

Eastern European Media Holdings S.A.

**Company Financial Statements
For the year ended 31 July 2016**

Luxembourg registered number: B 159867

Eastern European Media Holdings S.A.

Report of the directors for the year ended 31 July 2016

The Directors present their annual report and the financial statements of Eastern European Media Holdings S.A. ("the Company") for the year ended 31 July 2016.

1. INCORPORATION

The Company was incorporated in the Grand Duchy of Luxembourg on 21 March 2011 with subscribed share capital of £27,063.92.

2. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The Company is a holding company for a small group of television businesses.

3. RESULT AND ALLOCATION

The result for the year ended 31 July 2016 is a loss of £175,000 (2015 - £394,000), which we propose to absorb as follows:

	£
• Loss for the period	(175,000)
• Retained earnings brought forward	<u>(2,088,000)</u>
• Retained earnings carried forward	<u>(2,263,000)</u>

4. POST BALANCE SHEET EVENTS

There have been no significant post balance sheet events.

5. RESEARCH AND DEVELOPMENT

The Company did not have any activities of research and development during the period.

6. PURCHASE OF OWN SHARES

As at 31 July 2016 and at the current date, the Company does not hold any of its own shares. The wholly-owned U.K. subsidiary of the Company, Content Ventures Television Limited, owns 2,462,164 of the Company's shares, mainly acquired as consideration for the disposal of Pro-Active Projects Limited to its management. This holding represents 1.69% of the Company's shares in issue.

7. DISCHARGE

We propose to approve the financial statements as well as the proposed allocation of the results and to give full discharge to the Directors and to the "Commissaire aux comptes" for their mandate for the year ended 31 July 2016.

By order of the Board

Martin Johnston
Director
10 January 2017

Report of the Commissaire aux Comptes

Report of the Commissaire to the shareholders of Eastern European Media Holdings S.A.

In accordance with Luxembourg law, Eastern European Media Holdings S.A. is a small company not requiring an external audit. I have been appointed Commissaire aux Comptes by the Board of Directors and I am pleased to report to you as follows.

I confirm that the financial statements of the Company for the period ended 31 July 2016, in which are reported a loss for the year of £175,000 and net assets of £4,937,000 are in agreement with the books and records of the Company.

I have no further comments on the financial statements.

Martin Johnston M.A., F.C.A.

Commissaire

10 January 2017

Eastern European Media Holdings S.A.

**Statement of comprehensive income
For the year ended 31 July 2016**

	Notes	Year ended 31 July 2016 £'000	Year ended 31 July 2015 £'000
Revenue	1	-	-
Administrative expenses		(4)	(17)
Exceptional impairment charge	3	(155)	(342)
Loss from operations		(159)	(359)
Exchange difference		14	(4)
Finance costs – interest on convertible loan		(26)	(28)
Loss before tax		(171)	(391)
Taxes	4	(4)	(3)
Loss and total comprehensive income for the year		(175)	(394)

All results relate to continuing operations.

The notes on pages 10 to 15 form part of these financial statements.

Statement of financial position
As at 31 July 2016

	Notes	31 July 2016 £'000	31 July 2015 £'000
Assets			
Non-current assets			
Investments in subsidiary undertakings	5	9	9
Available for sale financial assets	6	5,564	5,564
Loans and receivables	7	288	321
		<u>5,861</u>	<u>5,894</u>
Current assets			
Cash and cash equivalents		42	71
Total current assets		<u>42</u>	<u>71</u>
Total assets		<u>5,903</u>	<u>5,965</u>
Liabilities			
Current liabilities			
Trade and other current payables	8	250	251
Total current liabilities		<u>250</u>	<u>251</u>
Non-current liabilities			
Convertible loan	9	716	602
		<u>966</u>	<u>853</u>
Total liabilities		<u>966</u>	<u>853</u>
Net assets		<u>4,937</u>	<u>5,112</u>
Equity			
Share capital	10	1,458	1,458
Share premium	11	5,742	5,742
Retained earnings	11	(2,263)	(2,088)
Equity shareholders' funds		<u>4,937</u>	<u>5,112</u>

The financial statements were approved by the Board on 10 January 2017

M. J. H. Johnston
Director

The notes on pages 10 to 15 form part of these financial statements.

Eastern European Media Holdings S.A.

