APACEMEDIA

Annual Report
For the year ended 31 December 2008

Company number: 03848181

Chairman’s statement and operating & financial review

OVERVIEW

2008 was a challenging year for all media companies and the Group was affected in varying degrees by the economic downturn in both its Content and Broadcasting segments. A small Group profit of £171,000 before exceptional charges (2007: loss of £ 1,949,000) is in line with guidance from our Interim Statement, but the Group reports a loss for the year of £3,015,000 (2007: loss of £3,787,000) due to significant charges for goodwill impairment relating to the UK Content subsidiaries.

OPERATIONAL REVIEW

UK Content Creation

Our content creation businesses generated substantial revenue growth of 43% to £11,518,000 (2007: £8,059,000) in spite of the significant insolvencies in the music distribution and retail sectors in the fourth quarter.

Steadfast Television Limited and its international distribution arm Steadfast International Limited boosted revenues by an impressive 70% to £7,077,000 (2007: £4,142,000) by winning a significant increase in programme commissions from a diversifying base and selling our growing library successfully across all international territories. Steadfast has moved quickly into the top-tier of UK factual producers in only 3 years, and would rank 5th in the production league table (Broadcast, March 2009) with 45 hours in 2008.

Steadfast completed 8 major primetime series during the period for an expanding number and range of commissioning broadcasters: BBC One, ITV1, ITV2, Sky One, Virgin Media, Five, National Geographic US, National Geographic International, and Discovery Canada. Ratings series winners during the past year include Sky Cops (BBC One), Send in the Dogs (ITV1), Brit Cops (Bravo), Cars, Cops, and Criminals (BBC One), and Salvage Code Red (National Geographic International/Discovery Canada) which premiered to critical and audience success early in 2009. Steadfast continues to win re-commissions of its popular series.

Steadfast International boosted sales by 60% in 2008 as the international market signalled its strong commercial acceptance of Steadfast’s quality output. The sales arm has active relationships with over 200 networks and content buyers worldwide and Steadfast programmes are broadcast in over 160 countries. Major clients include Australian networks Nine, Seven, Sky and Foxtel, Sweden’s TV4, SVT, and Kanal 5, TV2 Denmark, Rai (Italy), A&E Latin America, and RTL Netherlands. This performance vindicates the Company’s establishment of its own sales and distribution department and provides an excellent platform for continued growth.

In the course of the year Steadfast wrote down approximately £670,000 in total for deficit financing of certain programmes, production cost overruns, and one-off redundancy payments for the elimination of unnecessary overheads which negatively affected the margin contribution of Steadfast.

Pro-Active Projects Limited had another healthy year, maintaining the previous year’s level of improved turnover at around £1.8m – a solid achievement itself, in a worsening sports TV marketplace, but, more significantly, at an improved level of profitablity.

All standing client relationships were retained and developed, especially in the area of IRB rugby, watersports, and motorsports. Magazine programme supply contracts , such as the rolling 2 year deals for ESPN Star and Foxsports International were renewed at increased income levels.

New “seed” clients were introduced, such as the ARCH Cricket Trophy that looks set to become the sport’s equivalent of the Dubai Rugby 7s now being sponsored by Emirates, another Pro-Active Client, thanks to the distribution performance delivered by the company’s in-house team.

The company also began a co-venture to provide the well-respected Virtual Eye 3D Graphics service, as developed for the America’s Cup sailing, to current and new clients on a trial exclusivity arrangement. We believe the potential of the system is undersold by its New Zealand creators and has great earnings potential if managed on a more international basis.

Chairman's statement and operating & financial review

Apace Music Limited was performing very well in 2008 when major insolvencies to some of our most important distributors and retailers forced Apace Music into a Company Voluntary Arrangement in order to continue to trade with the support of its creditors. As a consequence the Company has taken a significant impairment loss to the carrying value of the goodwill attributable to Apace Music. The directors are reviewing the Group's music strategy in light of the major structural changes to the industry.

Eastern European Broadcasting

The Company's cable television investment in Balkan Media Group (BMGL) performed strongly in 2008 based on a successful programming strategy, higher audience share, and the professional operating synergies with our partner, Swedish-based Modern Times Group (MTG). Our 50% share of BMGL delivered profits of £588,000 this year (2007: loss of £760,000) in spite of the decline in advertising revenues in the 4th Quarter due to macroeconomic conditions. The success of this Bulgarian investment strategy has brought about the subsequent event of the merger of BMGL with MTG's Nova Televizia, Bulgaria's second-ranked terrestrial broadcaster. We expect this merger to be completed by mid-summer, 2009 after various regulatory hurdles are overcome.

Current trading and future prospects

The turbulence in international financial markets has had a major impact on all of our businesses and visibility for 2009 is poor. Having said that, the UK Television production businesses have had an encouraging start to the year and are performing better than internal targets. Apace Music is working within the restrictions of the Company Voluntary Arrangement while it reviews its business model going forward.

For our Balkan interests, investors should review the results and commentary of the emerging parent company Nova Televizia on MTG's website (www.mtg.se).

In the past year directors have taken steps to stabilize the liquidity position of Apace Media plc with sensible cost reductions in production, a successful private placement, and the merger of our Bulgarian interests into a powerful multi-channel broadcaster and media house. Management continue to seek a stronger strategic position for the UK television businesses through a combination with other content owners. The music business remains uncertain and the directors are reviewing its future.

We believe in the long term value of our assets in both Content and Broadcasting in spite of the current market environment.

Roby Burke
Chairman
28 May 2008.

Report of the directors
For the year ended 31 December 2008

The directors present their report and the audited financial statements of Apace Media plc ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2008.

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. In preparing these financial statements, the directors have also complied with IFRS, issued by the International Accounting Standards Board ("IASB"). 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 relevant Companies Act legislation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Disclosure of information to auditors

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

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

This information is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Report of the directors
For the year ended 31 December 2008

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 Television Limited – a holding company for its wholly-owned subsidiaries, namely:-

(1) Apace Music Limited – a record label, record distribution & music publishing;
(2) Steadfast Television Limited – factual, documentary and other television programme production;
(3) Pro-Active Projects Limited – sports television programming production;
(4) Steadfast International Limited – the distribution of Steadfast Television's television programming and other television programming;

Apace Rights Limited – dormant throughout the period under review although subsequent to the balance sheet date this company is the assignee and owner of various copyrights to music and sound-recordings previously held by Apace Music Limited;

Apace Brands in Games Limited – Dissolved 30th September 2008.

UK associate
Balkan Media Group Limited – a holding company for Balkan media companies (50% owned). The principal subsidiaries of this associated undertaking are:

Diema Vision AD – satellite/cable television broadcaster based in Bulgaria;
TV Era DOOEL Skopje – terrestrial television broadcaster based in Macedonia.

