APACEMEDIA

Annual Report
For the year ended 31 December 2007

Company number: 03848181

Chairman's statement and operating & financial review

OVERVIEW

2007 was a challenging year for Apace and a period of transition. The directors hope to see the positive results of our strategy in the coming years.

The key event of the year was the launch of Balkan Media Group Limited (BMGL), our Eastern European joint-venture broadcasting business. Alongside this we continued building our UK based content creation activities, despite a very tough commissioning and retail environment. We believe these two business areas are achieving the Company's stated goal of creating valuable long-term assets for shareholders. In the case of Eastern Europe we are now 50% partners with Modern Times Group (MTG) of Sweden, a strong multi-national media group, in a fast-growing media business in one of the most dynamic emerging economic regions. On the UK content creation side our wide range of activities is not only generating revenues from sales but also building a valuable catalogue of television and music assets with the potential for ongoing high margin income.

During the year, in order to create the new strategic partnership, we restructured the business. This entailed selling our Balkan broadcasting assets to the new holding company, BMGL, 50% of which was then sold to MTG. Consequently our Eastern European business became an associate on completion of these transactions in March 2007, when the relevant companies were deconsolidated. The Balkan operations are reported as "discontinued" in the financial statements because they are no longer consolidated (as explained in note 14 to the accounts). They remain, however, an important and exciting part of Apace's future.

Turnover from continuing operations was £8.1 million (2006 continuing operations: £7.0m). The loss for the year was £3.8 million (2006: £0.3 million), primarily the result of the previously announced £2.7 million provision for an aborted investment in an Albanian terrestrial channel; increased programme investment in the BMGL channels; restructuring costs as a result of the establishment of BMGL; and slippage in production start-dates for certain contracted UK programming.

BMGL is demonstrating its potential as a result of the new strategy introduced during 2007 to shift from relying only on cable revenues to advertising revenues for the main Diema channels in Bulgaria. This strategy, which involves increased programme investment and the introduction of a new programme schedule in September 2007, has driven audience growth, namely our share of the key 18-49 demographic up from 4-5% at the end of 2006 to around 8% for the first five months of 2008. As a result of the strong growth in BMGL and the good medium to long-term prospects for the strategic partnership, the directors took the decision in March 2008 to let the Company's option to sell its 50% stake in BMGL to MTG lapse.

On the content front, revenues grew 16% year-on-year as programming commissions increased and revenues from our international sales company started to grow. The directors believe that these activities, which comprise Steadfast Television, Pro Active Television and Apace Music, all have good growth prospects and are currently performing satisfactorily. Consequently the directors anticipate accelerating the growth potential of these content properties through targeted investment.

OPERATIONAL REVIEW

Content Creation

Our content creation activities generated revenues of £8.0 million (2006: £7.0 million). This is an acceptable performance bearing in mind that there were delays to the start date for certain television productions resulting in a slippage of revenues and that we suffered from a temporary contraction in demand for Apace Music's products because of disruption to sales activities due to consolidation in the UK wholesale and retail CD music market.

Television Production - Steadfast Television had an encouraging year, expanding its client base and growing year-on-year revenues. The company is now in the first tier of factual producers, regularly winning peak-time slots and securing recommissions. Four hours of ***Sky Cops*** was completed for BBC One, alongside two hour-long specials for the same channel: ***Road Rage*** and a second ***ID Fraud***. Production also continues on a three-part documentary series about car crime for BBC One and there are a number of other programmes currently in development with the BBC, with further commissions expected to be announced shortly. During 2007, we also completed four-hours co-production of ***Naked Science*** and ***Earth Shocks*** for National Geographic US Channel and Discovery Canada. A one-off formatted entertainment special for ITV, ***My Famous Cousin...Halle Berry***, was completed and we are soon to deliver our six hour factual series about ships in trouble on the high seas, ***Salvage Code Red*** - a co-production on behalf of Discovery Canada and National Geographic International.

Steadfast International, our international distribution arm continued to grow its programme and format sales activities. Highlights included volume deals in Scandinavia for over 50 hours of programming. Strong sellers included ***Sky Cops, ID Fraud: They Stole My Life*** (with further sales for the second installment), ***Earthshocks*** series 1 and 2 and ***Fans United*** which continues to generate good income two years after being first produced.

Pro-Active, the sports television specialists produced over 600 hours of live and highlights programming in 2007, its highest output ever. The key to Pro-Active's continuing success is the strength of its relationships with the governing bodies of its specialist sports. This is demonstrated for example with the work carried out for the International Rugby Board where Pro-Active was appointed, with bigger budgets, to handle an increasingly wide range of international tournaments.

Music - 2007 was a difficult year for Apace Music, our music business. The consolidation amongst retail distributors resulted in high levels of product returns compared to 2006. Overall Apace Music shipped 1.1 million units during the period. These sales were spread evenly across the ranges and genres. Such a broad portfolio of music avoids dependence on any one genre of retail product. During the year our catalogue continued to increase with 70 new titles released. For the implementation of IFRS, we reviewed the carrying value of our music catalogue based on the net present value of the income it generates. This resulted in a transfer from goodwill to intangible assets of £796,000.

Eastern European Broadcasting

In March 2007 we reached agreement with Modern Times Group (MTG), one of Europe's largest international broadcasting organisations, to establish Balkan Media Group Ltd (BMGL), our 50:50 joint venture. BMGL owns five television channels in Bulgaria and Macedonia and is achieving its stated goal of building viewing figures and advertising revenue. Achieving this has required an accelerated spend in programming to support a new advertiser supported service as well as exceptional restructuring costs. The additional spend has been justified however by a greater than expected increase in both viewing figures and advertising revenues at the end of 2007 and in the first half of 2008.

Key to the growing success of the BMGL channels has been the policy decision to switch from pay television services to a mix of free-to-air and premium services, a strategy implemented to take advantage of the buoyant advertising market across the region which is resulting in an increase in indigenous advertising as well as the influx of international brands seeking television promotion. During the period under review our audience share of commercial impacts in the key 18-49 demographic increased from 4-5% to about 8% in the first five months of 2008.

Chairman's statement and operating & financial review

We have previously announced the aborted investment in TV Arberia, an Albanian terrestrial broadcaster and the provision taken against it. While we believe that Albania remains a country with very good potential for broadcasting, our decision to cease activities was a consequence of our lack of financial resources to support a long-term investment in the channel and of the uncertain regulatory environment.

BOARD AND STAFF

I would like to thank all our employees for their contribution to this year's performance. Throughout a period of great activity Apace's staff has again shown flexibility, commitment and adaptability.

At the end of 2007 Robert Burke joined us as non-executive Chairman. Mr. Burke has spent the last 25 years managing international media businesses. From 2001 to 2006, he was President and COO of Central European Media Enterprises (CME), during which period the company established itself as a dominant broadcaster in Eastern Europe. His experience will be invaluable, especially as it relates to BMGL and our other broadcasting activities.

DIVIDEND

As the company remains focused on developing the business over the next few years we shall be investing in people, rights development and marketing. Consequently we do not intend to propose a full year dividend. We will however keep this policy under regular review.

CURRENT TRADING AND PROSPECTS

Current trading is in line with market expectations and the directors remain positive about the future of the business. The strategic initiatives put in place by BMGL to capitalise on the economic potential of the Balkan region are starting to bear fruit and on the content front we are continuing to build our activities. The directors are continuing to monitor opportunities for faster organic growth, acquisitions, mergers and disposals in the portfolio of Apace Media businesses. Some of those opportunities might require the strengthening of the Company's financial position to allow it to be flexible if the appropriate opportunity occurs.

