

## Cellcast plc

### Final results for year ended 31 December 2009

#### HIGHLIGHTS

- Revenues increased by 5.1% to £16.8 million, despite a difficult trading environment across the broadcast industry
- Cellcast's continued substantial investment in additional digital TV distribution channels was fully expensed during the year, resulting in an operating loss of £2.2 million (2008: loss of £0.6 million)
- Loss of the year after taxation of £1.6 million (2008: profit of £0.3 million). Loss per share of 2.1p (2008: profit per share of 0.4p)
- Significant operating savings achieved through renegotiating bandwidth costs and implementing a range of costs saving initiatives in the production and programming departments
- Technology division continued to deliver innovative applications and major systems solutions that are improving margins and creating incremental revenue streams in the UK and licensing opportunities abroad
- Cellcast Asia Holdings, the Company's 37.5% associate company, reported substantial revenue and earnings growth driven by continued mobile subscriber growth in India (exceeding 10 million per month)
- Introduction of new applications and services and investment in new distribution on Freeview deliver UK traffic, margin growth and positive results in April and May 2010

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

"We are pleased to report that our 2009 capacity investments and our decision to expense these costs to the detriment of 2009 earnings have already begun to pay off. As of April 2010, we began monetizing both the the Freeview capacity and the new services and applications in which we have been investing. As a consequence the group's performance was positive during both April and May, a trend which we expect to continue throughout the remainder of 2010. Lastly, but significantly, Cellcast Asia Holdings, which had a remarkable 2009, continues to perform well. The Directors look forward to reporting more fully on current year progress at the 2010 interim announcement stage."

#### For further information:

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## Chairman's statement

### 2009 Results

Revenue for the year ended 31 December 2009 was £16.8 million, an increase of 5.1% on 2008's revenue of £16.0 million. Substantially all revenue was generated from interactive television applications in the UK. As indicated in our trading update in December 2009, the group has been continuing its strategy of investing substantially in additional distribution channels on both Freesat and, more specifically, on Freeview. Whilst the board believes this expenditure to be of a capital nature with benefits to be recognised in 2010 and beyond, we have decided to take a conservative approach and not capitalise such expenditures or defer the costs. As a consequence of this, the group recorded an operating loss for the year of £2.2 million compared to a loss of £568,000 in 2008. This operating loss was partially offset by the group's share of the profits of Cellcast Asia Holdings and R & D tax credits. The total loss for the year was therefore £1.6 million compared to a profit of £333,000 in 2008, a loss per share of 2.1p compared to 2008 earnings per share of 0.4p. No dividend is proposed by the Board.

### Cellcast Asia Holdings

As previously announced, Cellcast Asia Holdings ("CAH"), in which the group has a 37.5% interest, reported a significant increase in earnings in 2009. CAH had an unaudited profit of £1.2 million in 2009 of which the group recognised £451,068 as its share of earnings compared to a loss of approximately £1 million in 2008 of which the group recognized a loss of £342,498. This reflects CAH's rollout of new billing solutions which increased the yield on existing programming, the introduction of new formats and the new deals with broadcasters. CAH has also benefited from the continued rapid growth of the Indian mobile telephone market which has expanded its target audience.

At 31 December 2009, the carrying value of the group's investment in CAH was £692,000. CAH forecasts continued growth through 2010 with increased distribution on the national DTH platform and greater penetration in regional markets as Hindi production expands into local languages such as Urdu and Tamil. The current profitability of and future prospects for CAH easily support the carrying value of the investment. It is clear that the group has a substantial unrealised value in its CAH investment (which is cash neutral) and it is the group's intention, where possible, to make further partial realisations of this investment to provide funding for the group's additional ventures in the UK and other territories.

### Overheads

The group continues to reduce the level of operating overheads and streamline production output. Personnel costs remain the group's largest expense, and further progress was made during the year in reducing these. This combined with the relocation of all the UK activities into single premises in Great Portland Street has resulted in a reduction in group overheads to around £85,000 per month with some relatively minor further savings still to come.