A detailed review of the Group's financial position at 31 December 2008 and proposed future developments and strategies and a description of the principal risks and uncertainties facing it including an analysis of the development and performance of the Group during the year and the position of the Group at the year end are reported in the Chairman's statement and operating and financial review on pages 1 to 2.

Financial risk management

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

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

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.

Financial risk management (continued)

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 matching of sales revenues in a foreign currency with acquisition costs for various rights. TV productions sold in foreign currency are, where possible, matched by production costs being incurred in the same currency. Other specific material risks are considered for hedging by forward contracts. The Group does not have a hedging policy.

Post balance sheet events

1. On 5 February 2009, the Apace Music Limited subsidiary entered into a Company Voluntary Arrangement ("CVA") with its third party creditors. This was necessitated by the failure of that company's main distribution channels, with both Pinnacle and Entertainment UK, which were the principal entities operating CD distribution across the United Kingdom, entering into Administration proceedings during November and December 2008. The directors are confident that this subsidiary can trade through its current problems but have made full provision against any related goodwill balances within the Group Balance Sheet. The effects of the agreement of the CVA by the creditors of Apace Music Limited have been reflected in these consolidated financial statements with the writing down of third party liabilities to the amounts agreed as payable in full and final settlement of these liabilities within the CVA (to the extent that these relate to balances recorded at 31 December 2008).

2. On 2 March 2009, the Company signed an Agreement with Modern Times Group MTG AB (MTG) to merge Balkan Media Group Limited (BMGL) with Nova Televizia (Nova), the number two terrestrial broadcaster in Bulgaria. Until completion, Apace and MTG each own 50% of BMGL and MTG owns 100% of Nova. After completion, which is contingent upon further regulatory approval in Bulgaria, Apace will own 5% of the merged business. Completion will occur if and when the contractual conditions are satisfied, including the obtaining of all necessary regulatory consents and approvals. At completion, debt owed by BMGL companies will be repaid and any surplus cash in BMGL will be distributed, generating cash for Apace of between €1m and €1.7m. Apace and MTG have entered into a new shareholder agreement with the customary minority provisions.

3. On 17 March 2009, shareholders approved the issue of 50 million ordinary shares at a price of 2 pence each to Balkan Advisors EOOD, a company controlled by Didier Stoessel. At the same meeting, shareholders approved the Rule 9 Waiver "White Wash" from the Takeover Panel removing the requirement for Mr Stoessel and his concert party to make a general offer for the remaining shares in Apace which they do not own. These new ordinary shares were admitted for trading on AIM on or about 18 March 2009. As a result of this placing and subsequent purchases of shares in the market, Didier Stoessel is the beneficial owner of 66.07% of the Company's issued ordinary share capital.

4. In order to reflect the international nature of the Company's businesses, the Board of the Company resolved on 29 January 2009 to relocate the board level management of the parent company, Apace Media plc, from the United Kingdom to Luxembourg. This action does not result in any changes in the day-to-day conduct of the Company's trading subsidiaries but is being done out of logistical necessity for the efficient management of Group affairs.

Report of the directors
For the year ended 31 December 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 £3,015,000 (2007: loss of £3,787,000). The directors do not recommend the payment of a dividend (2007 - £nil).

Directors

The directors who served on the board of the Company during the year to 31 December 2008 were:

(1) Didier Stoessel (Chief executive)
(2) Martin Johnston (Finance director)
(3) Charles Thompson (executive)
(4) Robert Burke (non-executive Chairman, and from 1 January 2009, executive Chairman)
(5) Anthony Vickers (non-executive)
(6) Michael Morris (non-executive)
(7) William Vanderfelt (non-executive)

On 24 April 2009, Anthony Vickers and Michael Morris resigned as non-executive directors and on 29 April 2009 Francesco Abbruzzese was appointed as a non-executive director.

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 ordinary shares of the Company at the balance sheet date were as follows:-

	At 31 December 2008 No. of 1p ordinary shares	**At 31 December 2007 No. of 5p ordinary shares**
Didier Stoessel	28,133,333	23,033,333
Martin Johnston	802,008	802,008
Charles Thompson	266,666	266,666
Tony Vickers	127,438	127,438
Michael Morris	66,666	66,666
Robert Burke	-	-
William Vanderfelt	6,326,967	6,326,967

As a result of the reductions in par value of the Ordinary Shares carried out in 2005 and 2008 (see note 22 to the financial statements), directors also hold deferred shares. As stated in note 22, the deferred shares are effectively valueless and no disclosure of those holdings is given here.

Creditor payment policy

The Group agrees payment terms with suppliers when it enters into purchase contracts. The Group seeks to abide by the payment terms agreed with the supplier whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard or code that deals specifically with the payment of suppliers. Average creditor days for the year ended 31 December 2008 were 45.6 (2007: 65.4 days).

Charitable and political donations

No charitable or political donations were made during either period.

Substantial interests

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

Beneficial owner	No. of 1p ordinary shares	% held
Didier Stoessel	96,366,755	66.07
Banque Paribas Suisse	9,482,430	6.50
William Vanderfelt	6,326,967	4.34

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 2008, the Group had positive U.K. cash balances of £256,000 (2007 - £555,000). 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. At the date of signing these consolidated financial statements, the Company has an executive Chairman, three executive directors and two non-executive directors. The non-executive directors are independent of the management.

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 2008, options have neither been granted nor exercised.

Pensions

The Group has not made any pension contributions during the year other than as disclosed under Directors' Emoluments below.

Contracts of service

1 Robert Burke was appointed as non-executive Chairman of the Company on 28 November 2007 and as Executive Chairman on 1 January 2009. His appointment may be terminated on one month's notice and otherwise in accordance with the Company's Articles of Association (the "Articles"). From 1 January 2009, Mr. Burke receives annual basic remuneration of £150,000 per year.

2 Didier Stoessel was appointed Chief Executive Officer of the Company on 25 April 2008. His appointment may be terminated in accordance with the Articles. Mr Stoessel receives no basic salary from the Company. Fees are paid in respect of strategic consultancy services in the Balkans provided by Balkan Advisors EOOD. For the 12 month period ending 31 December 2008 the Company paid £121,821 in consultancy fees to Balkan Advisors EOOD.

3 Martin Johnston was appointed Finance Director of the Company on 1 September 2000. His appointment may be terminated by 6 months' notice and otherwise in accordance with the Articles. Mr Johnston receives annual basic remuneration of £100,000. Since May 2008 he has received £18,000 p.a. of his remuneration as pension contributions.

