Registered number: 05192533

Companies House copy

APACE MUSIC LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

RAWLINSON & HUNTER

Chartered Accountants
Eighth Floor 6 New Street Square London EC4A 3AQ

APACE MUSIC LIMITED

COMPANY INFORMATION

DIRECTORS	T P Millington L J Cannon (resigned 30 January 2008) D G P Stoessel (resigned 6 May 2009) M J H Johnston R E Burke (appointed 16 February 2009)
COMPANY SECRETARY	R B Carter
COMPANY NUMBER	05192533
REGISTERED OFFICE	Unit LG3 Shepherds Central Charecroft Way London W14 0EH
AUDITORS	Rawlinson & Hunter Chartered Accountants & Registered Auditors Eighth Floor 6 New Street Square New Fetter Lane London EC4A 3AQ

APACE MUSIC LIMITED

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APACE MUSIC LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and the financial statements for the year ended 31 December 2008.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In determining how accounts 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 agreement, in accordance with generally accepted accounting principles or practice.

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

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were music publishing and record distribution.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

BUSINESS REVIEW AND POST BALANCE SHEET EVENTS

As a result of two of the Company's largest customers going into administration in late 2008 the Company entered into a Company Voluntary Arrangement ("CVA") on 5 February 2009. It was agreed under the terms of the CVA that the unsecured creditors of the Company, as at the effective date of the CVA (5 February 2009), would share in a CVA dividend pot of £200,000 in full and final settlement of their liabilities which existed at that point. Further, the Company's parent and other group undertakings agreed to waive their right to a CVA dividend. As a result, third-party creditors can expect to receive around 31p in every £ owed at the effective date.

As the conditions which led to the CVA were in existence at the balance sheet date and the CVA is considered by the directors to be an adjusting post-balance sheet event as outlined by Financial Reporting Standard 21, the figures presented in stock, debtors and creditors have been adjusted to reflect the impact of the CVA as stated in Note 1 to the financial statements.

The stock balance reflects a provision to have regard to the sale of a number of stock items at below cost after the year end to release cash to pay into the CVA.

A provision has been made against trade debtors for the customers which have gone into administration and does not reflect any potential dividends received from the administration of the two largest debtors of the Company at the year end. Any dividends which are paid by the administrators of these customers will be paid into the CVA for the benefit of the creditors and, therefore, do not represent an asset of the Company.

The creditor balance reflects the reduction in the liability owed by the Company under the terms of the CVA. Effectively, this has reduced the amount presented in the accounts as being owed to non-preferential creditors from £533,552 to £182,878 a reduction of £350,674. The balance of the £200,000 payable under the terms of CVA relates to other expenses which have been fully accrued in the accounts. By agreeing to the CVA, the creditors have waived their rights to any additional payments, other than the distributions referred to above.

After the year end, Apace Rights Limited, a fellow group undertaking, acquired the music catalogue owned by the Company (and included as part of intangible fixed assets) for cash consideration of £200,000. No impairment of the carrying value of intangible assets arises as a result of this post balance sheet transaction.

GOING CONCERN

As detailed in Note 1 to the financial statements, the directors consider that, following the agreement by the creditors to the CVA, the Company is able to continue to trade as a going concern. The directors have prepared detailed business plans and cashflow forecasts going forward to manage the development of the business to a more stable trading position and are constantly monitoring business activity to minimise potential setbacks to the Company's return to financial stability.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £421,214 *(2007 - loss £206,764).*

The directors do not recommend the payment of a dividend *(2007 - NIL).*

APACE MUSIC LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS

The directors who served during the year and to the date of this report were:

T P Millington
L J Cannon (resigned 30 January 2008)
D G P Stoessel (resigned 6 May 2009)
M J H Johnston
R E Burke (appointed 16 February 2009)

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

AUDITORS

The auditors, Rawlinson & Hunter, will be proposed for reappointment in accordance with relevant legislation.

This report was approved by the board on 8th JUNE 2009 and signed on its behalf.

Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF APACE MUSIC LIMITED

We have audited the financial statements of Apace Music Limited for the year ended 31 December 2008, which comprise the Profit and loss account, the Balance sheet, the Cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, 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 shareholders those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. 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 Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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 MUSIC LIMITED

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

Emphasis of matter - Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements concerning the basis of preparation of the financial statements. The financial statements have been prepared on a going concern basis and the validity of this ultimately depends on the continued support of the Company's ultimate parent undertaking together with the success of the Company Voluntary Arrangement ("CVA") entered into on 5 February 2009. Each of these matters is inherently subject to uncertainty.

Details of the circumstances relating to this fundamental uncertainty are set out in Note 1. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect. The financial statements do not include any adjustments that would arise from the withdrawal of the Company's ultimate parent company's continued support, or from any failure of the CVA process.

