



*a proven innovator in interactive media*

**Cellcast plc Interim accounts  
for the six months ended 30 June 2008**



**Cellcast plc  
(the "Company")**

**Interim Results for the six months ended 30 June 2008**

**Highlights for the period**

- Revenue for the six months to 30 June 2008 was £6.7 million, up 4.8% on the same period in 2007
- Operating profit of £615,000, including £1.2 million gain on the disposal of two of the Group's Sky channels, compared to a loss of £1.5 million in the same period in 2007
- General and administrative expenses reduced by 30%

**Post period highlights**

- The Group is following a conservative growth strategy, leveraging its extensive portfolio of interactive content and multi-platform technology assets
- Internationally, the Group continues to work with local partners rather than directly investing in media or airtime purchases itself
- The Group remains uncertain of the impact of OFCOM proposals to tighten the regulation of UK participation-TV services and awaits completion of the public consultation process in December 2008
- New opportunities continue to arise from the sustained growth of 3G, IPTV, enhanced broadband, video mobile and wireless broadband services in the UK

**Julian Paul, Chairman of Cellcast plc, commented:**

"The Group is now a substantially UK-based business and is committed to effective management of its cost base in the current uncertain economic environment while being alert to continuing opportunities among new media services."

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## **CHAIRMAN'S STATEMENT**

### **Results**

Revenue from continuing operations for the six months to 30 June 2008 was £6.7 million, up 4.8% on the same period in the previous year. Virtually all of this revenue arose in the UK, thus confirming the statement in the 2007 annual report that Cellcast has reverted to being a substantially UK based business (albeit with a continuing stake in Cellcast Asia Holdings "CAH")

The income statement reflects a substantial reduction in the Group's overall cost base, with general and administrative expenses down some £300,000 or 30% on the equivalent period in 2007. It also reflects the £1.2 million gain on the previously announced disposal for cash of two of the Group's premium Sky channels in June 2008.

As a consequence, the Group reports an operating profit from continuing operations of £615,000, compared to a loss of £1.5 million in the same period the previous year. After interest costs and Cellcast's share of losses in CAH, profit after tax for the period was £342,000, compared to a loss of £1.8 million in the same period the previous year.

This represents basic earnings per share of 0.5p (2007 – loss per share of 3.3p). No dividend is proposed.

### **Staffing**

The reduction in general and administrative overheads noted above has largely been brought about by substantial reductions in the number of staff. In the 2007 annual report I commented that we started 2008 with 71 employees but that by the end of June 2008 there would be only 26 employees in the UK. By the end of September 2008, we expect there will be 22 employees. This is unlikely to be reduced further. Staff costs are the largest component in general and administrative overheads, and a result of these reductions, we anticipate that the monthly run-rate from now on for general and administrative expenses will be of the order of £90,000.

### **SUMO.tv**

In the 2007 annual report, I stated that there were unlikely to be any further SUMO development costs after June 2008. Development work on SUMO has now ceased and there will be no further capitalised costs associated with this project in the second half of 2008. In the six months to 30 June 2008, a further £706,000 of development costs were capitalised, bringing the total to £2.2 million. The directors believe that the cost of this investment is recoverable from future earnings. These will be derived through the Group's continued realisation of benefits from the investment in content and technology for SUMO, particularly in regard to core participation TV applications and formats, which are enabling it to capture new opportunities arising from the sustained growth of 3G, IPTV, enhanced broadband, video mobile and wireless broadband services in the UK.

### **Cellcast Asia Holdings**

The Group continues to have a 37.5% share in Cellcast Asia Holdings ("CAH") which incorporates all Cellcast's Indian and Asian interests. Cellcast's share of CAH losses was £179,000 in the six months to 30 June 2008. CAH is currently engaged in a further round of fund-raising to expand its telecommunication infrastructure to respond to the needs of the growing number of television channels in India as well as covering its working capital, on terms and conditions yet to be agreed. However, the terms under discussion indicate that the current carrying value of Cellcast's shareholding in CAH of £700,000 will not be impaired. The Group continues to have no further funding obligations in respect of CAH. A further announcement will be made in due course as and when further financing takes place.

