VIRTUE
BROADCASTING PLC

Interim Report 2004

Six months ended 30 June 2004 (unaudited)

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The Directors, whose names are set out below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information

Highlights

- Successful completion of £3.1 million fundraising and merger with World TV.
- Approximately £900,000 of annualised cost savings identified.
- Organic growth of the underlying Virtue business generated 29% increase in sales revenues period on period.
- Contract wins with Vodafone, BT, World Economic Forum, German Ministry of Foreign Affairs and Greenpeace International.
- Central operations unit expanded providing a scalable platform for delivery of enhanced IP based services to customers.

Mike Neville, Chairman, comments: "*This has been a definitive period for the Group both in terms of business development and corporate activity. Most notably our recent merger with World TV has put us at the cutting edge of the corporate communications market delivering high end production services over a centralized IP Communications platform. The net result of our efforts has been the emergence of the Group as one of the key players in the European IP based corporate communications market.*

Overall I am pleased to see that we now have an industry leading product mix with increasing levels of sales revenues. Combined with the substantial cost savings available to the combined Group and our scalable platform I now believe we have a business that can continue to grow higher margin revenue streams that will give us the solid base upon which to bring the business into profitability. We have a superb client base, a responsive product development approach and a strong dedicated team. I am extremely pleased with the Group's performance in the first half of the year and look forward to furthering our position within this rapidly growing and exciting sector".

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Chairman's Statement

The first six months of 2004 have been an extremely busy time for the Virtue Broadcasting Plc ('Virtue', 'the Company', or 'the Group') business, which was dominated by the following issues:

- ensuring that the integration of the acquired businesses of Unit.Net A.G. ('Unit.Net') and Kamera Holdings AB ('Kamera') is working effectively and delivering value;
- finalising the successful placing of £3.1 million before expenses in order to pursue the Group's expansion plans;
- the acquisition of Foroso Communications GmbH ('Foroso') has given the company the ability to begin to offer genuine fully integrated Internet Protocol ('IP') based Web conferencing solutions to its customers. In an economic climate where cost controls are crucial, and the ability for all personnel to interact with customers and suppliers alike on a flexible and timely basis are critical, this state of the art application gives the Group a clear market advantage;
- the surrender of the property lease of the Company's former head office in Marlow, which will result in an £850,000 net cash saving over the period until December 2007; and
- the merger with World Television Group Limited ('World TV'), a leading provider of high end IP based production and consultancy services, will allow Virtue to deliver a broader suite of services to its existing customer base, increasing revenue per customer.

The business is now positioned as an integrated provider of IP based Web conferencing and high end production and consultancy services to its target audience, where the benefits of scale are obvious, and the ability to drive high margin services in an IP framework are now a reality.

Virtue's results

As the World TV merger concluded after the end of the half year period, I focus my review of the half year on the Virtue business as a standalone entity, assessing the business over which the management team had responsibility. Elsewhere in this report, and particularly in the Financial Review that follows, both the statutory (Virtue stand alone) and pro-forma (Virtue and World TV) financial information has been presented to establish a basis for analysis going forward.

The table below sets out the first half performance compared to the second half of last year excluding World TV.

£ thousands	**(Unaudited) Statutory Six months to 30.06.04**	(Unaudited) Pro-forma* Six months to 31.12.03	Change %
Turnover	**2,493**	2,269	▲10%
EBITDA (before exceptional items)	**(665)**	(1,077)	▼38%
EBIT (before exceptional items)	**(1,124)**	(1,588)	▼29%
EBIT	**(1,124)**	(1488)	▼24%
Earnings per share - adjusted	**(0.4)p**	(0.9)p	▼55%
Earnings per share	**(0.5)p**	(0.8)p	▼38%

* Pro-forma includes Kamera but excludes World TV

Group turnover increased by £224,000 to £2.5 million primarily on the back of an improved performance in the Unit.Net businesses which was partially offset by some lost revenues within the Kamera business resulting from a restructuring to close loss making segments. We have won some excellent customers during the period who demonstrate our increased ability to offer and deliver broader solutions to multi-regional blue chip companies. These customers include Vodafone, BT and Carl Zeiss. We are becoming a leading operator in what is a consolidating sector with a growing number of high quality customers both in the UK and across Europe.

EBITDA losses were reduced by £412,000 to £665,000 as a combined result of the additional turnover together with savings generated through the continued consolidation of our operational functions into

Chairman's Statement
(continued)

one discrete unit based in Zurich. Most importantly this has provided us with a scalable platform, capable of delivering enhanced IP based services to present and future customers. In essence, we now have a small but highly focused R&D team, one operational centre and one scalable platform, which will allow us to increase our customer base without a corresponding increase in overheads. This centralised strategy for our core operational unit has already delivered significant benefits to the enlarged Group and we will continue to leverage our asset base in order to extract increasing value for the Group.

Merger with World TV

Rational and funding

In June 2003 the Board made a strategic decision to concentrate the Group's resources to address the IP based corporate communications market. We recognised that consolidation within the sector was quickening and that those organisations with scale, differentiation and geographical reach, which already have a broad existing customer base, would be well placed to take advantage of the increased growth in the vertically integrated corporate communication sector.

The Board identified a distinct need to develop an expanded business offering for the corporate communications market, which depend upon the provision of a significant amount of managed services and where the average revenue per customer is substantially higher compared to webcasting.

The merger with World TV, which completed on 19 August 2004, has created an entity that delivers an array of corporate communications services including content creation, content management, webcasting and webconferencing and content distribution for major corporate and governmental customers worldwide. In addition, World TV provides Virtue with stability of earnings and clear opportunities for both cost and revenue synergies. Our strategy is one of retaining and attracting quality customers, which are able to deliver higher margins to the business and we are now in a position to increase our focus on customer needs across a variety of geographical territories. We believe this will yield major cross-selling opportunities within the enlarged Group.