Chartered Accountants & Registered Auditors

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Date: 8 June 2009.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	*2007* *£*
TURNOVER	1,2	**2,697,823**	*2,396,377*
Cost of sales		**(2,276,441)**	*(1,575,796)*
GROSS PROFIT		**421,382**	*820,581*
Administrative expenses		**(793,006)**	*(977,786)*
OPERATING LOSS		**(371,624)**	*(157,205)*
Interest receivable		-	*5*
Interest payable	6	**(49,590)**	*(49,564)*
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		**(421,214)**	*(206,764)*
Tax on loss on ordinary activities	7	-	-
LOSS FOR THE FINANCIAL YEAR	14	**(421,214)**	*(206,764)*

All amounts relate to continuing operations.

There were no recognised gains and losses for 2008 or 2007 other than those included in the Profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2008

	Note	2008 £	2008 £	2007 £	2007 £
FIXED ASSETS					
Intangible fixed assets	8		213,630		*248,849*
Tangible fixed assets	9		1,779		*2,465*
			215,409		*251,314*
CURRENT ASSETS					
Stocks	10	408,620		*537,347*	
Debtors	11	323,874		*821,794*	
Cash at bank		56,662		*-*	
		789,156		*1,359,141*	
CREDITORS: amounts falling due within one year	12	(1,216,121)		*(1,400,797)*	
NET CURRENT LIABILITIES			(426,965)		*(41,656)*
TOTAL ASSETS LESS CURRENT LIABILITIES			(211,556)		*209,658*
CAPITAL AND RESERVES					
Called up share capital	13		1,000		*1,000*
Profit and loss account	14		(212,556)		*208,658*
SHAREHOLDERS' FUNDS - ALL EQUITY	15		(211,556)		*209,658*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 8th June 2009.

Director

The notes on pages 9 to 18 form part of these financial statements.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 £	*2007* *£*
Net cash flow from operating activities	16	**288,289**	*321,912*
Returns on investments and servicing of finance	17	**-**	*(49,559)*
Capital expenditure and financial investment	17	**(136,479)**	*(171,653)*
INCREASE IN CASH IN THE YEAR		**151,810**	*100,700*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2008

	2008 £	*2007* *£*
Increase in cash in the year	**151,810**	*100,700*
MOVEMENT IN NET DEBT IN THE YEAR	**151,810**	*100,700*
Net debt at 1 January 2008	**(95,148)**	*(195,848)*
NET FUNDS/(DEBT) AT 31 DECEMBER 2008	**56,662**	*(95,148)*

The notes on pages 9 to 18 form part of these financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

On 5 February 2009, the Company entered into a Company Voluntary Arrangement ("CVA"), an arrangement under Part I of the Insolvency Act 1986 and Chapter 2 of the Insolvency Rules 1986, which was necessitated due to the failure in late 2008 of the Company's two largest customers. Under the terms of the CVA, the unsecured creditors of the Company as at the effective date of the CVA (5 February 2009) would share in a CVA fund of £200,000 in full and final settlement of their liabilities which existed at that point. Further, the Company's parent and other group undertakings agreed to waive their right to a CVA dividend. As a result, third-party creditors can expect to receive around 31p in every £ owed at the effective date.

The conditions which led to the CVA were in existence at the balance sheet date and the CVA is considered by the directors to be an adjusting post-balance sheet event as outlined by Financial Reporting Standard 21.

The debtor balance presented does not reflect any potential dividends received from the administration of the two largest debtors of the Company at the year end. Any dividends which are paid by the administrators of these customers will be paid into the CVA for the benefit of the creditors and, therefore, do not represent an asset of the Company.

The creditor balance reflects the reduction in the liability owed by the Company under the terms of the CVA. Effectively, this has reduced the amount presented in the accounts as being owed to non-preferential creditors from £533,552 to £182,878 a reduction of £350,674. The balance of the £200,000 payable under the terms of CVA relates to other expenses which have been fully accrued in the accounts. By agreeing to the CVA, the creditors have waived their rights to any additional payments other than any distributions from the two customers referred to above.

1.2 Going concern

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

The Company meets its funding requirements through a parent company loan. At the balance sheet date, the Company had net current liabilities of £426,965 *(2007 - £41,656)*.

With a successful CVA process, the directors have projected that the Company will be profitable within the next 1 - 2 years. On the basis of this information and discussions with the parent company's directors regarding continuation of support, the directors believe that the Company will have sufficient financial resources to continue in operation for a period of at least twelve months from the date of approval of these financial statements. Whilst there is no certainty that the parent company will continue to support the Company's funding requirements, the directors are confident that there will be no such requirement. Therefore, the directors consider it appropriate to prepare the financial statements on a going concern basis.