4 Charles Thompson was originally appointed an Executive Director of the Company on 1 November 2005. His appointment now comprises a fixed term contract until 1 September 2010, terminable by him by 3 months' notice. Mr. Thompson receives a basic salary of £150,000.

5 Michael Morris was appointed as a non-executive director on 29 December 2003 and resigned on 24th April 2009. Mr Morris received an annual fee of £15,000 for his services.

6 Anthony Vickers was appointed as a non-executive director on 24 September 1999 and resigned on 24th April 2009. Mr Vickers received an annual fee of £15,000 for his services.

7 William Vanderfelt was appointed as a non-executive director on 27 March 2006. His appointment may be terminated on one month's notice and otherwise in accordance with the Articles. Mr Vanderfelt receives an annual fee of £20,000 for his services.

Francesco Abbruzzese (appointed 29 April 2009), a non-executive director, is employed through MAS Luxembourg at a yearly basic fee of EUR 2,000.

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

Report of the directors
For the year ended 31 December 2008

Directors' emoluments - audited information

Details of directors' emoluments for the year ended 31 December 2008 are set out below:

	Basic remuneration 2008 £	Consultancy Fees 2008 £	Pension contributions 2008 £	Total remuneration 2008 £	Total remuneration 2007 £
R E Burke	21,793			21,793	
D G P Stoessel*	-	121,821	-	121,821	328,996
M J H Johnston	88,000	-	10,500	98,500	130,140
C V Thompson	150,000	-	-	150,000	120,000
C J Rowlands	-	-	-	-	61,769
A C Vickers	15,000	-	-	15,000	15,000
M G Morris	15,000	-	-	15,000	15,000
W W Vanderfelt	20,000	-	-	20,000	14,762
	309,793	121,821	10,500	442,114	685,667

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

One director was accruing benefits under a defined contribution pension scheme (2007 – none) the assets of which are held separately from those of the Company.

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.

Directors' and officers' liability insurance

The Company has purchased insurance cover to cover directors' and officers' liability, as permitted by section 310(3)(a) of the Companies Act 1985 (as amended). This was in force throughout the year under review and at the date of signing these consolidated financial statements.

Auditors

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

By order of the Board

Robert Carter
Company Secretary
28 May 2009

Directors' information

Robert Burke, Executive Chairman (57)
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 (45)
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 (57)
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 (63)
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 Group Chief Creative Officer of Apace Television Ltd and Executive Chairman of Steadfast Television Ltd and Steadfast International Ltd.

William Vanderfelt, Non-executive (66)
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.

Francesco Abbruzzese Non-executive (38)
Francesco Abbruzzese is currently Senior Manager at MAS Luxembourg, a local audit firm in Luxembourg. Prior to that Francesco worked for Deloitte Luxembourg from 1999 until 2004 as team leader in the accounting department. From 2004 until 2007 Francesco worked for Bernard & Associés in which he had a similar role as with Deloitte. Francesco's last employer before joining MAS was LBP Luxco S.à r.l., a Luxembourg company which holds real estates. Francesco was Local Office Manager of this Company until January 2009.

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 2008 which comprise the consolidated income statement, the consolidated Group and Company balance sheets, the consolidated cash flow statement, the 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 auditors' 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 financial statements.

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 financial statements. 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 financial statements. 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 of the Group as at 31 December 2008 and the loss of the Group for the year then ended;
- the financial statements and the auditable part of the Directors' Report on 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 2008

	Notes	2008 £'000	2007 £'000
Continuing operations			
Revenue	1	11,518	8,059
Cost of sales		(8,360)	(5,288)
Gross profit		3,158	2,771
Other income	2	-	20
Administrative expenses			
Exceptional	5	(3,226)	(3,283)
Normal		(3,613)	(4,068)
Operating loss and loss on ordinary activities before interest		(3,681)	(4,560)
Finance costs	3	(21)	(30)
Finance income	3	59	118
Share of profit / (loss) of associate	15	588	(760)
Loss on ordinary activities before income tax	4	(3,055)	(5,232)
Income tax credit / (expense) on loss on ordinary activities	9	40	(16)
Loss on ordinary activities after income tax from continuing operations		(3,015)	(5,248)
Discontinued operations			
Net profit from discontinued operations	10	-	1,461
Loss for the year		(3,015)	(3,787)
Attributable to:			
Equity shareholders	24	(2,858)	(3,575)
Minority interests		(157)	(212)
		(3,015)	(3,787)
Earnings per share			
From continuing operations			
Basic and diluted (pence)	8	**(3.04)**	**(5.86)**
From continuing and discontinued operations			
Basic and diluted (pence)	8	**(3.04)**	**(4.01)**

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

The notes on pages 22 to 44 form part of these financial statements.

Balance sheet
31 December 2008

		Group		Company	
		31 December 2008	31 December 2007	31 December 2008	31 December 2007
	Notes	£'000	£'000	£'000	£'000
Assets					
Non-current assets					
Property, plant and equipment	11	475	479	50	81
Intangible fixed assets	12	864	940	-	-
Goodwill	13	-	2,633	-	-
Investments in subsidiary undertakings	14	-	-	1,741	4,363
Investment in associate undertaking	15	5,198	4,585	5,198	4,585
Available for sale financial assets	16	169	481	169	481
Investments – acquisition projects	17	73	520	73	520
		6,779	9,638	7,231	10,030
Current assets					
Inventories	18	644	1,069	-	-
Trade and other current receivables	19	4,269	3,122	1,619	3,489
Cash and cash equivalents		256	555	1,159	834
Total current assets		5,169	4,746	2,778	4,323
Total assets		11,948	14,384	10,009	14,353
Liabilities					
Non-current liabilities					
Trade and other payables	20	-	-	-	-
Deferred tax liabilities	21	24	65	-	-
Total non-current liabilities		24	65	-	-
Current liabilities					
Trade and other current payables	20	3,096	3,090	539	1,213
Total current liabilities		3,096	3,090	539	1,213
Total liabilities		3,120	3,155	539	1,213
Net assets		8,828	11,229	9,470	13,140
Capital and reserves					
Called up share capital	22	8,136	7,797	8,136	7,797
Share premium	24	6,908	6,840	6,908	6,840
Other reserve	24	1,375	1,375	1,375	1,375
Translation reserve	24	(183)	-	-	-
Shares to be issued	23	60	49	60	49
Retained earnings	24	(7,519)	(4,652)	(7,009)	(2,921)
Equity shareholders' funds		8,777	11,409	9,470	13,140
Minority interests		51	(180)	-	-
Capital employed		8,828	11,229	9,470	13,140

The financial statements were approved by the Board on 28 May 2009.

M J H Johnston
Director
The notes on pages 22 to 44 form part of these financial statements.

