

Parallel Media Group plc

Preliminary Results - Year Ended 31 December 2006

29 May 2007

Results Summary

- Turnover £4.56m (2005: £2.58m)
- Pre tax profit of £0.36 million (2005: loss £1.09 million)
- Diluted earnings per share 0.30p (2005: loss of 4.86p)

Operating Highlights

- Appointed exclusive commercial partner for the World Cup of Golf at the Mission Hills Golf Club, China
- PMG announces Omega as long-term Title Sponsor of the Mission Hills World Cup for 12 years
- Agreement signed with Oriental City Group plc to become Media Co-Sponsor at the 2007 TCL Classic golf tournament and Partner Sponsor to the UBS Hong Kong Open
- Agreed terms for new sponsorship contracts for the UBS Hong Kong Open with Emirates, Rolex and BMW
- The company successfully promoted the 2007 TCL Classic in Hainan Island, Sanya, China, the results for this event exceeded expectations.

Activities during 2007 and outlook

Commenting today David Ciclitira, Chairman, said: “2006 was a year of redevelopment and rebuilding for Parallel Media Group and I am delighted with the strong progress the Company has made since last year. PMG started 2007 with a string of significant contracts signed with Mission Hills Golf Club in China, the largest golf complex in the world, including a 12 year Title Sponsorship by Omega for the Mission Hills World Cup. PMG has also renewed sponsorship contracts for the UBS Hong Kong Open with BMW, Rolex and Emirates. The Company’s progress has resulted in a maiden profit and has laid the foundations for PMG to continue to attract business from global brands in the executive sports market.”

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Chairman’s Statement

Parallel Media Group plc (“PMG” or the “Company”) enjoyed a strong end to a challenging 2006, and I am pleased to report the Company is in excellent shape for the year ahead. The Company’s performance has resulted in a 76% increase in revenue on 2005 and maiden profit which lays the foundations for a sustained period of growth from 2007 onwards.

The restructuring which took place in September 2006 resulted in PMG selling its 49.975% share holding in Parallel Media Asia (2003) Ltd and PMG acquiring 100% ownership of the UBS Hong Kong Open and the TCL Classic. In addition, PMG regained the crucial ability to independently pursue new business ventures throughout Asia without the obligation to conduct any new Asian business through Parallel Media Asia (2003) Ltd.

Other highlights of the year include PMG’s return to the World Cup of Golf with the appointment by Mission Hills Golf Club as its exclusive commercial partner for the World Cup of Golf for a 12 year period commencing in 2007. In January 2007, PMG successfully concluded the contract for Omega to become Title Sponsor of the Omega Mission Hills World Cup until 2018.

Outside Asia, PMG has continued to operate its existing contracts as exclusive commercial representative to the Ladies European Tour, the Tour de Las Americas and as promoter of the Kazakhstan Open.

The Company has continued to broaden its executive sports portfolio deriving revenues from its relationship with the Italian Rugby Federation and as a consultant to Chivas in the world of sailing. As part of this initiative, PMG negotiated Chivas's sponsorship of Team China in the America's Cup 2007.

The increasing demand for PMG's role as a commercial advisor has seen Omega recently appoint PMG to act as its consultant on its world wide golf portfolio.

Since the first quarter of 2007, PMG has reinforced its position in Asia and its position as the strongest golf promoter in China, recruiting new key staff both in Asia and Europe. PMG has also taken the opportunity to raise a further £855,000 in equity and medium term debt.

The first quarter's profits have exceeded budget, early indications are that the Company will be successful in converting new business during 2007 which will leave PMG with significant long term profit visibility from 2007 onwards.

It has been an incredible and challenging but rewarding 12 months. I would like to personally thank my fellow directors, management and staff for their outstanding contribution.

