



**Press Release**

**4 May 2007**

**Cellcast plc**

("Cellcast" or "the Group")

### **Preliminary Announcement of Final Results**

Cellcast plc (AIM:CLTV), the global interactive digital broadcaster, presents its preliminary announcement of final results for the year ended 31 December 2006.

#### **Highlights**

- Turnover up 66% to £21.9 million (2005: £13.2 million)
- Unexpected rise in UK costs in early 2006 met with effective control measures
- Strong growth in international business, which accounts for 41% of the Group's total revenues in 2006 (2005: 3%)
- Successful launch of Sumo.TV media network
- Continued investment in the Group's multi-platform technology
- Forecast of sustained profitability with expanded international distribution

Commenting on the results, Andrew Wilson, Chief Executive Officer, said: "It is a testament to the dedication of our employees that the Group has been able to address the challenges of 2006 and implement the necessary solutions. The benefits of the actions taken to reduce the fixed costs of the Group's UK operations will be realised in the first half of 2007, and we look forward to updating shareholders on our progress. The successful launch of Sumo.TV in October was a particular highlight of last year, and in 2007 we will further focus on our international growth, the foundations of which are now in place."

**- Ends -**

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## **Chairman's Statement**

In 2006, the Group achieved a fourth year of uninterrupted revenue growth but faced an exceptional challenge to its UK business. As a result of changes introduced by Sky to its Electronic Program Guide (EPG), the Group had to secure additional bandwidth to provide dedicated channels for each category of its diverse programme output on the Sky Digital satellite platform. The increased cost base led to a significant erosion of the Group's margins, added to which the Group faced a reduction in revenues as Sky limited interactive programming on General Entertainment channels to three hours per day. Management took immediate steps to reduce the fixed costs of its UK operations and its channel production overheads. At the same time, the Group accelerated its international distribution, which resulted in substantial revenue gains in the last quarter. The 2006 interim results statement, and various trading statements since then, have flagged the steps taken by management to adapt the UK cost base to meet the changed circumstances, which include a rationalisation of the headcount and a reorganisation of channels and leased bandwidth. Implementation of these measures took time, as a result of which operating losses continued into the second half of 2006.

## **2006 Results**

Overall, the Group sustained a loss at the EBITDA level before the share option expense for the year ended 31 December 2006 of £3 million (2005: £327,000) and an operating loss before interest and tax of £3.9 million (2005: £728,000). These results take into account depreciation and amortisation charges of £575,000 (2005: £401,000) and an FRS20 option charge of £299,000 (2005: nil). However, there were significant changes in the turnover mix between 2005 and 2006 which are a pointer for the current year. In 2005, 97% of the Group's turnover of £13.2 million came from its UK operations, almost entirely based on telco revenue sharing arrangements. In 2006, UK revenues accounted for 59% of the Group's turnover of £21.9 million. In 2007, as a result of the rapid growth of the Group's international operations, UK revenues are expected to account for about one-third of total turnover.

In 2006, the majority of the overseas revenue came from Europe and South America, which together with Asia are markets with strong revenue and earnings potential in 2007.

The Group continues to develop its new multi-platform user-generated content network, launched as Sumo.TV in October, and in which the Group had invested £440,000 at 31 December 2006. These launch costs were all expensed in 2006 and the Group continues to invest around £80,000 per month, which will also be expensed. The Sumo website ([www.sumo.tv](http://www.sumo.tv)) attracted over 2 million unique visitors per month in the first quarter of 2007, and a priority for the Group is to build early revenues from this innovative venture.

## **Funding**

The losses experienced during 2006 meant that the Group experienced significant cash outflows which exhausted the cash balances at the start of the year and required additional equity funding of some £1.2 million after expenses in August 2006. In addition, in December 2006, the Group sought further funding for its international expansion and negotiated a convertible loan facility of £1 million, which has been fully drawn. The Directors believe that the combination of the additional equity and the loan facility is sufficient for the Group's foreseeable requirements.

## **Outlook**

In the first quarter of 2007, the Group saw significant increased revenues and profitability in its South American operations. The UK operations (before taking into account Sumo development costs) are now profitable after taking into account all direct costs. Nevertheless, the Group continues to pursue appropriate cost control measures. The growth and profitability of our Asian operations, particularly in India, remains a priority for 2007. International revenues currently account for over 60% of the total Group's total revenues, and we expect that to continue for the remainder of 2007.

