

Eastern European Media Holdings S.A.

**Company Financial Statements
For the year ended 31 July 2019**

Luxembourg registered number: B 159867

Eastern European Media Holdings S.A.

Report of the Directors for the year ended 31 July 2019

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 2019.

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 has been a holding company for a group of television businesses. During the year the Company disposed of its remaining trading investment and the Directors have resolved that the Company distribute its net assets to shareholders and be wound up.

3. RESULT AND ALLOCATION

The result for the year ended 31 July 2019 is a profit of £2,304,000 (2018 - £39,000 loss), which we propose to absorb as follows:

	£
• Profit for the period	2,304,000
• Retained earnings brought forward	<u>(2,403,000)</u>
• Retained earnings carried forward	<u>(99,000)</u>

4. POST BALANCE SHEET EVENTS

On 10 June 2019 shareholders were informed of an offer for their shares from the Company's majority shareholder, Balkan Advisors AD and that, after closure of that offer on 31 July 2019, the Directors would consider the declaration of a dividend. The Board met on 1 August 2019 and resolved to declare a gross dividend of 3.75 pence per share, payable to shareholders remaining on the share register after closure of the offer on 31 July 2019. Further detail is provided in note 16 to the financial statements.

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 2019 and at the current date, the Company does not hold any of its own shares.

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 2019.

By order of the Board

Martin Johnston
Director
25 October 2019

Eastern European Media Holdings S.A.

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 2019, in which are reported a profit for the year of £2,304,000 and net assets of £7,101,000 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

25 October 2019

Eastern European Media Holdings S.A.

Statement of comprehensive income For the year ended 31 July 2019

	Notes	Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
Revenue	1	-	-
Exceptional gain on disposal of investment	3	2,372	-
Administrative expenses		(30)	(4)
Exceptional impairment charge	4	(273)	-
Profit / (loss) from operations		2,069	(4)
Exchange difference		252	1
Finance costs – interest on convertible loan		(13)	(29)
Profit / (loss) before tax		2,308	(32)
Taxes	5	(4)	(7)
Profit / (loss) and total comprehensive income for the year		2,304	(39)

All results relate to continuing operations.

The notes on pages 10 to 14 form part of these financial statements.

Statement of financial position
As at 31 July 2019

	Notes	31 July 2019 £'000	31 July 2018 £'000
Assets			
Non-current assets			
Investments in subsidiary undertakings	6	-	9
Available for sale financial assets	7	-	5,564
		-	5,573
Current assets			
Loans and receivables owing by subsidiary undertakings	8	1,174	264
Cash and cash equivalents		5,958	6
Total current assets		7,132	270
Total assets		7,132	5,843
Liabilities			
Current liabilities			
Trade and other current payables	9	31	266
Total current liabilities		31	266
Non-current liability			
Convertible loan	10	-	780
Total liabilities		31	1,046
Net assets		7,101	4,797
Equity			
Share capital	11	1,458	1,458
Share premium	12	5,742	5,742
Retained earnings	12	(99)	(2,403)
Equity shareholders' funds		7,101	4,797

The financial statements were approved by the Board on 25 October 2019.

M. J. H. Johnston
Director

The notes on pages 10 to 14 form part of these financial statements.

Eastern European Media Holdings S.A.

Statement of cash flows For the year ended 31 July 2019

		Year ended 31 July 2019 £'000	Year ended 31 July 2018 £'000
	Notes		
Net cash from operating activities	13	(1,207)	(11)
Net cash from disposal of investment	3	7,936	-
Repayment of convertible debt	10	(777)	-
Net increase / (decrease) in cash and cash equivalents		5,952	(11)
Cash and cash equivalents at beginning of period		6	17
Cash and cash equivalents at end of period		5,958	6

The notes on pages 10 to 14 form part of these financial statements.

Eastern European Media Holdings S.A.

