



**APACEMEDIA**

**Apace Media plc**

Interim results for the six months ended 30 June 2009

## CHAIRMAN'S STATEMENT AND OPERATIONAL REVIEW

### OVERVIEW

The Company is pleased to report that the first half of the 2009 fiscal year has seen Apace deliver a satisfactory performance in a challenging environment. The Company's television businesses in broadcasting, sports and factual production, and programme sales and distribution showed improved results to the comparable 2008 period, at the same time as the Group raised fresh capital and strengthened liquidity.

Comparisons to 2008 are adversely affected by the steep decline at Apace Music due to insolvencies of major UK music distributors in the final quarter of 2008 as previously reported to shareholders.

During the half-year, turnover was £5.33 million compared to £6.38 million for 2008. Excluding the decline in the Music business, turnover in the other businesses increased by £616,000.

Group profit before tax was £227,000 compared to £436,000 in 2008 reflecting the losses in Music, adverse exchange impacts, as well as one-off legal and financial expenses for a capital raise and our migration to Luxembourg.

### Operational Review

#### Television Production

The performance of our television production companies was buoyant in a difficult market. Pro-Active delivered record results, with revenues up 70% to £1.45 million and profit before tax up five-fold to £425,000, servicing a diverse range of clients in rugby, sailing, power boating, squash, and air sports. Revenue from the distribution of events and magazine programmes continues to grow and Pro-Active is increasing its operating synergies with Steadfast International, who have contributed additional sales support. The Company's strong relationship with the IRB was further illustrated by the highly successful production and international distribution of the Rugby Sevens World Cup during this period.

Steadfast Television improved profit before tax by 68% to £247,000 on flat revenues, benefitting from improved cost-management and increased license revenue from the sale of its programmes through Steadfast International. Steadfast has succeeded in developing projects with multiple series which strengthens Steadfast International's programme library and validates the combined business model. In a difficult commissioning environment, Steadfast has demonstrated that its factual genre delivers strong popular audiences at a reasonable price.

Steadfast International continues to build an impressive catalogue, combining Steadfast Television output as well as some select third-party productions and lifted revenues 29% to £594,000 compared to £461,000 in 2008. It continues to expand its number of broadcast clients and is able to exploit successful re-commissions with repeat customers. Profit before tax was £30,000 worse than in 2008 due primarily to negative foreign exchange movements which have now stabilized.

As the directors informed shareholders in May 2008 and subsequently, we have sought a stronger strategic position for the UK television production businesses in recognition of our lack of scale in an activity of poor commercial visibility and have now entered into discussions with several parties.

#### Apace Music

As previously reported, on 5 February 2009, Apace Music entered into a Company Voluntary Arrangement ("CVA") with its third-party creditors in order to continue to trade with their support. This was necessitated by the failure of the company's main distribution channels, operating CD distribution across the United Kingdom, entering into Administration during November and December 2008.

Results for Apace Music showed a dramatic drop in revenue to £263,000 from £1.93 million in the same period of 2008, and the 2008 profit before tax of £170,000 swung to a loss of £217,000. Tight cash control has enabled Apace Music to comply with the CVA terms and £105,000 has been paid into the CVA account as at the date of this statement. Apace Music is funding this loss itself since Apace Media ceased funding the subsidiary with effect from mid-January 2009.

The directors are reviewing the Group's music strategy in light of the major structural changes to the industry.

#### Eastern European Broadcasting

Our share of Balkan Media Group's (BMGL) profit was £504,000, an improvement of 31% over the prior year in a very difficult advertising market. BMGL's dual subscription/advertising model proved resilient in the downturn.

BMGL reports here for the last time as an associate of Apace, as the merger into TV Nova (Bulgaria) came into effect as a subsequent event on 5 August 2009. In future it will be held as a non-consolidated equity shareholding. In addition to the 5% shareholding in the expanded TV Nova, Apace will, by completion in the fourth quarter of this year, have received loan repayments and a liquidation dividend amounting in total to about € 1.77m (£1.6m).

I refer investors to the website of Modern Times Group ([www.mtg.se](http://www.mtg.se)) to review the results and commentary of TV Nova.

#### Current trading and future prospects

The Group, with the exception of Apace Music, has been a stable performer throughout the extremely turbulent economic downturn of the first half of 2009, during which it executed a successful private placement and bolstered its liquidity. As of today the Group has approximately £ 2.2 million in cash on its balance sheet. The Group has improved working capital, finalized a valuable merger of its Bulgarian broadcasting interests, and relocated board level management to Luxembourg for the efficient conduct of the Group's affairs. These are considerable accomplishments and serve to enhance long-term shareholder value.