Roby Burke

Chairman
16 June 2008

The directors present their report and the audited financial statements of Apace Media plc ("the Company") and its subsidiaries ("the Group") for the year ended 31 December 2007.

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 that law 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. The financial statements are required by law to 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 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 Acts 1985 (as amended) and 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 THE 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 s234za of the Companies Act 1985.

Report of the directors
For the year ended 31 December 2007

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 involved in the creation, acquisition, broadcasting, distribution and exploitation of intellectual properties in the television, sports and entertainment sectors.

UK subsidiaries
Apace Music Limited – a record label, record distribution & music publishing;
Steadfast Television Limited – factual, documentary and other television programme production;
Pro-Active Projects Limited – sports television programming production;
Steadfast International Limited – the distribution of Steadfast Television's television programming and advertiser-funded and other television programming;
Apace Sports Limited – previously sports sponsorship consultancy, now dormant, an application having been made to strike this subsidiary from the Register of Companies;
Apace Brands in Games Limited – dormant;
Steadfast Rights Limited – dormant.

UK associate
Balkan Media Group Limited – a holding company for Balkan media companies (50% owned).

Bulgarian subsidiaries of Balkan Media Group Limited:
Televizia MM OOD – satellite/cable television broadcaster;
Diema Vision AD – satellite/cable television broadcaster;
Apace Internet Balkans EAD – internet services;
Apace Media Bulgaria EOOD – management services.

Macedonian subsidiary of Balkan Media Group Limited:
TV Era DOOEL Skopje – terrestrial television broadcaster.

A detailed review of the Group's financial position at 31 December 2007 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 Company during the year and the position of the Company at the year end are reported in the Chairman's statement and operating and financial review on pages 1 to 3.

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.

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. 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 hedging of sales revenues in a foreign currency with acquisition costs for various rights. TV productions sold in foreign currency are, where possible, hedged by production costs being incurred in the same currency. Other specific material risks are considered for hedging by forward contracts.

Asset risks relating to overseas subsidiaries are hedged to the extent possible by local bank financing in local currency.

Post balance sheet events

Since the year-end, the Company has re-named its (previously dormant) wholly-owned UK subsidiary, Steadfast Rights Limited, as Apace Television Limited ("Apace TV"), and has transferred all of its shareholdings in its UK subsidiaries Steadfast Television Limited, Pro-Active Projects Limited and Steadfast International Limited to Apace TV.

On 26 March 2008 the Company issued an additional 5,100,000 ordinary shares of 5p each to DIDIES EOOD, a Bulgarian company controlled by Mr Didier Stoessel, a director and a shareholder of the Company in lieu of outstanding fees owed to DIDIES EOOD, at a price of 6p per share. These new ordinary shares were admitted for trading on AIM on 4 April 2008.

On 30 April 2008 the Company issued a further 1,664,200 ordinary shares of 5p each to A&M United Advisors LLC ("A&M"), a company in the USA controlled by Mr Anatoli Belchev, the executive director of Diema Vision AD an Associate Company of the Company, in lieu of a performance-related payment owed to A&M at a price of 6p per share. These new ordinary shares were admitted for trading on AIM on 2 May 2008.

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 £3,787,000 (2006: restated loss of £310,000). The directors do not recommend the payment of a dividend (2006 - £nil).

Directors

The directors who served on the board of the Company during the year to 31 December 2007 were:

(1) Didier Stoessel (Chief executive)
(2) Martin Johnston (Finance director)
(3) Charles Thompson (executive)
(4) Robert Burke (non-executive Chairman - appointed 28th November 2007)
(5) Tony Vickers (non-executive)
(6) Michael Morris (non-executive)
(7) William Vanderfelt (non-executive)
(8) Christopher Rowlands (resigned on 16 January 2007);

Further details on the directors can be found in the Directors' Information on page 10.

Directors' interests

The beneficial interests of the directors in the shares of the Company were as follows:-

	At 31 December 2007 No. of 5p ordinary shares	At 31 December 2006 No. of 5p ordinary shares
Didier Stoessel	23,033,333	23,033,333
Martin Johnston	802,008	500,341
Charles Thompson	266,666	266,666
Tony Vickers	127,438	127,438
Michael Morris	66,666	66,666
Robert Burke (appointed 28.11.2007)	-	-
William Vanderfelt	6,326,967	6,326,967

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.

Charitable and political donations

No charitable or political donations were made during either period.

Substantial interests

The directors have been notified that, as at 10 June 2008, the following shareholders held disclosable interests of 3% or more of the issued share capital of the Company:

Beneficial owner	No. of 5p ordinary shares	% held
Didier Stoessel	28,133,333	29.35
Banque Paribas Suisse	9,482,430	9.89
William Vanderfelt	6,326,967	6.60
RAB Capital Funds	6,050,000	6.31
New Star Enhanced Income Trust	5,773,820	6.02
Invesco Perpetual AIM VCT plc	5,000,000	5.22
Herald Investment Trust	3,333,333	3.48

Employees

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. As the number of employees is small, this is achieved effectively through informal meetings.

Disabled employees

Applications for employment by disabled persons will always be fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort would be made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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 2007, the Group had positive U.K. cash balances of £555,000 (2006 - £1,525,000).

The Group does not speculate in derivative financial instruments in either sterling or foreign currencies.

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 listed on the Alternative Investment Market (AIM) and is therefore 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. The Company has a non-executive Chairman, three executive directors and three non-executive directors. The non-executive directors are independent of the management.

Transition to International Financial Reporting Standards

For the financial year to 31 December 2007, the Group has adopted International Financial Reporting Standards. Comparatives for the year ended 31 December 2006 have been restated in the 2007 accounts to reflect the changes arising from changes in the accounting treatment for certain items.

Directors' remuneration

The Board decides the remuneration policy that applies to executive directors. In determining that policy, it gives full consideration to Section B of the Combined Code appended to the Listing Rules of the London Stock Exchange and the Directors' Remuneration Report Regulations 2002.

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 2007, options have neither been granted nor exercised.

Pensions

The Group has not made any pension contributions during the year.

Contracts of service

The executive directors are employed under service agreements with 6 month rolling notice periods.

The current non-executive directors are employed under 12 month rolling contracts. Their remuneration was increased with effect from 1 January 2007 from £1,000 to £15,000 per annum.

No director was materially interested in any contract of significance to the Company's business, other than his service contract.

Directors' emoluments - audited information

Details of directors' emoluments for the year 2007 are set out below:

	Basic remuneration 2007 £	Professional fees 2007 £	Bonus payments 2007 £	Total remuneration 2007 £	Total remuneration 2006 £
D G P Stoessel*	-	328,996	-	328,996	170,000
M J H Johnston	84,000	-	46,140	130,140	105,000
C V Thompson	120,000	-	-	120,000	125,000
C J Rowlands	61,769	-	-	61,769	75,000
A C Vickers	15,000	-	-	15,000	1,000
M G Morris	15,000	-	-	15,000	1,000
W W Vanderfelt	14,762	-	-	14,762	1,000
	310,531	328,996	46,140	685,667	478,000

* - such fees were paid in respect of strategic consultancy services in the Balkans provided by DIDIES EOOD, a Bulgarian company controlled by Mr Stoessel.

No pension contributions were made in the year.