The cash cost of the merger was £2.1 million of which £1.1 million were merger expenses. This was funded by the placing of shares in the Company raising £3.1 million before expenses in May 2004. The merger's rationale and attractiveness were affirmed by shareholders in August 2004 by 99.7% of the votes cast being in favour of the merger.

Integration update

The integration of the World TV and Virtue businesses has commenced and is expected to be complete by the end of December 2004. Integration teams have been established and were consulted before the transaction had completed to assess requirements for the specific business units and functions to minimise employee uncertainty and disruption to operations.

We are working to a 100 day integration action plan, in which during the first 30 days we have: merged the UK sales and service delivery teams; appointed the senior management team; ensured service continuity and commenced consolidation of web platforms; identified non-contributory overheads; and made the first combined presentations of the enhanced sales offer to our top customers.

It is primarily due to the high quality of the people within the Group that these transactions have been promptly and efficiently transacted and integrated into the Group allowing us to extract enhanced value from our corporate activity.

Synergy benefits

In the analysis that underpinned the World TV merger, we assumed annualised cost savings of £380,000 could be achieved from consolidation of IP operations and reduction in duplicate management positions. I am pleased to report that the management team have identified annualised cost savings of approximately £900,000 and I am confident that further benefits will accrue. We forecast that the one off cost associated with achieving these savings will be £460,000.

Chairman's Statement
(continued)

Extraordinary general meeting

The Board has convened an extraordinary general meeting of Virtue to be held at the offices of Brewin Dolphin Securities Limited, 5 Giltspur Street, London at 10 a.m. on 18 October 2004. The notice of the meeting detailing the ordinary and special business to be conducted is set out in the interim report sent to shareholders. The purpose of the meeting is twofold:

- Following the merger with World TV your Board believes that to accurately reflect the changing nature of the Group Virtue should be renamed World Television Group Plc. This resolution if proposed as resolution 3.
- Resolution 1 is proposed to rationalise the share capital structure of Virtue and to facilitate the Capital Reduction proposed in Resolution 2;
- Virtue as at 30 June 2004 had an accumulated deficit on its profit and loss account of £26,745,000. The absence of distributable profits means that Virtue is currently unable to pay dividends or to make market purchases of its ordinary shares. Resolution 2, which will be proposed as a special resolution, would approve the Capital Reduction, being:
    - the reduction of Virtue's share premium account by £11,000,000;
    - the cancellation of Virtue's capital redemption reserve, which at the date of this document amounted to £16,874,406;
    - the reduction of Virtue's share capital redemption by the cancellation of 753,299,761 deferred shares of 2.4 pence each, with a total issued nominal value of £18,079,194.

The reserve produced by the Capital Reduction, subject to the protection of creditors, will be available to eliminate the deficit on Virtue's profit and loss account. The balance arising, again subject to the protection of creditors, will create a distributable reserve available for dividends or to fund market purchases of the ordinary shares or for other corporate purposes of Virtue. Whilst it is envisaged by the Board that the conditions for the payment of dividends will not arise until some time in the foreseeable future, creating a new distributable reserve at this time will provide Virtue with added flexibility.

The Capital Reduction requires the approval of shareholders at the extraordinary general meeting and is conditional upon the approval of the High Court. The Board anticipates making an application to the High Court for its approval within twelve months.

The High Court will be concerned to protect the interests of creditors of Virtue as at the date on which the Capital Reduction becomes effective (the date on which the order is registered with the Registrar of Companies). The precise form of creditor protection is for the High Court to determine and Virtue will take such steps as it thinks appropriate in order to satisfy the High Court in that regard.

Outlook

The first stage of the Company's turnaround is now complete. The Board is focused on continuing to drive the key strategic initiatives identified within the business which, apart from tight cost control, are both organic and acquisitive growth coupled with highly penetrative strategies designed to ensure that our core products become part of the fabric of our customers' human and physical infrastructure. I believe the Company now has the right focus, market position, technology offerings and a team to deliver our objectives of building the business into a leading global provider of IP based corporate communications. We believe the long-term prospects for the business are excellent and we will continue to create more sustainable and higher margin revenue streams from our products. This is an exciting time for the enlarged Group and the IP based corporate communications sector and I look forward to updating you on our progress in due course.

Mike Neville, Chairman

Financial Review

Basis of preparation of financial information

The unaudited interim financial information has been prepared on the basis of the accounting policies set out in the annual report & accounts of the Group for the year ended 31 December 2003.

The interim results for the six months ended 30 June 2004 and 30 June 2003 include both the unaudited UK GAAP statutory results and pro-forma figures (assuming the results of World TV had been taken through the profit and loss account from 1 January 2003). The Group merged with World TV on 19 August 2004 and for accounting purposes, due to the merger completing post the interim balance sheet date, the merger will be consolidated into the statutory accounts in the year-end annual report & accounts for the year ending 31 December 2004.

Unless indicated to the contrary, all data and commentary in the Financial Review relate to pro-forma figures. The unaudited UK GAAP statutory financial statements are set out on page 11 and a reconciliation of these figures and pro-forma figures has been provided at the end of this report.