Statement of cash flows
For the year ended 31 July 2016

		Year ended 31 July 2016	Year ended 31 July 2015
	Notes	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	12	(29)	61
Net cash from operating activities		<u>(29)</u>	<u>61</u>
 Net increase / (decrease) in cash and cash equivalents		(29)	61
Cash and cash equivalents at beginning of period		<u>71</u>	<u>10</u>
Cash and cash equivalents at end of period		<u>42</u>	<u>71</u>

The notes on pages 10 to 15 form part of these financial statements.

Eastern European Media Holdings S.A.

Statement of changes in equity For the year ended 31 July 2016

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
At incorporation 21 March 2011	-	-	-	-
Loss for the period	-	-	(1,607)	(1,607)
Total comprehensive income for the period	-	-	(1,607)	(1,607)
Incorporation shares issued	27	-	-	27
<i>Scheme of Arrangement 16 May 2011:</i>				
• cancellation of incorporation shares	(27)	-	-	(27)
• issue of shares pursuant to Scheme of Arrangement	1,458	5,742	-	7,200
Balance at 31 July 2011	1,458	5,742	(1,607)	5,593
Loss for the period	-	-	(35)	(35)
Balance at 31 July 2012	1,458	5,742	(1,642)	5,558
Loss for the period	-	-	(14)	(14)
Balance at 31 July 2013	1,458	5,742	(1,656)	5,544
Loss for the period	-	-	(38)	(38)
Balance at 31 July 2014	1,458	5,742	(1,694)	5,506
Loss for the period	-	-	(394)	(394)
Balance at 31 July 2015	1,458	5,742	(2,088)	5,112
Loss for the period	-	-	(175)	(175)
Balance at 31 July 2016	1,458	5,742	(2,263)	4,937

**Statement of accounting policies
for the year ended 31 July 2016**

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

Companies' legislation and Accounting Standards

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted for use by the European Union ("IFRS"), International Financial Reporting Interpretations Committee ("IFRIC") interpretations and in accordance with the laws and regulations in force in the Grand Duchy of Luxembourg.

Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the preparation of the financial statements. The estimates and assumptions that have a significant risk of causing material adjustment are discussed below:

(a) Revenue recognition

In making its judgement of when to recognise revenue, management have applied the detailed criteria for the recognition of revenue from the sale of goods and rendering of services as detailed in IAS 18.

Going concern

The going concern basis has been used to prepare the financial statements of the Company for the year ended 31 July 2016.

The Company had net assets of £4,937,000 as at 31 July 2016. 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

For the purposes of these financial statements and in accordance with Luxembourg law, consolidated accounts were not prepared.

Revenue recognition

Turnover comprises management fees charged to group companies.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at the balance sheet date. 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. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Exchange gains and losses are recognised in the Statement of comprehensive income.

**Statement of accounting policies
for the year ended 31 July 2016**

Investment in subsidiary undertakings

Investments in subsidiary undertakings are valued at cost less provision for impairment.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Gains or losses arising from changes in fair value are presented in the income statement within "exceptional administrative expenses". Available-for-sale financial assets are held at the mid-market price for quoted equities and at cost less provision for impairment if appropriate for unlisted equity securities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting period. These are classified as non-current assets.

Trade and other current receivables

Trade and other current receivables are initially measured at original invoice amount and subsequently measured after deducting any provision for impairment.

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 UK cash management facility are netted against credit balances in the same facility and are included as a component of cash equivalents for the purposes of the cash flow statement.

Trade and other current payables

Trade and other current payables are stated based on the amounts which are considered to be payable in respect of goods or services received up to the date of the Statement of financial position.

Convertible loan notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non convertible debt. The difference between the proceeds of issue and the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in capital reserves (equity). The interest expense on the liability component is calculated by applying the prevailing market rate for similar non-convertible debt to the instrument. The difference between this amount and the interest paid is added to the carrying value of the convertible loan note.

Provisions

A provision is recognised in the balance sheet when the Company 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 Company's liability.

**Statement of accounting policies
for the year ended 31 July 2016**

Taxes

Corporate income tax payable is provided on taxable profits at the current rate.

Deferred tax is provided in full using the balance sheet liability method for all taxable temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured using currently enacted or substantively enacted tax rates.

Deferred tax assets are recognised to the extent that the temporary difference will reverse in the foreseeable future and that it is probable that future taxable profit will be available against which the asset can be utilised.

Financial instruments

In relation to the disclosures made in the notes to the financial statements:

- 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 financial statements
For the year ended 31 July 2016

1. Revenue

Revenue represents management charges billed to the Company's subsidiary undertakings for services provided.

