APACE MEDIA PLC PRELIMINARY RESULTS

PERIOD ENDED 31 DECEMBER 2005

HIGHLIGHTS

On an unaudited pro-forma basis for the Group as it is currently constituted for the 12 months ended 31 December 2005:

- Turnover of £5.65 million.
- EBITDA, before minority interests, of £1.42 million.
- Pre tax profits, before minority interests, of £1.11 million.
- Earnings per share of 1.26 pence.
- Strong balance sheet: net assets of £12.5 million with £3.7 million cash at 31 December 2005.
- Acquired majority stakes in two cable and satellite broadcasters in Bulgaria – establishing Apace as one of the biggest multi-channel broadcasters in Bulgaria.
- Launched general entertainment television production business in September 2005. Great progress made with some 30 hours of programme projects with wide number of broadcaster partners now in development.
- Confirmed factual television projects include:
    - *Fans United*. A nine-part series being successfully shown on ITV1 and internationally in the run up to the World Cup.
    - *Helicops*. Two-part series for BBC1 primetime following the activities of air-bound police work, in production for delivery in July and August 2006.
    - A formal development deal for BBC1 primetime to produce up to 7 hours of police programming for delivery in 2007.
    - A formal development deal with Discovery Europe on 3 projects with international potential.
    - Development deal with National Geographic in the US to develop between 2 and 6 hours of popular science programming, subject to co-production finance.

Apace Media plc Chairman and Chief Executive Didier Stoessel commented:

"In a relatively short time we have built a media group with great growth prospects: we have put in place a general entertainment television production division that is securing international and UK commissions. On the broadcast front we are now an important player in the faster-emerging Eastern European markets with the resources and know-how to take advantage of the significant opportunities that exist in the region."

For further information please contact:

Simon Forrest 07885317746

## Chairman's statement and operating & financial review

This is the first set of results since the Company listed on the AIM Market in April 2005 and I am pleased to be able to report excellent progress across all our activities. The last 12 months have seen the business restructured and significantly enlarged, positioning the Company to become:

- a leading content producer in the UK
- a sizeable broadcaster in the fast growing economies of Eastern Europe

The figures used in this statement originate from pro-forma unaudited results which have been prepared as if the Group had traded in its current form since 1 January 2005.

Pre-tax profit for the year, before minority interests, was £1.11 million on a turnover of £5.65 million. EBITDA for the year, before minority interests, was £1.42 million. The EBITDA contribution from our Content Creation and Eastern European Broadcasting divisions, before minority interests, was £0.81 million for the year. Earnings per share were 1.26 pence. Content creation activities contributed 55% of the turnover and Eastern European broadcasting activities 45%. Our balance sheet is strong with net assets of £12.5 million, of which £3.7 million was in cash at the year end.

I am not commenting on the FRS3 results for the 18 months ended on 31 December 2005, since they exclude the activities of the Apace businesses before May 2005.

### Achievements since listing

Our key objectives following flotation have been a) to develop our Eastern European Broadcasting activities, b) to create a significant UK-based independent television production operation and c) to invest in the business infrastructure and management skills to accommodate further growth in the future (organic or through acquisitions). All these objectives are being achieved.

### Operational highlights

<u>Content Creation Division</u>

On an unaudited pro-forma basis, before minority interests, these activities generated EBITDA of £1.08 million on a turnover of £3.08 million. If we exclude the losses of our start-up businesses and the profit generated from catalogue restructuring, this division generated an EBITDA profit (before minorities) of £0.44 million. Our Content Creation activities are television production, the supply of advertiser funded programming and the creation and licensing of music content.

- <u>Television production:</u>
  We launched our general entertainment television production business in September 2005. No revenue was generated from this activity in 2005.

  The global market for television programmes is already large and growing. Particular opportunities have been created recently for UK-based producers as a result of the Communications Acts, which allow them to create, own and exploit the intellectual property rights.

  During the period under review, we substantially accelerated our investment in this activity compared to the original business plan to benefit from a) our initial successes in discussions with customers and key staff candidates and b) the turmoil in the market amongst our competitors.

  The progress of this start-up business has exceeded our expectations. Key relationships such as a two-year development partnership with Channel Four International were already in place. We have now established further key relationships with Discovery Europe, BBC One, Discovery Canada and National Geographic's U.S. channel.

We are systematically creating a wide portfolio of creative programme ideas in development (30 hours already). This is being developed with our broadcast partners for commissioning in the UK (e.g. BBC, ITV and five) and internationally (such as Discovery in USA, Asia, Europe and Canada, National Geographic and a number of Australian channels). We believe that our focus on and management of this creative process distinguishes us from our competitors. The momentum is now growing and we expect to be able to announce several new commissions soon.

Those projects which have already been formally contracted are:

- *Fans United*. A nine-part series being successfully shown on ITV1 and internationally in the run up to the World Cup. This was initiated by our AFP business (see below), but was kept as an in-house production under the auspices of the new programme making team to maximize our return from the project.

- *Helicops*. A fast turnaround two-part series for BBC1 primetime following the activities of air-bound police work. Now in production for delivery in July and August 2006. A key factor in securing this high-profile commission was the need to produce it within budget, and to a tight deadline.

- A formal development deal for BBC1 primetime, which is intended to produce up to 7 hours of police programming for delivery in 2007.