Summary consolidated operating results

£ thousands	(Unaudited) Statutory Six months to 30.06.04	(Unaudited) World TV Six months to 30.06.04	**(Unaudited) Pro-forma* Six months to 30.06.04**	(Unaudited) Pro-forma* Six months to 30.06.03	(Unaudited) Pro-forma* 12 months to 31.12.03
Europe	2,293	2,811	**5,104**	3,169	8,037
Australasia	200	–	**200**	201	426
Turnover†	2,493	2,811	**5,304**	3,370	8,463
Europe	(150)	693	**543**	688	1,589
Australasia	(85)	–	**(85)**	(32)	(66)
Corporate expenses	(430)	(284)	**(714)**	(473)	(1,250)
EBITDA (pre-exceptionals)†	(665)	409	**(256)**	183	273
Europe	(410)	(70)	**(480)**	(177)	(335)
Australasia	(47)	–	**(47)**	(34)	(70)
Corporate expenses	(2)	–	**(2)**	–	–
Depreciation and Amortisation†	(459)	(70)	**(529)**	(211)	(405)
Europe	(560)	623	**63**	511	1,254
Australasia	(132)	–	**(132)**	(66)	(136)
Central expenses	(432)	(284)	**(716)**	(473)	(1,250)
EBIT (pre-exceptionals)†	(1,124)	339	**(785)**	(28)	(132)

* Pro-forma includes World Television merger from 01.01.03
† Excludes discontinuing operation (UK Media Services division)

Turnover

Total turnover increased by £1,935,000, or 57%, to £5,304,000.

European turnover from the Virtue business increased by £1,856,000, or 291%, to £2,493,000 primarily due to the half year contribution of the acquisitions of: Unit.Net, which was acquired in July last year; and Kamera, which was acquired in January 2004 which recorded revenues of £806,000 and £842,000 respectively in the period.

Trading of the Unit.Net businesses improved in the first half following their recovery from liquidation, recording an increase of £223,000 or 38% over the second half of 2003. Trading of the Kamera business was in line with expectations, with turnover showing a £123,000 reduction from £965,000 in the same period last year. This was a direct result of a restructuring to close loss making segments within the Kamera business in order to drive profitability.

Financial Review
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Organic growth within the underlying European Virtue business contributed a further £185,000 or 29% to the remaining Virtue businesses which, although lower than the rates recorded last year, was a good achievement in light of the management attention required to manage the corporate activity of the Group.

European turnover from the World TV business increased by £78,000, or 2.9%, to £2,811,000. Trading was resilient with new business from new and existing customers of £467,000 replacing revenues earned in the prior period under the "Towards Freedom" contract, which ended in February 2004. In the period annual contracts were signed with the World Economic Forum, the United Nations and the German Ministry of Foreign Affairs to provide IP based webcasting and programming services. A strategic alliance with CNBC was also formed in this period to develop sponsored business television programming, the first series went to air in June.

Turnover within the Australian segment was flat at £200,000 including a one month contribution from the acquired business assets of Webcom and AnnounceTV, which was result of increased competition and adverse foreign currency movements. The Board was pleased that during the period Newscorp selected Virtue Australia to provide critical communication services. The recent acquisitions of AnnounceTV and Webcom will provide the Australian business with the technical infrastructure to establish a counterpart to its Zurich datacentre in Sydney. This will allow the Group to offer its Asia Pacific clients a broader range of services.

EBITDA before exceptional items

EBITDA before exceptional items was £(256,000) compared to £183,000 in the same period last year.

EBITDA from the European business was £145,000 lower at £543,000; this was primarily due to the high volume of new business within World TV that had high initial set up costs, which was replacing revenues under the Towards Freedom contract. Management expect that these margins should improve as the new business matures.

EBITDA loss from the Virtue business was flat at £(150,000) compared to £(145,000) in the same period last year. This was due to the half year impact of losses within the acquired Unit.Net business being offset by improvements in the underlying Virtue business and a positive contribution from the recently acquired Kamera business.

The Board was pleased that the Kamera business made a positive contribution at the EBITDA level of £41,000, which compared to a pre-acquisition loss of £(131,000) recorded in the management accounts of Kamera in the same period last year. This was as a result of restructuring undertaken within the Kamera business to remove loss making activities. Both the Unit.Net acquired businesses and the underlying European Virtue businesses narrowed their EBITDA losses from that recorded in the second half of 2003, due to improvements in revenue performance. The Unit.Net business reduced its EBITDA loss by £87,000, or 51%, to £83,000 and the underlying European Virtue business reduced its EBITDA loss by £28,000, or 21%, to £108,000.

Foroso had a six week contribution to the Group's results during which most of this time was invested in integration activities. Notwithstanding this, Foroso contributed £24,000 of revenues and was EBITDA neutral.

EBITDA loss from the Australian segment increased by £53,000 to £85,000, primarily due to adverse foreign currency movements and an expansion of the staff base in order to manage the Group's larger technical operations in the region.

As set out in the 2003 Report & Accounts corporate expenses have increased by £241,000 to £714,000 compared to the same period last year, although the corporate expenses are in line with second half of year.The additional overhead was required to manage better the pan-European operations and support the Group's expansion policy.

Financial Review
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EBIT
EBIT decreased by £(757,000) to £(785,000), as a result of £270,000 additional goodwill amortisation charges primarily in connection with the acquisition of Kamera, £241,000 of additional corporate expenses, and lower gross margins in the World TV business.

Earnings

£ thousands	(Unaudited) Statutory Six months to 30.06.04	**(Unaudited) Pro-forma* Six months to 30.06.04**	(Unaudited) Pro-forma* Six months to 30.06.03	(Unaudited) Pro-forma* 12 months to 31.12.03
EBIT (pre-exceptionals)†	(1,124)	**(785)**	(28)	(132)
Discontinued operations	–	**–**	(266)	(259)
Profit on sale or termination of operations	–	**–**	290	383
EBIT	(1,124)	**(785)**	(4)	(8)
Net interest and similar items	(8)	**10**	11	17
Tax	–	**(100)**	(2)	(205)
Minority interests	21	**21**	15	73
Loss for the period	(1,111)	**(854)**	20	(123)
Earnings per share (pre-exceptional items and goodwill amortisation)	(0.4)p	**(0.1)p**	0.0p	(0.1)p
Earnings per share	(0.5)p	**(0.1)p**	0.0p	0.0 p

* Pro-forma includes World Television merger from 01.01.03

† Excludes discontinuing operation (UK Media Services division)

Discontinued operations include the results of the former UK Media Services division, sold in June 2003. The profit on sale or termination of operations in 2003 relate to the disposal of the UK Media Services division and the exceptional income arising from the settlement of a claim with the liquidators of a former subsidiary of £100,000.

