



APACEMEDIA

Annual Report
For the period ended 31 December 2005

Company number: 03848181

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

Content Creation Division

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.

- Television production:

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.

Chairman's statement and operating & financial review (continued)

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.

Chairman's statement and operating & financial review (continued)

- Advertiser Funded Programming ("AFP")

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*.

- Music

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.

Eastern European Broadcasting Division

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.

Chairman's statement and operating & financial review (continued)

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.

Chairman's statement and operating & financial review (continued)

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

Report of the directors for the period ended 31 December 2005

The directors present their report and the audited financial statements for the period ended 31 December 2005 ("the period").

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 Group will continue in business.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and Group, and to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the profit and loss account and balance sheet, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

Principal activities, review of the business and future developments

The principal activity of the Company was that of a holding company for subsidiaries involved in the creation, acquisition, broadcasting, distribution and exploitation of intellectual properties in the television, sports and entertainment sectors.

During the period from 1 July 2004 to 31 December 2005, the Company acquired majority shareholdings in the following subsidiaries in the UK and Bulgaria:-

UK subsidiaries

Apace Sports Limited – sports sponsorship consultancy;
Pro-Active Projects Limited – sports television programming production;
Apace Branded Content Limited (formerly Sports & Entertainment Television Limited) – the creation, acquisition and distribution of advertiser-funded and other television programming;
Apace Music Limited – a record label, record distribution & music publishing;
Steadfast Television Limited – documentary and other television programme production.

Bulgarian subsidiary

Televizia MM OOD – satellite/cable television broadcaster (2 channels)

Since the period end the Company has acquired 66% of the issued share capital of Diema Vision AD, a Bulgarian satellite/cable television broadcaster.

Report of the directors for the period ended 31 December 2005 (continued)

A detailed review of the Company's financial position at 31 December 2005 and proposed future developments and strategies are reported in the Chairman's statement and operating and financial review on page 1 to 5.

Results and dividends

The results of the Group for the period are set out on page 15 and show a loss for the period of £559,000 (2004: loss of £115,000). The directors do not recommend the payment of a dividend (2004 - £nil).

Directors

- (a) The directors who served on the Board of the Company during the period to 31 December 2005 were:
- (1) Didier Stoessel (Chairman & Chief Executive) – appointed 25 April 2005;
 - (2) Martin Johnston (Finance Director);
 - (3) Christopher Rowlands (Deputy Chairman and Chief Operating Officer) – appointed 1 November 2005;
 - (4) Charles Thompson – appointed 1 November 2005;
 - (5) Tony Vickers (non-executive);
 - (6) Michael Morris (non-executive);
 - (7) Alastair Gunning (non-executive) – resigned 25 April 2005;
- (b) William Vanderfelt (non-executive) was appointed to the Board of the Company on 29 March 2006.

Further details on the directors can be found on pages 11 and 12.

Directors' interests

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

	At 31 December 2005 No. of 5p ordinary shares	At 30 June 2004 No. of 0.5p ordinary shares
Didier Stoessel	20,766,666	-
Christopher Rowlands	2,550,000	-
Charles Thompson	233,333	-
Tony Vickers	126,208	5,048,320
Martin Johnston	167,008	13,698
Michael Morris	-	-
Alastair Gunning	-	-

The shares of the Company were consolidated during the period as detailed in note 19 to these accounts.

**Report of the directors
for the period ended 31 December 2005 (continued)**

Creditor payment policy

The Company agrees payment terms with suppliers when it enters into purchase contracts. The Company 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 Company does not have a standard or code that deals specifically with the payment of suppliers.

Charitable and political donations

No charitable or political donations were made during either period.

Substantial interests

The directors have been notified that, as at 24 April 2006, the following shareholders held disclosable interests of 3% or more of the issued share capital of the Company:

Beneficial owner	No. of 5p ordinary shares	% held
Didier Stoessel	20,766,666	30.11%
RAB Capital Funds	6,500,000	9.43%
New Star Enhanced Income Trust	5,037,499	7.30%
Herald Investment Trust	3,333,333	4.83%
Petercam SA	3,060,300	4.44%
Christopher Rowlands	2,550,000	3.69%
New Century AIM VCT	2,475,000	3.59%
First State Investments AIM VCT	2,333,333	3.38%

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 regular 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 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 2005, the Group had positive cash balances of £3,683,000 (2004 - £381,000).

It is the Group's policy not to speculate in derivative financial instruments in either sterling or foreign currencies.

Report of the directors for the period ended 31 December 2005 (continued)

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Corporate governance

The Company is listed on the Alternative Investment Market (AIM) and is therefore not required to comply with the provisions of the Combined Code. Nevertheless, the Company seeks, within the practical confines of being a small company, to act in compliance with the principles of good governance and the code of best practice. Given the small number of employees, internal control is exercised by the close involvement of directors in the day to day management of the Company's affairs.

Directors meet regularly and retain full and effective control over the Company. The Company has an Executive Chairman, three further executive directors and three non-executive directors. The non-executive directors are independent of the management.