### Funding

The group continues to have funding facilities of £450,000 composed of a £150,000 overdraft and a £300,000 recourse factoring facility. Also during the year the group took on an additional £200,000 loan facility from Headstart Global which was used principally to repay the maturing convertible loan notes held by Headstart. The new facility (which is repayable in three tranches during 2010) is not convertible but the group granted Headstart a warrant over 3 million Ordinary shares at 2.75p per share as part of the new facility. The combination of available facilities and the prospect of net cash generative UK trading supports the presentation of the accounts on a going concern basis.

## Outlook

During the first quarter of 2010, the UK operations continued to incur losses, as in 2009, due to investments in capacity that the group believes will provide future value. However, in April 2010, we began monetizing the Freeview capacity in which we have been investing. As a consequence the group's performance was positive during both April and May, a trend which we expect to continue throughout the remainder of 2010. Lastly, but significantly, CAH continues to perform well. The Directors look forward to reporting more fully on current year progress at the 2010 interim announcement stage.

*Julian Paul*

Chairman

2nd June 2010

## Review of Operations

### Group overview

The group's core business continues to be the distribution of interactive television throughout the United Kingdom and its principal focus remains a commitment to sustainable future profitability driven by a combination of proven and innovative content, robust cost management, and expanded distribution.

During the year under review, despite facing extraordinary market conditions in common with the rest of the media and entertainment industries, consumer demand for the group's interactive formats proved resilient. Indeed, despite the downturn in the global TV market, the group's extensive portfolio of applications, formats and programmes continued to serve it well, and, when combined with the progressive solutions developed by the technology division, benefited the company's operations across multiple delivery platforms.

### UK Operations

The group remains a leading provider of participation television programming in the United Kingdom, which has the highest level of digital television penetration in Europe (88%) and a substantial multichannel environment.

In 2009 the core element of management's strategy was to secure a return to profitability by realigning and expanding distribution of the group's services. The realignment of channels, negotiations with bandwidth suppliers, and technical efficiencies, reduced operating overheads on Sky, for example, from £900,000 per month in April 2009 to £600,000 by April 2010 or a projected annual saving of over £3 million. A significant portion of these resources have been redeployed to other platforms which will provide expanded reach and relatively higher yields. In addition, in an important step to manage overheads, all UK operations were consolidated into a single London production centre which permitted a commensurate decline in staffing costs, efficiencies in production processes and the deployment of new technologies across all channels.

During the year, the group produced over 2,500 hours of live interactive television per month distributed across key digital platforms including Sky Digital, Freeview and Freesat. The substantial front-end investment in increased channel capacity provides both strategic distribution and long term competitive benefits. Freeview is now the main digital TV service in 10 million households, and over 18 million households use Freeview on at least one TV set in the home. Over 9.7 million households subscribe to Sky Digital and Freesat is now in over 1 million homes. In 2009 the principal source of revenues continued to be derived from audience participation with the group's live television programming, and increasingly via the web and mobile services, providing users with access to our content 24-hours a day. This represents a successful implementation of the often discussed but seldom achieved 360 degree strategy of content monetisation.

### International Operations

The group's 37.5% owned associate company in India, Cellcast Asia Holdings ("CAH"), experienced a strong and profitable performance in the last year. In January 2010 the company was a recipient of a Red Herring 100 Global Award as one of the world's top 100 private technology companies, an award that recognises innovation, management quality, and market positioning and growth opportunity. Such prestigious recognition also validates Cellcast UK's technology and formats, which form the core of CAH's platform.

CAH is now a clear leader in the participation TV sector in India both by traffic volume and revenue, and CAH is well positioned for significant growth as sector leader in a market that continues to expand rapidly. Despite total mobile penetration in India in excess of 530 million subscribers, over 10 million new subscribers are added every month, making India the second largest market in the world after China (and 8 times the size of the UK subscriber market). CAH (which has a 31 March year end) grew revenue from US\$2 million in the year 2008/09 to US\$8.4 million in 2009/10, and turned a loss in 2008/09 into an unaudited profit of US\$2 million in 2009/10.