## **Outlook**

With global economic uncertainties having a significant impact on consumer spending in 2008, the Group intends to follow a conservative growth strategy by leveraging its developed interactive content and multi-platform technology assets. At the same time the Group will renew its focus on providing innovative products and services to capture the opportunities arising from the growing uptake of 3G services, IPTV, and video mobile services in the UK market, all of which require compelling content to drive subscriptions.

The public consultation process on proposals by the UK regulator OFCOM to tighten the regulation of television and radio programmes which rely on premium rate telephone services is due to be completed in December 2008. The Group welcomes regulation intended to offer further protection to consumers, which is good for the interactive entertainment industry, its sustainability and growth. However, the technology driving convergence, together with the new tools facilitating audience participation, are blurring the lines between editorial and advertising, and this remains a significant challenge for regulators addressing new media services.

The international business model has been adapted to the extent that the Group will in future partner with third-parties willing to underwrite the costs of distribution in consideration of a higher revenue share, rather than directly investing in media or airtime purchases itself. This will enable us to minimise risk and better manage our resources in support of our content and application development and related B2B solutions.

Julian Paul  
Chairman

30 September 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Unaudited 6 months ended 30/06/08 £	Unaudited 6 months ended 30/06/07 £	Audited Year ended 31/12/07 £
<b>Continuing operations</b>			
REVENUE	6,704,265	6,396,314	12,008,998
Cost of sales	(6,320,339)	(6,141,539)	(11,119,565)
GROSS PROFIT	383,926	254,775	889,433
Operating costs and expenses:			
General and administrative	(703,084)	(1,012,081)	(2,061,806)
Share option expense	(52,465)	(492,708)	(150,665)
Amortisation and depreciation	(207,979)	(234,831)	(489,200)
Profit on sale of channels	1,195,064	-	-
Total operating costs and expenses	231,536	(1,739,620)	(2,701,671)
PROFIT / (LOSS) FROM OPERATIONS	615,462	(1,484,845)	(1,812,238)
Other interest receivable & similar income	2,339	2,122	4,898
Interest payable & similar charges	(96,743)	(7,634)	(168,586)
Share of loss in associates	(178,820)	-	(180,567)
PROFIT / (LOSS) BEFORE TAX	342,238	(1,490,357)	(2,156,493)
Current taxation	-	-	-
Deferred taxation	-	-	84,698
Total taxation	-	-	(84,698)
Profit / (loss) after tax for continuing operations	342,238	(1,490,357)	(2,241,191)
<b>Discontinued operations</b>			
Profit / (loss) for the period from discontinued operations	-	(279,586)	18,591
Total profit / (loss) for the period	342,238	(1,769,943)	(2,222,600)
Gain / (loss) attributable to minority interest	-	(22,943)	30,684
Profit / (loss) for the year attributable to equity holders of the parent	342,238	(1,747,000)	(2,253,284)
PROFIT / (LOSS) FOR THE PERIOD	342,238	(1,769,943)	(2,222,600)
EARNINGS / (LOSS) PER SHARE			
Basic and diluted	0.5p	(3.3)p	(3.7)p

Note: The profit from operations for the period arises from the Group's continuing operations and the profit / (loss) after tax is attributable to equity holders of the parent company.

## CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited 30/06/08 £	Unaudited 30/06/07 £	Audited 31/12/07 £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	2,665,417	1,763,857	2,212,605
Property, plant and equipment	351,234	951,540	511,096
Investments in associates	382,397	4,933	561,217
Deferred tax	-	84,698	-
	<u>3,399,048</u>	<u>2,805,028</u>	<u>3,284,918</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	2,201,380	3,480,259	2,270,027
Cash and cash equivalents	321,793	134,310	7,533
	<u>2,523,173</u>	<u>3,614,569</u>	<u>2,277,560</u>
<b>TOTAL ASSETS</b>	<u><u>5,922,221</u></u>	<u><u>6,419,597</u></u>	<u><u>5,562,478</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	2,265,398	1,726,656	2,265,398
Share premium account	5,498,626	5,317,756	5,498,626
Merger reserve	1,300,395	1,300,395	1,300,395
Cumulative translation reserve	(3,320)	58,085	(5,159)
Retained earnings	(6,803,230)	(6,499,907)	(7,197,933)
Equity attributable to equity holders of the parent	<u>2,257,869</u>	<u>1,902,985</u>	<u>1,861,327</u>
Minority interest	-	(53,627)	-
<b>Total equity</b>	<u><u>2,257,869</u></u>	<u><u>1,849,358</u></u>	<u><u>1,861,327</u></u>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Finance Leases	-	51,147	-
<b>Current liabilities</b>			
Trade and other payables	3,226,417	4,519,092	3,219,042
Borrowings	437,935	-	482,109
<b>TOTAL LIABILITIES</b>	<u>3,664,352</u>	<u>4,570,239</u>	<u>3,701,151</u>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<u><u>5,922,221</u></u>	<u><u>6,419,597</u></u>	<u><u>5,562,478</u></u>

All the above equity Shareholders' Funds are attributable to equity holders of the parent company.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

**As at 30 June 2008**

	Share Capital	Share Premium	Merger Reserve	Cumulative Translation Reserves	Retained Earnings	Shareholders Funds	Minority interest	Total
	£	£	£	£	£	£	£	£
Balance at 1 January 2008	2,265,398	5,498,626	1,300,395	(5,159)	(7,197,933)	1,861,327	-	1,861,327
Gain / (loss) for the period					342,238	342,238	-	342,238
Exchange translation				1,839		1,839		1,839
Total recognised gain / (loss) for the year	-	-	-	1,839	342,238	344,077	-	344,077
Share based payment charge					52,465	52,465		52,465
Balance at 30 June 2008	2,265,398	5,498,626	1,300,395	(3,320)	(6,803,230)	2,257,869	-	2,257,869

The above equity and reserves are attributable to equity holders of the parent company.

## CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

As at 31 December 2007

	Share Capital	Share Premium	Merger Reserve	Cumulative Translation Reserves	Retained Earnings	Shareholders Funds	Minority interest	Total
	£	£	£	£	£	£	£	£
Balance at 1 January 2007	1,331,619	4,775,743	1,300,395	24,995	(5,245,614)	2,187,138	(30,684)	2,156,454
Gain / (loss) for the year					(2,253,284)	(2,253,284)	30,684	(2,222,600)
Exchange translation				(30,154)	-	(30,154)		(30,154)
Total recognised gain / (loss) for the year	-	-	-	(30,154)	(2,253,284)	(2,283,438)	30,684	(2,252,754)
Share based payment charge					150,665	150,665		150,665
Warrant issue charge					150,300	150,300		150,300
Proceeds of share issue	933,779	722,883				1,656,662		1,656,662
Balance at 31 December 2007	2,265,398	5,498,626	1,300,395	(5,159)	(7,197,933)	1,861,327	-	1,861,327

The above equity and reserves are attributable to equity holders of the parent company.



**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

**As at 30 June 2007**

	Share Capital	Share Premium	Merger Reserve	Cumulative Translation Reserves	Retained Earnings	Shareholders Funds	Minority interest	Total
	£	£	£	£	£	£	£	£
Balance at 1 January 2007	1,331,619	4,775,743	1,300,395	24,995	(5,245,614)	2,187,138	(30,684)	2,156,454
Loss for the period					(1,747,000)	(1,747,000)	(22,943)	(1,769,943)
Exchange translation				33,090		33,090		33,090
Total recognised gain / losses for the period	-	-	-	33,090	(1,747,000)	(1,713,910)	(22,943)	(1,736,853)
Share based payment charge					492,708	492,708		492,708
Proceeds of share issue	395,037	604,963				1,000,000		1,000,000
Share issue costs		(62,951)				(62,951)		(62,951)
Balance at 30 June 2007	1,726,656	5,317,755	1,300,395	58,085	(6,499,906)	1,902,985	(53,627)	1,849,358

The above equity and reserves are attributable to equity holders of the parent company.