The directors continue to believe that the UK television production and music businesses lack scale and could be valuable components to larger concerns. The directors will seek to maximize the value of these assets in recognition of the continued uncertainty in a cautious media environment.

Roby Burke  
Executive Chairman  
30 September 2009

## Consolidated statement of comprehensive income

		6 months to 30 June 2009 (unaudited) £'000	6 months to 30 June 2008 (unaudited) £'000	12 months ended 31 December 2008 (audited) £'000
<b>Continuing operations</b>				
	Notes			
<b>Revenue</b>		5,331	6,385	11,518
Cost of sales		(3,532)	(4,140)	(8,360)
<b>Gross profit</b>		1,799	2,245	3,158
Administrative expenses				
Exceptional	3	-	(130)	(3,226)
Normal		(2,076)	(2,064)	(3,613)
<b>Operating (loss) / profit and (loss) / profit on ordinary activities before interest</b>		(277)	51	(3,681)
Finance costs		-	-	(21)
Finance income		-	24	59
Share of profit / (loss) of associate	7	504	385	588
<b>Profit / (loss) on ordinary activities before income tax</b>		227	460	(3,055)
Income tax expense on ordinary activities	4	-	-	40
<b>Profit / (loss) on ordinary activities after income tax from continuing operations</b>	2	227	460	(3,015)
<b>Discontinued operations</b>				
Net profit from discontinued operations	2	-	-	-
<b>Profit/(loss) for the period</b>		227	460	(3,015)
<b>Other comprehensive income</b>				
Exchange difference on Associate's opening net assets	2	2	(61)	(183)
<b>Total comprehensive income for the period</b>		229	399	(3,198)
Total comprehensive income attributable to:				
Shareholders' equity	11	288	321	(3,041)
Minority interest		(59)	78	(157)
		229	399	(3,198)
<b>Earnings per share</b>				
<b>From continuing and discontinued operations</b>	5			
Basic and diluted (pence)		0.23	0.41	(3.04)

## Consolidated statement of financial position

	Notes	30 June 2009 (unaudited) £'000	30 June 2008 (unaudited) £'000	31 December 2008 (audited) £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		453	462	475
Intangible assets - goodwill		150	2,633	-
Intangible assets - other		966	877	864
Investment in associate	7	5,803	5,044	5,198
Available for sale financial assets		274	188	169
Investments – acquisition projects		73	608	73
<b>Total non-current assets</b>		<b>7,719</b>	<b>9,812</b>	<b>6,779</b>
<b>Current assets</b>				
Inventories		630	925	644
Trade and other receivables		4,169	5,042	4,269
Cash and cash equivalents		384	-	256
<b>Total current assets</b>		<b>5,183</b>	<b>5,967</b>	<b>5,169</b>
<b>Total assets</b>		<b>12,902</b>	<b>15,779</b>	<b>11,948</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Deferred tax liabilities		24	65	24
<b>Total non-current liabilities</b>		<b>24</b>	<b>65</b>	<b>24</b>
<b>Current liabilities</b>				
Trade and other current payables		2,784	2,605	2,884
Other taxes and social security		212	192	212
Borrowings	8	-	908	-
<b>Total current liabilities</b>		<b>2,996</b>	<b>3,705</b>	<b>3,096</b>
<b>Total liabilities</b>		<b>3,020</b>	<b>3,770</b>	<b>3,120</b>
<b>Net assets</b>		<b>9,882</b>	<b>12,009</b>	<b>8,828</b>
<b>Capital and reserves</b>				
Called up share capital	9	8,636	8,135	8,136
Share premium	10	7,311	6,908	6,908
Other reserve	10	1,375	1,375	1,375
Translation reserve	10	(180)	(61)	(183)
Shares to be issued		60	61	60
<b>Profit &amp; loss account</b>	10	<b>(7,233)</b>	<b>(4,270)</b>	<b>(7,519)</b>
<b>Equity shareholders' funds</b>		<b>9,969</b>	<b>12,148</b>	<b>8,777</b>
<b>Minority interests</b>		<b>(87)</b>	<b>(139)</b>	<b>51</b>
<b>Capital employed</b>		<b>9,882</b>	<b>12,009</b>	<b>8,828</b>