Statement of changes in equity For the year ended 31 July 2019

	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
Loss for the period	-	-	(101)	(101)
Balance at 31 July 2017	1,458	5,742	(2,364)	4,836
Loss for the period	-	-	(39)	(39)
Balance at 31 July 2018	1,458	5,742	(2,403)	4,797
Profit for the period	-	-	2,304	2,304
Balance at 31 July 2019	1,458	5,742	(99)	7,101

Eastern European Media Holdings S.A.

Statement of accounting policies for the year ended 31 July 2019

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. There are no estimates and assumptions that have a significant risk of causing material adjustment as the Company's only material assets are cash and receivables from a solvent subsidiary undertaking.

Going concern

On 1 August 2019, the Directors confirmed their intention that the Company will commence liquidation after payment of the dividend referred to in note 16 and that remaining shareholders will be entitled to receive their proportionate share of the proceeds of liquidation. The break-up basis has therefore been used to prepare the financial statements of the Company for the year ended 31 July 2019.

The Company had net assets of £7,101,000 as at 31 July 2019. The Directors consider that the net asset value is realisable in a liquidation.

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.

Eastern European Media Holdings S.A.

Statement of accounting policies for the year ended 31 July 2019

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, and is confident that it will be able 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 gain on disposal" or "Exceptional impairment charge". 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 2019**

Taxes

Corporate income tax payable is provided on taxable profits at the current rate. Luxembourg wealth tax is provided on the unitary value subject to wealth tax.

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 2019**

1. Revenue

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

2. Staff costs

The Company employs no staff. No Director is remunerated by the Company.

3. Exceptional gain on disposal of investment

	2019	2018
	£'000	£'000
Proceeds from sale of shares in Nova Broadcasting Group	8,225	-
Less disposal expenses	(289)	-
Net cash proceeds	7,936	-
Book value	(5,564)	-
Exceptional gain	2,372	-

4. Exceptional impairment charge

Exceptional impairment charge consists of the impairment charges made against the values of the investment in, and loan owing by, Balkan Capital EAD as detailed in notes 6 and 8.

5. Taxation on profit and wealth

The Company is advised that the investment in Nova Broadcasting Group benefits from the Luxembourg participation exemption and that the gain on its disposal is therefore not taxable. Owing to the loss otherwise incurred in the period and losses brought forward from previous years, the Company required no provision for tax on income or wealth other than for a minimum flat rate wealth tax.

6. Investments in subsidiary undertakings

	2019	2018
	£'000	£'000
Balkan Capital EAD	9	9
Impairment charge	(9)	-
Content Ventures Television Ltd -transferred from Balkan Capital EAD	-	-
	-	9

At 31 July 2019, the Company owned the following subsidiary undertakings:

Subsidiary undertaking	Principal activity	Country of incorporation	% of equity and votes held
Balkan Capital EAD (in liquidation)	Holding company	Bulgaria	100%
Content Ventures Television Limited*	Holding company	England	100%

* - subsidiary undertaking of Balkan Capital EAD until 31 October 2018.

Notes to the financial statements
For the year ended 31 July 2019

Full provision has been made against the book value of both subsidiary undertakings on adoption of the break-up basis of valuation in the year. Surpluses arising on liquidation or disposal, if any, will be transferred to the Company.

7. Available for sale financial assets

	2019	2018
	£'000	£'000
Investment in Nova Broadcasting Group	5,564	5,564
Disposal (see below and note 3)	(5,564)	-
	-	5,564

Available for sale financial assets are held at:

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

On 10 April 2019 the Company completed the sale of its 5 percent shareholding in Nova Broadcasting Group (“Nova”) in Bulgaria to Advance Media Group. The all-cash transaction valued 100 percent of Nova at an enterprise value of EUR 185 million. See note 3.