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		Unaudited 6 months ended 30/06/08 £	Unaudited 6 months ended 30/06/07 £	Audited Year ended 31/12/07 £
Net increase in cash and cash equivalents				
Net cash inflow / (outflow) from operations	a	988,832	15,391	(432,743)
Income taxes		-	-	-
Interest received		2,339	2,122	4,898
Net cash inflow / (outflow) from operating activities		991,171	17,513	(427,845)
Net cash outflow from investing activities	b	(500,929)	(737,844)	(1,207,154)
Net cash generated from / (used in) financing activities	c	(177,821)	908,117	1,705,029
Net increase in cash and cash equivalents		312,421	187,786	70,030
Cash and cash equivalents at beginning of period		7,533	(53,476)	(53,476)
Exchange gains and losses		1,839	-	(9,021)
Cash and cash equivalents at end of period		321,793	134,310	7,533

## APPENDICES TO THE CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended	Unaudited 6 months ended	Audited Year ended
a Reconciliation of net profit /(loss) to net cash inflow/(outflow) from operating activities	30/06/08	30/06/07	31/12/07
	£	£	£
Profit / (loss) before tax on continuing operations	342,238	(1,490,357)	(2,156,493)
Other interest receivable & similar income	(2,339)	(2,122)	(4,898)
Interest payable & similar charges	96,743	7,634	168,586
Share of loss in associates	178,820	-	180,567
Amortisation and depreciation	207,979	234,831	489,200
Share option expenses	52,465	492,708	150,665
General administration fees settled in shares	-	-	221,024
Increase in work in progress	-	38,984	-
(Increase)/decrease in trade and other receivables	68,647	3,516,758	182,233
Increase/(decrease) in trade and other payables	44,279	(2,503,459)	1,573,787
Net cash inflow / (outflow) from continuing operations	988,832	294,977	804,671
Net cash outflow from discontinued operations	-	(279,586)	(1,237,414)
Net cash inflow / (outflow) from operations	988,832	15,391	(432,743)
b Cash flow from investing activities			
Purchase of property, plant and equipment	(48,117)	(73,391)	(12,235)
Purchase of intangible assets	(452,812)	(664,453)	(1,194,919)
Net cash outflow from investing activities	(500,929)	(737,844)	(1,207,154)
c Cash flow from financing activities			
Capital element of finance leases	(36,904)	(21,298)	(62,463)
Interest paid	(96,743)	(7,634)	(44,418)
Repayment of loan	(44,174)	-	-
Proceeds from the issue of convertible loan note	-	-	2,000,000
Proceeds from the issue of share capital	-	1,000,000	-
Less issue costs	-	(62,951)	(188,090)
Net cash generated from / (used in) financing activities	(177,821)	908,117	1,705,029

## **1. General Information**

Cellcast plc is a limited liability company incorporated and domiciled in the United Kingdom. Its business address is Bentinck House, 3-8 Bolsover Street, London W1W 6AB. The address of its registered office is The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU. Copies of this statement are available from this address and from the company's website [www.cellcast.tv](http://www.cellcast.tv).

The company is quoted on the AIM Market of the London Stock Exchange.

This condensed consolidated interim financial information was approved for issue on 30 September 2008.

## **2. Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2008 should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRS.

The current and comparative periods to June have been prepared using accounting policies and practices consistent with those adopted in the annual financial statements for the year ended 31 December 2007 and are also consistent with those which will be adopted in the 2008 financial statements. Comparative figures for the year ended 31 December 2007 have been extracted from the statutory financial statements for that period which carried an qualified audit report, did not contain a statement under section 237(2) or (3) of the Companies Act and have been delivered to the Registrar of Companies.

The previously reported results for the six months ended 30 June 2007 have been restated to reflect the fact that certain operations that were continuing at 30 June 2007 have since been discontinued, and therefore the 2007 comparatives in these interim accounts are presented on a comparable basis to the 2008 results.