- A formal development deal with Discovery Europe on 3 projects with international potential, including the development of a long-running popular factual series.

In addition to these existing commissions, the National Geographic Channel in Washington has confirmed its intention to order between 2 and 6 hours of popular science programming, subject to appropriate co-production funding being in place.

Our television production activities also include the generation of sports programming: both live event coverage and the creation and packaging of magazine-type shows. This operation, which became a part of the Apace group three years ago, works with both broadcasters and international sporting organisations, helping to generate interest and awareness in the sports.

Over the last twelve months the business has supplied over 300 hours of original programming internationally. This includes a three-year high-volume supply arrangement with Sky Sports and a rolling one-year distribution deal with Fox Sports. Advances in 2005 included our becoming established as a leader in global rugby coverage – one of the fastest growing sports in the world. Having secured the contract to cover the IRB Sevens games we also covered the Sevens World Cup, the most watched international rugby event next to the full World Cup. Success in the Sevens led to our being awarded the contract to cover the Under 19 Rugby World Cup in Dubai. Other highlights included winning rights to coverage of the UK Open Squash Championships, our re-appointment by the International Water-ski Federations to cover the World Cup international series, our appointment as producer of coverage of the United Arab Emirates Desert Rally series and output deals with The Sailing Channel.

- <u>Advertiser Funded Programming ("AFP")</u>

  Our start-up AFP activities, where we work with broadcasters and brands to supply paid-for television programming, began to generate revenues in 2005.

  The most significant achievement was *Fans United*, a new international series exploring the unique habitat of the football fan. Sponsored by Unilever, the series is being broadcast in over 30 territories before, during and after the World Cup, screening on ITV1 in the UK. We are now exploring various new applications for the *Fans United* format for other sports in the UK and internationally, including a US version. During the year we also worked with Nissan on *Nissan Sports Adventure* featuring sports from exotic worldwide destinations. Other programmes we distributed included *Tuningmania, Sports Mania, Hot Water* and *Destination Adventure*.

- <u>Music</u>
  Our music production activities were launched in 2004 and operate in the mid-price compilation market releasing a wide range of diversely themed albums.

  By the end of 2005 we were the tenth largest business in this UK market segment, a competitive environment that includes Sony BMG, EMI and Universal. During 2005 we sold over half a million albums under a range of labels including *Mastercuts, Bar de Lune* and *Pure*. In total 80 albums were released covering such genres as Funk, Soul, Reggae and Salsa. Apace Music re-launched the *Mastercuts* brand featuring albums from Marvin Gaye, Bob Marley and others. In the UK, sales drives were supported by marketing campaigns in key stores including ASDA, Virgin, Boots, Borders and Sainsbury's. Internationally 2005 saw great progress with successful export drives into the US, the large European markets, Japan and Australia. One of this activity's valuable assets is its music recording and publishing catalogue, which now stands at 3000 tracks. 600 of these are owned outright with no royalty payments due to any third parties. In addition to using these tracks on our own releases and premiums, revenue comes from third-party use on radio and television and by other labels.

<u>Eastern European Broadcasting Division</u>

On an unaudited pro-forma basis, before minority interests, these activities generated EBITDA of £0.68 million on a turnover of £2.58 million

During 2005 and early 2006, we made progress to achieve our ambition of building a significant business in Eastern European broadcasting by acquiring majority stakes in two cable and satellite broadcasters in Bulgaria – MM Televizia (66%) and Diema Vision (50% initially, recently increased to 66%). These two companies combined now control six channels, establishing Apace, alongside News Corporation, as one of the biggest multi-channel broadcasters in Bulgaria. These channels cover sports, entertainment, movies and music and control key broadcasting rights in Bulgaria for films and sporting events (including English, French and Spanish top division football).

These acquisitions firmly establish Apace Media as a fast-growing media business in the region. In addition to the cable broadcasting activities we also generate revenue from cinema and home entertainment releases. Driving the growth of this business will be a) increasing cable carriage fees, reflecting the high quality content we now have available b) developing the advertising market through more cross-channel selling and other initiatives and c) rolling out Pay Per View services offering premium content. Advertising in particular has huge potential as audience measurement methods become more precise, more international brands turn to Bulgaria and the dominant position of the terrestrial channels diminish. Set against the background of a growing economy and Bulgaria's likely admission to the EU, advertising prospects are excellent.

The first few months of 2006 saw us put in place the first stages of our Eastern European growth strategy. Part of that included creating a regional business development team based in Sofia, led by four senior appointments: the former head of Corporate Finance in Bulgaria for Deloitte as Chief Executive of our Eastern European business, and three senior executives looking after legal affairs, advertising and music promotion.

## Board and Management

During the period, the composition of the Board changed to reflect developments within the business. Chris Rowlands and Charles Thompson joined the Board as executive directors with the acquisition of their television production business. In early 2006 Chris became Chief Operating Officer of Apace Media plc, while remaining Deputy Chairman of the Company. In the New Year we also welcomed William Vanderfelt, an experienced institutional investor, onto the Board as a non-executive director. In addition we strengthened the central management of the Company by increasing Martin Johnston's role as Finance Director to full-time and by the appointment of Robert Carter as Legal Counsel /Company Secretary. Other key head office hirings included IT and communications specialists.