The tax charge of £100,000 arises in the pre-merger results of World TV which are not expected to be eligible for offsetting against Group losses. The charge represents an effective tax rate of 28% compared to 1% in the same period last year, as a result of the full utilisation of carried forward tax losses by World TV in 2003.

Earnings per share was reduced from 0.0p to (0.1)p as a result of an increased attributable loss.

Dividends
For the immediate future the Board believes that the Group’s cash reserves are better employed in investing in the Group’s business in line with its strategy and therefore no interim dividend will be paid. The Board has taken steps to restructure the capital base of the Group with a view to providing distributable reserves in the mid term, further details of which are set out in the Chairman’s report.

The pro-forma cash flow and full profit and loss account for the six month period to 30 June 2004 show a dividend of £600,000, which relates to a pre-merger buy back of approximately 15,000,000 ordinary shares in World TV by that company, which took place in May 2004 at a cost of £600,000.

Financial Review
(continued)

Cash flow, net funds and financing summary

The table below sets out an analysis of free cash flow (a management measure of operating cash flow before acquisitions, disposals, dividends and financing):

£ thousands	(Unaudited) Statutory Six months to 30.06.04	(Unaudited) World TV Six months to 30.06.04	**(Unaudited) Pro-forma* Six months to 30.06.04**	(Unaudited) Pro-forma* Six months to 30.06.03	(Unaudited) Pro-forma* 12 months to 31.12.03
Net cash flow from operating activities	(1,035)	728	**(307)**	(263)	(1,061)
Capital expenditure	(92)	(58)	**(150)**	(190)	(312)
Proceeds from asset disposals	–	–	**–**	–	4
Net interest (paid)/received	(8)	18	**10**	11	17
Tax paid	–	(9)	**(9)**	(21)	(45)
Free cash flow	(1,135)	679	**(456)**	(463)	(1,397)
Cash acquired in subsidiaries	319	–	**319**	–	138
Acquisition of Kamera	(186)	–	**(186)**	–	–
Acquisition of Foroso	(565)	–	**(565)**	–	–
Acquisition of AnnounceTV	(119)	–	**(119)**	–	–
Acquisition of Webcom	(59)	–	**(59)**	–	–
Acquisition of Unit.Net	–	–	**–**	–	(124)
Disposal of UK Media Services	–	–	**–**	481	568
Disposal of Tornado Entertainment	–	–	**–**	–	100
Net cash flow before financing	(1,745)	679	**(1,066)**	18	(715)
Issue of shares	2,911	–	**2,911**	–	1,673
Dividends paid	–	(600)	**(600)**	–	–
Capital element of finance lease payments	(23)	(4)	**(27)**	(35)	(51)
Repayment of loans	–	(6)	**(6)**	(10)	(219)
Debt acquired with Kamera	–	–	**–**	–	–
Cash flow	1,143	69	**1,212**	(27)	688
Net funds at start of year	1,384	865	**2,249**	1,291	1,291
Cash flow	1,143	69	**1,212**	(27)	688
Debt acquired in subsidiaries	(172)	–	**(172)**	–	–
Movement in borrowings	23	10	**33**	45	270
Exchange differences	(7)	–	**(7)**	41	–
Net funds at end of period	2,371	944	**3,315**	1,350	2,249

* Pro-forma includes World Television merger from 01.01.03

Free cash outflow was in line with the same period as last year at £456,000, which is as a result of increased EBITDA losses of £271,000 being offset by improvements in the working capital position of £227,000, and a reduction of £40,000 in capital expenditure.

Financial Review
(continued)

Reconciliation of EBITDA to net cash flow from operating activities

£ thousands	(Unaudited) Statutory Six months to 30.06.04	(Unaudited) World TV Six months to 30.06.04	**(Unaudited) Pro-forma* Six months to 30.06.04**	(Unaudited) Pro-forma* Six months to 30.06.03	(Unaudited) Pro-forma* 12 months to 31.12.03
EBITDA	(665)	409	**(256)**	15	130
(Increase)/decrease in debtors	(210)	777	**567**	810	(205)
Increase in creditors	(134)	(400)	**(534)**	(1,093)	(1,007)
Other items	(26)	(58)	**(84)**	5	21
Net cash flow from operating activities	(1,035)	728	**(307)**	(263)	(1,061)

* Pro-forma includes World Television merger from 01.01.03

Acquisitions, Merger and Financing

Kamera Holdings AB was acquired on 9 January 2004 for a total consideration of £2,503,000 comprising shares of £2,317,000 and cash of £186,000 inclusive of acquisition expenses.

Foroso Communications GmbH was acquired on 6 May 2004 for a total cash consideration of £565,000 including acquisition expenses plus deferred consideration of £160,000 which is payable in instalments in November 2004 and May 2005. The Company agreed to pay up to £600,000 of contingent consideration subject to Foroso achieving certain conditions, including earning either £600,000 profit after taxation or achieving revenues of £1.0 million from the period of acquisition until 31 December 2005.

The business assets of Webcom were acquired on 14 May 2004 for a total cash consideration of £59,000 inclusive of acquisition expenses. The business assets of AnnounceTV were acquired on 28 May 2004 for a total cash consideration of £119,000 inclusive of acquisition expenses.

On 19 August 2004 the Company merged with World TV. The merger was effected by the acquisition by the Company of the entire issued share capital of World TV for a total consideration excluding transaction expenses of £18.1 million. The consideration was satisfied by cash of £1.0 million and the issue of 440,800,625 new ordinary shares.