CAH is expected to deliver a strong first half in 2010, despite the disruption to viewing and subsequent reduction in revenues that affects all Indian broadcasters other than those broadcasting the India Premier League cricket series. With mobile penetration expected to reach 745 million by the end of 2010 there should be continued organic growth in the yield from CAH's existing output and a larger audience for new formats.

Cellcast Middle East ("CME") continued to offer premium telephony billing services to regional broadcasters and maintains a network of direct agreements with multiple GSM operators across the region covering Lebanon, Syria, Jordan, Bahrain, Yemen, Kuwait and Iraq plus via strategic partners in Saudi Arabia, Egypt, Morocco and Tunisia. In 2009 CME increased its regional coverage through new direct agreements with Wataniya Palestine and Vodafone Qatar. CME managed premium SMS solutions and on-screen interactive features for the original live interactive game show "Wanted", as well as for the well-known formats "Deal or No Deal" and "Studio Fan". In addition to its original business of providing SMS services to regional broadcasters, CME is leveraging its network to provide billing solutions to internet companies focussed primarily on online games, a sector enjoying strong growth in the region. CME has also recently diversified into mobile marketing, implementing campaigns for major international brands such as L'Oreal and Nokia. CME has value beyond Cellcast UK's minority 18% stake in the business as it provides us with preferential access to a network of billing agreements which can support the regional satellite TV broadcasting initiatives under consideration.

The success of Cellcast's Indian venture evidences the inherent value of our model and technology. As a result we have been approached to license our technology and formats within a number of other international markets which we are considering on a case by case basis provided such ventures require minimal investment and can be managed within our current resources.

#### Technology Division

During the year under review, attention was focussed on operational solutions, analytical systems and platform projects.

On the operational side, two major system upgrades were delivered. The first was the final stage of the dark fibre project that went live in June 2009. This enabled the group to migrate all services from externally managed circuits to in-house management. Working with partners Arqiva, Globecast and AboveNet, this migration realised significant cost savings and enabled the group to expand the number of broadcast streams it can support.

The upgrade to internal systems for broadcast, playout and monitoring began in 2009. All aspects of the broadcast paths were overhauled, culminating in decisions on new playout and graphics systems as well as the design and implementation of completely new Master Control Room and compliance monitoring system.

Work on analytical systems centred on the implementation of Nucleus (formerly Eagle Eye), a bespoke customer relationship management and enterprise resource planning system designed to support the growth of individual business units and increase average revenue per user. Nucleus uses artificial intelligence to mine CMS data and individual consumer behaviour to trigger customised revenue generating marketing campaigns. The evolution of this project led to the development of a 'software as a service' platform that directly links all providers.

There were a number of initiatives among the platform projects. Development continued on the Cellcast Interactive Platform, which was redeployed as a Cloud based solution in 2009. The investment and time put into the MDS, CMS and NAS systems during 2008 led to the BOIP (Broadcast over IP) project being initiated in 2009 and continued into 2010. This project is intended to fundamentally change the entire broadcast infrastructure, moving away from traditional hardware-based systems to a software-based system from camera to broadcast.

The year saw the first implementation of the Mailcast project with the roll-out of Cardfish ([www.cardfish.com](http://www.cardfish.com)). Mailcast brings together elements of internet video, video customisation and telephony to provide an online viral interactive storyboarding system utilising an innovative e-card process. In the coming months Mailcast will be deployed within Cellcast's portfolio of services. In addition we believe there is a ready market for licensing this technology to third-party marketing companies and content providers.

## Outlook for 2010

The realignment and expansion of the group's services across the Sky Digital, Freeview and Freesat platforms has been costly and taken time, but management believes that it has achieved the right distribution mix and market coverage to optimise yield. The fruits of this restructuring were a 48% year-on-year increase in SMS traffic 13% year-on-year increase in IVR traffic in April 2010 and a 10% year-on-year increase in Web-based transactions. This translated in to a significant increase in revenue which led to the group achieving positive results in April and May.