Directors' interests in share options - audited information

Under the Apace Media plc Employee Share Option Scheme, no share options have been granted to or exercised by directors in the year.

Auditors

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
Secretary
16 June 2008

Directors' information

Robert Burke, Non-executive Chairman (56)
Roby Burke has spent the last 25 years managing international media businesses, with a particular emphasis on emerging markets. He rose to CEO of Worldwide Television News (WTN) in the 1980s and 1990s, developing its market-leading range of news, programming, sponsorship, and satellite distribution services to a global clientele. From 2001-2006, Mr. Burke was President and COO of Central European Media Enterprises (CME), during which period the company established itself as the dominant broadcaster in Eastern Europe and the world's highest-margin multinational television group. He began his broadcasting career as a television reporter and manager for ABC News in Washington and New York.

Didier Stoessel, Chief Executive (44)
Didier Stoessel spent over 10 years in investment banking, starting his career with Merrill Lynch International in London. Didier joined HSBC Investment Bank in 1997 and became its Chief Executive – Corporate Finance in 1999. He left in 2002 to found the Apace Group.

Since the foundation of the Apace Group, Didier has instigated and overseen the overall strategy of the Group's acquisitions and investments, including the Group's broadcasting interests in Bulgaria, and continues to devise and implement this strategy both in the UK and internationally.

Martin Johnston, Finance Director (56)
Martin Johnston is a chartered accountant who qualified with Deloitte Haskins & Sells. He worked in industrial companies for over twenty years and was first appointed to a board position in 1983, as Finance Director of Landis & Gyr Limited.

In 1993, he joined Flight Refuelling Limited, the main operating company of Cobham Plc, as Finance Director and in the following year joined Servomex plc ("Servomex") as Group Finance Director and Company Secretary. Servomex was an industrial instrumentation group with a full listing on the London Stock Exchange. Martin left Servomex after five years, when it was acquired by a larger UK group, and joined the Company (then known as "FTV Group plc") in August 2000 as Finance Director.

Charles Thompson, Executive Director (62)
Charles Thompson has been an independent television producer for more than 20 years, having previously worked for the BBC and Thames Television. Before joining the Company, Charles had been the Managing Director of Mentorn, makers of *Question Time* and *Robot Wars*, with an annual turnover of around £30 million. At Mentorn, Charles oversaw the company's expansion into drama, factual entertainment and popular science, which produced hits like *The Hamburg Cell, Britain's Worst Driver* and *Ideas That Changed The World*. Charles is Chief Executive of Steadfast Television Ltd, the Group's factual television production company.

Michael Morris, Non-executive (37)
Michael Morris is a consultant to the Strategic group of companies, advising on M&A projects. He has served as a director of American Building Control (Nasdaq: ABCX), formally Ultrak Inc (Nasdaq: ULTK) and has also served as a director of Naty AB (Sweden), a consumer products manufacturer and distributor.

William Vanderfelt, Non-executive (65)
William Vanderfelt is a highly experienced institutional investor with over 30 years experience as Managing Partner of Petercam SA, the leading independent Benelux investment bank, where he was in charge of Institutional Research and Sales. William Vanderfelt acts as a board director of several listed funds. His current directorships include Petercam S.A. Luxemburg and Vietnam Opportunity Fund.

Anthony Vickers, Non-executive (65)
Tony Vickers's career in the media sector spans 40 years. Tony Vickers was appointed as the first sales director of Capital Radio Limited, the London entertainment radio station, and in 1976 he was appointed to the board of that company. In 1983, Tony joined TVam Limited, where he was sales and marketing director. He was also involved in the refinancing and flotation of that company. Tony subsequently became group sales and marketing director of BSkyB and was appointed Chairman of FTV Group plc on the Company's admission to AIM in September 2000.

Independent auditors' report
to the shareholders of Apace Media plc

We have audited the Group and the Company financial statements ("the financial statements") of Apace Media Plc for the year ended 31st December 2007 which comprise the consolidated income statement, consolidated Group and Company balance sheets, consolidated cash flow statement, consolidated statement of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the auditable part of the Directors' Report on Directors' Remuneration.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the auditable part of the Directors' Report on Directors' Remuneration in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the auditable part of the Directors' Report on Directors' Remuneration is properly prepared in accordance with the applicable requirements in the United Kingdom, and whether in our opinion the information given in the Directors' Report is consistent with the accounts.

In addition we report to you if, in our opinion, the Company or Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the accounts. The other information comprises only the Chairman's Statement and the Operating and Financial Review, and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the auditable part of the Directors' Report on the Directors' Remuneration. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the auditable part of the Directors' Report on the Directors' Remuneration are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the auditable part of the Directors' Report on the Directors' Remuneration.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the affairs of the Company and the Group as at 31 December 2007 and the profit of the Group for the year then ended;

- the financial statements and the auditable part of the Directors' Report on the Directors' Remuneration have been properly prepared in accordance with the Companies Act 1985;

- the information given in the Directors' Report is consistent with the Financial Statements.

Rawlinson & Hunter
Registered Auditors and Chartered Accountants
Eighth Floor
6 New Street Square
London
EC4A 3AQ

Consolidated income statement
For the year ended 31 December 2007

	Notes	2007 £'000	Restated* 2006 £'000
Continuing operations			
Revenue	1	8,059	6,966
Cost of sales		(5,288)	(4,326)
Gross profit		2,771	2,640
Other income	2	20	-
Administrative expenses			
Exceptional	5	(3,283)	(78)
Normal		(4,068)	(3,258)
Operating loss and loss on ordinary activities before interest		(4,560)	(696)
Finance costs	3	(30)	(2)
Finance income	3	118	100
Share of loss of associate	15	(760)	-
Loss on ordinary activities before income tax	4	(5,232)	(598)
Income tax expense on ordinary activities	9	(16)	(1)
Loss on ordinary activities after income tax from continuing operations		(5,248)	(599)
Discontinued operations			
Net profit from discontinued operations	10	1,461	289
Loss for the year		(3,787)	(310)
Attributable to:			
Shareholders' equity	25, 33	(3,575)	(377)
Minority interest		(212)	67
		(3,787)	(310)
Earnings per share			
From continuing operations			
Basic and diluted (pence)	8	**(5.89)**	(0.86)
From continuing and discontinued operations			
Basic and diluted (pence)	8	**(4.26)**	(0.44)

All recognised gains and losses are included in the income statement.

*Restated for International Financial Reporting Standards (see note 33).

The notes on pages 22 to 42 form part of these financial statements.

Balance sheet
31 December 2007

		Group		Company	
		31 December 2007	31 December 2006 Restated *	31 December 2007	31 December 2006
	Notes	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Property, plant and equipment	11	479	1,570	81	116
Intangible assets	12	940	2,073	-	-
Goodwill	13	2,633	7,936	-	-
Investments in subsidiary undertakings	14	-	-	4,363	10,260
Investment in associate	15	4,585	-	4,585	-
Available for sale financial assets	16	481	-	481	-
Investments – acquisition projects	17	520	435	520	435
		9,638	12,014	10,030	10,811
Current assets					
Inventories	18	1,069	849	-	-
Trade and other current receivables	19	3,122	4,795	3,489	4,102
Cash and cash equivalents		555	1,525	834	1,200
Total current assets		4,746	7,169	4,323	5,302
Total Assets		14,384	19,183	14,353	16,113
Liabilities					
Non-current liabilities					
Trade and other payables	21	-	459	-	-
Deferred tax liabilities	22	65	51	-	-
Total non-current liabilities		65	510	-	-
Current liabilities					
Trade and other current payables	20	3,090	3,404	1,213	542
Total current liabilities		3,090	3,404	1,213	542
Total liabilities		3,155	3,914	1,213	542
Net assets		11,229	15,269	13,140	15,571
Capital and reserves					
Called up share capital	23	7,797	7,797	7,797	7,797
Share premium	25	6,840	6,840	6,840	6,840
Other reserve	25	1,375	1,375	1,375	1,375
Shares to be issued	24	49	18	49	18
Retained earnings	25	(4,652)	(1,077)	(2,921)	(459)
Equity shareholders' funds		11,409	14,953	13,140	15,571
Minority interests		(180)	316	-	-
Capital employed		11,229	15,269	13,140	15,571

* Restated for International Financial Reporting Standards (see note 33).