## Staff

I would like to thank all the staff for their contribution to this year's excellent performance. Throughout a period of great activity, which included the AIM listing, the setting up of new divisions and a period of intense creative activity, Apace's staff has shown flexibility, commitment and adaptability. I also believe we have one of the best management teams around, one capable of having great strategic vision and then going out and making it a reality.

## Dividend

As we focus on developing the business over the next few years we shall be investing in people, rights and marketing. Consequently we do not intend to propose a dividend for 2005. We will however keep this policy under regular review.

## Current trading and future prospects

Trading is currently in line with the Board's expectations of doubling each company's turnover in 2006 compared with 2005 and the directors are positive about the Group's future prospects and growth.

Overall our results in 2006 will be heavily biased towards the second half of the year, when most of the EBITDA contribution will be generated. This is due to a) the seasonal nature of our broadcasting activities, b) revenues from our first raft of general entertainment commissions beginning to flow after the half year and, compared to 2005, c) an increased investment in central infrastructure in London and Sofia to support further growth, some £400,000 of additional annual cost. Rights catalogue trading activity had a significant impact on the 2005 results of the Content Creation Division, occurring in the first half of the year. We have said previously that these opportunities occur infrequently, require major investment and management time and their profits are lumpy. We are not currently pursuing new opportunities in this field.

Operationally we will see great progress during 2006 and I am pleased to be able to report strong sales growth in both our divisions so far this year.

Our Content Creation Division is now well positioned to benefit from the anticipated market growth in independent television production and advertiser funded programming over the next few years. The directors believe that this division, after a strong second half in 2006, will start to show its real potential in 2007.

In our Eastern European Broadcasting Division, we are expanding the number of our channels in Bulgaria from six to eight over the next six months. We also plan to enter the new media sector in Bulgaria through an expansion of our internet activities. As far as regional expansion is concerned, our next targeted markets for acquiring broadcasting assets are Macedonia, Albania and Bosnia. Our strategy is to create a pan-regional Eastern European broadcasting business in the countries where the large media players such as CME, RTL, SBS and MTG are not present.

In a relatively short time we have built a media group with great growth prospects: we have put in place a factual television production division that is securing international and UK commissions. On the broadcast front we are now an important player in the faster-emerging Eastern European markets with the resources and know-how to take advantage of the significant opportunities that exist in the region.

Didier Stoessel

Chairman and Chief Executive

9 May 2006

## Consolidated profit and loss account

**For the period from 1 July 2004 to 31 December 2005**

| | | 18 months to 31 December 2005 | | | |
|---|---|---|---|---|---|
| | Notes | Acquisitions £'000 | Other continuing operations £'000 | Total £'000 | Year ended 30 June 2004 £'000 |
| **Turnover** | 1 | 1,986 | - | 1,986 | - |
| Cost of sales | | (1,112) | - | (1,112) | - |
| **Gross profit** | | 874 | - | 874 | - |
| Other income | 2 | 36 | 23 | 59 | - |
| Administrative expenses | | | | | |
| Exceptional | | - | (135) | (135) | - |
| Normal | | (955) | (383) | (1,338) | (135) |
| **Operating loss and loss on ordinary activities before interest** | | (45) | (495) | (540) | (135) |
| Interest payable | 3 | (7) | (9) | (16) | - |
| Interest receivable | 3 | 4 | 56 | 60 | 20 |
| **Loss on ordinary activities before taxation** | 4 | (48) | (448) | (496) | (115) |
| Tax on loss on ordinary activities | 9 | (11) | - | (11) | - |
| **Loss on ordinary activities after taxation** | | (59) | (448) | (507) | (115) |
| Minority interests | | (52) | - | (52) | - |
| **Loss for the period** | 21 | (111) | (448) | (559) | (115) |
| **Loss per share - basic and diluted (pence)** | 8 | | | (3.37) | (8.36) |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

**Balance sheet**
**31 December 2005**

| | Notes | Group 31 December 2005 £'000 | Group 30 June 2004 £'000 | Company 31 December 2005 £'000 | Company 30 June 2004 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 11 | 221 | - | - | - |
| Goodwill | 12 | 3,943 | - | - | - |
| Tangible assets | 10 | 581 | 6 | 82 | 6 |
| Investments in subsidiary undertakings | 13 | - | - | 4,940 | - |
| Investments | 14 | 383 | - | 383 | - |
| | | 5,128 | 6 | 5,405 | 6 |
| **Current assets** | | | | | |
| Stocks | 15 | 292 | - | - | - |
| Debtors | 16 | 4,716 | 5 | 4,719 | 5 |
| Cash at bank and in hand | | 3,683 | 381 | 3,501 | 381 |
| | | 8,691 | 386 | 8,220 | 386 |
| **Creditors: amounts falling due Within one year** | 17 | (1,277) | (19) | (1,013) | (19) |
| **Net current assets** | | 7,414 | 367 | 7,207 | 367 |
| **Total assets less current liabilities** | | 12,542 | 373 | 12,612 | 373 |
| **Creditors: amounts falling due after more than one year** | | (1) | - | - | - |
| **Provisions for liabilities and charges** | 18 | (45) | - | - | - |
| **Net assets** | | 12,496 | 373 | 12,612 | 373 |
| **Capital and reserves** | | | | | |
| Called up share capital | 19 | 6,792 | 275 | 6,792 | 275 |
| Share premium | 21 | 4,990 | 213 | 4,990 | 213 |
| Other reserve | 21 | 1,375 | - | 1,375 | - |
| Profit and loss account | 21 | (674) | (115) | (545) | (115) |
| **Equity shareholders' funds** | 22 | 12,483 | 373 | 12,612 | 373 |
| **Minority interests** | | 13 | - | - | - |
| **Capital employed** | | 12,496 | 373 | 12,612 | 373 |