Accordingly, the financial statements do not include any adjustments that would result from a withdrawal of the above facilities. If the Company was unable to continue in operational existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet value of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.

1. ACCOUNTING POLICIES (continued)

1.3 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.4 Intangible fixed assets and amortisation

Intangible fixed assets are stated at cost less amortisation. Amortisation is at 33% on a straight line basis from time of acquisition for all intangible assets.

Intangible fixed assets are tested for impairment and appropriate adjustments to carrying value made where indications of any potential impairment exist.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Fixtures & fittings	-	15% straight line
Office equipment	-	15% straight line
Computer equipment	-	33% straight line

1.6 Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are discounted.

1. ACCOUNTING POLICIES (continued)

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Profit and loss account.

2. TURNOVER

An analysis of turnover by geographical area is as follows:

	2008 £	*2007 £*
United Kingdom	2,275,062	*2,020,854*
Rest of Europe	249,851	*263,174*
Rest of World	172,910	*112,349*
	2,697,823	*2,396,377*

Turnover is attributable to the sale of CDs and published music.

3. OPERATING LOSS

Operating loss is stated after charging/(crediting)

	2008 £	*2007 £*
Amortisation - intangible fixed assets	171,698	*195,276*
Depreciation - tangible fixed assets owned by the Company	686	*4,429*
Auditors' remuneration - audit	9,500	*8,000*
Auditors' remuneration - non-audit	2,100	*4,324*
Rent - operating leases	(1,723)	*36,575*
Difference on foreign exchange	414	*404*
Exceptional items:		
Bad debt provision resulting from customer administration	253,599	-
Creditor reduction resulting from CVA	(350,674)	-
Stock provision expense resulting from CVA	77,053	-
Licence advance provision expense resulting from CVA	40,000	-

As detailed in the Directors' report and the basis of preparation of the financial statements accounting policy note, a number of exceptional items resulted from the Company entering a CVA. The items relating to stock and licence advances are included in cost of sales and the items relating to bad debts and creditor reductions are included in administration expenses.

Following entry into the CVA, stock was sold below cost to raise money for the CVA which resulted in a further provision of £85,000 against stock and corresponding £85,000 charge to cost of sales and a review of the licence advances resulted in a further provision of £135,000 against prepayments and accrued income and a corresponding £135,000 charge to cost of sales. These are not exceptional items.

4. STAFF COSTS

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

	2008 £	2007 £
Wages and salaries	236,211	303,941
Social security costs	28,058	42,157
	264,269	346,098

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

	2008 No.	2007 No.
Management	1	2
Administration	3	3
	4	5

5. DIRECTORS' REMUNERATION

	2008 £	2007 £
Emoluments	121,440	176,500

6. INTEREST PAYABLE

	2008 £	2007 £
On bank loans and overdrafts	114	80
On finance leases and hire purchase contracts	-	72
On loans from group undertakings	49,476	49,412
	49,590	49,564

7. TAXATION

	2008 £	*2007 £*
UK corporation tax charge on loss for the year	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2007 - lower than)* the average effective standard rate of corporation tax in the UK (28.5%). The differences are explained below:

	2008 £	*2007 £*
Loss on ordinary activities before tax	(421,214)	*(206,764)*
Loss on ordinary activities multiplied by the average effective standard rate of corporation tax in the UK of 28.5% *(2007- 30%)*	(120,046)	*(62,029)*
Effects of:		
Expenses not deductible for tax purposes	781	*59*
Depreciation in excess of capital allowances	196	*128*
Losses claimed by / (from) group companies	88,222	*61,842*
Losses carried forward	30,847	-
Current tax charge for the year (see note above)	-	-

Factors that may affect future tax charges

There were no factors that may affect future tax charges other than losses carried forward of £30,847 (2007: £NIL)

8. INTANGIBLE FIXED ASSETS

	Intellectual property £	Website £	Total £
Cost			
At 1 January 2008	631,838	13,298	645,136
Additions	135,679	800	136,479
At 31 December 2008	767,517	14,098	781,615
Amortisation			
At 1 January 2008	386,387	9,900	396,287
Charge for the year	167,500	4,198	171,698
At 31 December 2008	553,887	14,098	567,985
Net book value			
At 31 December 2008	213,630	-	213,630
At 31 December 2007	*245,451*	*3,398*	*248,849*

Included within intellectual property are mastering costs, CD packaging - design costs, buyout costs relating to the acquisition of music rights and the costs incurred in the development of a CD. Amortisation is at 33% on a straight line basis from time of acquisition for all the intangible assets.

9. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Office equipment £	Computer equipment £	Total £
Cost				
At 1 January 2008 and 31 December 2008	1,108	4,012	11,092	16,212
Depreciation				
At 1 January 2008	582	1,991	11,174	13,747
Charge for the year	166	602	(82)	686
At 31 December 2008	748	2,593	11,092	14,433
Net book value				
At 31 December 2008	360	1,419	-	1,779
At 31 December 2007	*526*	*2,021*	*(82)*	*2,465*

10. STOCKS

	2008 £	2007 £
Finished goods and goods for resale	408,620	537,347

The difference between purchase price or production cost of stocks and their replacement cost is not material.

11. DEBTORS

	2008 £	2007 £
Due after more than one year		
Prepayments and accrued income	-	100,000
Due within one year		
Trade debtors	60,213	438,001
Other debtors	7,106	38,976
Prepayments and accrued income	256,555	244,817
	323,874	821,794

12. CREDITORS:
Amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	-	95,148
Trade creditors	254,341	670,051
Amounts owed to group undertakings	815,886	584,937
Social security and other taxes	5,366	11,822
Other creditors	54,998	1,466
Accruals and deferred income	85,530	37,373
	1,216,121	1,400,797

Included in the amounts owed to group undertakings is a loan of £587,445 (2007 - £457,445) which accrues interest at 2% per annum above the Bank of England base rate and an amount of £200,000 owed to Apace Rights Limited which is secured on the music catalogue included within Intangible assets. The loan of £587,445 *(2007 - £457,445)* was transferred from Apace Media plc to Apace Television Limited during the year. The remaining balances owed to group undertakings are interest free. All of the amounts owed to the parent undertaking and fellow subsidiaries are repayable on demand.

13. SHARE CAPITAL

	2008 £	2007 £
Authorised		
200,000 Ordinary shares of £10 each	2,000,000	2,000,000
Allotted, called up and fully paid		
100 Ordinary shares of £10 each	1,000	1,000

14. RESERVES

	Profit and loss account £
At 1 January 2008	208,658
Loss for the year	(421,214)
At 31 December 2008	(212,556)

15. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Opening shareholders' funds	209,658	416,422
Loss for the year	(421,214)	(206,764)
Closing shareholders' (deficit)/funds	(211,556)	209,658

16. NET CASH FLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating loss	(371,624)	(157,205)
Amortisation of intangible fixed assets	171,698	195,276
Depreciation of tangible fixed assets	686	4,428
Decrease/(increase) in stocks	51,674	(218,926)
Stock provision expense resulting from CVA	77,053	-
Decrease in debtors	204,321	639,277
Bad debt provision resulting from customer administration	253,599	-
Licence advance provision expense resulting from CVA	40,000	-
Increase/(decrease) in creditors	211,556	(140,938)
Creditor reduction resulting from CVA	(350,674)	-
Net cash inflow from operations	288,289	321,912

17. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2008 £	*2007* *£*
Returns on investments and servicing of finance		
Interest received	-	*5*
Interest paid	-	*(49,492)*
Hire purchase interest	-	*(72)*
Net cash from returns on investments and servicing of finance	-	*(49,559)*

	2008 £	*2007* *£*
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(136,479)	*(171,653)*

18. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2008 £	Cash flow £	Other non-cash changes £	31 December 2008 £
Cash at bank and in hand:	-	56,662	-	56,662
Bank overdraft	(95,148)	95,148	-	-
Net debt	(95,148)	151,810	-	56,662

19. CONTINGENT LIABILITIES

There is a standard unlimited intercompany guarantee charged to the bank with accession between Apace Media plc, Steadfast International Limited, Apace Music Limited, Pro-Active Projects Limited and Steadfast Television Limited.

20. OPERATING LEASE COMMITMENTS

At 31 December 2008 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2008 £	 *2007* *£*
Expiry date:		
Within 1 year	-	*22,200*

21. RELATED PARTY TRANSACTIONS

Included within administration expenses is £67,000 (2007: £75,000) in management charges and £16,500 (2007: £42,000) in expenses recharged by Apace Media plc.

Included within interest payable is interest of £43,392 (2007: £49,412) charged by Apace Media plc and £6,084 (2007: NIL) charged by Apace Television Limited.

At the balance sheet date, the following amounts were due from / (due to) group undertakings:

	2008	*2007*
	£	*£*
Apace Media plc	**(28,441)**	*(584,937)*
Apace Television Limited	**(587,445)**	-
Apace Rights Limited	**(200,000)**	-

22. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent undertaking is Apace Media plc, a Company listed on the Alternative Investment Market of the London Stock Exchange.

The immediate parent undertaking is Apace Television Limited.

Copies of the consolidated financial statements of Apace Media plc can be obtained from its registered office at Unit LG3, Shepherds Central, Charecroft Way, London, W14 0EH or downloaded from its website www.apacegroup.co.uk/annualreports.

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