## Consolidated statement of cash flows

	6 months to 30 June 2009 £'000 (unaudited)	6 months to 30 June 2008 £'000 (unaudited)	Year ended 31 December 2008 £'000 (audited)
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations (note 11)	(273)	(1,351)	(847)
Interest paid	(11)	-	(21)
<b>Net cash (used in) / generated from operating activities</b>	<b>(284)</b>	<b>(1,351)</b>	<b>(868)</b>
Purchase of subsidiary undertakings	(150)	-	-
Investment in associate	(99)	(135)	(312)
Purchase of tangible fixed assets	(55)	(75)	(148)
Purchase of intangible fixed assets	(122)	(64)	(136)
Purchase of investment property	-	(82)	(82)
Disposal of investment property	-	246	221
Proceeds from termination of investment project	-	-	888
Investment project work in progress	-	(88)	(88)
Interest received	11	24	59
<b>Net cash (used in)/generated from investment activities</b>	<b>(415)</b>	<b>(174)</b>	<b>402</b>
Proceeds from issue of ordinary shares	904	406	406
Net loan repayment by/ (made to) associate	-	(307)	(163)
Increase in bank overdrafts	-	908	-
Dividends paid – minority interest	(77)	(37)	(75)
<b>Net cash generated from / (used in) financing activities</b>	<b>827</b>	<b>970</b>	<b>168</b>
<b>Net decrease in cash, cash equivalents and bank overdrafts</b>	<b>128</b>	<b>(555)</b>	<b>(299)</b>
Cash, cash equivalents and bank overdrafts at beginning of the period	256	555	555
<b>Cash and cash equivalents at the end of the period</b>	<b>384</b>	<b>-</b>	<b>256</b>

**Consolidated statement of changes in equity**  
**For the period from 1 January 2008 to 30 June 2009**

	Called up share capital	Share premium	Other reserve	Translation reserve	Shares to be issued	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 1 January 2008</b>	<b>7,797</b>	<b>6,840</b>	<b>1,375</b>	-	<b>49</b>	<b>(4,652)</b>	<b>11,409</b>
Share placings	339	68	-	-	-	-	407
Total comprehensive income for the period	-	-	-	(61)	-	382	321
Movement in period	-	-	-	-	12	-	12
<b>30 June 2008</b>	<b>8,136</b>	<b>6,908</b>	<b>1,375</b>	<b>(61)</b>	<b>61</b>	<b>(4,270)</b>	<b>12,149</b>
Prior year adjustment	-	-	-	-	-	(9)	(9)
Total comprehensive income for the period	-	-	-	(122)	-	(3,240)	(3,362)
Movement in period	-	-	-	-	(1)	-	(1)
<b>31 December 2008</b>	<b>8,136</b>	<b>6,908</b>	<b>1,375</b>	<b>(183)</b>	<b>60</b>	<b>(7,519)</b>	<b>8,777</b>
Share placing	500	500	-	-	-	-	1,000
Expenses related to share placing	-	(96)	-	-	-	-	(96)
Total comprehensive income for the period	-	-	-	2	-	286	288
<b>30 June 2009</b>	<b>8,636</b>	<b>7,312</b>	<b>1,375</b>	<b>(181)</b>	<b>60</b>	<b>(7,233)</b>	<b>9,969</b>

# Notes to the interim report

## 1. Summary accounting policies

### Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared under applicable International Financial Reporting Standards adopted by the European Union ("IFRS") which have been adopted and incorporated into the principal accounting policies as set out below. Where appropriate, the reconciliation between UK GAAP and IFRS is given in the notes to the accounts.

The financial information included in this document is unaudited and does not comprise statutory accounts as defined by section 434(3) of the Companies Act 2006. The comparative figures for the financial year ended 31 December 2008 are those in the statutory accounts for that financial year. The statutory accounts for the year ended 31 December 2008, prepared in accordance with IFRS, have been filed with the Registrar of Companies. The auditor gave an unqualified report, without any statement under section 237(2) or (3) of the Companies Act 1985.

This interim financial information has been prepared on the basis of the recognition and measurement requirements of adopted IFRS as at 30 June 2009 that are effective as at 30 June 2009 and in accordance with the provisions of IAS 34, Interim Financial Reporting. Based on these adopted IFRS, the directors have applied the accounting policies which they expect to apply when the financial statements are prepared for the year ending 31 December 2009.

The directors do not consider that there are any material departures from the accounting policies applied in the 31 December 2008 financial statements to those used in preparing these interim financial statements. The principles and requirements of IFRS 8 (Operating Segments) and IAS 1 (Presentation of Financial Statements (Revised)) have been reflected in these interim financial statements and comparative disclosures restated as required. Neither standard required an adjustment to the underlying financial data as a result of its implementation.

### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings made up to 31 December each year.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated statement of comprehensive income from the date of acquisition or up to the date of disposal.