On 5 May 2004 the Company issued 95,422,850 new ordinary shares through a placing at a price of 3.25 pence per shares, raising a total of £2.9 million after issue expenses. The table below sets out the application of the net proceeds:

£ thousands	
Application of proceeds	
Consideration paid for Kamera	186
Consideration paid for Foroso (including deferred consideration)	725
Consideration paid for Webcom and AnnounceTV asset purchases	178
Consideration paid for merger with World TV	1,000
Merger expenses incurred	1,090
Total	**3,179**
Net proceeds	
Net proceeds from May placing	2,911
Cash in hand	268
Total	**3,179**

Financial Review
(continued)

Financial liabilities

As set out in the 2003 Report & Accounts the Group's main financial liability was a property lease for its former head office in Marlow. The property had a rent of £255,000 per annum and its earliest termination date was December 2007. The Board is pleased to report that on 22 July 2004 the Company agreed to the surrender of this lease. Under the agreement the Company made a net cash saving of £805,000 compared to its obligations under the lease over the next two and a half years. The Company agreed to pay the landlord a surrender premium of £495,000 net of VAT in addition to related expenses and reinstatement costs of £110,000. As part of the settlement the Company will utilise a £318,000 secured rent deposit held in favour of the landlord which was previously written of in the Company's 2002 Report & Accounts. In consideration of the surrender premium the Company will avoid paying approximately £1.4 million of rent, service charge, lease termination payments, reinstatement costs and running costs. The Company made full provision for the expected costs arising under the lease in its 2002 Report & Accounts.

Group profit and loss account

For the half year ended 30 June 2004

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Turnover			
Continuing operations:			
- Ongoing	**1,627**	637	2,070
- Acquisitions	**866**	–	–
Turnover from continuing operations	**2,493**	637	2,070
Discontinued operations	**–**	627	627
Total turnover	**2,493**	1,264	2,697
Net operating expenses	**(3,617)**	(1,994)	(4,406)
Operating loss	**(1,124)**	(730)	(1709)
Continuing operations:			
- Ongoing	**(845)**	(464)	(1,450)
- Acquisitions	**(279)**	–	–
Operating loss from continuing operations	**(1,124)**	(464)	(1,450)
Discontinued operations	**–**	(266)	(259)
Total operating loss	**(1,124)**	(730)	(1,709)
Operating loss from continuing operations analysed as:			
- Europe	**(301)**	(196)	(593)
- Australasia	**(97)**	(42)	(88)
- Corporate expenses	**(432)**	(202)	(736)
Operating loss before goodwill amortisation from continuing operations	**(830)**	(440)	(1,417)
- Goodwill amortisation	**(294)**	(24)	(33)
Profit on sale or termination of operations	**–**	290	383
Loss before interest and tax	**(1,124)**	(440)	(1,326)
Interest receivable and similar income	**3**	16	21
Interest payable and similar charges	**(11)**	(5)	(9)
Loss before tax	**(1,132)**	(429)	(1,314)
Tax	**–**	–	–
Loss after tax	**(1,132)**	(429)	(1,314)
Equity minority interests	**21**	15	73
Loss for the period	**(1,111)**	(414)	(1,241)
Dividends	**–**	–	–
Retained loss for the period	**(1,111)**	(414)	(1,241)
Loss per share (pence)			
Basic - adjusted	**(0.4)**	(0.6)	(1.3)
Basic	**(0.5)**	(0.4)	(1.0)

There were no material recognised gains or losses other than those shown in the profit and loss account.

Reconciliation of consolidated shareholders' funds

For the half year ended 30 June 2004

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Loss for the financial period	**(1,111)**	(414)	(1,241)
Foreign exchange movements	**(41)**	47	14
Share issues net of costs	**5,321**	–	1,673
Net addition to shareholders' funds	**4,169**	(367)	446
Opening shareholders' funds	**1,292**	846	846
Closing shareholders' funds	**5,461**	479	1,292

Consolidated balance sheets

As at 30 June 2004

£ thousands	**(Unaudited) at 30.06.04**	(Unaudited) at 30.06.03	(Audited) at 31.12.03
Fixed assets			
Positive goodwill	**3,225**	178	154
Negative goodwill	**(120)**	–	(135)
Goodwill	**3,105**	178	19
Tangible assets	**455**	273	229
	3,560	451	248
Current assets			
Debtors	**1,732**	794	1,254
Cash at bank and in hand	**2,520**	851	1,384
	4,252	1,645	2,638
Creditors: amounts falling due within one year	**(1,778)**	(838)	(996)
Net current assets	**2,474**	807	1,642
Total assets less current liabilities	**6,034**	1,258	1,890
Creditors: amounts falling due after one year	**(149)**	–	(3)
Provisions for liabilities and charges	**(411)**	(670)	(538)
Net assets	**5,474**	588	1,349
Capital and reserves			
Called up share capital	**312**	114	172
Share premium account	**18,834**	12,038	13,653
Other reserves	**13,060**	13,060	13,060
Profit and loss account	**(26,745)**	(24,733)	(25,593)
Equity shareholders' funds	**5,461**	479	1,292
Equity minority interests	**13**	109	57
	5,474	588	1,349