The financial statements were approved by the Board on 16 June 2008.

M J H Johnston
Director
The notes on pages 22 to 42 form part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2007

	Notes	Year ended 31 December 2007 £'000	Year ended 31 December 2006 Restated* £'000
Cash flows from operating activities			
Cash generated from operations	26	838	63
Interest paid	3	(30)	(21)
Net cash generated from operating activities		808	42
Purchase of subsidiary undertakings		(93)	(4,535)
Proceeds from disposal of subsidiary undertaking		5,498	-
Costs relating to the disposal of subsidiary undertaking		(529)	-
Investment in associate		(2,157)	-
Cash acquired with acquisition of subsidiary undertakings		-	403
Cash disposed of with disposal of subsidiary undertakings		(348)	-
Purchase of tangible fixed assets	11	(185)	(342)
Disposal of tangible fixed assets		-	7
Purchase of intangible fixed assets	12	(223)	(949)
Purchase of investment property		(324)	-
Purchase of available for sale financial assets		(602)	-
Proceeds from disposal of available for sale financial assets		345	-
Investment in TV Arberia (Albania)		(753)	-
Investment project work in progress		(716)	(52)
Interest received		75	63
Net cash used in investing activities		(12)	(5,405)
Proceeds from issue of ordinary shares		-	3,000
Related expenses		-	(164)
Loan to TV Arberia (Albania)		(1,763)	-
Net loan repayment by associate		386	-
Bank borrowings drawn / (eliminated)		(342)	342
Proceeds from issue of shares in subsidiaries to minority interests		23	92
Dividends paid – minority interest		(70)	(65)
Net cash generated from financing activities		(1,766)	3,205
Net decrease in cash, cash equivalents and bank overdrafts		(970)	(2,158)
Cash, cash equivalents and bank overdrafts at beginning of the year		1,525	3,683
Cash, cash equivalents and bank overdrafts at the end of the period		555	1,525

*Restated for International Financial Reporting Standards (see note 33).

The notes on pages 22 to 42 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2007

Group	Called up share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Shares to be issued £'000	Total £'000
At 1 January 2006	**6,792**	**4,990**	**1,375**	**(674)**	**-**	**12,483**
Prior year amortisation adjustment on IFRS adoption	-	-	-	(26)	-	(26)
At 1 January 2006 restated under IFRS	**6,792**	**4,990**	**1,375**	**(700)**	**-**	**12,457**
Share placing	1,000	1,836	-	-	-	2,836
Shares as compensation for loss of office	5	14	-	-	-	19
Loss for period - restated	-	-	-	(377)	-	(377)
Movement in period	-	-	-	-	18	18
31 December 2006	**7,797**	**6,840**	**1,375**	**(1,077)**	**18**	**14,953**
Loss for period	-	-	-	(3,575)	-	(3,575)
Movement in period	-	-	-	-	31	31
31 December 2007	**7,797**	**6,840**	**1,375**	**(4,652)**	**49**	**11,409**

Company	Called up share capital £'000	Share premium £'000	Other reserve £'000	Retained earnings £'000	Shares to be issued £'000	Total £'000
At 1 January 2006	**6,792**	**4,990**	**1,375**	**(545)**	**-**	**12,612**
Share placing	1,000	1,836	-	-	-	**2,836**
Shares as compensation for loss of office	5	14	-	-	-	19
Profit for period	-	-	-	86	-	86
Movement in period	-	-	-	-	18	18
31 December 2006	**7,797**	**6,840**	**1,375**	**(459)**	**18**	**15,571**
Loss for period	-	-	-	(2,462)	-	(2,462)
Movement in period	-	-	-	-	31	31
31 December 2007	**7,797**	**6,840**	**1,375**	**(2,921)**	**49**	**13,140**

Statement of accounting policies
for the year ended 31 December 2007

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 1985 applicable to companies reporting under IFRS. These are the first financial statements which the Company has prepared under IFRS. A reconciliation of profit and total equity under UK GAAP and IFRS and notes of principal adjustments under IFRS are shown in note 33.

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 13.

(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 2007.

The Group had net assets of £11,229,000 as at 31 December 2007 (2006: £15,269,000). The directors consider that the going concern basis is appropriate on the grounds that there is sufficient cash to meet the Company's liabilities as they fall due over the twelve months from the date of approval of these statements.

Basis of consolidation

The financial statements of the Group include the results of the Company and all of its subsidiary and associate undertakings.

No profit and loss account is prepared for the Company, as permitted by Section 230 of the Companies Act 1985. The Company made a loss for the year of £2,462,000 (2006: profit of £86,000).

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 average annual exchange rates. Foreign exchange differences arising on retranslation 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.

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.

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 foreign 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 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.

Goodwill is allocated on acquisition to cash-generating units that are anticipated to benefit from the combination. It is not amortised but is reviewed annually for impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. This estimate of recoverable amount is performed at each balance sheet date. The estimate of recoverable amount requires significant judgement, and is based on a number of factors such as the near-term business outlook for the cash generating unit, including both its operating profit and operating cash flow performance. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised.

Intangible fixed assets

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 their estimated residual value over their estimated useful lives. Estimated useful lives are as follows:

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

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 note 27:

- 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.

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 International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("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 8: Operating Segments (effective as of 1st January 2009)
- IAS 1: Presentation of Financial Statements (revised) (effective as of 1st January 2009)
- 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)
- IAS 23: Borrowing Costs (amended) (effective as of 1st January 2009)
- IFRIC Interpretation 12: Service Concession Arrangements (effective as of 1st January 2008)
- IFRIC Interpretation 13: Customer Loyalty Programmes (effective as of 1st July 2008)
- IFRIC Interpretation 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective as of 1st January 2008)

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. However, the directors are aware that the application of IFRS 8 may significantly alter the amount and complexity of disclosure contained in the Group's financial statements.

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.