The financial information contained in this Report does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

### 3. Earnings per share

Basic and diluted earnings per share is based on the profit / (loss) after tax and on the following weighted average number of shares in issue.

	Continuing operations		
	30/06/2008	31/12/2007	30/06/2007
	£	£	£
Reported profit / (loss) for the financial period	342,238	(2,241,191)	(1,490,357)
Weighted average number of ordinary shares	75,513,224	59,390,157	53,405,602
Basic and diluted profit / (loss) per share	0.5p	(3.8p)	(2.8p)

	Continuing and discontinued operations		
	30/06/2008	31/12/2007	30/06/2007
	£	£	£
Reported profit / (loss) for the financial period	342,238	(2,222,600)	(1,769,943)
Weighted average number of ordinary shares	75,513,224	59,390,157	53,405,602
Basic and diluted profit / (loss) per share	0.5p	(3.7p)	(3.3p)

Due to the loss incurred in the year ended 31 December 2007 there is no dilutive effect from the issued share options. For the period ended 30 June 2008 the share options issued are non dilutive.

#### 4. Segmental Reporting

	Unaudited 6 months ended 30/06/08 £	Unaudited 6 months ended 30/06/07 £	Audited Year ended 31/12/07 £
Revenue			
UK	6,703,235	5,631,624	11,871,761
Asia	1,030	764,690	137,237
<b>Total</b>	<b>6,704,265</b>	<b>6,396,314</b>	<b>12,008,998</b>
Cost of sales			
UK	6,319,135	5,121,355	10,959,797
Asia	1,204	1,020,184	159,768
<b>Total</b>	<b>6,320,339</b>	<b>6,141,539</b>	<b>11,119,565</b>
Gross profit			
UK	384,100	510,269	911,964
Asia	(174)	(255,494)	(22,531)
<b>Total</b>	<b>383,926</b>	<b>254,775</b>	<b>889,433</b>
Operating profit / (loss) for continuing activities			
UK	876,080	(127,748)	(1,009,397)
Asia	(174)	(629,558)	(162,976)
<b>Segmental operating profit / (loss)</b>	<b>875,906</b>	<b>(757,306)</b>	<b>(1,172,373)</b>
Non Segmental			
Amortisation and depreciation	(207,979)	(234,831)	(489,200)
Share option expense	(52,465)	(492,708)	(150,665)
<b>Total</b>	<b>615,462</b>	<b>(1,484,845)</b>	<b>(1,812,238)</b>
Total assets			
UK	5,782,695	4,533,134	5,471,589
Rest of Europe	-	130,430	65,970
Asia	139,526	867,840	24,919
South America	-	803,495	-
Non Segmental			
Deferred tax	-	84,698	-
<b>Total</b>	<b>5,922,221</b>	<b>6,419,597</b>	<b>5,562,478</b>

	Unaudited 6 months ended 30/06/08 £	Unaudited 6 months ended 30/06/07 £	Audited Year ended 31/12/07 £
Total liabilities			
UK	3,531,085	2,662,682	3,141,728
Rest of Europe	-	-	65,970
Asia	133,267	979,144	11,344
South America	-	928,413	-
Non Segmental Borrowings	-	-	482,109
<b>Total</b>	<b>3,664,352</b>	<b>4,570,239</b>	<b>3,701,151</b>
Capital expenditure - Intangible			
UK	705,921	664,453	1,194,919
<b>Total</b>	<b>705,921</b>	<b>664,453</b>	<b>1,194,919</b>
Disposal of channels - Intangible			
UK	204,936	-	-
<b>Total</b>	<b>204,936</b>	<b>-</b>	<b>-</b>
Capital expenditure - Tangible			
UK	-	48,538	12,235
Asia	-	24,853	-
<b>Total</b>	<b>-</b>	<b>73,391</b>	<b>12,235</b>
Amortisation and depreciation			
UK	199,965	221,930	483,268
Asia	8,014	12,901	5,932
<b>Total</b>	<b>207,979</b>	<b>234,831</b>	<b>489,200</b>