Group cash flow statements

For the half year ended 30 June 2004

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Net cash flow from operating activities	**(1,035)**	(875)	(1,918)
Returns on investment and servicing of finance			
Interest received	**3**	16	21
Interest paid	**(11)**	(5)	(9)
	(8)	11	12
Taxation paid	–	–	–
Capital expenditure and financial investment			
Payments to acquire intangible assets	–	–	(4)
Payments to acquire tangible assets	**(92)**	(111)	(169)
Receipts from sale of tangible assets	–	–	4
	(92)	(111)	(169)
Acquisitions and disposals			
Purchase of subsidiary undertakings	**(610)**	–	14
Disposal of subsidiary undertakings	–	481	668
	(610)	481	682
Equity dividends paid	–	–	–
Net cash out flow before financing	**(1,745)**	(494)	(1,393)
Financing			
Issue of ordinary shares net of expenses	**2,911**	–	1,673
Capital element of finance lease payments	**(23)**	–	–
Repayment of loans	–	–	(200)
	2,888	–	1,473
Increase/(decrease) in cash	**1,143**	(494)	80
Reconciliation of cash flow movement in net funds			
Increase/(decrease) in cash	**1,143**	(494)	80
Borrowings acquired with subsidiaries	**(172)**	–	–
Movement in borrowings	**23**	–	200
Translation adjustments	**(7)**	41	–
Movement in net funds	**987**	(453)	280
Net funds at start of year	**1,384**	1,104	1,104
Net funds at end of year	**2,371**	651	1,384

Notes to the financial statements

For the half year ended 30 June 2004

Basis of preparation of financial information

The results for the first half of the financial year have not been audited and are prepared on the basis of accounting policies set out in the Group's 2003 Report & Accounts. The summary of results for the year ended 31 December 2003 does not constitute full financial statements within the meaning of s240 of the Companies Act. The full financial statements for that year have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under s237(2) or s237(3) of the Companies Act 1985.

On 26 June 2003 the Group disposed of its UK Media Division, Virtue Media Services Limited. The results of that business have been classified as discontinued operations in the profit and loss account to allow the comparison of continuing and discontinued operations.Kamera Holdings AB and Foroso Communications GmbH are subsidiary undertakings acquired in this interim period and are classified as acquisitions within continuing operations. The business assets of AnnounceTV and Webcom which were acquired in May 2003 have been integrated in to the Australian business segment. Further details of these acquisitions are given below. The results of World Television Group Limited are not included in the financial statements as the merger completed after the interim balance sheet date.

Foreign currencies

The following exchange rates were used in preparation of the consolidated financial information:

	30.06.04	**Average 2004 six months**	30.06.03	Average 2003 six months	31.12.03	Average 2003 12 months
Australian Dollar (AUD)	**2.6076**	**2.4685**	2.4624	2.5919	2.3716	2.5081
Euros (EUR)	**1.4880**	**1.4867**	1.4373	1,4504	1.4172	1.4433
Swedish Kronor (SEK)	**13.6359**	**13.6455**	13.2153	13.3155	12.8440	13.1992
Swiss Franc (CHF)	**2.2689**	**2.3069**	2.2354	2.1751	2.2098	2.1982

Acquisitions

Kamera Holdings AB

On 9 January 2004 the Company acquired Kamera Holdings AB, a Swedish based webcasting group, for an aggregate consideration before expenses of £2.4 million. This sum comprised cash of £102,000 and a new issue of 43,770,247 ordinary shares. All but 415,015 of these shares have been issued to date. The total adjustments required to the book values of the assets and liabilities of the group acquired in order to present the net assets of those companies at fair values in accordance with group accounting principles were £97,000, details of which are set out below together with the resultant amount of goodwill arising:

£ thousands	Book value of assets acquired	Fair value adjustments	Fair value of assets acquired
Analysis of assets acquired:			
Tangible fixed assets	225	(2)	223
Debtors	302	(5)	297
Cash	315	–	315
Creditors due less than one year	(575)	(36)	(611)
Creditors due more than one year	(171)	–	(171)
Provisions	–	(54)	(54)
Net assets acquired	**96**	**(97)**	**(1)**
Goodwill			**2,504**
Consideration			**2,503**
Consideration satisfied by:			
Acquisition expenses			84
Cash			102
Shares			2,317

Notes to the financial statements

For the half year ended 30 June 2004

The book value of assets and liabilities has been taken from their audited group accounts as at 31 December 2003. Kamera contributed in the six months to 30 June 2004: £842,000 to turnover; £(11,000) to operating losses before goodwill amortisation; £(261,000) to loss before interest; and £(255,000) to loss after tax. Kamera recorded in the twelve month period to 31 December 2003: £1,922,000 of turnover; and £(539,000) operating loss before goodwill amortisation.

Foroso Communications GmbH

On 6 May 2004 the Company acquired Foroso Communications GmbH, a webconferencing company based in Germany. The Company has paid a total of £520,000 in cash and will pay deferred consideration of £40,000 and £120,000 in November 2004 and July 2005 respectively. The Company agreed to pay up to £600,000 of contingent cash consideration subject to Foroso achieving certain conditions, included earning either £600,000 profit after taxation or achieving revenues of £1.0 million from the period of acquisition until 31 December 2005. The book value of assets and liabilities has been taken from the unaudited management accounts of Foroso as at 30 April 2004. Foroso contributed £23,000 to turnover; £(1,000) to operating losses before goodwill amortisation; £(25,000) to loss before interest; and £(25,000) to loss after tax in the period from acquisition to 30 June 2004.

Australian acquisitions

On 12 February 2004 the Company acquired 289,663 shares in its Australian subsidiary, Virtue Broadcasting Pty Ltd, from Edgewise Solutions Pty Ltd in consideration of an issue of 1,707,541 new ordinary shares. The acquisition took the Group's holding in its Australian subsidiary to 83% from 63%. On 14 May 2004 the Group acquired the business assets of Webcom for consideration of £59,000, and on 28 May 2004 it acquired the business assets of AnnounceTV for consideration of £119,000.