Primary reporting format – business segments

	Eastern European Broadcasting		Content Creation		Unallocated		Group	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Continuing operations								
Revenue								
External sales	-	-	8,059	6,966	-	-	8,059	6,966
Inter-segment sales	-	-	-	-	-	-	-	-
	-	-	8,059	6,966	-	-	8,059	6,966
Segment operating result	-	-	(778)	(304)	(3,782)	(392)	(4,560)	(696)
Interest expense	-	-	(30)	(2)	-	-	(30)	(2)
Interest income	-	-	1	-	117	100	118	100
Share of loss of associate	(760)	-	-	-	-	-	(760)	-
Loss before tax	(760)	-	(807)	(306)	(3,665)	(292)	(5,232)	(598)
Income tax	-	-	(16)	(1)	-	-	(16)	(1)
Loss for the year from continuing operations	(760)	-	(823)	(307)	(3,665)	(292)	(5,248)	(599)
Discontinued operations								
Revenue								
External sales	902	3,622	-	-	-	-	902	3,622
Inter-segment sales	-	-	-	-	-	-	-	-
	902	3,622	-	-	-	-	902	3,622
Segment operating result	(550)	366	-	-	-	-	(550)	366
Interest expense	(23)	(55)	-	-	-	-	(23)	(55)
Interest income	-	-	-	-	-	-	-	-
Profit on disposal of operation	2,034	-	-	-	-	-	2,034	-
Profit before tax	1,461	311	-	-	-	-	1,461	311
Income tax	-	(22)	-	-	-	-	-	(22)
Profit for the year from discontinued operations	1,461	289	-	-	-	-	1,461	289
Profit / (Loss) attributable to minority interests	(181)	99	(31)	(32)	-	-	(212)	67
Profit / (Loss) attributable to equity shareholders	882	190	(792)	(275)	(3,665)	(292)	(3,575)	(377)

	Eastern European Broadcasting		Content Creation		Unallocated		Group	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Other information								
Segment assets	-	3,595	4,945	4,673	4,854	10,915	9,799	19,183
Investment in equity accounted associate	4,585	-	-	-	-	-	4,585	-
Total assets	**4,585**	**3,595**	**4,945**	**4,673**	**4,854**	**10,915**	**14,384**	**19,183**
Segment liabilities	-	1,737	2,696	1,734	459	443	3,155	3,914
Total liabilities	**-**	**1,737**	**2,696**	**1,734**	**459**	**443**	**3,155**	**3,914**
Capital expenditure	159	969	247	264	2	58	408	1,291
Depreciation	73	245	91	92	36	30	200	367
Amortisation of intangibles	34	78	235	175	-	-	269	253

Secondary reporting format – geographic segments

	Revenue		Segment assets		Capital expenditure	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Continuing operations						
Content Creation						
UK & Ireland	5,612	4,032	4,945	4,673	247	264
Rest of Europe	1,041	1,344	-	-	-	-
Rest of the World	1,406	1,590	-	-	-	-
Total Content Creation	8,059	6,966	4,945	4,673	247	264
Unallocated	-	-	4,854	10,915	2	58
Total continuing operations	8,059	6,966	9,799	15,588	249	322
Discontinued operations						
Eastern European Broadcasting						
Rest of Europe	902	3,622	-	3,595	159	969
Investment in equity accounted associate	-	-	4,585	-	-	-
	8,961	10,588	14,384	19,183	408	1,291

Analysis of revenue by category	2007 £'000	2006 £'000
Revenue		
Continuing operations	8,059	6,966
Discontinued operations	902	3,622
	8,961	**10,588**

2. Other income

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

3. Finance income and costs

	2007	2006
	£'000	£'000
Finance income – all continuing		
Interest income on short-term bank deposits	**66**	64
Other interest income	**52**	36
	118	100
Finance costs		
Continuing operations		
Interest cost to banks	**29**	2
Other interest cost	**1**	-
	30	2
Discontinued operations	**13**	56
	43	58

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2007	2006
	£'000	£'000
Depreciation of property, plant and equipment	**200**	367
Amortisation of intangibles (2006 – restated)	**269**	253
Operating lease rentals and hire of plant and machinery		
- land & buildings	**92**	217
- equipment hire	**10**	34
Auditors' remuneration for audit services	**40**	40
Auditors' remuneration for non-audit services		
- audit of subsidiaries	**25**	30
- tax compliance	**18**	20
Foreign exchange differences	**11**	29

5. Exceptional administrative expenses

The charge for the year relates to:

	2007	2006
	£'000	£'000
Provisions against investment in Albanian project	**2,755**	-
Provision for related legal expenses	**106**	-
Aborted investment projects written off	**212**	-
Revaluation of investments held for resale	**120**	-
Provision for settlement of litigation	**90**	-
Severance costs on closure of business	**-**	78
	3,283	78

The Company invested in a national terrestrial broadcaster in Albania, TV Arberia (TVA), during the year and made substantial loans to TVA. In October 2007, the regulatory authority in Albania suspended TVA's broadcasting licence. The Company continued to invest in order to have the suspension revoked but, due to the considerable degree of uncertainty regarding the future of TVA, the Company withdrew its support at the end of November. The Company's investments in and loans to TVA are fully provided against in the year.

6. Staff costs

The average monthly number of staff (including executive directors) during the year was 98 (2006: 191). Their aggregate remuneration comprised:

	2007	2006
	£'000	£'000
Wages and salaries	**2,464**	**2,057**
Severance/termination payments	**-**	**78**
Social security costs	**265**	**264**
	2,729	**2,399**

7. Directors' remuneration

Details of directors' remuneration are shown in the report of the directors.

8. Loss per ordinary share

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

	2007 Loss	2007 per share	2006 Loss	2006 per share
	£'000	p	£'000	p
Loss				
Loss after taxation from continuing operations	**(5,248)**	**(5.89)**	(599)	(0.86)
Loss after taxation from continuing and discontinued operations	**(3,787)**	**(4.26)**	(310)	(0.44)
	Number		Number	
Shares				
Weighted average number of shares Basic and diluted	**89,069,331**		69,973,966	

9. Taxation on loss on ordinary activities

The Company's accounting policy for taxation is set out on page 20.

Analysis of charge in the period	**2007**	**2006**
	£'000	**£'000**
Current tax on continuing activities (see below)	(2)	5
Deferred tax (note 22)	(14)	(6)
Income tax expense on ordinary activities	(16)	(1)
Profit / (Loss) before tax:		
Continuing operations	(5,232)	(598)
Discontinued operations	1,461	311
Loss before tax	(3,771)	(287)
Continuing		
Loss before tax	(5,232)	(598)
Tax at 30% (2006 - 30%) on loss on ordinary activities	(1,570)	(179)
Effects of:		
Expenses not deductible for tax purposes	445	11
Depreciation in excess of capital allowances	7	-
Utilisation of tax losses	-	(3)
Tax losses carried forward	1,116	187
Foreign tax consolidation adjustments	-	(11)
Current tax on continuing activities	(2)	5
Discontinued		
Profit before tax	1,461	311
Tax at 30% (2006 - 30%) on profit on ordinary activities	438	93
Effects of:		
Gain not taxable	(438)	-
Foreign tax consolidation adjustments	-	(71)
Tax charge for discontinued activities (note 10)	-	22

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

10. Discontinued operations

Analysis of income statement result:

	2007	2006
	£'000	£'000
Revenue	**902**	3,622
Expenses	**(1,475)**	(3,311)
Profit before tax of discontinued operations	**(573)**	311
Income tax expense (note 9)	**-**	(22)
Profit after tax of discontinued operations	**(573)**	289
Gain on disposal (note 14)	**2,034**	-
Profit from discontinued activities	**1,461**	289

11. Property, plant and equipment

Group	Leasehold improvements	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2007	509	2,363	154	3,026
Disposed to associate	(453)	(1,288)	(138)	(1,879)
Additions	17	168	-	185
Disposals	-	(45)	(16)	(61)
At 31 December 2007	**73**	**1,198**	**-**	**1,271**
Depreciation				
At 1 January 2007	(103)	(1,271)	(82)	(1,456)
Disposed to associate	106	636	72	814
Charge for the period	(31)	(164)	(5)	(200)
Eliminated on disposal	-	35	15	50
At 31 December 2007	**(28)**	**(764)**	**-**	**(792)**
Net book value				
31 December 2007	**45**	**434**	**-**	**479**
31 December 2006	406	1,092	72	1,570