Transition to International Financial Reporting Standards

For the financial year to 31 December 2007, the Group will be required to adopt International Financial Reporting Standards. The Group will restate the comparatives for the year ended 31 December 2006 in the 2007 accounts to reflect the changes arising from changes in the accounting treatment for certain items.

Directors' remuneration

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

Share options

The Company has two option schemes for employees, the "Apace Media plc Employee Share Option Scheme" and the "Apace Media plc Unapproved Share Option Scheme". Both share option schemes run for a period of ten years. All employees are eligible to participate in the schemes.

At the date of this report, neither scheme has granted share options.

Pensions

The Company has not made any pension contributions during the period.

Contracts of service

The executive directors are employed under service agreements with 6 month rolling notice periods. The current non-executive directors are employed under 12 month rolling contracts with remuneration of £1,000 per annum.

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

**Report of the directors
for the period ended 31 December 2005 (continued)**

Directors' emoluments

Details of directors' emoluments are set out below:

	Basic remuneration and fees 2005 £	Benefits 2005 £	Compensation for loss of office £	Total remuneration 2005 £	Total remuneration 2004 £
D G P Stoessel	100,000	-	-	100,000	-
M J H Johnston	112,242	4,219	-	116,461	61,856
C J Rowlands	19,167	-	-	19,167	-
C V Thompson	22,267	-	-	22,267	-
A C Vickers	31,500	-	-	31,500	1,000
M G Morris	1,000	-	-	1,000	1,000
A J A B Gunning	1,000	-	15,000	16,000	1,000
	287,176	4,219	15,000	306,395	64,856

No pension contributions were made in either period.

Directors' interests – interests in share options

Martin Johnston has, during the period, waived all rights to share options granted under the Company's old (FTV Group plc) share option schemes. No other share options are outstanding under the old or new schemes.

Auditors

On 19 December 2005, BDO Stoy Hayward LLP resigned as auditors and the directors appointed Rawlinson & Hunter as BDO's successor. A resolution to confirm the reappointment of Rawlinson & Hunter as auditors will be proposed at the next annual general meeting.

By order of the Board

Robert Carter

Secretary

9 May 2006

Directors' information

Didier Stoessel, Chairman and Chief Executive (42)

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.

Christopher Rowlands, Deputy Chairman and Chief Operating Officer (54)

Chris Rowlands trained as a Chartered Accountant with KPMG. He spent eight years as part of the team which rescued ASDA from insolvency, and then joined HTV Group PLC, initially as Finance Director and then as Chief Executive from 1993, leading the team which saved HTV from the verge of bankruptcy. After HTV was taken over by United, Chris joined The Television Corporation PLC as Chief Executive until September 2001. Most recently, Chris was appointed as non-executive director of iTouch Plc, the mobile phone content company.

As the Company's Chief Operating Officer, Chris Rowlands has overall responsibility for the supervision of the management of the Company and all UK subsidiaries.

Martin Johnston, Finance Director (54)

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 (60)

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

Charles is Chief Executive of Steadfast Television Ltd, the Group's factual television production company.

Michael Morris, Non-executive (33)

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

Directors' information (continued)

William Vanderfelt, Non-executive (63)

Mr 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. Mr Vanderfelt acts as a board director of several listed funds. His current directorships include Petercam S.A. Luxemburg, Compagnie Immobiliere de Belgique, BFS US Special Opportunities and Vietnam Opportunity Fund.

Anthony Vickers, Non-executive (62)

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

**Independent auditors' report
To the shareholders of Apace Media plc**

We have audited the financial statements of Apace Media Plc for the period ended 31 December 2005 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets and the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the 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 transactions with the Company and other members of the Group is not disclosed.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's Statement and the Operating and Financial Review, and the Report of the Directors.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards 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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the group, 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 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.

Independent auditors' report
To the shareholders of Apace Media plc (continued)

OPINION

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group as at 31 December 2005 and of the loss of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Rawlinson & Hunter
Chartered Accountants
Registered Auditor

Eagle House
110 Jermyn Street
London
SW1Y 6RH

9 May 2006

Consolidated profit and loss account
For the period from 1 July 2004 to 31 December 2005

	Notes	18 months to 31 December 2005			Year ended
		Acquisitions £'000	Other continuing operations £'000	Total £'000	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.

The notes on pages 18 to 34 form part of these financial statements.

Balance sheet
31 December 2005

	Notes	Group		Company	
		31 December 2005 £'000	30 June 2004 £'000	31 December 2005 £'000	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	-
		<u>5,128</u>	<u>6</u>	<u>5,405</u>	<u>6</u>
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
		<u>8,691</u>	<u>386</u>	<u>8,220</u>	<u>386</u>
Creditors: amounts falling due					
Within one year	17	(1,277)	(19)	(1,013)	(19)
Net current assets		<u>7,414</u>	<u>367</u>	<u>7,207</u>	<u>367</u>
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		<u>12,496</u>	<u>373</u>	<u>12,612</u>	<u>373</u>
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	<u>12,483</u>	<u>373</u>	<u>12,612</u>	<u>373</u>
Minority interests		13	-	-	-
Capital employed		<u>12,496</u>	<u>373</u>	<u>12,612</u>	<u>373</u>

The financial statements were approved by the Board on 9 May 2006.