Financial report

Overview to 31 December 2006

In September 2006 the Company completed a restructuring of its Asian operations and raised monies in order to finance this restructuring and to provide working capital for the group. Details on these are as follows:

- Restructure of Asian operations

In previous years the Company's Asian golf activities were operated through its 49.975% associated company, Parallel Media Asia (2003) Ltd ("PMA"). Under this previous arrangement the Company earned a commission on the gross sponsorship sales made by PMA's five men's golf events, the Singapore Masters, the Maybank Malaysian Open, the Indonesian Open, the TCL Classic and the UBS Hong Kong Open. The Company would also be entitled to 49.975% of PMA's profits. During the course of 2006 this arrangement was deemed to be unsatisfactory by the board due to three major factors:

- due to PMA being historically loss making PMA were not paying the commissions due to the Company on a timely basis and as at June 2006 the Company was owed substantial amounts of money from PMA;
- the Company did not have control over the management and operations of PMA; and
- under the terms of the PMA shareholders agreement any new business the Company sourced in Asia had to be offered to PMA first.

In order to resolve the above issues on 29 September 2006 the Company entered into an agreement with PMA and its majority shareholders to restructure the Company's Asian operations. The main elements of this restructuring were as follows:

- the Company sold its 49.975% shareholding in PMA to the majority shareholders;
- the Company cancelled its commission arrangement with PMA;
- the Company acquired two golf events from PMA, the UBS Hong Kong Open and the TCL Classic;
- the shareholders' agreement was cancelled allowing the Company to freely enter into new business in Asia;
- PMA repaid the inter company balances it owed to the Company which included PMA assuming the legal responsibility for the US\$2,000,000 loan which the Company had with Bumiputra Commerce Bank; and
- the Company agreed to repay the loans which the majority share holders in PMA had made to the Company.

Post the restructuring of the the major areas of the Company's business activities now comprise:

- the promotion of two PGA European Tour men's golf events, the UBS Hong Kong Open and the TCL Classic which is held in China;
- the Company is the commercial partner for the Mission Hills resort in respect of the World Cup of Golf which is to be staged at Missions Hills from 2007;
- the Company is the commercial representative to the Ladies European Tour and the Tour de las Americas and has the right to sell the television rights on their behalf;
- the Company is the promoter of the Kazakhstan Open;
- the Company is the commercial partner for the Italian Rugby Federation; and
- the Company supplies consultancy services for key brands in relation to their commercial activities in sport.

- Fund raising

To enable the Company to fund the Asian restructuring and to repay the loans owed to PMA's majority shareholders the Company entered into agreements to raise monies via the issue of new ordinary shares and the issue of convertible loan notes. During the year a total of £1.3 million was received in respect of convertible loan notes issued and £1.3 million was received in respect of the placing of new ordinary shares. Under the terms of three of the funding commitments a further of £0.95 million was due to be paid post 31 December 2006, £250,000 in relation to a placing of ordinary shares which took place in January 2007 and £700,000 in relation to instalments which were due on 2 convertible loan agreements. £600,000 of this amount has been received post year end with a further £350,000 due under the convertible loan agreements.

In addition to the above, since the year end the Company has raised a further £525,000 via a placing of new ordinary shares and has entered into a medium term financing arrangement for Euro500,000 (£330,000). These monies are to be used to help fund the Company's proposed expansion in North Asia, develop future golf events, to strengthen the Company's sales team and to repay the residual element of the loan owed to the majority shareholders in PMA.

Turnover and cost of sales

The turnover for the year was £4,561,000 compared to a turnover of £2,582,000 in the previous year. The major reason for the increase in the turnover is that the Company promoted the UBS Hong Kong Open in November 2006, whereas in previous years the event had been owned and run by PMA. The TCL Classic was staged in March 2007 which will lead to a further increase in the turnover for the Company in the current financial year. The increase in the cost of sales is due to the staging costs incurred in relation to the UBS Hong Kong Open.