**Cash flow statement**
**For the period from 1 July 2004 to 31 December 2005**

| | Notes | 18 months to 31 December 2005 £'000 | Year ended 30 June 2004 £'000 |
|---|---|---|---|
| **Reconciliation of operating result to net cash flow from operating activities** | | | |
| Operating loss | | (540) | (135) |
| Amortisation of intangible fixed assets | 11 | 60 | - |
| Depreciation of tangible fixed assets | 10 | 51 | 2 |
| Profit on disposal of investments | | (59) | - |
| Profit on disposal of tangible fixed assets | | (40) | - |
| Increase in stocks | | (153) | - |
| Decrease / (increase) in debtors | | (3,605) | 46 |
| Increase / (decrease) in creditors | | 146 | (5) |
| **Net cash outflow from operating activities** | | (4,140) | (92) |

**Cash flow statement**

| | Notes | 18 months to 31 December 2005 £'000 | Year ended 30 June 2004 £'000 |
|---|---|---|---|
| **Net cash outflow from operating activities** | | (4,140) | (92) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 59 | 20 |
| Interest paid | | (16) | - |
| Dividends paid – minority interest | | (85) | - |
| **Net cash (outflow)/inflow** | | (42) | 20 |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | 10 | (166) | - |
| Disposal of tangible fixed assets | | 62 | - |
| Purchase of intangible fixed assets | 11 | (189) | - |
| Purchase of investments | | (143) | - |
| Disposal of investments | | 350 | - |
| Investment project work in progress | 14 | (383) | - |
| **Net cash outflow** | | (469) | - |
| **Acquisitions and disposals** | | | |
| Purchase of subsidiary undertakings | | (665) | - |
| Cash acquired with acquisition of subsidiary undertakings | | 225 | - |
| **Net cash outflow** | | (440) | - |
| **Management of liquid resources** | | | |
| Cash drawn from deposit | | - | 78 |
| **Net cash inflow** | | - | 78 |
| **Financing** | | | |
| Proceeds from issue of ordinary shares | 19 | 9,000 | - |
| Related expenses | | (607) | - |
| **Net cash inflow** | | 8,393 | - |
| **Increase in cash in the period** | 23, 24 | **3,302** | 6 |

**Statement of accounting policies**
**For the period from 1 July 2004 to 31 December 2005**

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

## Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and are in accordance with applicable accounting standards.

## Going concern

The going concern basis has been used to prepare the financial statements of the Company and the Group for the period ended 31 December 2005.

The Group had net assets of £12,496,000 as at 31 December 2005. The directors consider that the going concern basis is appropriate on the grounds that there is sufficient cash to meet the Company's liabilities as they fall due over the twelve months from the date of approval of these statements.

## Basis of consolidation

The financial statements of the Group include the results of the Company and all of its subsidiary undertakings. The results of subsidiary undertakings are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent and using consistent accounting policies.

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

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

No profit and loss account is prepared for the Company, as permitted by Section 230 of the Companies Act 1985. The Company incurred a loss for the period of £430,000 (2004: £ 115,000).

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.

## Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date with any exchange differences arising on retranslation being recognised in the profit and loss account. 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.

**Statement of accounting policies**
**For the period from 1 July 2004 to 31 December 2005**

## Business combinations and goodwill

All business combinations are accounted for by applying the acquisition method. 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.

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

## Intangible fixed assets

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 rights: 3 years or, if less, 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.

## Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairments in value.

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

| | |
|---|---|
| Leasehold improvements: | 5 years or, if less, the length of the lease |
| Office equipment: | between 5 and 8 years |
| Computer equipment: | 3 years |

## Investments

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

## 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 cash management 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.

## Stock

Stock and work in progress are carried at the lower of cost and net realisable value. Cost represents direct costs incurred and, where appropriate, a proportion of attributable overheads. Stock 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 balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the Company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

## Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

## Financial instruments

In relation to the disclosures made in note 25:

- Short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures; and
- The Company does not hold or issue derivative financial instruments for trading purposes.

**Notes to the accounts**
**For the period from 1 July 2004 to 31 December 2005**

## 1. Turnover

| A geographical analysis of turnover is as follows: | 2005 £'000 | 2004 £'000 |
|---|---|---|
| UK & Ireland | 940 | - |
| Rest of Europe | 529 | - |
| Rest of the world | 517 | - |
| | **1,986** | - |

## 2. Other income

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

## 3. Interest receivable and interest payable

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Interest receivable** | | |
| Bank interest receivable | **60** | 20 |
| **Interest payable** | | |
| Other interest payable | **15** | - |
| Bank interest payable | **1** | - |
| | **16** | - |

## 4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Depreciation and amounts written off fixed assets | | |
| - tangible | **51** | - |
| - intangible | **60** | - |
| Operating lease rentals and hire of plant and machinery | | |
| - land & buildings | **33** | 2 |
| - equipment hire | **41** | |
| Auditors' remuneration for audit services | **59** | 7 |
| Auditors' remuneration for non-audit services | **13** | 3 |

## 5. Exceptional administrative expenses

The charge for the period relates to the due diligence costs for aborted acquisition projects in Eastern Europe.

