APACEMEDIA

Apace Media plc

Interim results for the six months ended 30 June 2005

Highlights:

- On a pro-forma basis (as if Apace Group Limited had been consolidated since January 2005):
  - Revenues of £1.6m for period (up 164%)
  - Pre-tax profit of £887,000 before goodwill amortisation (up 1573%)
  - EPS of 0.13p per share
  - Good performance of intellectual property creation and distribution with EBITDA of £217,000
  - Continued build-up of branded content division with start-up losses of £47,000
- On a reported basis, the results, which include only FTV Group plc for most of the period, are revenues of £450,000 and pre-tax losses of £195,000 after goodwill amortisation of £54,000
- Strong balance sheet and cash position at 30 June 2005 (£2.288m)

Chairman's statement

Introduction

On 25 April 2005, the Company acquired Apace Group Limited, the holding company of a media group specialising in the creation, distribution and exploitation of intellectual property. At the same time, the Company changed its name from FTV Group plc to Apace Media plc and completed a placing of ordinary shares on AIM, raising £2 million before expenses. The Company's accounting reference date has been changed to 31 December. The attached financial statements for the period from 1 January 2005 to 30 June 2005 comprise the second interim report for the extended accounting period from 1 July 2004 to 31 December 2005 and include the trading activities of the former Apace Group from 26 April 2005 onwards.

Board

On 30 March 2005, Alastair Gunning resigned from the Board. On 25 April 2005, Didier Stoessel joined the Board as Executive Chairman and Chief Executive.

Overview

Sales in the period were £450,000. Loss before taxation was £195,000, including £85,000 of losses incurred by the Company (then FTV Group plc) before 25 April 2005, when a cash shell, and £54,000 of goodwill amortisation. Loss per share was 0.06 pence. The Group had £2,288,000 of cash at 30 June 2005.

Dividend

The Board does not propose to pay an interim dividend.

Review of operations

Pro-forma results have been prepared as if the Group had traded in its current form since 1 January 2005 (and approximate comparatives given for the first half of 2004). These pro-forma results are used in the following review.

Sales in the period were £1,609,000 (2004: £609,000) and profit before taxation and goodwill amortisation £887,000 (2004: £53,000). Earnings for the period before goodwill amortisation are 0.13 p per share.

Central activities including copyright catalogue restructuring and trading
After realisation of the gain on the restructuring and sale of the copyright catalogue of RM Associates, central activities contributed a profit before tax of £752,000. Although such copyright restructuring gain cannot be repeated in every period, we believe that management has the necessary skills to identify, restructure and improve the value of copyright catalogues. We are currently working on the acquisition of another large copyright catalogue in the Czech Republic.

Intellectual property creation and distribution
This division has performed well during the first half and continued to build its content catalogue. It achieved sales of £1,514,000 (2004: £413,000) and EBITDA of £217,000 (2004: £40,000).

150 hours of audiovisual material have been produced during the period and 27 new titles comprising more than 750 tracks have been added on the music side. Our ability in acquiring and turning around businesses is evident in our music business, where our payback period has been less than one year.

In this division, our strategy is to increase our content creation capability and to build a strategic position in content creation and distribution in growing, but as yet under-developed, media markets where integrated media positions can still be established at attractive acquisition costs and cross-promotions synergies implemented. Our first two target geographic markets are the Czech Republic and Bulgaria.

Our acquisition of MM Television in Bulgaria and the creation of our independent entertainment production television unit in the UK, both of which we announce today, are part of this strategy. The creation of our entertainment TV production unit in particular will establish our presence in the UK and US television production markets. As with any new venture, we anticipate losses during the first 18 months' trading of approximately £ 0.5million and our business plan forecasts revenues of approximately £14million in 2007/2008. We will report the financial and strategic progress of this venture separately to shareholders every six months.

We are currently working on three possible acquisitions in television and media products distribution in Central and Eastern Europe (including the Czech catalogue referred to above). The directors believe that the region offers great value and growth potential. These acquisitions will also potentially allow the Group to own market-leading integrated media assets from content creation to distribution (TV platforms, retail presence), which are out of reach financially and strategically in western markets at this early stage of our development. They would also give the Group an attractive growth profile across three geographic markets at different stages of economic development.

Branded content
This division is in a start-up phase. It achieved sales of £96,000 and made a loss before tax of £47,000.

We are continuing to invest in branded content, which we believe has the potential to address some of the challenges faced by the traditional advertising market. Recent announcements by

Unilever and others are confirming the trends we identified 12 months ago. This division will be built on an organic basis.