In 2010, the group will introduce Nucleus across all its operations and expects to offer it as a service to other companies in the sector. The deployment of the first stage of this platform is already increasing customer retention and significantly increasing average revenue per user by boosting cross-selling opportunities. Research and development continues on new mobile and telephony products, with a deployment programme for a number of new iPhone applications.

The group will continue to develop innovative products and services to meet the challenges and growth opportunities presented by the expansion of digital television and the convergence of the web, TV and telephony. The group's proven expertise in the development of multimedia services and formats, and its strong marketing base combining the reach of its TV channels and growing mobile database, provide it with a powerful platform. Having grown revenues in 2009 despite the unprecedented economic situation and a major restructuring of its services and distribution, the group both maintains a leading position in the UK interactive services industry and anticipates continued growth throughout 2010.

*Andrew Wilson*

Chief Executive Officer  
2<sup>nd</sup> June 2010

*Bertrand Folliet*

Chief Operating Officer  
2<sup>nd</sup> June 2010

Consolidated statement of comprehensive income

	Year ended 31 December	
	2009	2008
	£	£
Revenue	16,810,064	15,994,412
Cost of sales	(17,121,563)	(14,619,887)
Gross (loss)/profit	<u>(311,499)</u>	<u>1,374,525</u>
Operating costs and expenses:		
General and administrative	(1,196,883)	(1,369,172)
Share option expense	(17,297)	(56,619)
Amortisation & depreciation	(704,672)	(516,587)
Total operating costs and expenses	<u>(1,918,852)</u>	<u>(1,942,378)</u>
Operating loss	<u>(2,230,351)</u>	<u>(567,853)</u>
Profit on disposal of channels	-	1,207,275
Interest receivable & similar income	22	2,914
Interest payable and similar charges	(101,923)	(120,023)
Share of profit / (loss) in associates	451,068	(342,498)
(Loss) / profit before tax	<u>(1,881,184)</u>	<u>179,815</u>
Current taxation		
R & D tax credit	270,747	153,313
Total taxation	<u>270,747</u>	<u>153,313</u>
(Loss) / profit for the year	(1,610,437)	333,128
Other comprehensive income		
Exchange difference on translating foreign operations	(14,057)	41,234
Total comprehensive income attributable to the owners of the parent	<u><u>(1,624,494)</u></u>	<u><u>374,362</u></u>
(Loss) / earnings per share		
Basic & diluted	(2.1)p	0.4p

Consolidated statement of financial position

	As at 31 December	
	2009	2008
	£	£
Assets		
Non-current assets		
Intangible assets	2,128,419	2,460,596
Property, plant and equipment	179,813	327,068
Investments in associates	691,806	254,795
	<u>3,000,038</u>	<u>3,042,459</u>
Current assets		
Trade and other receivables	2,365,352	2,999,339
Cash and cash equivalents	199,556	-
	<u>2,564,908</u>	<u>2,999,339</u>
Total assets	<u>5,564,946</u>	<u>6,041,798</u>
Capital and reserves		
Called up share capital	2,265,398	2,265,398
Share premium account	5,498,626	5,498,626
Merger reserve	1,300,395	1,300,395
Cumulative translation reserve	22,018	36,075
Warrant Reserve	41,190	-
Retained earnings	(8,401,326)	(6,808,186)
Equity attributable to owners of the parent	<u>726,301</u>	<u>2,292,308</u>
Liabilities		
Current liabilities		
Trade and other payables	4,683,435	3,502,193
Borrowings	155,210	247,297
Total liabilities	<u>4,838,645</u>	<u>3,749,490</u>
Total equity and liabilities	<u>5,564,946</u>	<u>6,041,798</u>

The financial statements were approved and authorised for issue by the board on 2<sup>nd</sup> June 2010.