Company	Leasehold improvements	Fixtures, fittings & equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2007	73	73	146
Additions	-	2	2
Disposals	-	-	-
At 31 December 2007	**73**	**75**	**148**
Depreciation			
At 1 January 2007	(13)	(17)	(30)
Charge for the period	(15)	(22)	(37)
Eliminated on disposal	-	-	-
At 31 December 2007	**(28)**	**(39)**	**(67)**
Net book value			
31 December 2007	**45**	**36**	**81**
31 December 2006	60	56	116

12. Intangible fixed assets

Group

	Music rights	Film rights	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2007 – as previously reported	474	1,143	54	1,671
Capitalised on implementation of IFRS	796	-	-	796
At 1 January 2007 – restated	1,270	1,143	54	2,467
Additions	172	51	-	223
Disposed to Associate	-	(1,194)	(54)	(1,248)
At 31 December 2007	**1,442**	**-**	**-**	**1,442**
Depreciation				
At 1 January 2007 – as previously reported	(201)	(91)	(36)	(328)
Arising on implementation of IFRS	(66)	-	-	(66)
At 1 January 2007 – restated	(267)	(91)	(36)	(394)
Charge for the period	(235)	(33)	(1)	(269)
Disposed to Associate	-	124	37	161
At 31 December 2007	**(502)**	**-**	**-**	**(502)**
Net book value				
31 December 2007	**940**	**-**	**-**	**940**
31 December 2006 – restated (note 33)	1,003	1,052	18	2,073

13. Goodwill

Group

	Goodwill £'000
Cost	
At 1 January 2007 – as previously reported	8,732
Transfer to Intangible assets on implementation of IFRS	(796)
At 1 January 2007 restated	7,936
Additions	80
Disposals (below)	(5,383)
At 31 December 2007	**2,633**
Amortisation	
At 1 January 2007	-
Charge for the period	-
At 31 December 2007	**-**
Net book value	
31 December 2007	**2,633**
31 December 2006 – restated (note 33)	7,936

Purchased goodwill arising on the acquisition of subsidiary undertakings is capitalised and accounted for in accordance with the accounting policy for business combinations and goodwill on pages 17, 18 and 19.

Goodwill comprises:	**£'000**
At 1 January 2007 – as previously reported	8,732
Transfer to Intangible assets on implementation of IFRS	(796)
Additions in the year:	
- Apace Media Bulgaria	22
- Apace Internet Balkans	61
- Televizia MM OOD	(3)
Disposal in the year:	
- Sale of Balkan subsidiaries to Balkan Media Group Ltd	(5,383)
Net book value at 31 December 2007	**2,633**

The directors have reviewed goodwill and do not consider an impairment charge to be necessary. Goodwill outstanding at the year-end is attributable to the Group's UK Content Creation business. Based on a multiple of three times budgeted EBITDA for 2008 and other considerations, the Board believes that the value at which goodwill is stated in the consolidated accounts is justified.

14. Investments in subsidiary undertakings

	Company	
	2007 **£'000**	**2006** **£'000**
At 1 January 2007	**10,260**	4,940
Acquisitions:		
Televizia MM OOD	**-**	286
Diema Vision AD	**-**	4,531
Apace Media Bulgaria EOOD	**20**	37
TV ERA DOOEL Skopje	**45**	466
Apace Internet Balkans EAD	**78**	-
Disposals:		
Sale of Balkan subsidiaries to Balkan Media Group Ltd	**(6,040)**	-
	4,363	10,260

At 31 December 2007, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	**Principal activity**	**Country of incorporation**	**% of equity and votes held**
Apace Sports Limited	Dormant	England	100%
Pro-Active Projects Limited	Television production	England	90%
Apace Music Limited	Record label and music publishing	England	100%
Steadfast Television Limited	Television production	England	75%
Steadfast International Limited (formerly Apace Branded Content Limited)	Television programme distribution	England	100%

The following subsidiaries were disposed of between 8 March 2007 and 12 March 2007 by means of sale to Balkan Media Group Limited ("BMGL"), a newly formed subsidiary of the Company. On 20 March 2007, 50% of BMGL was sold to MTG Broadcasting AB ("MTG") of Sweden. Under the shareholders' agreement between the Company and MTG, management control of BMGL is granted to MTG and BMGL is therefore accounted for in these financial statements from that date as an associate, as defined by IAS 28 (see note 15).

	Book value 1 January 2007 £'000	**Investment in the period £'000**	**Book value of disposal £'000**
Diema Vision AD	4,531	-	4,531
Televizia MM OOD	851	10	861
Apace Media Bulgaria EOOD	37	22	59
TV ERA DOOEL Skopje	466	143	609
Apace Internet Balkans EAD	-	78	78
	5,885	253	6,138

Net assets acquired by BMGL	6,138
Disposal of 50% of BMGL to MTG (note 15)	(3,069)
Book value transferred to associate	3,069
Book value of disposal	(3,069)
Related costs	(350)
	(3,419)
Proceeds of disposal after expenses	5,231
Minority interest eliminated	222
Gain on disposal (note 10)	**2,034**

15. 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%

	£'000
Book value transferred from subsidiary undertakings (note 14)	3,069
Acquisition of remaining minority shares in Diema Vision AD	2,078
Acquisition of remaining minority shares in Television MM OOD	15
Further costs capitalised	183
	5,345
Share of associate's losses	(760)
At 31 December 2007	**4,585**

Details of the transfer of the Group's Balkan subsidiary undertakings to the Group's associate undertaking are given in note 14. The results of the associate and its aggregated assets and liabilities for the year are as follows:

Aggregate amounts relating to associates:	**2007 £'000**	**2006 £'000**
Assets	**6,948**	-
Liabilities	**7,801**	-
Revenues	**4,223**	-
Loss for the year	**(1,826)**	-

16. Available for sale financial assets

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Investment in quoted shares	**187**	-	**187**	-
Investment property	**294**	-	**294**	-
	481	-	**481**	-

Available for sale financial assets are held at fair value, being the mid-market price for quoted equities and cost less provision for impairment for investment property.

17. Investments – acquisition projects

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
East European media projects	**2**	196	**2**	196
Costs relating to investment in Albania	**-**	239	**-**	239
Interest in Bulgarian broadcasting licence	**518**	-	**518**	-
	520	435	**520**	435

Since the end of the year the Bulgarian licence has been transferred into Balkan Media Group Ltd in consideration of a matching investment by MTG.

18. Inventories

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Work in progress	**484**	350	**-**	-
Finished goods and goods for resale	**585**	499	**-**	-
	1,069	849	**-**	-

19. Trade and other current receivables

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade receivables	**1,496**	1,969	**-**	-
Amounts due from group undertakings	**-**	-	**2,556**	2,870
Prepayments & accrued income	**664**	1,542	**57**	38
Loan to associate	**667**	-	**667**	-
Other receivables	**295**	179	**209**	89
Placing receivable	**-**	1,105	**-**	1,105
	3,122	4,795	**3,489**	4,102

£100,000 of prepayments (2006: £446,000) is recoverable in more than 12 months.