It is currently working on or negotiating contracts with four large multi-nationals and holds the exclusive sponsorship rights to The China Cup, the first London to Shanghai sailing race, which has been endorsed by the Chinese authorities.

We have also created another unit in this division with Apace BIG or Brand In Games. This unit offers advertisers product-placement and branded games in an environment where the absence of strict regulation allows significant flexibility for brands.
Given the aggressive growth profile we decided to adopt, we believe that this division will require another 12 months of investment before it generates appropriate returns on capital. The Board believes that such investment is creating a “first mover” advantage in the branded content space and therefore should be sustained.

Didier Stoessel
Chairman
30 September 2005

Profit and loss account

	Notes	6 months to 30 June 2005 (unaudited) £'000	6 months to 31 December 2004 (unaudited) £'000	Year ended 30 June 2004 (audited) £'000
Turnover		450	-	-
Cost of sales		(295)	-	-
Gross profit		155	-	-
Administrative expenses		(364)	(64)	(135)
Operating loss and loss on ordinary activities before interest		(209)	(64)	(135)
Interest receivable		14	9	20
Loss on ordinary activities before taxation		(195)	(55)	(115)
Tax on loss on ordinary activities	2	-	-	-
Loss on ordinary activities after taxation		(195)	(55)	(115)
Minority interests		(2)	-	-
Retained loss		(197)	(55)	(115)
Loss per share - basic and diluted (pence)	3	(0.06)	(0.10)	(0.21)

All amounts relate to continuing activities.

There were no recognised gains or losses in the period other than those reflected in the profit & loss account.

Balance sheet

	Notes	30 June 2005 (unaudited) £'000	31 December 2004 (unaudited) £'000	30 June 2004 (audited) £'000
Fixed assets				
Intangible assets		115	-	-
Goodwill	4	3,183	-	-
Tangible assets		449	5	6
Investments		147	-	-
		3,894	5	6
Current assets				
Stocks		153	-	-
Debtors		837	4	5
Cash at bank and in hand	7	2,288	339	381
		3,278	343	386
Creditors: amounts falling due within one year		(915)	(30)	(19)
Net current assets		2,363	313	367
Total assets less current liabilities		6,257	318	373
Creditors: amounts falling due after more than one year		(275)	-	-
Provisions for liabilities and charges		(36)	-	-
Net assets		5,946	318	373
Capital and reserves				
Called up share capital	5	4,359	275	275
Share premium	6	528	213	213
Merger reserve	6	1,375	-	-
Reserves	6	(367)	(170)	(115)
Equity shareholders' funds		5,895	318	373
Minority interests		51	-	-
Capital employed		5,946	318	373

Cash flow statement

	Notes	6 months to 30 June 2005 (unaudited) £'000	6 months to 31 December 2004 (unaudited) £'000	Year ended 30 June 2004 (audited) £'000
Reconciliation of operating result to net cash flow from operating activities				
Operating loss		(209)	(64)	(135)
Amortisation of intangible fixed assets		5	-	-
Amortisation of goodwill	4	54	-	-
Depreciation of tangible fixed assets		2	1	2
Gain on disposal of tangible fixed assets		(40)	-	-
Increase in stocks		(14)	-	-
Decrease in debtors		212	1	46
Increase / (decrease) in creditors		168	11	(5)
Net cash flow from operating activities		178	(51)	(92)

	Notes	6 months to 30 June 2005 (unaudited) £'000	6 months to 31 December 2004 (unaudited) £'000	Year ended 30 June 2004 (audited) £'000
Cash flow statement				
Net cash flow from operating activities		178	(51)	(92)
Cash flows from investing activities				
Interest received		19	9	20
Purchase of tangible fixed assets		(41)	-	-
Purchase of intangible fixed assets		(38)	-	-
Disposal of tangible fixed assets		62	-	-
Purchase of subsidiary undertaking	4	(100)	-	-
Cash acquired with subsidiary undertaking	4	221	-	-
Net cash flow from investing activities		123	9	20
Cash flows from financing activities				
Proceeds from issue of ordinary shares	5	2,000	-	-
Related expenses	6	(352)	-	-
Net cash flow from financing activities		1,648	-	-
Increase / (decrease) in cash in the period	7,8	1,949	(42)	(72)

Notes to the interim report

1. Basis of preparation

The Company has changed its accounting reference date from 30 June to 31 December. This is the second interim report in the 18-month accounting period from 1 July 2004 to 31 December 2005.

The interim report has been prepared on the basis of accounting policies drawn up in accordance with UK Generally Accepted Accounting Principles, as they are expected to be applicable when the accounts for the period ending 31 December 2005 are prepared.