## 6. Staff costs

The average monthly number of sales and administrative staff (including executive directors) during the period ended 31 December 2005 was 15 (2004: 1). Their aggregate remuneration comprised:

| | **2005 £'000** | **2004 £'000** |
|---|---|---|
| Wages and salaries | **604** | 61 |
| Severance/termination payments | **15** | - |
| Social security costs | **73** | 7 |
| Other pension costs | **-** | - |
| | **692** | 68 |

## 7. Directors' remuneration

Details of directors' remuneration are shown on page 10.

## 8. Loss per ordinary share

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

| | **2005 Loss £'000** | **2005 per share p** | **2004 Loss £'000** | **2004 per share p** |
|---|---|---|---|---|
| **Loss** | | | | |
| Loss after taxation | **(559)** | **(3.37)** | (115) | (8.36) |
| | **Number** | | **Number** | |
| **Shares** | | | | |
| Weighted average number of shares | | | | |
| Basic and diluted | **16,594,675** | | 1,376,410 | |

The weighted average number of shares in issue has been adjusted to allow for the share consolidation carried out on 7 November 2005.

## 9. Taxation on loss on ordinary activities

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

| **Analysis of charge in the period** | **2005 £'000** | **2004 £'000** |
|---|---|---|
| UK corporation tax on loss of the period | - | - |
| Under provision in relation to earlier periods | - | - |
| Deferred tax | 11 | - |
| | 11 | - |

**Factors affecting the charge for the period:**

The tax assessed for the period is at the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | | |
|---|---|---|
| **Loss on ordinary activities before taxation** | (496) | (115) |
| Tax at 30% (2004 - 30%) on loss on ordinary activities | (149) | (35) |
| **Effects of:** | | |
| Expenses not deductible for tax purposes | - | 4 |
| Timing differences | 37 | - |
| Tax losses carried forward | 112 | 31 |
| **Tax charge for period** | - | - |

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

**Notes to the accounts**
**For the period from 1 July 2004 to 31 December 2005**

10. **Tangible fixed assets**

| **Group** | **Leasehold improvements** | **Fixtures, fittings & equipment** | **Motor vehicles** | **Total** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost** | | | | |
| At 1 July 2004 | - | - | 8 | 8 |
| Acquisitions | - | 1,135 | 26 | 1,161 |
| Additions | 46 | 120 | - | 166 |
| Disposals | - | (34) | (7) | (41) |
| **At 31 December 2005** | **46** | **1,221** | **27** | **1,294** |
| **Depreciation** | | | | |
| At 1 July 2004 | - | - | (2) | (2) |
| Acquisitions | - | (657) | (23) | (679) |
| Charge for the period | - | (49) | (2) | (51) |
| Eliminated on disposal | - | 17 | 3 | 19 |
| **At 31 December 2005** | **-** | **(689)** | **(24)** | **(713)** |
| **Net book value** | | | | |
| **31 December 2005** | **46** | **532** | **3** | **581** |
| 30 June 2004 | - | - | 6 | 6 |

| **Company** | **Leasehold improvements** | **Fixtures, fittings & equipment** | **Motor vehicles** | **Total** |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Cost** | | | | |
| At 1 July 2004 | - | - | 8 | 8 |
| Additions | 46 | 36 | - | 82 |
| Disposals | - | - | (8) | (8) |
| **At 31 December 2005** | **46** | **36** | **-** | **82** |
| **Depreciation** | | | | |
| At 1 July 2004 | - | - | (2) | (2) |
| Charge for the period | - | - | (1) | (1) |
| Eliminated on disposal | - | - | 3 | 3 |
| **At 31 December 2005** | **-** | **-** | **-** | **-** |
| **Net book value** | | | | |
| **31 December 2005** | **46** | **36** | **-** | **82** |
| 30 June 2004 | - | - | 6 | 6 |

**Notes to the accounts**
**For the period from 1 July 2004 to 31 December 2005**

## 11. Intangible fixed assets

| | Music rights £'000 | Other intangible assets £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 July 2004 | - | - | - |
| Acquisitions | 129 | 25 | 154 |
| Additions | 189 | - | 189 |
| **At 31 December 2005** | **318** | **25** | **343** |
| **Depreciation** | | | |
| At 1 July 2004 | - | - | - |
| Acquisitions | (37) | (25) | (62) |
| Charge for the period | (60) | - | (60) |
| **At 31 December 2005** | **(97)** | **(25)** | **(122)** |
| **Net book value** | | | |
| **31 December 2005** | **221** | **-** | **221** |
| 30 June 2004 | - | - | - |

## 12. Goodwill

| | Goodwill £'000 |
|---|---|
| **Cost** | |
| At 1 July 2004 | - |
| Additions | 3,943 |
| **At 31 December 2005** | **3,943** |
| **Amortisation** | |
| At 1 July 2004 | - |
| Charge for the period | - |
| **At 31 December 2005** | **-** |
| **Net book value** | |
| **31 December 2005** | **3,943** |
| 30 June 2004 | - |

## 12. Goodwill (continued)

| Goodwill comprises: | £'000 |
|---|---|
| - arising from the acquisition of Apace Sports Limited and its subsidiaries | 3,233 |
| - arising from the acquisition of Television MM OOD | 545 |
| - arising from the acquisition of Steadfast Television Limited | 165 |
| Net book value at 31 December 2005 | **3,943** |

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

The directors have reviewed goodwill and do not consider an impairment charge to be necessary.