Operating profit

The Company made an operating profit for the period of £521,000, compared to an operating loss of £308,000 in the previous year. The restructuring of the Company's Asian operations has been a major factor behind this increase, since the restructuring the Company promoted the UBS Hong Kong Open and the profits generated by this event have been recognised in the Company's profit and loss account whereas the Company previously only earned sales commission on the event. The restructuring has also allowed the Company to enter new business ventures in Asia without the obligation to conduct the new business through Parallel Media Asia (2003) Ltd, which has also led to an improvement in the operating profit.

Share of operating loss in associate

The loss shown of £329,000 relates to the Company's 49.975% of the losses recorded by PMA for the period up to the end of September 2006. PMA has now been disposed of and therefore there will be no equivalent losses recorded for future years.

Exceptional items

The one off exceptional items recorded in the year comprise of a profit on the disposal of PMA of £770,000 and a loss of £399,000 which was incurred in relation to the exceptional costs of the restructuring of the Company's Asian operations and the refinancing costs incurred in the September 2006 fund raising.

Net liabilities

The net liability position of the Group has improved from £5,108,000 at the end of 2005 to £1,572,000. Post the year end this position has been further improved through the £775,000 raised from issue of new equity. At the year end the Company had convertible loans outstanding of £2.4 million, conversion of these loans would return the Company to a positive net asset position.

Consolidated profit and loss account for the year ended 31 December 2006

	Year ended 31 December 2006 £'000	Restated Year ended 31 December 2005 £'000
Turnover	4,561	2,582
Cost of Sales	(2,738)	(1,593)
Gross Profit	1,823	989
Administrative Expenses	(1,302)	(1,297)
Operating profit/(loss)	521	(308)
Share of operating loss in associates	(329)	(389)
Exceptional items – profit on sale of associated undertakings	770	156
Exceptional items – loss on disposal of subsidiary	-	(157)
Exceptional items – restructuring	(399)	-
Profit/(loss) on ordinary activities before interest and tax	563	(698)
Interest payable	(204)	(392)
Profit/(loss) on ordinary activities before tax	359	(1,090)
Tax on profit/(loss) on ordinary activities	-	-
Profit/(loss) on ordinary activities after tax	359	(1,090)
Minority interests	1	11
Profit/(loss) for the financial year	360	(1,079)
Earnings/(loss) per share		
- basic	0.43p	(4.86p)
- diluted	0.30p	(4.86p)

Balance sheets at 31 December 2006

	Group		Company	
	31 December 2006 £'000	Restated 31 December 2005 £'000	31 December 2006 £'000	Restated 31 December 2005 £'000
Fixed assets				
Tangible assets	23	17	21	14
Intangible assets	2,681	-	2,681	-
Investments	243	619	1,225	3,408
	2,947	636	3,927	3,422
Current assets				
Debtors - Due within one year	406	1,264	514	2,012
- Due after one year	-	805	-	802
	406	2,069	514	2,814
Cash	305	107	305	105
	711	2,176	819	2,919
Creditors: amounts falling due within one year	(2,422)	(1,906)	(2,302)	(1,633)
Net current (liabilities)/assets	(1,711)	270	(1,483)	1,286
Total assets less current liabilities	1,236	906	2,444	4,708
Creditors: amounts falling due after one year:	(2,808)	(6,014)	(2,808)	(6,014)
Net (liabilities)/assets	(1,572)	(5,108)	(364)	(1,306)
Capital and reserves				
Called up share capital	2,481	1,110	2,481	1,110
Share premium account	1,560	-	1,560	-
Other reserves	5,679	5,765	5,679	5,765
Profit and loss account	(11,183)	(11,860)	(10,084)	(8,181)
Shareholders' funds	(1,463)	(4,985)	(364)	(1,306)
Minority interest	(109)	(123)	-	-
	(1,572)	(5,108)	(364)	(1,306)