*Andrew Wilson*

Chief Executive Officer  
2<sup>nd</sup> June 2010

*Emmanuelle Guicharnaud*

Finance Director  
2<sup>nd</sup> June 2010

Consolidated statement of changes in equity for the year ended 31 December 2009

	Amounts attributable to the owners of the parent						Total £
	Share Capital £	Share Premium £	Merger Reserve £	Cumulative Translation Reserve £	Warrant Reserve £	Retained Earnings £	
Balance at 1 January 2009	2,265,398	5,498,626	1,300,395	36,075	-	(6,808,186)	2,292,308
Loss for the year	-	-	-	-	-	(1,610,437)	(1,610,437)
Exchange difference on translating foreign operations	-	-	-	(14,057)	-	-	(14,057)
Total comprehensive income	-	-	-	(14,057)	-	(1,610,437)	(1,624,494)
Transactions with owners							
– Warrant issue	-	-	-	-	41,190	-	41,190
– Equity settled share-based payment charge	-	-	-	-	-	17,297	17,297
Total of transactions with owners	-	-	-	-	41,190	17,297	58,487
Balance at 31 December 2009	2,265,398	5,498,626	1,300,395	22,018	41,190	(8,401,326)	726,301

Consolidated statement of changes in equity for the year ended 31 December 2008

	Amounts attributable to the owners of the parent						Total £
	Share Capital £	Share Premium £	Merger Reserve £	Cumulative Translation Reserve £	Retained Earnings £		
Balance at 1 January 2008	2,265,398	5,498,626	1,300,395	(5,159)	(7,197,933)		1,861,327
Profit for the year	-	-	-	-	333,128		333,128
Exchange difference on translating foreign operations	-	-	-	41,234	-		41,234
Total comprehensive income	-	-	-	41,234	333,128		374,362
Transactions with owners							
– Equity settled share-based payment charge	-	-	-	-	56,619		56,619
Balance at 31 December 2008	2,265,398	5,498,626	1,300,395	36,075	(6,808,186)		2,292,308

Consolidated cash flow statement	Year ended 31 December	
	2009 £	2008 £
Net increase / (decrease) in cash and cash equivalents		
Net cash inflow / (outflow) from operations	a 392,665	(424,740)
Income taxes	270,747	153,313
Interest received	22	2,914
Net cash inflow/(outflow) from operating activities	<u>663,434</u>	<u>(268,513)</u>
Net cash (outflow) / inflow from investing activities	b (225,240)	601,942
Net cash used in financing activities	c (169,916)	(450,918)
Net increase / (decrease) in cash and cash equivalents	<u>268,278</u>	<u>(117,489)</u>
Cash and cash equivalents at beginning of period	(68,722)	7,533
Exchange gains	-	41,234
Cash and cash equivalents at end of period	<u><u>199,556</u></u>	<u><u>(68,722)</u></u>

Cash flows	Year ended 31 December	
	2009	2008
	£	£
a Reconciliation of net (loss) / profit to net cash outflow from operating activities		
(Loss) / profit before tax	(1,881,184)	179,815
Interest receivable and similar income	(22)	(2,914)
Interest payable and similar charges	101,923	120,023
Share of operating (gains)/losses in associates	(451,068)	342,498
Amortisation and depreciation	704,672	516,587
Share option expense	17,297	56,619
Loss on disposal of property, plant and equipment	-	24,784
Gain on disposal of intangible assets – proceeds from disposal of channels	-	(1,207,275)
Finance costs	-	42,977
Decrease /(increase) in trade and other receivables	633,987	(765,388)
Increase in trade and other payables	1,267,060	267,534
Net cash inflow / (outflow) from operating activities from continuing operations	<u>392,665</u>	<u>(424,740)</u>
b Cash flow from investing activities		
Proceeds on disposal of intangible assets	-	1,400,000
Purchase of property, plant and equipment	(9,287)	(44,076)
Purchase of intangible assets	(215,953)	(753,982)
Net cash (outflow) / inflow from investing activities	<u>(225,240)</u>	<u>601,942</u>
c Cash flow from financing activities		
Capital element of finance leases	(17,096)	(54,395)
Interest paid	(95,523)	(120,023)
Repayment of loan	(247,297)	(276,500)
Proceeds from the issue of term loan note	200,000	-
Less issue costs	(10,000)	-
Net cash used in financing activities	<u>(169,916)</u>	<u>(450,918)</u>

## Notes to the preliminary announcement

### 1. Accounting policies

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable International Financial Reporting Standards as adopted by the European Union (IFRS). Cellcast plc is an England and Wales incorporated public limited company and is domiciled in the United Kingdom. Cellcast plc shares are publically traded on the AIM market of the London Stock Exchange under the ticker symbol CLTV.