Consolidated cash flow statement
For the year ended 31 December 2008

	Notes	Group Year ended 31 December 2008 £'000	Group Year ended 31 December 2007 £'000	Company Year ended 31 December 2008 £'000	Company Year ended 31 December 2007 £'000
Cash flows from operating activities					
Cash generated from operations	25	(847)	838	(755)	417
Interest paid	3	(21)	(30)	-	-
Net cash generated from operating activities		(868)	808	(755)	417
Purchase of subsidiary undertakings		-	(93)	-	(93)
Proceeds from disposal of subsidiary undertaking		-	5,498	-	5,498
Costs relating to the disposal of subsidiary undertaking		-	(529)	-	(529)
Investment in associate		(312)	(2,157)	(312)	(2,157)
Cash disposed of with disposal of subsidiary undertakings		-	(348)	-	-
Proceeds from termination of investment project		888	-	888	-
Purchase of tangible fixed assets	11	(148)	(185)	(8)	(2)
Disposal of tangible fixed assets		-	-	-	-
Purchase of intangible fixed assets	12	(136)	(223)	-	-
Purchase of investment property		(82)	(324)	(82)	(324)
Disposal of investment property		221	-	221	-
Purchase of available for sale financial assets		-	(602)	-	(602)
Proceeds from disposal of available for sale financial assets		-	345	-	345
Investment in TV Arberia (Albania)		-	(753)	-	(753)
Investment project work in progress		(88)	(716)	(88)	(716)
Interest received	3	59	75	218	269
Net cash used in investing activities		402	(12)	837	936
Proceeds from issue of ordinary shares		406	-	406	-
Related expenses		-	-	-	-
Loan to TV Arberia (Albania)		-	(1,763)	-	(1,763)
Net loan (made to) / repaid by associate		(163)	386	(163)	386
Bank borrowings drawn / (eliminated)		-	(342)	-	(342)
Proceeds from issue of shares in subsidiaries to minority interests		-	23	-	-
Dividends paid – minority interest		(75)	(70)	-	-
Net cash generated from financing activities		168	(1,766)	243	(1,719)
Net decrease in cash, cash equivalents and bank overdrafts		(299)	(970)	325	(366)
Cash, cash equivalents and bank overdrafts at beginning of the year		555	1,525	834	1,200
Cash, cash equivalents and bank overdrafts at the end of the period		256	555	1,159	834

The notes on pages 22 to 44 form part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2008

Group	Called up share capital £'000	Share premium £'000	Other reserve £'000	Translation reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
At 1 January 2007	**7,797**	**6,840**	**1,375**	**-**	**18**	**(1,077)**	**14,953**
Loss for period	-	-	-	-	-	(3,575)	(3,575)
Movement in period	-	-	-	-	31	-	31
31 December 2007	**7,797**	**6,840**	**1,375**	**-**	**49**	**(4,652)**	**11,409**
Prior year adjustment	-	-	-	-	-	(9)	(9)
Shares issued	339	68	-	-	-	-	407
Exchange difference on associate's opening net assets	-	-	-	(183)	-	-	(183)
Loss for period	-	-	-	-	-	(2,858)	(2,858)
Movement in period	-	-	-	-	11	-	11
31 December 2008	**8,136**	**6,908**	**1,375**	**(183)**	**60**	**(7,519)**	**8,777**

Company	Called up share capital £'000	Share premium £'000	Other reserve £'000	Shares to be issued £'000	Retained earnings £'000	Total £'000
At 1 January 2007	**7,797**	**6,840**	**1,375**	**18**	**(459)**	**15,571**
Loss for period	-	-	-	-	(2,462)	(2,462)
Movement in period	-	-	-	31	-	31
31 December 2007	**7,797**	**6,840**	**1,375**	**49**	**(2,921)**	**13,140**
Shares issued	339	68	-	-	-	407
Loss for period	-	-	-	-	(4,088)	(4,088)
Movement in period	-	-	-	11	-	11
31 December 2008	**8,136**	**6,908**	**1,375**	**60**	**(7,009)**	**9,470**

Statement of accounting policies
for the year ended 31 December 2008

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 Acts 1985 and 2006 (to the extent in force) applicable to companies reporting under IFRS.

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 2008.

The Group had net assets of £8,828,000 as at 31 December 2008 (2007: £11,229,000). The directors consider that the going concern basis is appropriate on the grounds that there is sufficient cash to meet the Group's liabilities as they fall due over the twelve months from the date of approval of these statements.

Basis of consolidation

The financial statements of the Group include the results of the Company and all of its subsidiary 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 £4,088,000 (2007: loss of £2,462,000).

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.

Business combinations (continued)

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

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

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

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

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

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

Revenue recognition

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

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

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

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

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

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Exchange gains and losses are recognised in the income statement.

Goodwill

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

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

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

Intangible fixed assets

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

Music catalogue:	20 years
Other music rights:	3 years or, if less, the life of the rights
Film and sports rights:	over the life of the rights

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

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any provision for impairments in value.

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

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

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

Investments – acquisition projects in progress

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

Available-for-sale financial assets

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

Cash and cash equivalents

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

Provisions

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

Inventory and work in progress

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

Taxation

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

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantively enacted tax rates.

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

Share based payments

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

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

Financial instruments

In relation to the disclosures made in the notes to the financial statements:

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

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

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

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

International Financial Reporting Standards in issue but not yet effective

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

- IFRS 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)

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. Other standards, amendments and interpretations have been issued but are not yet effective and are not expected to be relevant to the Group's operations.

1. Segmental reporting

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

Primary reporting format – business segments

	Eastern European Broadcasting		Content Creation		Unallocated		Group	
	2008	2007	2008	2007	2008	2007	2008	2007
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Continuing operations								
Revenue								
External sales	-	-	11,518	8,059	-	-	11,518	8,059
Segment operating result	-	-	(509)	(778)	(76)	(3,782)	(585)	(4,560)
Impairment of goodwill	-	-	(3,096)	-	-	-	(3,096)	-
Interest expense	-	-	-	(30)	(21)	-	(21)	(30)
Interest income	-	-	-	1	59	117	59	118
Share of profit / (loss) of associate	588	(760)	-	-	-	-	588	(760)
Profit / (loss) before tax	588	(760)	(3,605)	(807)	(38)	(3,665)	(3,055)	(5,232)
Income tax	-	-	40	(16)	-	-	40	(16)
Profit /(loss) for the year from continuing operations	588	(760)	(3,565)	(823)	(38)	(3,665)	(3,015)	(5,248)
Discontinued operations								
Revenue								
External sales	-	902	-	-	-	-	-	902
Inter-segment sales	-	-	-	-	-	-	-	-
	-	902	-	-	-	-	-	902
Segment operating result	-	(550)	-	-	-	-	-	(550)
Interest expense	-	(23)	-	-	-	-	-	(23)
Interest income	-	-	-	-	-	-	-	-
Profit on disposal of operation	-	2,034	-	-	-	-	-	2,034
Profit before tax	-	1,461	-	-	-	-	-	1,461
Income tax	-	-	-	-	-	-	-	-
Profit for the year from discontinued operations	-	1,461	-	-	-	-	-	1,461
Profit /(loss) attributable to minority interests	-	(181)	(157)	(31)	-	-	(157)	(212)
Profit /(loss) attributable to equity shareholders	588	882	(3,408)	(792)	(38)	(3,665)	(2,858)	(3,575)