## 13. Investments in subsidiary undertakings

| | Company 2005 £'000 | Company 2004 £'000 |
|---|---|---|
| At 1 July 2004 | **-** | - |
| Acquisitions: | | |
| Apace Sports Limited | **4,211** | - |
| Televizia MM OOD | **578** | - |
| Steadfast Television Limited | **151** | - |
| | **4,940** | - |
| Transfer of Apace Sports Limited subsidiaries | **560** | - |
| less: impairment of Apace Sports Limited | **(560)** | - |
| | **4,940** | - |

At 31 December 2005, the Company owned the following subsidiary undertakings:

| Subsidiary undertaking | Principal activity | Country of incorporation | % of equity and votes held |
|---|---|---|---|
| Apace Sports Limited | Sponsorship consultancy | England | 100% |
| Pro-Active Projects Limited | Television production | England | 90% |
| Apace Music Limited | Record label and music publishing | England | 100% |
| Apace Branded Content Limited (formerly Sports and Entertainment Television Limited) | Television programme distribution | England | 90% |
| Steadfast Television Limited | Television production | England | 75% |
| Television MM OOD | Television broadcasting | Bulgaria | 66% |

## 13.Investments in subsidiary undertakings (continued)

On 25 April 2005 the Company acquired the entire issued share capital of Apace Sports Limited (formerly Apace Group Limited). The operating assets and liabilities of Apace Sports Limited and its subsidiaries on 25 April 2005 were as follows:

| | Book value £'000 | Adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Fixed assets | 518 | - | 518 |
| Investments | 147 | - | 147 |
| Stock | 159 | (20) | 139 |
| Debtors | 1,047 | (10) | 1,037 |
| Cash | 221 | - | 221 |
| Creditors | (975) | (39) | (1,014) |
| Provision for liabilities & charges | (36) | - | (36) |
| Minority interests | (34) | - | (34) |
| | 1,047 | (69) | 978 |
| Consideration | | | |
| (550,000,000 ordinary shares at 0.75p each) | | | 4,125 |
| Related expenses | | | 86 |
| Goodwill | | | (3,233) |
| Fair value of net assets acquired | | | **978** |

On 1 July 2005 Apace Sports Limited transferred all of its holdings in Pro-Active Projects Limited, Apace Music Limited and Sports and Entertainment Television Limited to Apace Media plc.

On 6 October 2005 the Company completed the acquisition of 66% of the issued share capital of Television MM OOD (MMTV). The operating assets and liabilities of MMTV on 6 October 2005 were as follows:

| | Book value £'000 | Adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Fixed assets | 55 | - | 55 |
| Debtors | 68 | - | 68 |
| Cash | 4 | - | 4 |
| Creditors | (74) | - | (74) |
| Provision for liabilities & charges | (3) | - | (3) |
| Minority interests | (17) | - | (17) |
| | 33 | - | 33 |
| Consideration (€ 660,000) | | | 453 |
| Related expenses | | | 125 |
| Goodwill | | | (545) |
| Fair value of net assets acquired | | | **33** |

**13.Investments in subsidiary undertakings (continued)**

On 31 October 2005 the Company completed the acquisition of 75% of the issued share capital of Steadfast Television Ltd. The operating assets and liabilities of Steadfast Television Ltd on 31 October 2005 were as follows:

| | Book value £'000 | Adjustments £'000 | Fair value £'000 |
|---|---|---|---|
| Creditors | (19) | - | (19) |
| Minority interests | 5 | - | 5 |
| | (14) | - | (14) |

| | |
|---|---|
| Consideration (20,000,000 shares @ 0.75p) | 150 |
| Related expenses | 1 |
| Goodwill | (165) |
| Fair value of net liabilities acquired | **(14)** |

The adjustments shown above in respect of MMTV and Steadfast Television Limited are provisional and will be reviewed based on additional information up to 31 December 2006. The directors do not anticipate that any net adjustments resulting from such review would be material to the Group.

**Financial information regarding acquired businesses**

Apace Sports Limited and its subsidiaries:

The following table summarises the relevant financial information for the accounting period from 1 July 2004 until acquisition by the Company on 25 April 2005:

| | Apace Sports Ltd £'000 | Pro-Active Projects Ltd £'000 | Sports & Entertainment Television Ltd £'000 | Apace Music £'000 |
|---|---|---|---|---|
| Turnover | 154 | 739 | 20 | 980 |
| Operating profit / (loss) | (17) | (38) | (154) | 152 |
| Profit / (loss) before tax | 902 | (37) | (154) | 153 |
| Taxation | - | - | - | - |
| Profit / (loss) after tax | 902 | (37) | (154) | 153 |

Television MM OOD made turnover of £249,000, operating profit, profit before tax and profit after tax of £45,000 for the accounting period from 1 January 2005 until acquisition by the Company on 6 October 2005.