20. Trade and other payables - current

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Bank borrowings	**-**	12	**-**	-
Trade payables	**1,188**	2,102	**242**	173
Amounts due to related parties	**-**	-	**122**	100
Social security and other taxes	**273**	310	**76**	102
Accruals and deferred income	**1,286**	788	**458**	75
Other payables	**343**	192	**315**	92
	3,090	3,404	**1,213**	542

21. Trade and other payables – non-current

	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
Bank borrowings	**-**	342	**-**	-
Other creditors	**-**	117	**-**	-
	-	459	**-**	-

22. Provision for liabilities and charges

Deferred taxation	Group 2007 £'000	Group 2006 £'000	Company 2007 £'000	Company 2006 £'000
1 January 2007	**51**	45	**-**	-
Increase in provision	**14**	6	**-**	-
31 December 2007	**65**	51	**-**	-

Deferred taxation is provided in respect of accelerated capital allowances.

23. Share capital

Ordinary shares	**2007 Number**	**2007 Par value**	**2007 £'000**	2006 Number	2006 Par value	2006 £'000
Authorised						
1 January 2007	**138,500,000**	**5.0p**	**6,925**	138,500,000	5.0p	6,925
31 December 2007	**138,500,000**	**5.0p**	**6,925**	138,500,000	5.0p	6,925
Issued, called up and fully paid						
1 January 2007	**89,069,331**	**5.0p**	**4,453**	68,959,742	5.0p	3,448
Shares as compensation for loss of office	**-**	**-**	**-**	109,589	5.0p	5
Share placing	**-**	**-**	**-**	20,000,000	5.0p	1,000
31 December 2007	**89,069,331**	**5.0p**	**4,453**	89,069,331	5.0p	4,453

Deferred shares	**2007**			2006		
	Number	**Par**	**£'000**	Number	Par	£'000
Authorised, issued, called up and fully paid						
1 January 2007 and 31 December 2007	**22,293,076**	**15p**	**3,344**	22,293,076	15p	3,344

	2007	2006
Total share capital	**7,797**	7,797

The rights attaching to deferred shares, which have not been 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. It is intended that the deferred shares will be repurchased by the Company for a nominal amount in due course. The deferred shares will have no rights to vote or to participate in dividends and will carry limited deferred rights on any return on capital (whether on a liquidation or otherwise).

24. Share options

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

	Approved			**Unapproved**
Nature of the arrangement	**Share options**	**Share options**	**Share options**	**Share options**
Date of grant	15 May 2006	8 June 2006	13 October 2006	8 June 2006
Outstanding at 1 January 2007	476,190	2,366,410	932,500	897,760
Granted during the year	-	-	-	-
Forfeited during the year	-	(245,001)	-	(175,000)
Outstanding at 31 December 2007	476,190	2,121,409	932,500	722,760
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	23	5	4
Settlement	Shares	Shares	Shares	Shares
% expected to vest	90.00%	90.00%	90.00%	90.00%
Number expected to vest	428,571	1,909,268	839,250	650,484
Fair value per granted instrument (pence)	2.29	2.29	2.29	2.29
Charge for year ending 31 December 2007 (£)	3,641	14,824	7,130	5,050

In accordance with the Group's accounting policy for share based payment, share options have been valued using an appropriate option pricing model. The total fair value of options in issue at the date of grant was £107,000, of which £31,000 has been charged to the profit and loss account for the year (2006 - £18,000).

25. Reserves

	Group			Company		
	Share premium account £'000	Other reserve £'000	Retained earnings £'000	Share premium account £'000	Other reserve £'000	Retained earnings £'000
At 1 January 2007 – restated	6,840	1,375	(1,077)	6,840	1,375	(459)
Loss for the year	-	-	(3,575)	-	-	(2,462)
At 31 December 2007	6,840	1,375	(4,652)	6,840	1,375	(2,921)

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

26. Cash generated from operations

	Year to 31 December 2007 £'000	Year to 31 December 2006 £'000
Continuing operations		
Loss for the year	(5,248)	(599)
Adjustments for:		
Charge in respect of compensation shares	-	19
Loss reported by associate	760	-
Impairment of investment in TV Arberia (Albania)	992	-
Impairment of loan to TV Arberia (Albania)	1,763	-
Aborted investment projects written off	212	-
Revaluation of investments held for resale	120	-
Amortisation of intangible fixed assets	235	175
Depreciation of tangible fixed assets	127	122
Profit on disposal of investments	(20)	-
Loss on disposal of tangible fixed assets	11	3
Share-based payment expense	31	18
Interest expense	30	-
Interest receivable	(119)	-
Increase in inventories	(394)	(518)
Decrease / (increase) in trade and other receivables	612	1,203
Increase / (decrease) in payables	1,608	(933)
Cash generated from continuing operations	720	(510)
Discontinued operations		
Profit for the year	1,461	289
Adjustments for:		
Gain on disposal of subsidiary	(2,034)	-
Amortisation of intangible fixed assets	34	78
Depreciation of tangible fixed assets	73	245
Profit on disposal of investments	-	-
Profit on disposal of tangible fixed assets	-	-
Interest expense	23	55
Increase in inventories	(8)	(2)
Decrease / (increase) in trade and other receivables	(806)	(45)
Increase / (decrease) in payables	1,375	(47)
Cash flow for discontinued operations	118	573
Cash generated from operations	838	63

27. 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 director's report under "Financial Risk Management".

Interest rate profile

The Group has no financial assets other than cash balances of £555,000 (2006:£1,525,000), which are part of the financing arrangements of the Company. The sterling cash balances comprise bank current accounts and deposits placed at investment rates of interest, which ranged between 5.20% and 5.83% in the period (2006: ranged between 4.81% p.a. and 5.22% p.a). Maturity periods ranged between immediate access and 31 days.

Currency hedging

During the period, the Group did not engage in any form of currency hedging transaction (2007: none).

Financial liabilities

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

- A Group net overdraft of up to £500,000 is available;
- £1,000,000 is available for the funding of TV productions;
- Interest is calculated daily on the Group's sterling net borrowings at 1.5% over 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.

Fair values

The fair values of the financial assets and liabilities at 31 December 2007 are not materially different from their book values.

28. Commitments under operating leases

As at 31 December 2007 the Group was committed to make the following future aggregate minimum lease payments in respect of continuing operations on operating leases:

	2007		2006	
	Land & buildings £'000	Other £'000	Land & buildings £'000	Other £'000
for leases expiring within a year:	-	1	22	2
for leases expiring in more than a year but less than five years:	331	29	453	38
for leases expiring in more than five years:	238	-	272	-

29. Contingent liabilities

Apace Music Limited has settled a claim brought against it late in 2006 by a French company, Georges V Records S.A.R.L, in the High Court, Chancery Division, for alleged infringement of various registered trade marks and “passing-off”, arising from the use of the word “Buddha” in the titles of its “lounge” or “chill-out”” compilation CDs which are sold under Apace Music Limited’s own registered European Community trade marks.

Apace Music Limited has also voluntarily intervened in similar proceedings brought against its distributor, Socadisc, by Georges V Records S.A.R.L in France. The Board of the Company intends to defend these proceedings vigorously and has made full provision for the anticipated cost of such defence.

The Company is co-guarantor with MTG Broadcasting AB (MTG) of a bank facility granted to Diema Vision AD, a wholly owned subsidiary of Balkan Media Group Ltd. The facility allows for overdraft borrowing and bank guarantees up to a total of €6 million for up to 12 months from 24 October 2007 with an option for extension.