2. Staff costs

The Company employs no staff. One director was paid for part of the previous year for consultancy services at the rate of €1,500 per month. This arrangement ceased on 31 May 2015. No other director is remunerated by the Company.

3. Exceptional impairment charge

Exceptional impairment charge consists of the impairment charge made against the value of the loan receivable from Balkan Capital EAD as detailed in note 7.

4. Taxation on loss on ordinary activities

Owing to the loss incurred in the period, the Company required no provision for tax on income other than for a minimum flat rate charge which is levied by the Luxembourg authorities.

5. Investments in subsidiary undertakings

	2016 £'000	2015 £'000
Balkan Capital EAD	<u>9</u>	<u>9</u>

At 31 July 2016, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held	Share capital and reserves	Loss
Balkan Capital EAD	Holding company	Bulgaria	100%	25,000	(1,000)
Content Ventures Television Limited*	Holding company	England	100%	297,000	(18,000)

* - subsidiary undertaking of Balkan Capital EAD.

The share capital and reserves and profit or loss for Content Ventures Television Limited are unaudited and relate to the year ended 30 June 2016. For Content Ventures Television Limited the results are of the Company only. For Balkan Capital EAD the results are for the year ended 31 December 2015.

On 10 June 2015, the Company's subsidiary, Content Ventures Television Limited disposed of its investment in Pro-Active Projects Ltd. Further details of that transaction are included in Content Ventures Television Limited's financial statements for the year ended 30 June 2015.

Notes to the financial statements
For the year ended 31 July 2016

6. Available for sale financial assets

	2016	2015
	£'000	£'000
Investment in Nova Televizia AD	5,564	5,564
	5,564	5,564

Available for sale financial assets are held at:

- the mid-market price for quoted equities.
- Cost for unlisted equity securities

The investment in Nova Televizia AD ("Nova") represents 5% of Nova's ordinary shares. There exists a shareholder agreement between the Company and Modern Times Group (MTG), which owns the remaining 95% of Nova. Put and call options are contained in the shareholder agreement whereby MTG may oblige the Company to sell, or the Company may oblige MTG to buy, the Company's Nova shares on 5 August 2015 or on any anniversary thereof, at a fair value proportionate to the total fair value of Nova. Neither party chose to exercise its option on 5 August 2016.

7. Loans and receivables

	2016	2015
	£'000	£'000
Amount receivable from subsidiary undertakings		
Brought forward 01/08/2015	321	742
Impairment charge	(155)	(342)
Exchange difference	122	(79)
Carried forward 31/07/2016	288	321

The amount receivable constitutes the impaired book value of interest-free deferred consideration assigned to the Company by CV (Bulgaria) Limited as part of the dividend in specie received by the Company in 2012. Details of the unimpaired deferred consideration terms are as follows:

- Counter-party: Balkan Capital EAD (a 100% owned subsidiary undertaking of the Company);
- Principal amount: €2,640,000;
- Payments due: €440,000 on 15 May 2012 and payments of €440,000 on the 5 following anniversaries of that date.

The payments due up to 31 July 2016 have not been made.

The carrying value of the deferred consideration has been impaired each year to reflect the underlying assets of Content Ventures Television Limited.

The directors have agreed to implement a further impairment provision of £155,000 as at 31 July 2016.

Notes to the financial statements
For the year ended 31 July 2016

8. Trade and other current payables

	2016	2015
	£'000	£'000
Trade creditors	-	1
Accruals and deferred income	4	5
Amount due to subsidiary undertaking	246	245
	250	251

9. Non-current liability

	2016	2015
	£'000	£'000
Convertible loan brought forward 01/08/2015	602	674
Repayment	-	-
Exchange difference	114	(72)
Convertible loan 31/07/2016	716	602

On 27 September 2011, the directors of the Company agreed to lend €1,000,000 to CV (Bulgaria) Limited and to borrow the same amount by means of a convertible loan from its controlling shareholder, Balkan Advisors EAD. The main terms of the convertible loan are as follows:

- Principal amount: €1,000,000;
- Security : Debenture secured with the proceeds of sale of the Nova shares;
- Interest: payable quarterly at the rate of 4.25% p.a. above 3 month EURIBOR from time to time;
- Repayment: the Company may repay all or part of the Principal at any time before the Maturity Date;
- Maturity Date: 30 November 2016 or, if earlier, 30 days after the exercise of an option to sell the Nova shares, the proceeds from which will be applied to repay Principal before any opportunity for conversion;
- Conversion options: the Lender may convert any unpaid Principal and Interest either at Maturity or on the occurrence of an event of default;
- Conversion terms: 1p Ordinary Shares of the Company at par using a conversion exchange rate of €1.14 to £1.
- Earlier repayment: the Lender may call for early repayment on 2 occasions (30 November 2013 or 30 May 2014) if the Lender's bank facility fails to be renewed on either of those dates. These dates have passed without call.