The interim results are unaudited and do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 (as amended). Comparatives to the year ended 30 June 2004 are provided. These figures are derived from the statutory accounts of Apace Media plc (formerly FTV Group plc) for the same period. The statutory accounts of the Company were audited and the auditor's opinion on those accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. Copies have been filed with the Registrar of Companies.

This interim report was approved by the Board on 29 September 2005. A copy of this report will shortly be sent to shareholders and further copies are available from the Company's registered office, Unit G22, Shepherds East, Richmond Way, London W14 0DQ.

2. Tax on loss on ordinary activities

Due to the losses incurred, no provision has been made for taxation.

3. Loss per ordinary share

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

	6 months ended 30 June 2005		6 months ended 31 December 2004		Year ended 30 June 2004	
	Loss £'000	**per share p**	**Loss £'000**	**per share p**	**Loss £'000**	**per share p**
Loss						
Loss after taxation and minority interests	(197)	(.06)	(55)	(0.10)	(115)	(0.21)
Dilutive effect of options	-	-	-	-	-	-
		(.06)	(55)	(0.10)	(115)	(0.21)
Shares	**No.**		**No.**		**No.**	
Weighted average number of shares						
Basic	349,963,797		55,056,390		55,056,390	

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

4. Subsidiary undertakings

On 25 April 2005 the Company acquired the entire issued share capital of Apace Group Limited (now Apace Sports Limited). At 30 June 2005, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held
Apace Sports Limited (formerly Apace Group Ltd)	Sponsorship consultancy	England	100%
Pro-Active Projects Limited	Television production	England	90%
Apace Music Limited	Record label and music publishing	England	100%
Sports and Entertainment Television Limited	Television programme distribution	England	90%

The operating assets and liabilities of Apace Group Limited and its subsidiaries on 25 April 2005 were as follows:

	Book value	**Adjustments**	**Fair value**
	£'000	**£'000**	**£'000**
Fixed assets	518	(10)	508
Investments	148	-	148
Stock	159	(20)	139
Debtors	1,047	-	1,047
Cash	221	-	221
Creditors	(951)	(39)	(990)
Provision for liabilities & charges	(36)	-	(36)
Minority interests	(49)	-	(49)
	1,057	**(69)**	**988**
Consideration (550,000,000 ordinary shares at 0.75p each)			4,125
Related expenses			100
Goodwill			(3,237)
			988

The adjustments shown above are provisional and will be reviewed based on additional information up to 31 December 2005. The directors do not anticipate that any net adjustments resulting from such review would be material to the Group.

Purchased goodwill arising on the acquisition of subsidiary undertakings is capitalised and amortised by equal annual instalments over its estimated useful life up to a maximum of 20 years. Should the value of this goodwill become recognised as impaired, an impairment charge would be made against operating profit.

	£'000
Goodwill arising from the acquisition of Apace Group Ltd	3,237
Amortisation over 10 years	(54)
Net book value at 30 June 2005	3,183

5. Share capital

Ordinary shares of 0.5p each	2005 Number	£'000
Authorised		
1 January 2005	80,000,000	400
25 April 2005 - increase	1,670,000,000	8,350
30 June 2005	1,750,000,000	8,750
Issued, called up and fully paid		
1 January 2005	55,056,390	275
25 April 2005 – consideration shares	550,000,000	2,750
25 April 2005 – placing shares	266,666,666	1,334
30 June 2005	871,723,056	4,359

6. Reserves

	Share premium account £'000	Merger reserve £'000	Profit & loss account £'000
At 1 January 2005	213	-	(170)
Issue of consideration shares	-	1,375	-
Issue of placing shares	667	-	-
Placing expenses	(352)	-	-
Loss for the period	-	-	(197)
At 30 June 2005	528	1,375	(367)

7. Analysis and reconciliation of net funds

	1 January 2005 £'000	Cash flow £'000	30 June 2005 £'000
Net cash			
Cash at bank and in hand	339	1,949	2,288
Net funds	339	1,949	2,288

8. Reconciliation of net cash flow to movements in net funds

	6 months to 30 June 2005 £'000	6 months to 31 December 2004 £'000	Year ended 30 June 2004 £'000
Increase / (decrease) in cash in the period	1,949	(42)	(72)
Net funds at beginning of period	339	381	453
Net funds at end of period	2,288	339	381

Directors and advisers

Directors
D G P Stoessel (executive chairman & chief executive)
M J H Johnston (finance director)
M G Morris (non-executive)
A C Vickers (non-executive)

Secretary
M J H Johnston

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