Maturity or on the occurrence of an event of default;
- Conversion terms: 1p Ordinary Shares of the Company at par using a conversion exchange rate of €1.14 to £1.
- Earlier repayment: the Lender may call for early repayment on 2 occasions (30 November 2012 or 30 May 2014) if the Lender's bank facility fails to be renewed on either of those dates.

The Company has complied with all the terms of the convertible loan.

On 31 March 2012, 66.66% of the share capital of Apace Rights Limited was sold to the management of Apace Rights Limited at a price of £0.90 per share.

On 31 May 2012, CV (Bulgaria) Limited distributed all of its remaining net assets except for £1 to the Company by means of a dividend in specie at book value.

On 18 June 2012, an application for the striking off of CV (Bulgaria) Limited was registered at Companies House. The company was dissolved on 9 October 2012.

On 1 November 2012, the Company repaid €150,000 of the convertible loan principal amount, leaving €850,000 outstanding. The repayment was made from operating cash flows of the UK subsidiaries.

14. Related party transactions

During the period the Company received management fees of £10,000 from its subsidiary, Content Ventures Television Limited.

Included in amounts due to group undertakings is £11,668 owed to CV (Bulgaria) Limited and £667 owed to Content Ventures Television Limited.

During the period, there were no other transactions with directors other than in respect of reimbursement of business expenses.

15. Ultimate controlling party

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

Eastern European Media Holdings S.A.

Directors and advisers

Directors
D G P Stoessel (appointed 12/12/2012)
M J H Johnston (appointed 21/03/2011)
W W Vanderfelt (appointed 21/03/2011)
O Dorier (appointed 21/03/2011)
A Belchev (appointed 21/03/2011)

R E Burke (appointed 21/03/2011, resigned 21/10/2012)

Secretary
M J H Johnston

Registered office
6C, rue Gabriel Lippmann
L-5365 Munsbach
Grand Duchy of Luxembourg

Registered company number
Luxembourg: B 159867

Commissaires aux comptes
Rawlinson & Hunter
Eighth Floor
6 New Street Square
London
EC4A 3AQ

Website: easterneuropeanmedia.com

Email: eemh@outlook.com