The Company has complied with all of the terms of the convertible loan.

On 1 November 2012, the Company repaid €150,000 of the convertible loan principal amount, leaving €850,000 outstanding. The repayment was made from operating cash flows of the UK subsidiaries.

A proposal by the counter-party to extend the maturity date from 30 November 2016 to 30 November 2018 on unchanged terms was approved by the board of the Company on 10 January 2017.

Notes to the financial statements
For the year ended 31 July 2016

10. Share capital

	Number '000s	2016 Par value	£'000	Number '000s	2015 Par value	£'000
Issued, called up and fully paid						
1 August 2015	145,834	1p	1,458	145,834	1p	1,458
31 July 2016	145,834	1p	1,458	145,834	1p	1,458
Total issued share capital 31 July 2016			1,458			1,458

11. Reserves

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

12. Cash generated from operations

	Year to 31 July 2016 £'000	Year to 31 July 2015 £'000
Loss for the period	(175)	(394)
Adjusted for:		
Impairment charge re Balkan Capital loan (note 7)	155	342
(Increase) / decrease in loan receivable	(122)	79
Increase in current payables & convertible loan	113	34
Cash generated from operations	(29)	61

**Notes to the financial statements
For the year ended 31 July 2016**

13. Financial instruments

During the period, the Company's financial instruments comprised cash and liquid resources and various other items, such as trade debtors, trade creditors and other receivables and payables. These arise directly from the Company's operations.

The Company has not entered into any derivatives transactions.

It is, and has been throughout the period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Company's financial instruments are price risk, credit risk, liquidity risk, interest rate risk, cash flow risk and currency risk. The Board reviews and agrees policies for managing each of these risks.

In September 2011, the Company entered into a convertible loan, details of which are given in note 9 above.

Interest rate profile

The Company has no financial assets other than a cash balance of £42,000, which is part of the financing arrangements of the Company. The cash balance comprises a bank current account denominated in Euros. Details of the convertible loan are given in note 9 above. The Company has no other interest-bearing loans receivable or payable.

Currency hedging

During the period, the Company did not engage in any form of currency hedging transaction.

Financial liabilities

The Company had no financial liabilities at the balance sheet date other than the convertible loan, details of which are given in note 9 above.

Fair values

The fair values of the financial assets and liabilities at 31 July 2016 are not materially different from their book values.

14. Contingent liabilities

The Company has no material contingent liabilities.

15. Post balance sheet events

Convertible loan – as stated in note 9 above, a proposal by the counter-party to extend the maturity date from 30 November 2016 to 30 November 2018 on unchanged terms was approved by the board of the Company on 10 January 2017.

**Notes to the financial statements
For the year ended 31 July 2016**

16. Related party transactions

Included in amounts receivable from subsidiary undertakings is £288,000 (2015: £321,000) owed by Balkan Capital EAD. Details are given in note 7.

Included in amounts due to subsidiary undertaking in note 8 is £246,000 (2015: £245,000) owed to Content Ventures Television Limited, a subsidiary undertaking.

Included in convertible loan is £716,000 (2015: £602,000) owed to Balkan Advisors EAD, a company controlled by the Company's controlling shareholders. Details are given in note 9.

Didier Stoessel is vice chairman and chief executive officer of Nova Televizia AD.

During the period, there were no other transactions with directors other than in respect of reimbursement of business expenses.

17. Ultimate controlling party

The directors consider Didier Stoessel and Anatoli Belchev to be the ultimate controlling parties.

Eastern European Media Holdings S.A.

Directors and secretary

Directors

D G P Stoessel (appointed 12/12/2013)

M J H Johnston (appointed 21/03/2011)

W W Vanderfelt (appointed 21/03/2011)

Secretary

M J H Johnston

Registered office

5-11 avenue Gaston Diderich,

1420 Luxembourg,

Grand Duchy of Luxembourg

Registered company number

Luxembourg: B 159867

Website: easterneuropeanmedia.com

Email: eemh@outlook.com