Summary of Foroso and Australian acquisitions

£ thousands	Australian minority interest	Foroso[1]	AnnounceTV	Webcom	Total
Book value of assets acquired	18	6	39	58	121
Fair value adjustments	–	–	–	–	–
Net assets acquired	**18**	**6**	**39**	**58**	**121**
Goodwill	**76**	**719**	**80**	**1**	**876**
Consideration	**94**	**725**	**119**	**59**	**997**
Consideration satisfied by:					
Acquisition expenses	–	45	4	1	50
Cash	–	520	115	58	693
Deferred cash consideration	–	160	–	–	160
Shares	94	–	–	–	94

[1] In connection with the acquisition of Foroso the Board has placed a fair value of £nil over contingent consideration of potentially up to £600,000, which is payable based on certain performance criteria, due to the limited trading history of the company.

Notes to the financial statements

For the half year ended 30 June 2004

Net cash outflow in respect of acquisitions

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Net cash balances acquired	**319**	–	138
Acquisition of Kamera	**(186)**	–	–
Acquisition of Australian minority interest	**–**	–	–
Acquisition of Foroso	**(565)**	–	–
Acquisition of AnnounceTV	**(119)**	–	–
Acquisition of Webcom	**(59)**	–	–
Acquisition of Unit.Net	**–**	–	(124)
	(610)	–	14

Placing

On 5 May 2004 the Company issued 95,422,850 new ordinary shares through a placing at a price of 3.25 pence per share, raising a total of £3.1 million before expenses.

Post balance sheet events

On 22 July 2004 the Company agreed the surrender of the property lease of its former head office, Tornado House, Marlow which was unoccupied. Under the agreement the Company made a net cash saving of £805,000 compared to its obligations under the lease over the next two and a half years. The Company agreed to pay the landlord a surrender premium of £495,000 net of VAT in addition to related expenses and reinstatement costs of £110,000. As part of the settlement the Company will utilise a £318,000 secured rent deposit held in favour of the landlord which was previously written of in the Company's 2002 Report & Accounts. In consideration of the surrender premium the Company will avoid paying approximately £1.4 million of rent, service charge, lease termination payments, reinstatement costs and running costs. The Company made full provision for the expected costs arising under the lease in its 2002 Report & Accounts.

On 19 August 2004 the Company merged with World Television Group Limited ('World TV'). The merger was effected by the acquisition by the Company of the entire issued share capital of World TV for a total consideration excluding transaction expenses of £18.1 million. The consideration was satisfied by cash of £1.0 million and the issue of 440,582,265 new ordinary shares. The results for World TV in the interim period are set out later in this report.

Exceptional items

The Company received exceptional income of £383,000 in 2003 which is comprised mainly of: £100,000 in connection with a settlement of a claim by the Company with the liquidator of a former subsidiary over a bank deposit held by in the name of that subsidiary; and £282,000 arising on the disposal of its UK Media Services Division, Virtue Media Services Limited.

Notes to the financial statements

For the half year ended 30 June 2004

Earnings per share

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Basic earnings per share			
Loss for the period	**(1,111)**	(414)	(1,241)
Weighted average number of shares (thousands)	**232,910**	113,966	124,373
Earnings per share (pence)	**(0.5)**	(0.4)	(1.0)
Supplemental earnings per shares			
Loss for the period	**(1,111)**	(414)	(1,241)
Exceptional items	**–**	(290)	(383)
Goodwill amortisation	**294**	24	34
Adjusted earnings	**(817)**	(680)	(1,590)
Weighted average number of shares (thousands)	**232,910**	113,966	124,373
Earnings per shares - adjusted (pence)	**(0.4)**	(0.6)	(1.3)

Reconciliation of operating profit to net cash flow from operating activities

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Group operating loss	**(1,124)**	(730)	(1,709)
Depreciation	**165**	159	281
Amortisation	**294**	24	34
(Increase)/decrease in debtors	**(210)**	661	436
Decrease in creditors	**(134)**	(989)	(977)
Losson disposal of fixed assets	**–**	–	(1)
Non-cash transactions	**(26)**	–	18
Total net operating cash flow	**(1,035)**	(875)	(1,918)

Reconciliation of movement in net funds

£ thousands	At 31.12.03	Cash flow	Acquisitions (excluding cash)	Exchange movements	**At 30.06.04**
Cash at bank and in hand	1,384	1,143	–	(7)	**2,520**
Finance leases	–	23	(172)	–	**(149)**
	1,384	1,166	(172)	(7)	**2,371**

Pro-forma group profit and loss account

For the half year ended 30 June 2004

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Turnover			
Continuing operations:			
- Ongoing	**4,438**	3,370	8,463
- Acquisitions	**866**	–	–
Turnover from continuing operations	**5,304**	3,370	8,463
Discontinued operations	**–**	627	627
Total turnover	**5,304**	3,997	9,090
Net operating expenses	**(6,089)**	(4,291)	(9,481)
Operating loss	**(785)**	(294)	(391)
Continuing operations:			
- Ongoing	**(506)**	(28)	(132)
- Acquisitions	**(279)**	–	–
Operating loss from continuing operations	**(785)**	(28)	(132)
Discontinued operations	**–**	(266)	(259)
Total operating loss	**(785)**	(294)	(391)
Operating loss from continuing operations analysed as:			
- Europe	**333**	522	1,262
- Australasia	**(97)**	(42)	(88)
- Corporate expenses	**(716)**	(473)	(1,250)
Operating loss before goodwill amortisation from continuing operations	**(480)**	7	(76)
- Goodwill amortisation	**(305)**	(35)	(56)
Profit on sale or termination of operations	**–**	290	383
Loss before interest and tax	**(785)**	(4)	(8)
Interest receivable and similar income	**22**	18	30
Interest payable and similar charges	**(12)**	(7)	(13)
Loss before tax	**(775)**	7	9
Tax	**(100)**	(2)	(205)
Loss after tax	**(875)**	5	(196)
Equity minority interests	**21**	15	73
Loss for the period	**(854)**	20	(123)
Dividends	**(600)**	–	–
Retained loss for the period	**(1,454)**	(20)	(123)
Loss per share (pence)			
Basic - adjusted	**(0.1)p**	0.0p	(0.1)p
Basic	**(0.1)p**	0.0p	0.0 p
Weighted average number of shares (000s)	**673,711**	554,766	565,613

There were no material recognised gains or losses other than those shown in the profit and loss account.