The Group's continued investment in its multi-platform technology and its associated and growing portfolio of TV formats remain a key competitive differentiator. Expanded international distribution based on a growing network of relationships with broadcasters and telecommunication companies should increase economies of scale in respect of both the development and the deployment of the Group's programme assets, and set us on the path to sustainable profitability.

**Julian Paul**

**Chairman**

**3 May 2007**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
<b>Turnover</b>	21,977,972	13,186,663
Cost of sales	<u>(18,211,533)</u>	<u>(11,361,486)</u>
<b>Gross profit</b>	3,766,439	1,825,177
Administrative expenses	(6,817,914)	(2,152,528)
Depreciation and amortisation	(575,159)	(400,908)
Other operating income	31,209	-
FRS 20 charge - share option expense	<u>(298,895)</u>	<u>-</u>
	(7,660,759)	(2,553,436)
<b>Operating loss</b>	(3,894,320)	(728,259)
Loss on disposal of subsidiaries	-	<u>(35,726)</u>
<b>Loss on ordinary activities before interest</b>	(3,894,320)	(763,985)
Other interest receivable and similar income	32,217	42,226
Interest payable and similar charges	<u>(6,872)</u>	<u>(2,683)</u>
<b>Loss on ordinary activities before taxation</b>	(3,868,975)	(724,442)
Tax on loss on ordinary activities	<u>64,798</u>	<u>-</u>
<b>Loss on ordinary activities after taxation</b>	(3,804,177)	(724,442)
Minority interests	<u>30,684</u>	<u>-</u>
<b>Loss for the period</b>	<u>(3,773,493)</u>	<u>(724,442)</u>
<b>Loss per share</b>		
Basic and diluted	(11.6)p	(3.2)p

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2006**

	<b>31 December 2006 £</b>	<b>31 December 2005 £</b>
<b>Fixed assets</b>		
Intangible assets	656,050	611,695
Tangible assets	1,108,507	858,458
Investments	4,933	4,933
	<u>1,769,490</u>	<u>1,475,086</u>
<b>Current assets</b>		
Stock	38,984	-
Debtors	7,081,715	2,778,267
Cash at bank and in hand	135,677	2,696,180
	<u>7,256,376</u>	<u>5,474,447</u>
<b>Creditors: amounts falling due within one year</b>	<u>(7,267,559)</u>	<u>(2,852,149)</u>
<b>Net current liabilities</b>	<u>(11,183)</u>	<u>2,622,298</u>
<b>Total assets less current liabilities</b>	1,758,307	4,097,384
<b>Creditors: amounts falling due after more than one year</b>	<u>(70,202)</u>	<u>(122,278)</u>
	<u>1,688,105</u>	<u>3,975,106</u>
<b>Capital and reserves</b>		
Called up share capital	1,331,619	850,407
Share premium account	4,775,743	4,038,676
Merger reserve	1,300,395	1,300,395
Profit and loss account	(5,688,968)	(2,214,372)
	<u>1,718,789</u>	<u>3,975,106</u>
<b>Shareholders' funds - equity interests</b>	1,718,789	3,975,106
<b>Minority interests</b>	<u>(30,684)</u>	<u>-</u>
	<u>1,688,105</u>	<u>3,975,106</u>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Year ended 31 December 2006 £	Year ended 31 December 2005 £
<b>Net cash outflow from operating activities</b>	(3,317,735)	(669,985)
<b>Returns on investments and servicing of finance</b>		
Interest received	32,217	42,226
Interest paid	<u>(6,872)</u>	<u>(2,683)</u>
<b>Net cash inflow for returns on investments and servicing of finance</b>	25,345	39,543
<b>Taxation</b>	70,097	(7,053)
<b>Capital expenditure</b>		
Payments to acquire intangible assets	(138,393)	(294,674)
Payments to acquire tangible assets	<u>(563,451)</u>	<u>(804,384)</u>
<b>Net cash outflow for capital expenditure</b>	(701,844)	(1,099,058)
<b>Acquisitions and disposals</b>		
Proceeds on disposal of subsidiary undertakings	-	2
Cash on disposal of subsidiary undertakings	<u>-</u>	<u>(212,548)</u>
<b>Net cash outflow for acquisitions and disposals</b>	<u>-</u>	<u>(212,546)</u>
<b>Net cash outflow before management of liquid resources and financing</b>	(3,924,137)	(1,949,099)
<b>Financing</b>		
Issue of ordinary share capital	1,283,220	5,001,248
Share issue costs	(64,940)	(751,244)
Capital element of finance lease contracts	<u>(43,799)</u>	<u>(15,364)</u>
<b>Net cash inflow from financing</b>	<u>1,174,481</u>	<u>4,234,640</u>
<b>Decrease in cash in the period</b>	(2,749,656)	2,285,541