Notes to the financial statements
For the year ended 31 December 2008

1. Segmental reporting (continued)

	Eastern European Broadcasting		Content Creation		Unallocated		Group	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Other information								
Segment assets	-	-	3,822	4,945	2,928	4,854	6,750	9,799
Investment in equity accounted associate	5,198	4,585	-	-	-	-	5,198	4,585
Total assets	**5,198**	**4,585**	**3,822**	**4,945**	**2,928**	**4,854**	**11,948**	**14,384**
Segment liabilities	-	-	2,793	2,696	327	459	3,120	3,155
Total liabilities	**-**	**-**	**2,793**	**2,696**	**327**	**459**	**3,120**	**3,155**
Capital expenditure	-	159	276	247	8	2	284	408
Depreciation	-	73	143	91	39	36	182	200
Amortisation of intangibles	-	34	212	235	-	-	212	269

Secondary reporting format – geographic segments

	Revenue		Segment assets		Capital expenditure	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Continuing operations						
Content Creation						
UK & Ireland	7,902	5,612	3,822	4,945	276	247
Rest of Europe	2,266	1,041	-	-	-	-
Rest of the World	1,350	1,406	-	-	-	-
Total Content Creation	11,518	8,059	3,822	4,945	276	247
Unallocated	-	-	2,928	4,854	8	2
Total continuing operations	11,518	8,059	6,750	9,799	284	249
Discontinued operations						
Eastern European Broadcasting						
Rest of Europe	-	902	-	-	-	159
Total continuing and discontinued operations	11,518	8,961	6,750	9,799	284	408
Investment in equity accounted associate	-	-	5,198	4,585	-	-
Total	**11,518**	**8,961**	**11,948**	**14,384**	**284**	**408**

2. Other income

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

3. Finance income and costs

	2008	2007
	£'000	£'000
Finance income – all continuing		
Interest income on short-term bank deposits	**14**	66
Other interest income	**45**	52
	59	118
Finance costs		
Continuing operations		
Interest cost to banks	**21**	29
Other interest cost	**-**	1
	21	30
Discontinued operations	**-**	13
	21	43

4. Loss on ordinary activities before income tax

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

	2008	2007
	£'000	£'000
Depreciation of property, plant and equipment	**182**	200
Amortisation of intangibles	**212**	269
Operating lease rentals and hire of plant and machinery		
- land & buildings	**123**	92
- equipment hire	**14**	10
Foreign exchange differences	**(493)**	11
Amounts payable to Rawlinson & Hunter in respect of both audit and non-audit services:		
- Statutory audit of the Company and Group financial statements	**32**	40
- Statutory audit of subsidiary undertakings	**28**	25
- Tax planning, compliance and other services	**60**	18

Exceptional administrative expenses are disclosed in Note 5.

5. Exceptional administrative expenses

The charge for the year relates to:

	2008	2007
	£'000	£'000
Charge for impairment of goodwill	**3,096**	-
Provisions against investment in Albanian project	**-**	2,755
Provision for related legal expenses	**-**	106
Abortive investment projects written off	**-**	212
Revaluation of investments held for resale	**130**	120
Provision for settlement of litigation	**-**	90
	3,226	3,283

The charge for impairment of goodwill has resulted from a detailed review of the value of the Company's subsidiaries following the entry of Apace Music Limited into a Company Voluntary Arrangement ("CVA") on 5 February 2009 and the trading performance of the other UK content companies being less than the budgeted figures used in the goodwill calculation last year owing to the impact of the global economic conditions on the business.

In accordance with the Group's accounting policy for goodwill, the carrying values of the Group's cash-generating units and the goodwill relating to those carrying values have been reviewed for impairment and the detailed review of the goodwill is provided in note 13.

6. Staff costs

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

	2008	2007
	£'000	£'000
Wages and salaries	**1,965**	2,464
Severance/termination payments	**176**	-
Social security costs	**224**	265
Other pension costs	**10**	-
	2,375	2,729

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

	2008	2007
	No.	No.
Management	**7**	9
Development	**2**	4
Production	**13**	53
Sales	**4**	10
Administration	**11**	22
	37	98

7. Directors' remuneration

Directors' remuneration for the year under review was as 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:

	2008 Loss	**2008 per share**	**2007 Loss**	**2007 per share**
	£'000	**p**	**£'000**	**p**
Loss				
Loss after taxation from continuing operations	**(2,858)**	**(3.04)**	(5,217)	(5.86)
Loss after taxation from continuing and discontinued operations	**(2,858)**	**(3.04)**	(3,575)	(4.01)
	Number		Number	
Shares				
Weighted average number of shares Basic and diluted	**94,094,078**		89,069,331	

Notes to the financial statements
For the year ended 31 December 2008

9. Taxation on loss on ordinary activities

Analysis of charge in the period	**2008**	**2007**
	£'000	**£'000**
Current tax on continuing activities (see below)	-	(2)
Deferred tax (note 21)	40	(14)
Income tax credit/ (expense) on loss on ordinary activities	40	(16)
Loss before tax:		
Continuing operations	(3,055)	(5,232)
Discontinued operations	-	1,461
Loss before tax	(3,055)	(3,771)
Continuing		
Loss before tax	(3,055)	(5,232)
Tax at 28.5% (2007 - 30%) on loss on ordinary activities	(871)	(1,570)
Effects of:		
Expenses not deductible for tax purposes	86	445
Depreciation in excess of capital allowances	41	7
Other timing differences	45	-
Foreign tax consolidation adjustments	(167)	-
Impairment of goodwill on consolidation	882	-
Gains not taxable	(76)	-
Tax losses carried forward	60	1,116
Current tax on continuing activities	-	(2)

The Group has tax losses of £3.881m (2007 - £3.668m) available to be carried forward against future trading profits. No deferred tax asset has been recognised in respect of these losses within these financial statements as future recovery and utilisation is uncertain.