### 2. Loss before tax (2008 – profit)

Loss before tax (2008 – profit) is stated after charging/(crediting):	2009	2008
	£	£
Depreciation – owned assets	139,446	133,015
Depreciation – assets on hire purchase contracts	17,096	70,305
Licences amortisation	77,548	77,975
Amortisation of internally generated development costs	470,582	235,292
Total amortisation and depreciation charge for the year	704,672	516,587
Profit on disposal of channels - licences	-	(1,207,275)
Loss on disposal of property, plant and equipments	-	24,784
Auditor's remuneration – statutory audit of parent and consolidated accounts	35,000	35,000
Audit services provided to subsidiaries were £25,000 (2008: £25,000)		
Other services supplied pursuant to such legislation: Interim review	6,000	5,000
Foreign exchange loss	17,304	7,268

In 2008, the group's curtailment of the UGC venture SUMO.tv produced a significant windfall of £1.2 million, from the sale of the channel's position in the Sky Electronic Program Guide.

### 3. Interest receivable and similar income

	2009	2008
	£	£
Bank interest received	22	2,914

### 4. Interest payable and similar charges

	2009	2008
	£	£
Interest on convertible loan and term loan notes	43,884	41,654
Bank charges & interest paid	54,971	70,541
Finance leases	3,068	7,828
	101,923	120,023

### 5. (Loss) / earnings per share

The calculations of adjusted basic and diluted (loss)/earnings per ordinary share are based on the following results:

	2009	2008
Reported (loss) / profit for the financial period	(1,610,437)	333,128
Weighted average number of ordinary shares	75,513,224	75,513,224
Basic (loss) / earnings per share	(2.1p)	0.4p
Diluted (loss) / earnings per share	(2.1p)	0.4p

Due to the loss incurred in 2009 there was no dilution effect from the issued share options and warrants.

As the listed market value of the shares throughout 2008 was lower than the exercise prices of the share options and warrants in issue during the year, there was not considered to be any dilution effect of the issued share options and warrants during 2008.

The share split on the 30 July 2009 did not result in any change to the number or the rights of the ordinary shares in issue and therefore has been no impact on the loss / (earnings) per share.

#### 6. Segmental reporting

During the year the group adopted IFRS 8 which is effective for annual reporting periods beginning on or after 1 January 2009 and requires that the group should disclose segmental information based on financial data used by the Executive Management Team who are responsible for making financial decisions. The executive management team comprises the chief executive officer, the chief operating officer and the chief financial officer.

The financial information is presented to the executive management team as one operating unit which apart from the group's associate undertaking operates in one geographical unit. The executive management team make their decisions based upon this information.

The group has 3 significant customers, each generating over 10% of the group's television and broadcast revenue. The 3 customers contribute £4,493,289, £3,199,941 and £4,487,605 of the group's total revenue.

#### 7. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. Statutory accounts for 2009 will be delivered to the Registrar following the Company's Annual General Meeting. The balance sheet at 31 December 2009 and income statement, statement of changes in equity, cash flow statement and associated notes for the year then ended have been extracted from the Company's 2009 financial statements upon which the auditor's opinion is unqualified.

#### 8. Other information

The report and accounts for the year ended 31 December 2009 will be posted to shareholders shortly and will be laid before the Annual General Meeting to be held at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on 29 June 2010 at 3.00 pm.

Copies will also be available via the website ([www.cellcast.tv](http://www.cellcast.tv)) in accordance with AIM Rule 26 and at the Company's registered office, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.