Consolidated cash flow statement for the year ended 31 December 2006

	31 December 2006 £'000	31 December 2006 £'000	31 December 2005 £'000	31 December 2005 £'000
Net cash inflow/(outflow) from operating activities		945		(59)
Returns on investments and servicing of finance				
Interest paid	(62)		(187)	
Interest received	-		-	
Net cash outflow from returns on investments and servicing of finance		(62)		(187)
Capital expenditure				
Payments to acquire tangible fixed assets	(11)		(9)	
Net cash outflow from capital expenditure and financial investment		(11)		(9)
Acquisitions and disposals				
Net (cash)/overdrafts sold with subsidiary	-		(1)	
Sale of associated company	1,605			
Costs incurred on sale of associated company	(252)		-	
Sale of other investments	15			
Purchase of golf events	(2,065)		-	
		(697)		(1)
Net cash outflow before management of liquid resources & financing		175		(256)
Financing				
Bank facility repaid	(1,058)		(568)	
New bank facility	300		-	
Cash received from convertible loans	1,276		890	
Convertible loans repaid	(2,186)		-	
Issue of shares	1,235		-	
Loan received	100		-	
Loan from director	356		-	
		23		322
Increase in cash		198		66

Notes forming part of the financial statements for the year ended 31 December 2006

1. Earnings/(loss) per share

The basic earnings per share is calculated by dividing the profit attributable to equity shareholders by the weighted average number of shares in issue during the year. In calculating the diluted earnings per share, outstanding share options, warrants and convertible loans are taken into account where the impact of these is dilutive.

	Year ended 31 December 2006 £'000	Restated Year ended 31 December 2005 £'000
<i>(i) Basic</i>		
Profit/(loss) for the financial year	360	(1,079)
Weighted average number of shares in issue	82,769,941	22,203,505
Earnings/(loss) per share	0.43p	(4.86p)
<i>(ii) Diluted</i>		
Profit for the financial year	360	
Add back interest charged on convertible loans where the impact of these loans is dilutive	60	
Revised profit	420	
Weighted average number of shares in issue	82,769,941	
Weighted average of potential dilutive effect of ordinary shares issuable under:		
- Convertible loan agreements	57,623,270	
- Employee share schemes	-	
- Warrants	-	
	140,393,211	
Earnings/(loss) per share	0.30p	

For the year ended 31 December 2005 the diluted loss and earnings per share is calculated on the same basis as basic loss and earnings per share because the effect of the potential ordinary shares reduces the net loss per share and is therefore anti-dilutive.

2. Called up share capital

	31 December 2006 £'000	31 December 2005 £'000
<i>Authorised</i>		
1,799,533,475 ordinary shares of 0.5p each	8,998	8,998
199,831,545 deferred shares of 0.5p each	999	999
	9,997	9,997
<i>Issued and fully paid</i>		
296,429,269 ordinary shares of 0.5p each (31 December 2005: 22,203,505 ordinary shares of 0.5p each)	1,482	111
199,831,545 deferred shares of 0.5p each	999	999
	2,481	1,110

Ordinary shares

During the year the following share issues were made:

- On 12 September 2006 a total of 41,400,000 new ordinary shares were issued. £492,500 was raised in cash through the issue of 39,400,000 ordinary shares and creditors totalling £25,000 were settled via the issue of 2,000,000 ordinary shares.
- On 4 October 2006 a total of 155,572,369 new ordinary shares were issued. 6,000,000 ordinary shares were issued to raise £75,000 in cash, 81,338,879 ordinary shares were issued from the conversion of existing convertible loans totalling £1,017,000, and 66,233,492 ordinary shares were issued to settle creditor balances and fees totalling £1,389,000.
- On 17 October 2006 27,870,680 new ordinary shares were issued for cash of £250,000.
- On 3 November 2006 25,641,025 new ordinary shares were issued for cash of £250,000.
- On 19 December 2006 23,741,690 new ordinary shares were issued for cash of £250,000.

The financial information set out above does not constitute the Company's statutory accounts for the year to 31 December 2006 but is derived from those accounts.

Copies of the Report and Accounts for the period ended 31 December 2006 are being sent to shareholders. Further copies will be available from the Company's registered office, which is 3-12 Harbour Yard, Chelsea Harbour, London, SW10 OXD.