Steadfast Television Limited had no turnover prior to its acquisition by the Company on 31 October 2005 and made a loss before and after tax of £19,000 in the period between 26 September 2005 and 31 October 2005.

**Notes to the accounts**
**For the period from 1 July 2004 to 31 December 2005**

## 14.Investments

Investments comprise expenditure to date on various potential acquisitions including Diema Vision AD, which was completed on 4 January 2006.

## 15.Stocks

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Work in progress | **48** | - | **-** | - |
| Finished goods and goods for resale | **244** | - | **-** | - |
| | **292** | - | **-** | - |

## 16.Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Trade debtors | **455** | - | **-** | - |
| Inter-company | **-** | - | **777** | - |
| Prepayments & accrued income | **277** | 5 | **19** | 5 |
| Other debtors | **164** | - | **103** | - |
| Loan | **1,050** | - | **1,050** | - |
| Placing debtors | **2,770** | - | **2,770** | - |
| | **4,716** | 5 | **4,719** | 5 |

£90,000 of prepayments is recoverable in more than 12 months.

## 17.Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Trade creditors | **830** | 6 | **364** | 6 |
| Inter-company | **-** | - | **413** | - |
| Other taxation and social security | **100** | 2 | **27** | 2 |
| Accruals & deferred income | **286** | 11 | **209** | 11 |
| Other creditors | **61** | - | **-** | - |
| | **1,277** | 19 | **1,013** | 19 |

## 18.Provision for liabilities and charges

| | Group | | Company | |
|---|---|---|---|---|
| | **2005** | **2004** | **2005** | **2004** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Deferred taxation | **45** | - | **-** | - |
| | **45** | - | **-** | - |

Deferred taxation is provided in respect of accelerated capital allowances.

## 19.Share capital

| **Ordinary shares** | **2005** | | | **2004** | | |
|---|---|---|---|---|---|---|
| | **Number** | **Par value** | **£'000** | **Number** | **Par value** | **£'000** |
| **Authorised** | | | | | | |
| 01 July 2004 | **80,000,000** | **0.5p** | **400** | 80,000,000 | 5p | 4,000 |
| Capital reduction | **-** | | **-** | - | | (3,600) |
| Ordinary shares of 0.5p each | **80,000,000** | **0.5p** | **400** | 80,000,000 | 0.5p | 400 |
| Capital increase (note 19a) | **1,670,000,000** | | **8,350** | - | | - |
| | **1,750,000,000** | **0.5p** | **8,750** | 80,000,000 | | 400 |
| Share consolidation (note 19c) | **(1,706,250,000)** | | **-** | - | | - |
| | **43,750,000** | **20.0p** | **8,750** | 80,000,000 | | 400 |
| Sub-division of issued shares (note 19c) | **-** | | **(3,344)** | - | | - |
| Sub-division of unissued shares (note 19c) | **64,370,768** | | **-** | - | | - |
| | **108,120,768** | **5.0p** | **5,406** | 80,000,000 | | 400 |
| Capital increase (note 19d) | **30,379,232** | **5.0p** | **1,519** | - | | - |
| 31 December 2005 | **138,500,000** | **5.0p** | **6,925** | 80,000,000 | 0.5p | 400 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Issued, called up and fully paid** | | | | | | |
| 01 July 2004 | **55,056,390** | **0.5p** | **275** | 55,056,390 | 5p | 2,752 |
| Capital reduction | **-** | | **-** | - | | (2,477) |
| | **55,056,390** | **0.5p** | **275** | 55,056,390 | 0.5p | 275 |
| Consideration shares & share placing (note19a) | **816,666,666** | | **4,083** | - | | - |
| | **871,723,056** | **0.5p** | **4,358** | 55,056,390 | | 275 |
| Consideration shares (note 19b) | **20,000,000** | | **100** | - | | - |
| | **891,723,056** | **0.5p** | **4,458** | 55,056,390 | | 275 |
| Share consolidation (note 19c) | **(869,429,980)** | | **-** | - | | - |
| | **22,293,076** | **20.0p** | **4,458** | 55,056,390 | | 275 |
| Sub-division & creation of deferred shares (note 19c) | **-** | | **(3,344)** | - | | - |
| | **22,293,076** | **5.0p** | **1,114** | 55,056,390 | | 275 |
| Share placing (note 19d) | **46,666,666** | **5.0p** | **2,333** | - | | - |
| 31 December 2005 | **68,959,742** | **5.0p** | **3,448** | 55,056,390 | 0.5p | 275 |

| **Deferred shares (note 19e)** | **2005** | | | **2004** | | |
|---|---|---|---|---|---|---|
| | **Number** | **Par** | **£'000** | **Number** | **Par** | **£'000** |
| **Authorised, issued, called up and fully paid** | | | | | | |
| Creation of deferred shares (note 19c) | **22,293,076** | **15p** | **3,344** | - | | - |
| | | | | | | |
| **Total shares** | | | **6,792** | | | 275 |