## 2. Continuing activities and assets and liabilities by segment

		6 months to 30 June	6 months to 30 June	12 months ended 31 December
		2009	2008	2008
		£'000	£'000	£'000
<b>Continuing activities</b>				
Content Creation	Revenue	5,331	6,385	11,518
	Expenses	(5,008)	(6,103)	(12,027)
	Goodwill impairment	-	-	(3,096)
	Taxation	-	-	40
		323	282	(3,565)
Unallocated	Expenses	(600)	(207)	(38)
Associate	Share of profit / (loss)	504	385	588
<b>Profit / (loss) from continuing activities</b>		227	460	(3,015)
Attributable to:	Equity shareholders	286	382	(2,858)
	Minority interests	(59)	78	(157)
<b>Assets &amp; liabilities</b>				
Content Creation	Assets	3,977	4,518	3,822
	Liabilities	2,691	2,410	2,793
Unallocated	Assets	3,122	6,216	2,928
	Liabilities	329	1,360	327
Associate	Assets	5,803	5,044	5,198
	Liabilities	-	-	-
<b>Total</b>	Assets	12,902	15,778	11,948
	Liabilities	3,020	3,770	3,120

The transition from the provisions of IAS 14, Segment Reporting, to IFRS 8 has not given rise to any specific changes in the way Apace Media plc reports its operating segments; however, Management have reviewed the current segments and have confirmed the existing approach to be satisfactory under the provisions of IFRS 8.

## 3. Exceptional expenses

There are no exceptional expenses for the period under review.

#### 4. Tax on profit on ordinary activities

Due to the losses brought forward from the previous period, no provision has been made for UK taxation on trading.

#### 5. Profit / (loss) per ordinary share

The calculations of profit / (loss) per share are based on the following profits / (losses) and numbers of shares:

	6 months ended 30 June 2009		6 months ended 30 June 2008		12 months ended 31 December 2008	
	Profit £'000	per share p	Profit / (loss) £'000	per share p	Loss £'000	per share p
From continuing operations	<b>286</b>	<b>0.23</b>	<b>382</b>	<b>0.41</b>	<b>(2,858)</b>	<b>(3.04)</b>
From continuing and discontinued operations	<b>286</b>	<b>0.23</b>	<b>382</b>	<b>0.41</b>	<b>(2,858)</b>	<b>(3.04)</b>
<b>Shares</b>	<b>Number</b>		<b>Number</b>		<b>Number</b>	
Weighted average number of shares						
Basic and diluted	<b>125,115,299</b>		<b>92,335,511</b>		<b>94,094,078</b>	

There is no potential dilution of loss per share.

#### 6. Subsidiary undertakings

At 30 June 2009, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held
Apace Rights Limited	Exploitation of music rights	England	100%
Apace Television Limited	Holding company	England	87.9%
Apace Music Limited (in CVA) * ‡	Record label	England	100%
Pro-Active Projects Limited *	Television production	England	100%
Steadfast International Limited *	Television programme distribution	England	100%
Steadfast Television Limited *	Television production	England	100%

\*owned by Apace Television Limited

‡ Apace Music Limited entered into a Company Voluntary Arrangement with its creditors on 5 February 2009.

## 7. Associate

At 30 June 2009, the Company owned 50% of the issued share capital of Balkan Media Group Limited ("BMGL"), a company incorporated in England. MTG Broadcasting AB ("MTG"), a company incorporated in Sweden, owned the remaining shares. The shareholders are the parties to a shareholder agreement under which MTG exercises management control of BMGL and its subsidiaries. BMGL is consequently accounted for by Apace as an associate in accordance with IAS 28.

	<b>£'000</b>
Balance brought forward at 1 January 2009	5,198
Exchange difference taken to translation reserve	2
Further investment in the period	99
	<hr/>
	5,299
Apace share of profit of associate	504
At 30 June 2009	<hr/> <u>5,803</u>

Since the balance sheet date, the following announcements have been made:

On 2 March 2009, Apace and Modern Times Group MTG AB (MTG) signed an agreement to merge Balkan Media Group Limited with Nova Televizia (Nova), the number two terrestrial broadcaster in Bulgaria.

On 5 August 2009, the first stage of the merger process was completed whereby BMGL sold its Bulgarian broadcasting subsidiary, Diema Vision EAD, to Nova in exchange for 10% of the enlarged share capital of Nova. Debt of about €1m owed by Diema to Apace has been repaid.

The transfer of TV ERA, BMGL's Macedonian subsidiary, to Nova is in progress. On completion of that transaction, BMGL will be liquidated and its net assets distributed to the two shareholders. Apace expects to receive a distribution of about €700k from the liquidation. Following the liquidation, Apace will directly own 5% of Nova.