## NOTES TO THE PRELIMINARY ANNOUNCEMENT

### 1. Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
Operating loss	(3,894,320)	(728,257)
Depreciation of tangible assets	479,306	331,262
Amortisation of intangible assets	95,853	69,646
Loss on disposal of fixed assets	-	6,638
Share-based payments charge	298,895	-
Increase in stock	(38,984)	-
Increase in debtors	(4,218,750)	(2,386,412)
Increase in creditors	3,960,265	2,037,138
<b>Net cash outflow from operating activities</b>	<u>(3,317,735)</u>	<u>(669,985)</u>

### 2. Analysis of net funds

	1 January 2006	Cash flow	Other non-cash charges	31 December 2006
<b>Net cash</b>				
Cash at bank and in hand	2,696,180	(2,560,503)	-	135,677
Bank overdrafts	-	(189,153)	-	(189,153)
	<u>2,696,180</u>	<u>(2,749,656)</u>	<u>-</u>	<u>(53,476)</u>
<b>Finance leases</b>	(8,744)	43,798	(167,719)	(132,665)
<b>Net funds</b>	<u>2,687,436</u>	<u>(2,705,858)</u>	<u>(167,719)</u>	<u>(186,141)</u>

### 3. Reconciliation of net cash flow to movement in net debt

	Year ended 31 December 2006	Year ended 31 December 2005
	£	£
(Reduction) / Increase in cash in the period	(2,749,656)	2,285,541
Cash outflow from finance leases	<u>43,798</u>	<u>15,364</u>
Change in net debt resulting from cash flows	(2,705,858)	2,300,905
New finance lease	<u>(167,719)</u>	<u>-</u>
<b>Movement in net funds in the period</b>	(2,873,577)	2,300,905
Opening net funds	<u>2,687,436</u>	<u>386,531</u>
<b>Closing net (debt) / funds</b>	<u>(186,141)</u>	<u>2,687,436</u>

#### 4. Reconciliation of movement in shareholders' funds

	2006 £	2005 £
Loss for the financial year	(3,773,493)	(724,442)
Proceeds from issue of shares	1,283,220	5,001,240
Conversion of loans to share capital	-	163,000
Cost of share issue written off to share premium account	(64,940)	(751,244)
Share-based payment charge	298,895	-
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	(2,256,318)	3,688,554
Opening shareholders' funds	3,975,106	286,552
	<hr/>	<hr/>
Closing shareholders' funds - equity interests	1,718,789	3,975,106

#### 5. Basis of preparation

The financial information for the year ended 31 December 2006 has not been audited and does not constitute the Group's statutory financial statements within the meaning of S240 of the Companies Act 1985. The preliminary report was approved by the Board on 3 May 2007. The statutory accounts for the year ended 31 December 2006 have not been filed with the Registrar of Companies nor reported on by the Group's auditors. They will be circulated to the shareholders in May 2007. The comparative results for the year ended 31 December 2005 are an abridged version of the audited financial statements for 2005 which have been filed with the UK Registrar of Companies and contain an unqualified audit opinion.

The consolidated accounts have been properly compiled within the AIM rules and fairly represent the financial position of the group with respect to levels of turnover, expenses and provisions and the assets and liabilities of the group as at 31 December 2006 and have been prepared in accordance with applicable accounting standards and on bases consistent with the bases adopted and disclosed in the accounts.

#### 6. FRS 20

The group operates executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The expense is recognised as a staff cost and the associated credit entry is made against equity. No deferred tax has been provided in either year due to uncertainty of future profits.

#### 7. Going concern

The group made a loss during the year of £3,773,493 and at 31 December 2006 the group had net current liabilities of £11,183. During December 2006, the group arranged a convertible loan facility of £1 million, which was fully drawn down between January and April 2007.

The Directors have considered the business projections, which include detailed cash flow forecasted for 2007 and 2008 and are confident that the group has adequate resources to continue in operational existence for the foreseeable future.

#### 8. Earnings per share

The calculation of the basic loss per share is based on the loss attributable to ordinary equity shareholders of £3,773,493 (2005: £724,442) divided by the weighted average of 32,609,687 (2005: 22,891,724) ordinary shares in issue.

Due to the loss incurred in the year, there is no dilutive effect from the issued share options.