The Company has confirmed to the auditors of Diema Vision AD that the Company would not initiate an insolvency procedure for Diema before the end of the next financial year and that it is the Company’s intention to continue to extend its financial support for Diema in the foreseeable future in agreement with and in the same amounts as the shareholder of the remaining 50% of Balkan Media Group Limited, namely MTG.

30. Post balance sheet events

Since the year-end, the Company has re-named its (previously dormant) wholly-owned UK subsidiary, Steadfast Rights Limited, as Apace Television Limited (“Apace TV”), and has transferred all of its shareholdings in its UK subsidiaries Steadfast Television Limited, Pro-Active Projects Limited and Steadfast International Limited to Apace TV.

On 26 March 2008 the Company issued an additional 5,100,000 ordinary shares of 5p each to DIDIES EOOD, a Bulgarian company controlled by Mr Didier Stoessel, a director and a shareholder of the Company in lieu of outstanding fees owed to DIDIES EOOD, at a price of 6p per share. These new ordinary shares were admitted for trading on AIM on 4 April 2008.

On 30 April 2008 the Company issued a further 1,664,200 ordinary shares of 5p each to A&M United Advisors LLC ("A&M"), a company in the USA controlled by Mr Anatoli Belchev, the executive director of Diema Vision AD, a subsidiary of Balkan Media Group Limited, in lieu of a performance-related payment owed to A&M at a price of 6p per share. These new ordinary shares were admitted for trading on AIM on 2 May 2008.

31. Related party transactions

During the period in 2007 when the following companies were subsidiaries of Balkan Media Group Limited (BMGL), an associate of the Company, the following amounts were billed to related parties:

	Management charges £'000	Loan interest £'000
Diema Vision AD	-	40
Apace Media Bulgaria	82	-

Related party transactions for the year ended 31 December 2006 and the period of 2007 when they were subsidiaries of the Company were eliminated on consolidation.

As at 31 December 2007 loans totalling £656,000 were owed by subsidiaries of BMGL comprising £634,000 owed by Diema Vision AD and £22,000 owed by TV ERA OOD.

During the year there were no transactions with directors other than the directors' remuneration.

32. Ultimate controlling party

The directors do not consider there to be an ultimate controlling party.

33. Reconciliation of net assets and profit under UK GAAP to IFRS

This is the first year that the Group has presented its consolidated financial statements under IFRS. The accounting policies set out above have been applied in preparing the financial statements for the year ended 31 December 2007, the comparative information presented in these financial statements for the year ended 31 December 2006 and in the preparation of the opening IFRS balance sheet at 1 January 2006.

In preparing its opening IFRS balance sheet, the Group has adjusted amounts previously reported in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from UK GAAP to IFRS has affected the Group's financial position, financial performance and cash flows is set out in the following tables and notes. The Company's financial position, financial performance and cash flows are unaffected by the implementation of IFRS and no reconciliations are therefore given for the Company.

Reconciliation of equity at 1 January 2006

Group

	UK GAAP £000	Adjustments £000	**Adjusted IFRS £000**
Balance sheet 1 January 2006			
Assets			
Non-current assets			
Property, plant and equipment	581	-	581
Intangible assets	221	770	991
Goodwill	3,943	(796)	3,147
Investments	383	-	383
Total non-current assets	5,128	(26)	5,102
Current assets			
Inventories	292	-	292
Trade and other receivables	4,716	-	4,716
Cash and cash equivalents	3,683	-	3,683
Total current assets	8,691	-	8,691
Total assets	13,819	(26)	13,793
Liabilities			
Non-current liabilities			
Trade and other payables	1	-	1
Deferred tax liabilities	45	-	45
Total non-current liabilities	46	-	46
Current liabilities			
Trade and other payables	1,277	-	1,277
Total current liabilities	1,277	-	1,277
Total liabilities	1,323	-	1,323
Net assets	12,496	(26)	12,470
Capital and reserves			
Called up share capital	6,792	-	6,792
Share premium	4,990	-	4,990
Other reserve	1,375	-	1,375
Retained earnings	(674)	(26)	(700)
Equity shareholders' funds	12,483	(26)	12,457
Minority interests	13	-	13
Capital employed	12,496	(26)	12,470

Reconciliation of equity at 31 December 2006

Group

	UK GAAP £000	Adjustments £000	**Adjusted IFRS £000**
Balance Sheet 31 December 2006			
Assets			
Non-current assets			
Property, plant and equipment	1,570	-	1,570
Intangible assets	1,343	730	2,073
Goodwill	8,732	(796)	7,936
Investments	435	-	435
Total non-current assets	12,080	(66)	12,014
Current assets			
Inventories	849	-	849
Trade and other receivables	4,795	-	4,795
Cash and cash equivalents	1,525	-	1,525
Total current assets	7,169	-	7,169
Total assets	19,249	(66)	19,183
Liabilities			
Non-current liabilities			
Trade and other payables	459	-	459
Deferred tax liabilities	51	-	51
Total non-current liabilities	510	-	510
Current liabilities			
Trade and other payables	3,404	-	3,404
Total current liabilities	3,404	-	3,404
Total liabilities	3,914	-	3,914
Net assets	15,335	(66)	15,269
Capital and reserves			
Called up share capital	7,797	-	7,797
Share premium	6,840	-	6,840
Other reserve	1,375	-	1,375
Shares to be issued	18	-	18
Retained earnings	(1,011)	(66)	(1,077)
Equity shareholders' funds	15,019	(66)	14,953
Minority interests	316	-	316
Capital employed	15,335	(66)	15,269

Reconciliation of profit for the year ended 31 December 2006

Group

	Note	UK GAAP £000	IFRS 5 £000	IAS 38 £000	**Adjusted IFRS £000**
Income statement					
Year ended 31 December 2006	Note		1	2	
Turnover		10,588	(3,622)	-	6,966
Cost of sales		(6,311)	1,985	-	(4,326)
Gross profit		4,277	(1,637)	-	2,640
Other income					
Administrative expenses					
Exceptional		(78)	-	-	(78)
Normal		(4,488)	1,270	(40)	(3,258)
Operating loss and loss on ordinary activities before interest		(289)	(367)	(40)	(696)
Interest payable		(21)	19	-	(2)
Interest receivable		63	37	-	100
Loss on ordinary activities before tax		(247)	(311)	(40)	(598)
Tax on loss on ordinary activities		(23)	22	-	(1)
Loss on ordinary activities after taxation		(270)	(289)	(40)	(599)
Net profit from discontinued operations		-	289	-	289
Net loss from continuing operations		(270)	-	(40)	(310)
Minority interests		(67)	-	-	(67)
Loss for the period		(337)	-	(40)	(377)

Notes

1 Represents the restatement of 2006 results for the disposal of the Balkan subsidiaries in the year ended 31 December 2007.

2 Represents the amortisation of intangible assets previously included as goodwill under UK GAAP.

Directors and advisers

Directors

R E Burke (non-executive chairman)
D G P Stoessel (chief executive)
M J H Johnston (finance director)
C V Thompson
M G Morris (non-executive)
A C Vickers (non-executive)
W W Vanderfelt (non-executive)

Secretary
R B Carter

Registered office
Shepherds Central
Charecroft Way
London W14 0EH

Registered company number
03848181

Auditors
Rawlinson & Hunter
6 New Street Square
London
EC4A 3AQ

Nominated adviser and broker
Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN

Registrars
Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Telephone: 020 7471 9393

Email: info@apacemedia.co.uk

The report and accounts for the year ended 31 December 2007 is available from the Company's website:
www.apacemedia.co.uk