M J H Johnston
Director

The notes on pages 18 to 34 form part of these financial statements.
Apac Media plc Annual Report 2005

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

		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		<u>(4,140)</u>	<u>(92)</u>
Cash flow statement			
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		<u>(42)</u>	<u>20</u>
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		<u>(469)</u>	<u>-</u>
Acquisitions and disposals			
Purchase of subsidiary undertakings		(665)	-
Cash acquired with acquisition of subsidiary undertakings		225	-
Net cash outflow		<u>(440)</u>	<u>-</u>
Management of liquid resources			
Cash drawn from deposit		-	78
Net cash inflow		<u>-</u>	<u>78</u>
Financing			
Proceeds from issue of ordinary shares	19	9,000	-
Related expenses		(607)	-
Net cash inflow		<u>8,393</u>	<u>-</u>
Increase in cash in the period	23, 24	<u><u>3,302</u></u>	<u><u>6</u></u>

The notes on pages 18 to 34 form part of these financial statements.

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.

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

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

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

2. Other income

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

3. Interest receivable and interest payable

	2005	2004
	£'000	£'000
Interest receivable		
Bank interest receivable	<u>60</u>	<u>20</u>
Interest payable		
Other interest payable	15	-
Bank interest payable	1	-
	<u>16</u>	<u>-</u>

4. Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2005	2004
	£'000	£'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	<u>13</u>	<u>3</u>

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

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	<u>(559)</u>	<u>(3.37)</u>	<u>(115)</u>	<u>(8.36)</u>
	Number		Number	
Shares				
Weighted average number of shares				
Basic and diluted	<u>16,594,675</u>		<u>1,376,410</u>	

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

Notes to the accounts
For the period from 1 July 2004 to 31 December 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	-
	<u>11</u>	<u>-</u>

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	<u>-</u>	<u>-</u>

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

12. Goodwill

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

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

12. Goodwill (continued)

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.

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	<u><u>3,943</u></u>

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

13. Investments in subsidiary undertakings

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

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%

Notes to the accounts

For the period from 1 July 2004 to 31 December 2005

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)
	<u>1,047</u>	<u>(69)</u>	<u>978</u>
Consideration (550,000,000 ordinary shares at 0.75p each)			4,125
Related expenses			86
Goodwill			<u>(3,233)</u>
Fair value of net assets acquired			<u>978</u>

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)
	<u>33</u>	<u>-</u>	<u>33</u>
Consideration (€ 660,000)			453
Related expenses			125
Goodwill			<u>(545)</u>
Fair value of net assets acquired			<u>33</u>

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

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

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

Apacé 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:

	Apacé Sports Ltd £'000	Pro- Active Projects Ltd £'000	Sports & Entertainment Television Ltd £'000	Apacé 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 £'000	2004 £'000	2005 £'000	2004 £'000
Work in progress	48	-	-	-
Finished goods and goods for resale	244	-	-	-
	<u>292</u>	<u>-</u>	<u>-</u>	<u>-</u>

16. Debtors

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'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	-
	<u>4,716</u>	<u>5</u>	<u>4,719</u>	<u>5</u>

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

17. Creditors: amounts falling due within one year

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'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	-	-	-
	<u>1,277</u>	<u>19</u>	<u>1,013</u>	<u>19</u>

18. Provision for liabilities and charges

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Deferred taxation	45	-	-	-
	<u>45</u>	<u>-</u>	<u>-</u>	<u>-</u>

Deferred taxation is provided in respect of accelerated capital allowances.

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

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 (note 19a)	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)						
Authorised, issued, called up and fully paid						
Creation of deferred shares (note 19c)	22,293,076	15p	3,344	-	-	-
Total shares			6,792			275

Notes to the accounts

For the period from 1 July 2004 to 31 December 2005

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.

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

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	<u>4,990</u>	<u>1,375</u>	<u>(674)</u>	<u>4,990</u>	<u>1,375</u>	<u>(545)</u>

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	<u>12,483</u>	<u>373</u>	<u>12,612</u>	<u>373</u>

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

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.

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

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.

Directors and advisers

Directors

D G P Stoessel (executive chairman & chief executive)
C J Rowlands (deputy chairman & chief operating officer)
M J H Johnston (finance director)
C V Thompson
M G Morris (non-executive)
A C Vickers (non-executive)
W W Vanderfelt (non-executive)

Secretary

R B Carter

Registered office

Shepherds Central
Charecroft Way
London W14 0DQ

Registered company number

03848181

Auditors

Rawlinson & Hunter
Eagle House
110 Jermyn Street
London
SW1Y 6RH

Nominated adviser and broker

Seymour Pierce Limited
Bucklersbury House
3 Queen Victoria Street
London EC4N 8EL

Registrars

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

Telephone: 020 7471 9393

Email: info@apacemedia.co.uk

www.apacemedia.co.uk