10. Discontinued operations

Analysis of income statement result:

	2008	2007
	£'000	£'000
Revenue	-	902
Expenses	-	(1,475)
Profit before tax of discontinued operations	-	(573)
Income tax expense	-	-
Profit after tax of discontinued operations	-	(573)
Gain on disposal	-	2,034
Profit from discontinued activities	-	1,461

Discontinued operations in the year ended 31 December 2007 arose from the partial disposal of the Group's interests in various operations in Eastern Europe.

11. Property, plant and equipment

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

Group - comparatives	**Leasehold improvements £'000**	**Fixtures, fittings & equipment £'000**	**Motor vehicles £'000**	**Total £'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

11. Property, plant & equipment (continued)

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

Company - comparatives	**Leasehold improvements £'000**	**Fixtures, fittings & equipment £'000**	**Total £'000**
Cost			
At 1 January 2007	73	73	146
Additions	-	2	2
At 31 December 2007	**73**	**75**	**148**
Depreciation			
At 1 January 2007	(13)	(17)	(30)
Charge for the period	(15)	(22)	(37)
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 £'000
Cost	
At 1 January 2008	1,442
Additions	136
At 31 December 2008	**1,578**
Depreciation	
At 1 January 2008	(502)
Charge for the period	(212)
At 31 December 2008	**(714)**
Net book value	
31 December 2008	**864**
31 December 2007	940

Group - comparatives

	Music rights £'000	Film rights £'000	Other Intangibles £'000	Total £'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	1,003	1,052	18	2,073

Included within music rights are mastering costs, CD packaging - design costs, buyout costs relating to the acquisition of music rights and the costs incurred in the development of a CD. Following the entry of Apace Music Limited, which held the music right assets into a CVA, a review was performed on the valuation of the intangible asset. Estimates of the future cash flow streams from the exploitation of the rights over the next 10 years were made and a discounted cash flow analysis performed using a pre-tax discount rate of 10%. Based on this review the directors do not consider that the asset is materially impaired.

13. Goodwill

Group

	2008 £'000	2007 £'000
Cost		
At 1 January 2008	2,633	8,732
Transfer to Intangible assets on implementation of IFRS	-	(796)
Additions	-	80
Disposals	-	(5,383)
Goodwill arising from the acquisition of minority interests	463	-
At 31 December 2008	**3,096**	**2,633**
Amortisation		
At 1 January 2008	-	-
Charge arising from impairment review	(3,096)	-
At 31 December 2008	**(3,096)**	**-**
Net book value		
31 December 2008	**-**	**2,633**

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

Goodwill comprises:	2008 £'000	2007 £'000
At 1 January 2008	**2,633**	8,732
Transfer to Intangible Assets upon implementation of IFRS	**-**	(796)
Balkan acquisitions	**-**	80
Sale of Balkan subsidiaries to Balkan Media Group Ltd	**-**	(5,383)
Acquisition of minorities in UK content companies	**463**	-
Provision for impairment	**(3,096)**	-
Net book value at 31 December 2008	**-**	2,633

Goodwill on consolidation arises in respect of the Group's UK Content Creation businesses. As detailed in note 5, following the entry of Apace Music Limited into a CVA and the impact of the global economic climate, the directors have reviewed goodwill and have decided to make an impairment charge equivalent to the carrying value of goodwill.

14. Investments in subsidiary undertakings

	Company	
	2008	**2007**
	£'000	**£'000**
At 1 January 2008	**4,363**	10,260
Balkan acquisitions:	**-**	143
Sale of Balkan subsidiaries to Balkan Media Group Ltd	**-**	(6,040)
Inter-company debts capitalised	**2,212**	-
Provision for impairment	**(4,834)**	-
At 31 December 2008	**1,741**	4,363

At 31 December 2008, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held
Apace Television Limited	Holding company	England	85%
Apace Rights Limited	Dormant	England	100%
Pro-Active Projects Limited *	Television production	England	100%
Apace Music Limited *	Record label and music publishing	England	100%
Steadfast Television Limited *	Television production	England	100%
Steadfast International Limited *	Television programme distribution	England	100%

* - subsidiary undertakings of Apace Television Limited.

In April and October 2008, Apace Television Limited acquired shares in the companies listed (*) above from Apace Media plc. In October 2008, Apace Television Limited acquired the remaining shares in those companies from the minority shareholders and in consideration issued ordinary shares. As a result of the share issues to the minority shareholders of Pro-Active Projects Limited and Steadfast Television Limited, those minority shareholders acquired a 15% holding in Apace Television Limited.

In March 2009, Apace Media plc acquired shares from minority shareholders in Apace Television Limited, reducing the minority holding to 12.1%.

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%

	Group	
	2008	2007
	£'000	£'000
At 1 January 2008	4,585	-
Book value transferred from subsidiary undertakings	-	3,069
Acquisition of remaining minority shares in Diema Vision AD	-	2,078
Acquisition of remaining minority shares in TV Era	-	15
Share placing in lieu of Bulgarian consultancy fee	100	-
Further costs capitalised	108	183
Exchange difference on opening net assets	(183)	-
	4,610	5,345
Share of associate's profit / (loss) for the year	588	(760)
At 31 December 2008	**5,198**	**4,585**

	Company	
	2008	2007
	£'000	£'000
At 1 January 2008	4,585	-
Book value transferred from subsidiary undertakings	-	3,069
Acquisition of remaining minority shares in Diema Vision AD	-	2,078
Acquisition of remaining minority shares in TV Era	-	15
Share placing in lieu of Bulgarian consultancy fee	100	-
Further costs capitalised	108	183
	4,610	5,345
Movement on impairment provision	405	(760)
At 31 December 2008	**5,198**	**4,585**

Diema Vision AD and TV Era are subsidiaries of the associate undertaking. Further information about the principal subsidiaries of Balkan Media Group Limited is given in the Directors' Report.

The results of the associate for the year and its aggregated assets and liabilities at the balance sheet date are as follows:

Aggregate amounts relating to associates:	2008	2007
	£'000	£'000
Assets	**10,036**	6,948
Liabilities	**10,122**	7,801
Revenues	**13,173**	4,223
Profit / (loss) for the year	**1,176**	(1,826)

16. Available for sale financial assets

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Investment in quoted shares	**169**	187	**169**	187
Investment property	**-**	294	**-**	294
	169	481	**169**	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	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
East European media projects	**73**	2	**73**	2
Interest in Bulgarian broadcasting licence	**-**	518	**-**	518
	73	520	**73**	520

18. Inventories

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
Work in progress	**226**	484	**-**	-
Finished goods and goods for resale	**418**	585	**-**	-
	644	1,069	**-**	-

As a result of the entry of Apace Music Limited into a CVA and the subsequent need to liquidate significant amounts of inventory to generate cash, its inventories were assessed and an impairment provision of £245,000 made as at 31 December 2008. The resulting book value of inventory is considered to represent fair value.