Notes to the pro-forma financial information

For the half year ended 30 June 2004

Basis of preparation

The Group merged with World TV on 19 August 2004. The Board anticipates that this transaction will qualify for merger accounting in the full year report and accounts, whereby the combined results and net assets of the Group and those of World TV will be presented as if the Company had always been the parent of World TV. Therefore the unaudited pro-forma information has been prepared to illustrate the effect of this merger as if it had occurred before the interim reporting balance sheet date.

Reconciliation of pro-forma and statutory financial statements

£ thousands	**(Unaudited) Six months to 30.06.04**	(Unaudited) Six months to 30.06.03	(Audited) 12 months to 31.12.03
Turnover			
Virtue	**2,493**	1,264	2,697
World Television	**2,811**	2,733	6,393
Total	**5,304**	3,997	9,090
Operating (loss)/profit			
Virtue	**(1,124)**	(730)	(1,709)
World Television	**339**	436	1,318
Total	**(785)**	(294)	(391)
(Loss)/profit before tax			
Virtue	**(1,132)**	(429)	(1,314)
World Television	**357**	436	1,323
Total	**(775)**	7	9

Notice of Extraordinary General Meeting

Notice is given that an extraordinary general meeting of the Company will be held at the offices of Brewin Dolphin Securities Limited at 5 Giltspur Street, London EC1 9BD at 10 a.m. on 18 October 2004 for the following purposes:

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions.

SPECIAL RESOLUTIONS

1. That:

   (a) each of the existing issued ordinary shares of 2.5p each in the capital of the Company (the "Existing Ordinary Shares") be and is hereby sub-divided into and redesignated as one ordinary share of 0.1p having the rights and being subject to the same restrictions as an Existing Ordinary Share ("New Ordinary Share") and one deferred share of 2.4p ("Deferred Share") having the rights and being subject to the restrictions set out in paragraph (b) below;

   (b) the Deferred Shares shall rank *pari passu* with the New Ordinary Shares in the capital of the Company in all respects save that:

      (i) the holders of the Deferred Shares shall have no right to receive notice of, or to attend or vote at, any general meeting of the Company;

      (ii) the holders of the Deferred Shares shall have no right to receive dividend or other distribution from the Company;

      (iii) the holders of the Deferred Shares, shall, on a return of capital in a liquidation but not otherwise, be entitled to receive only the amount paid up on each such share, but only after the holders of each ordinary share shall have received £10,000,000 per New Ordinary Share;

      (iv) the Deferred Shares shall not be redeemable and shall not be capable of transfer at any time hereafter, other than as provided in this paragraph (b), or otherwise with the consent of the directors of the Company; and

      (v) the directors of the Company be and are hereby irrevocably authorised at any time after the passing of this resolution to appoint any person to execute or give on behalf of any holder of Deferred Shares a transfer of such shares and/or a consent to the cancellation of the same and/or an agreement to transfer the same to such person or persons as the directors of the Company may determine as custodian of such shares and/or to purchase the same in accordance with the Companies Act 1985 in any such case for not more than 1p for all the holder or holders and pending such transfer and/or purchase to retain the certificates (if any) in respect of such shares; and

      (vi) the cancellation of the Deferred Shares pursuant to a reduction of capital confirmed by the Court for no consideration will not constitute a variation of the rights attached to the Deferred Shares.

   (c) each of the authorised but unissued ordinary shares of 2.5p each in the capital of the Company be and is hereby sub-divided into and redesignated as twenty-five ordinary shares of 0.1p each, ranking pari passu in all respects with the New Ordinary Shares referred to in paragraph (a) above.

Notice of Extraordinary General Meeting
(continued)

2. That:

   (a) the capital redemption reserve of the Company be and is hereby cancelled;

   (b) the amount standing to the credit of the share premium account be and is hereby reduced by £11,000,000; and

   (c) the share capital of the Company be and is hereby reduced by cancelling each and every issued Deferred Share.

3. That the name of the company be changed to World Television Group plc.

By Order of the Board
James Ormondroyd
Company secretary

20 September 2004

Registered office
Carmelite
50 Victoria Embankment
Blackfriars
London
EC4Y 0DX

Explanatory Notes

1. Votes

All shareholders who wish to attend and vote at the meeting must be entered on the Company's register of members no later than 48 hours before the time fixed for the meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2. Proxy

Shareholders entitled to attend and vote at the meeting may appoint a proxy or proxies to attend on their behalf. A proxy need not be a member of the Company. Investors who hold their shares through a nominee may wish to attend the meeting as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Whilst proxies may vote on a poll on any resolution, they are not entitled to vote on a show of hands. Proxies may ask questions at the meeting, if, in this discretion, the Chairman of the meeting allows it. Shareholders are invited to complete and return the enclosed Proxy Form. Completion of the Proxy Form will not prevent a shareholder from attending and voting at the meeting if subsequently he/she finds they are able to do so. To be valid, completed Proxy Forms must be received at the office of the Company's registrars, Capita IRG Plc of Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time fixed for the meeting.

3. Corporate shareholders

Representatives of shareholders which are corporations attending the meeting should produce evidence of their appointment by an instrument executed in accordance with Section 36A of the Act or signed on behalf of the corporation by a duly authorised officer or agent.

4. CREST

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those holders of ordinary shares registered in the Register of Members of the Company at 5.30 p.m. on 15 October 2004 shall be entitled to

Virtue Broadcasting Plc
60-62 Commercial Street, London, E1 6LT

Registered No. 03901656
Registered address: Carmelite, 50 Victoria Embankment, London, EC4Y 0DX