8. Loans and receivables

	2019	2018
	£'000	£'000
Amounts receivable from subsidiary undertakings		
Brought forward 01/08/2018 Balkan Capital EAD	264	265
Impairment charge on entry into liquidation	(264)	-
Receivable from Content Ventures Television Limited	1,174	-
Exchange difference	-	(1)
Carried forward 31/07/2019	1,174	264

On 10 June 2019, the Company informed shareholders that Balkan Advisors AD had made an offer to buy any or all of the Company’s shares (the “Offer”). As almost all of the shareholders other than the Offeror are U.K. resident, the Board and the Offeror agreed that Content Ventures Television Limited, a 100% owned U.K. subsidiary of the Company, would administer the Offer process on behalf of the Company and the Offeror. The process is subject to a service agreement between the parties and the Offeror will bear the related costs.

The balance receivable from Content Ventures Television Limited represents funding provided by the Company to enable Content Ventures Television Limited to satisfy the terms of the Offer and will be recovered by deduction from the dividend payable to Balkan Advisors.

9. Trade and other current payables

	2019	2018
	£'000	£'000
Trade creditors	4	2
Accruals and deferred income	27	8
Amount due to subsidiary undertaking	-	256
	31	266

Notes to the financial statements
For the year ended 31 July 2019

10. Non-current liability

	2019	2018
	£'000	£'000
Convertible loan brought forward 01/08/2018	780	760
Exchange difference	(19)	(2)
Accrued interest	16	22
Repayment	(777)	-
Convertible loan 31/07/2019	<u>-</u>	<u>780</u>

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 largest shareholder, Balkan Advisors EAD. The main terms of the convertible loan were 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: 31 December 2019 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 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. On 30 April 2019, the Company repaid the remainder of the Principal and accrued interest.

11. Share capital

	2019			2018		
	Number	Par	£'000	Number	Par	£'000
	'000s	value		'000s	value	
Issued, called up and fully paid						
1 August 2018	145,834	1p	1,458	145,834	1p	1,458
31 July 2019	<u>145,834</u>	<u>1p</u>	<u>1,458</u>	<u>145,834</u>	<u>1p</u>	<u>1,458</u>
Total issued share capital						
31 July 2019			1,458			1,458

**Notes to the financial statements
For the year ended 31 July 2019**

12. Reserves

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

13. Cash generated from operating activities

	Year to 31 July 2019 £'000	Year to 31 July 2018 £'000
Loss for the period before disposal of investment	(68)	(39)
Adjusted for:		
Impairment charge re Balkan Capital loan (note 8)	264	-
Impairment charge re Balkan Capital investment	9	-
Increase in current receivables	(1,177)	-
Increase / (decrease) in current payables	(235)	27
Decrease in loans and receivables	-	1
Cash generated from operating activities	(1,207)	(11)

14. 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 10 above. The convertible loan has been repaid during the year.

Interest rate profile

The Company has no financial assets other than a cash balance of £5,958,000, which is part of the financing arrangements of the Company. The cash balance comprises a bank current account denominated in Euros. 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.

**Notes to the financial statements
For the year ended 31 July 2019**

Fair values

The fair values of the financial assets and liabilities at 31 July 2019 are not materially different from their book values.

15. Contingent liabilities

The Company has no material contingent liabilities. Warranties given by the Company in the sale agreement for Nova Broadcasting Group were limited to those relating to legal ownership of the Nova shares and power to dispose of those shares.

16. Post balance sheet events

The Board met on 1 August 2019 and resolved to declare a gross dividend of 3.75 pence per share, payable to shareholders remaining on the share register after closure of the Balkan Advisors Offer on 31 July 2019. Dividends have been paid by cheque on 12 August 2019. It was also resolved that, following the dividend payment, the Company will be liquidated.

As explained in the Shareholder Letter dated 10 June 2019, Content Ventures Television Limited will continue to administer the dividend payment process.

17. Related party transactions

Included in amounts receivable from subsidiary undertakings is £1,174,000 (2018:£264,000) owed by Content Ventures Television Limited. Details are given in note 8.

Included in amounts due to subsidiary undertaking in note 9 is £Nil (2018: £256,000) owed to Content Ventures Television Limited, a subsidiary undertaking.

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

18. 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

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Registered company number

Luxembourg: B 159867

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