19. Trade and other current receivables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
Trade receivables	**2,196**	1,496	**288**	-
Amounts due from group undertakings	**-**	-	**139**	2,556
Prepayments & accrued income	**745**	664	**49**	57
Loan to associate	**1,092**	667	**1,092**	667
Other receivables	**236**	295	**51**	209
	4,269	3,122	**1,619**	3,489

Prepayments of £nil (2007: £100,000) are recoverable in more than 12 months.

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

Movement in the allowance for doubtful debts:

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
Balance at 1 January	**58**	10	**-**	-
Amounts written off during the year	**(30)**	-	**-**	-
Increase in allowance recognised in the income statement	**299**	48	**-**	-
	327	58	**-**	-

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited as the Group's exposure is spread over a large number of customers. The significant increase in the provision in the year relates to the Apace Music Limited customers which entered Administration.

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

20. Trade and other current payables

	Group		Company	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
Trade payables	**1,220**	1,188	**246**	242
Amounts due to related parties	**-**	-	**3**	122
Social security and other taxes	**212**	273	**14**	76
Accruals and deferred income	**1,462**	1,286	**276**	458
Other payables	**202**	343	**-**	315
	3,096	3,090	**539**	1,213

21. Provision for liabilities and charges

	Group		Company	
	2008	**2007**	**2008**	**2007**
Deferred taxation	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2008	**65**	51	**-**	-
(Credit)/ charge to the income statement	**(41)**	14	**-**	-
At 31 December 2008	**24**	65	**-**	-

Deferred taxation is provided in respect of accelerated capital allowances and the timing of the reversal is uncertain**.**

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

22. Share capital

Ordinary shares	**2008**						**2007**		
	Old Ordinary shares			**New Ordinary shares**			**Old Ordinary shares**		
	Number 000s	**Par value**	**£'000**	**Number 000s**	**Par value**	**£'000**	**Number 000s**	**Par value**	**£'000**
Authorised									
1 January 2008	138,500	5p	6,925	-		-	138,500	5p	6,925
Redesignation & subdivision	(138,500)		(6,925)	138,500	1p	1,385	-		-
31 December 2008	-		-	138,500		1,385	138,500		6,925
Issued, called up and fully paid									
01 January 2008	89,069	5p	4,453	-		-	89,069	5p	4,453
Share placings	6,764	5p	338	-		-	-		-
	95,834	5p	4,792	-		-	-		-
Redesignation & subdivision	(95,834)	5p	(4,792)	95,834	1p	958	-		-
31 December 2008	-		-	95,834		**958**	89,069		4,453
Deferred shares	**2008**						**2007**		
	A Deferred shares			**B Deferred shares**			**A Deferred shares**		
Authorised	**Number 000s**	**Par value**	**£'000**	**Number 000s**	**Par value**	**£'000**	**Number 000s**	**Par value**	**£'000**
1 January 2008	22,293	15p	3,344	-		-	22,293	15p	3,344
Creation of B Deferred shares	-		-	138,500	4p	5,540	**-**		-
31 December 2008	22,293		3,344	138,500		5,540	22,293		3,344
Issued, called up and fully paid									
1 January 2008	22,293	15p	3,344				22,293	15p	3,344
Creation of B Deferred shares	-		-	95,834	4p	3,834	**-**		-
31 December 2008	22,293		**3,344**	95,834		**3,834**	22,293		3,344
Total issued share capital									
01 January 2008						7,797			7,797
31 December 2008						**8,136**			**7,797**

At the Annual General Meeting of the Company on 22 July 2008, resolutions were passed whereby each issued Existing Deferred Share was re-designated as an A Deferred Share and each issued Existing Ordinary Share was subdivided into one New Ordinary Share and one New Deferred Share (designated a B Deferred Share).

The rights attaching to the 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).

23. Share options

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

Nature of the arrangement	**Share options**	**Approved Share options**	**Share options**	**Unapproved Share options**
Date of grant	15 May 2006	8 June 2006	13 October 2006	8 June 2006
Outstanding at 1 January 2008	476,190	2,121,409	932,500	722,760
Granted during the year	-	-	-	-
Forfeited during the year	-	(531,667)	(500,000)	(125,000)
Outstanding at 31 December 2008	476,190	1,589,742	432,500	597,760
Exercise price (pence)	20	20	20	20
Share price at grant (pence)	18	18	18	18
Vesting period (years)	3	3	3	3
Vesting conditions	None	None	None	None
Option life (years)	10	10	10	10
Expected volatility	20.00%	20.00%	20.00%	20.00%
Risk free rate	4.75%	4.75%	4.75%	4.75%
Number of employees	1	16	4	3
Settlement	Shares	Shares	Shares	Shares
% expected to vest	90.00%	90.00%	90.00%	90.00%
Number expected to vest	428,571	1,430,768	389,250	537,984
Fair value per granted instrument (pence)	2.29	2.29	2.29	2.29
Charge for year ending 31 December 2008 (£)	3,641	6,378	(1,153)	2,398

In accordance with the Group's accounting policy for share based payments, share options have been valued using an appropriate option pricing model. The total fair value of options in issue at the date of grant was £107,000, of which £11,000 has been charged to the income statement for the year (2007 - £31,000).

24. Reserves

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

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

25. Cash generated from operations

	Group		Company	
	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000	Year to 31 December 2008 £'000	Year to 31 December 2007 £'000
Continuing operations				
Loss for the year	(3,015)	(5,248)	(4,088)	(2,462)
Adjustments for:				
(Profit) / loss reported by associate	(588)	760	-	-
Impairment of Goodwill	3,096	-	-	-
Provision for impairment of investment in subsidiaries	-	-	4,834	-
(Reversal of) / provision for impairment in associate	-	-	(405)	760
Impairment of investment in TV Arberia (Albania)	-	992	-	992
Impairment of loan to TV Arberia (Albania)	-	1,763	-	1,763
Aborted investment projects written off	-	212	-	212
Revaluation of investments held for resale	172	120	172	120
Amortisation of intangible fixed assets	211	235	-	-
Depreciation of tangible fixed assets	181	127	39	37
Gain on termination of acquisition project	(268)	-	(268)	-
Profit on disposal of investments	-	(20)	-	(20)
Loss on disposal of tangible fixed assets	-	11	-	-
Share-based payment expense	11	31	11	31
Interest expense	21	30	-	-
Interest receivable	(59)	(119)	(218)	(269)
Unrealised exchange gain	(254)	-	(254)	-
Decrease / (increase) in inventories	425	(394)	-	-
Decrease / (increase) in trade and other receivables	(746)	612	2,308	616
Intercompany debts capitalised	-	-	(2,212)	-
Increase / (decrease) in payables	(35)	1,608	(674)	671
Cash generated from continuing operations	(847)	720	(755)	2,451
Discontinued operations				
Profit for the year	-	1,461	-	-
Adjustments for:				
Gain on disposal of subsidiary	-	(2,034)	-	(2,034)
Amortisation of intangible fixed assets	-	34	-	-
Depreciation of tangible fixed assets	-	73	-	-
Interest expense	-	23	-	-
Increase in inventories	-	(8)	-	-
Decrease / (increase) in trade and other receivables	-	(806)	-	-
Increase in payables	-	1,375	-	-
Cash flow for discontinued operations	-	118	-	-
Cash generated from operations	(847)	838	(755)	417

26. Financial instruments

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

The Group has not entered into any derivatives transactions.