## 19.Share capital (continued)

a. On 25 April 2005, the Company's authorised share capital was increased by the creation of 1,670,000,000 ordinary shares of 0.5p each. On the same date, 550,000,000 ordinary shares were issued as consideration for the acquisition by the Company of Apace Group Limited and 266,666,666 ordinary shares were issued and placed at 0.75p each to raise working capital. All of the Company's shares were admitted to trading on AIM.

b. On 31 October 2005, 20,000,000 ordinary shares were issued at 0.75p each as consideration for the acquisition by the Company of 75% of the shareholding in Steadfast Television Limited.

c. On 7 November 2005 a capital reorganisation was approved whereby:-

- every 40 authorised shares were consolidated into 1 share of 20p;
- each of the issued 20p ordinary shares was sub-divided into 1 ordinary share of 5p and 1 deferred share of 15p; and
- each of the consolidated authorised but unissued ordinary shares of 20p was sub-divided into 4 new ordinary shares of 5p.

d. On 22 December 2005, the Company's share capital was increased by the creation of 30,379,232 new ordinary shares. 46,666,666 ordinary shares were placed at a price per share of 15p and admitted to trading on AIM.

e. The rights attaching to deferred shares, which will not be admitted to trading on AIM or any other recognised investment exchange, will render them effectively valueless. No share certificates will be 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).

## 20.Share options

All share options outstanding under the Company's old (FTV Group plc) share option schemes were waived during the period.

The Company has established the "Apace Media plc Employee Share Option Scheme" under which the directors intend to grant share options to qualifying executives and employees. No grants have been made to date.

**21.Reserves**

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | Share premium account £'000 | Other reserve £'000 | Profit & loss account £'000 | Share premium account £'000 | Other reserve £'000 | Profit & loss account £'000 |
| At 1 July 2004 | 213 | - | (115) | 213 | - | (115) |
| Consideration shares - Apace Sports Limited | - | 1,375 | - | | 1,375 | - |
| Issue of placing shares - 26 April 2005 | 667 | - | - | 667 | - | - |
| Placing expenses | (352) | - | - | (352) | - | - |
| Consideration shares - Steadfast Television Limited | 50 | - | - | 50 | - | - |
| Issue of placing shares - 22 December 2005 | 4,667 | - | - | 4,667 | - | - |
| Placing expenses | (255) | - | - | (255) | - | - |
| Loss for the period | - | - | (559) | - | - | (430) |
| At 30 June 2005 | 4,990 | 1,375 | (674) | 4,990 | 1,375 | (545) |

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

**22.Reconciliation of movements in equity shareholders' funds**

| | Group | | Company | |
|---|---|---|---|---|
| | 2005 £'000 | 2004 £'000 | 2005 £'000 | 2004 £'000 |
| Loss for the year | **(559)** | (115) | **(430)** | (115) |
| Issue of new share capital | **13,275** | - | **13,275** | - |
| Related expenses | **(606)** | - | **(606)** | - |
| Net increase / (decrease) in equity shareholders' funds | **12,110** | (115) | **12,239** | (115) |
| Opening equity shareholders' funds | **373** | 488 | **373** | 488 |
| Closing equity shareholders' funds | **12,483** | 373 | **12,612** | 373 |

## 23.Analysis of changes in net funds

| | 30 June 2004 £'000 | Cash flow £'000 | 31 December 2005 £'000 |
|---|---|---|---|
| Net cash: | | | |
| Cash at bank and in hand | 381 | 3,302 | 3,683 |
| **Net funds** | 381 | 3,302 | 3,683 |

## 24.Reconciliation of net cash flow to movement in net funds

| | 18 months to 31 December 2005 £'000 | Year to 30 June 2004 £'000 |
|---|---|---|
| Increase in cash in the period | 3,302 | 6 |
| Cash outflow from change in liquid resources | - | (78) |
| Movement in net funds in period | 3,302 | (72) |
| Net funds at 1 July | 381 | 453 |
| Net funds at 31 December / 30 June | 3,683 | 381 |

## 25.Financial instruments

The directors' report on pages 6 to 10 includes an explanation of the role that financial instruments have played during the year in creating or changing the risks the Company faces in its activities. The explanation summarises the objectives and policies for holding or issuing financial instruments and similar contracts and the strategies for achieving those objectives that have been followed during the period.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Certain financial assets such as investments in subsidiary undertakings are excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

### Interest rate profile

The Group has no financial assets other than sterling cash balances of £3,683,000 (2004: £381,000), 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 4.51% p.a. and 4.81% p.a. in the period (2004: ranged between 3.32% p.a. and 4.56% p.a.). Maturity periods ranged between immediate access and 32 days.

## 25. Financial instruments (continued)

### Currency hedging

During the period, the Group did not engage in any form of currency hedging transaction (2004: none).

### Financial liabilities

The Company had no borrowings during either period.

### Fair values

The fair values of the financial assets and liabilities at 31 December 2005 are not materially different from their book values.

## 26. Commitments under operating leases

As at 31 December 2005 the Group was committed to make the following annual payments in respect of operating leases:

| | Land & buildings £'000 | Other £'000 |
|---|---|---|
| for leases expiring in two to five years: | **98** | **4** |

No commitments existed at 30 June 2004.

## 27. Post balance sheet event

During the first quarter of 2006, the Company made an acquisition for cash consideration of £3.812m.