## 8. Borrowings

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

- A Group net overdraft of up to £500,000 is available;
- Interest is calculated daily on the Group's sterling net overdraft at 2.5% over RBS base rate;
- Interest is credited daily on the Group's net sterling credit balance at a variable rate in excess of base rate;
- Each UK group company guarantees the bank's exposure to each other group company.
- £1,000,000 is available for the funding of TV productions at interest rates agreed from time to time.

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

As at 30 June 2009, no net overdraft was outstanding and no TV production funding was in place.

## 9. Share capital

### Ordinary shares

	Number '000s	Par value	£'000
<b>Authorised</b>			
1 January 2009	138,500	1p	1,385
Increase 17 March 2009	100,000	1p	1,000
30 June 2009	<u>238,500</u>	<u>1p</u>	<u>2,385</u>

### Issued, called up and fully paid

1 January 2009	95,834	1p	958
Share placing at 2p each	50,000	1p	500
30 June 2009	<u>145,834</u>	<u>1p</u>	<u>1,458</u>

### A Deferred shares

#### Authorised, issued, called up and fully paid

1 January 2009 and 30 June 2009	<u>22,293</u>	<u>15p</u>	<u>3,344</u>
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### B Deferred shares

#### Authorised

1 January 2009 and 30 June 2009	<u>138,500</u>	<u>4p</u>	<u>5,540</u>
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#### Issued, called up and fully paid

1 January 2009 and 30 June 2009	<u>95,834</u>	<u>4p</u>	<u>3,834</u>
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### Total issued share capital

1 January 2009			8,136
30 June 2009			<b>8,636</b>

On 17 March 2009, 50,000,000 1p ordinary shares were issued at 2p per share.

## 10. Reserves

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

The other reserve represents the premium on allocation of shares by the Company in pursuance of the arrangement in consideration for the acquisition of 100% of the shares in Apace Sports Limited (previously called Apace Group Limited) on 25 April 2005, as permitted by section 131 of the Companies Act 1985. This reserve is not currently distributable.

## 11. Cash generated from operations

	6 months ended 30 June 2009 £'000	6 months ended 30 June 2008 £'000	Year ended 31 December 2008 £'000
<b>Continuing operations</b>			
Profit / (loss) for the period	227	460	(3,015)
Adjustments for:			
(Profit) / loss reported by associate	(504)	(385)	(588)
Impairment of Goodwill	-	-	3,096
Aborted investment projects written off	-	-	-
Revaluation of investments held for resale	(105)	130	172
Amortisation of intangible fixed assets	20	125	211
Depreciation of tangible fixed assets	77	90	181
Gain on termination of acquisition project	-	-	(268)
Profit on disposal of investments	-	-	-
Loss on disposal of tangible fixed assets	-	-	-
Share-based payment expense	-	12	11
Interest payable	-	-	21
Interest receivable	-	(24)	(59)
Exchange gain	-	(100)	(254)
(Increase) / decrease in inventories	14	144	425
(Increase) / decrease in trade and other receivables	100	(1,612)	(746)
(Decrease) / increase in payables	(102)	(191)	(35)
Cash generated from continuing operations	(273)	(1,351)	(847)
<b>Cash (used in) / generated from operations</b>	<b>(273)</b>	<b>(1,351)</b>	<b>(847)</b>

## 12. Share-based payments

The Company has two option schemes for employees, the "Apac Media plc Employee Share Option Scheme" and the "Apac Media plc Unapproved Share Option Scheme". All employees are eligible to participate in the schemes.

No share options have been granted or exercised in the period and fuller disclosure of the schemes is contained in the Apac Media plc Annual Report for the year ended 31 December 2008.

## 13. Post balance sheet events

Events occurring since the balance sheet date in respect of the Company's investment in associate are detailed in note 7 above.

## **Directors and advisers**

### **Directors**

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

### **Secretary**

R B Carter

### **Registered office**

Unit LG3  
Shepherds Central  
Charecroft Way  
London W14 0EH

### **Administrative seat**

6C, Parc d'Activités Syrdall  
L-5365, Munsbach  
Grand Duchy of Luxembourg

### **Registered company number**

UK: 03848181  
Luxembourg: 147338

### **Auditors**

Rawlinson & Hunter  
8<sup>th</sup> Floor  
6 New Street Square  
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EC4A 3AQ

### **Nominated adviser and broker**

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London  
EC4M 7EN

### **Registrars**

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This interim report and the report and accounts for the year ended 31 December 2008 are available from the Company's website:  
[www.apacemedia.co.uk](http://www.apacemedia.co.uk)