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

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

Interest rate profile

The Group has no financial assets other than cash balances of £256,000 (2007:£555,000), 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 0.5% and 5.20% p.a. in the period (2007: ranged between 5.20% and 5.83% p.a). Cash deposits are available on immediate access.

Currency hedging

During the period, the Group did not engage in any form of currency hedging transaction (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 RBS base rate;
- Interest is credited daily on the Group's net sterling credit balance at a variable rate in excess of base rate;
- Each UK group company guarantees the bank's exposure to each other group company.

The Group net overdraft is subject to a personal guarantee given by Didier Stoessel.

Fair values

The fair values of the financial assets and liabilities at 31 December 2008 are not materially different from their book values.

27. Commitments under operating leases

As at 31 December 2008, the Group was committed to make the following future aggregate minimum lease payments in respect of continuing operations on operating leases:

	2008		2007	
Expiring:	**Land & buildings £'000**	**Other £'000**	**Land & buildings £'000**	**Other £'000**
Within a year:	12	-	-	1
In more than a year but less than five years:	192	19	331	29
In more than five years:	204	-	238	-

28. Contingent liabilities

Litigation

The Company is a defendant in civil proceedings issued in the Tirana District Court in the Republic of Albania by Artan Sevrani and Arjan Lamaj, ex-shareholders in Television Arberia, claiming damages of €1.1m for breach of contract. This claim is being vigorously defended by the Company. In the opinion of the directors, there is little likelihood of this action being successful and provisions have only been raised for the costs of defending this claim.

The Company has obtained judgment in proceedings brought by the Company in the High Court of Malaya for refund of a percentage of the purchase price due under a sale and purchase agreement dated 5.7.2007 for purchase of a parcel of the land known as Parcel No. AV-38, Level No. 38, The Avare, Kuala Lumpur. This judgment indicates that the Company is entitled to a refund of £221,000.

Guarantees

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. The facility expires on 31 August 2009 and is currently being renegotiated. On completion of the agreements with MTG referred to in note 29, this guarantee will lapse.

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.

29. Post balance sheet events

1. On 5 February 2009, the Apace Music Limited subsidiary entered into a Company Voluntary Arrangement ("CVA") with its third party creditors. This was necessitated by the failure of that company's main distribution channels, with both Pinnacle and Entertainment UK, which were the principal entities operating CD distribution across the United Kingdom, entering into Administration proceedings during November and December 2008. The directors are confident that this subsidiary can trade through its current problems but have made full provision against any related goodwill balances within the Group Balance Sheet. The effects of the agreement of the CVA by the creditors of Apace Music Limited have been reflected in these consolidated financial statements with the writing down of third party liabilities to the amounts agreed as payable in full and final settlement of these liabilities within the CVA (to the extent that these relate to balances recorded at 31 December 2008).

2. On 2 March 2009, the Company signed an Agreement with Modern Times Group MTG AB (MTG) to merge Balkan Media Group Limited (BMGL) with Nova Televizia (Nova), the number two terrestrial broadcaster in Bulgaria. Until completion, Apace and MTG each own 50% of BMGL and MTG owns 100% of Nova. After completion, which is contingent upon further regulatory approval in Bulgaria, Apace will own 5% of the merged business. Completion will occur if and when the contractual conditions are satisfied, including the obtaining of all necessary regulatory consents and approvals. At completion, debt owed by BMGL companies will be repaid and any surplus cash in BMGL will be distributed, generating cash for Apace of between €1m and €1.7m. Apace and MTG have entered into a new shareholder agreement with the customary minority provisions.

3. On 17 March 2009, shareholders approved the issue of 50 million ordinary shares at a price of 2 pence each to Balkan Advisors EOOD, a company controlled by Didier Stoessel. At the same meeting, shareholders approved the Rule 9 Waiver "White Wash" from the Takeover Panel removing the requirement for Mr Stoessel and his concert party to make a general offer for the remaining shares in Apace which they do not own. These new ordinary shares were admitted for trading on AIM on or about 18 March 2009. As a result of this placing and subsequent purchases of shares in the market, Didier Stoessel is the beneficial owner of 66.07% of the Company's issued ordinary share capital.

4. In order to reflect the international nature of the Company's businesses, the Board of the Company resolved on 29 January 2009 to relocate the board level management of the parent company, Apace Media plc, from the United Kingdom to Luxembourg. This action does not result in any changes in the day-to-day conduct of the Company's trading subsidiaries but is being done out of logistical necessity for the efficient management of Group affairs.

30. Related party transactions

During the year, the company entered into the following transactions with Diema Vision AD. Diema Vision AD is a subsidiary of Balkan Media Group Limited (BMGL), an associate of the Company:

	Management charges		Loan interest	
	2008	**2007**	**2008**	**2007**
	£'000	**£'000**	**£'000**	**£'000**
Apace Media Bulgaria	-	82	-	-
Diema Vision AD	192	-	45	40

As at 31 December 2008, BMGL owed the Company €127,000 and loans totalling €996,000 were owed by subsidiaries of BMGL, comprising €963,000 owed by Diema Vision AD and €33,000 owed by TV ERA OOD. Under the terms of the agreements signed on 2 March 2009, as disclosed in the post balance sheet events note, these loans will be repaid in full upon completion of the merger between Diema Vision AD and Nova.

During the year, there were no transactions with directors other than matters disclosed within the Directors' Report in respect of directors' remuneration.

31. Ultimate controlling party

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

Directors and advisers

Directors

R E Burke (Executive Chairman from 1 January 2009)
D G P Stoessel (Chief Executive)
M J H Johnston (Finance Director)
C V Thompson (Executive Director)
W W Vanderfelt (Non-executive Director)
F Abbruzzese (Non-executive Director)

Secretary
R B Carter

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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
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Kent BR3 4TU

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The report and accounts for the year ended 31 December 2008 is available from the Company's website:
www.apacemedia.co.uk