WORLD TELEVISION

# WORLD TELEVISION GROUP PLC

INTERIM REPORT 2005

# WORLD TELEVISION GROUP PLC
# INTERIM RESULTS FOR THE
# SIX MONTHS ENDED 30 JUNE 2005 (UNAUDITED)

**Financial Highlights**

- Turnover for the first 6 months £5.1 million
- Underlying turnover increased by 7% (£386k)
- £1.3 million of annualised cost savings now implemented (£400k higher than originally announced)
- Tight cost controls now yielding benefit to the Group
- EBITDA loss, pre exceptionals, reduced substantially to £6k loss (2004 - £256k) which reflects an underlying performance of EBITDA profitability

**Operational Highlights**

- Successfully won British Satellite News (BSN) contract at increased value, with the UK Government Foreign and Commonwealth Office
- Other new business wins include - BAA, O2 and Microsoft
- Disposal of loss making subsidiary Kamera completed in March 2005, into special purpose vehicle (SPV) and will accrete value over next 3 years
- Announced today - appointment of Evelyn Kimber as the new Chief Financial Officer

**Michael Neville, Chairman comments:** "This has been a significant period for the Group as we have achieved our objective of EBITDA break-even (excluding exceptionals) for the first half of 2005. We have reinforced our position in the market and consolidated operations to ensure the maximum efficiencies. There have been good customer and contract wins during the period; most notable of which is the BSN contract which the Group has had for several years, and which has been won again, at increased value, against fierce competition.

Overall the Board and I are pleased with the progress achieved over the last six months, and are now looking forward to a period of continued growth. I look forward to updating you further on our position at the year end."

**Enquiries:**


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# CHAIRMAN'S STATEMENT

The first six months of 2005 have been an extremely busy time for the Group and a period which has been dominated by the following issues:

- Ensuring that the cost savings identified in the merger of World Television and Virtue Broadcasting (which now total circa £1.3 million) in the summer of 2004 were successfully implemented.
- Focusing our core operations in order to deliver the greatest efficiencies possible and working towards our goal of profitability.
- Ensuring we maximise our position as a provider of quality communications to our corporate customer base.
- Delivering the BSN contract which is an important part of our overall strategy of delivering high quality services to Government bodies around the world.
- Reviewing our cost base to ensure we are making the most of the talent we have in the company and that it is focused in the right areas.

**Results**

The underlying growth in turnover during 2005 was 7% or £386k, which is extremely pleasing in an increasingly competitive market. Margins remained high reflecting the high quality of the services we offer, and the talented people within the business who deliver them.

Our performance in the first half included non-recurring costs of £113k associated with the restructuring of the merged business, some of which are included in exceptionals. This shows an underlying performance of EBITDA profitability in the period, which is one of the Group's key goals for 2005.

The business continues to maximise its efficient delivery of service through the central operational unit housed in Zurich. The sales, marketing and support people based in the regional offices are tasked with competing for, winning and delivering outstanding service to our growing customer base. Over the last six months we have seen some extremely favourable customer wins including:

- BAA
- O2
- Scania
- Nordea
- Teracom
- Vector PLC
- Microsoft
- Bristol Myers Squibb

These customer wins reinforce the Board's belief that the Group is well positioned to compete in a market which is consolidating.

# CHAIRMAN'S STATEMENT continued

## Board Changes

Earlier in the year we announced a few changes to the Board which reflected the need to focus on the next stage of the growth of the business, after two distinct phases. The first phase involved the turnaround of the business, coupled with some discrete acquisitions. The second, over the last 12 months, was one of consolidation. In this phase, we ensured the acquisitions were bedded down in the Group, able to compete in their markets and producing maximum value for shareholders.

With this in mind, we said farewell to Jon King, Chief Executive, who left in July after a period of integration, and welcomed onto the Board Steve Garvey, who has a wealth of experience in this area. I am delighted by Steve's appointment and feel confident that he will drive the business forward in a positive and efficient manner.

Secondly, I am able to announce today the departure of Stuart Smith as Finance Director, who is leaving to pursue a career elsewhere. We wish him well and thank him for his contribution. We are delighted to announce that Evelyn Kimber FCA will join the board in October as the new Chief Financial Officer. She has extensive experience in similar roles for international companies working in the television industry. She will bring specialist expertise to the Group as we aim to continue our growth.

In addition, we announced the appointment of Andrew Booth and Peter Sibley as joint Vice-Chairmen. This has been done to clearly identify their roles within the Group and the value they bring as the original founders of World Television. They also have regional business development roles to drive organic and inorganic growth in Europe and Asia-Pacific.

It has become apparent that we need to enter a third phase of growth following the successful turnaround and consolidation of the business, if we are to stay competitive in the market. Accordingly we have created a small team which is looking carefully at inorganic growth opportunities which will add further value to the Group. This team includes the deputy Chairmen, the Chairman and the CEO.

I would also like to take the opportunity to thank all the staff at World Television for their dedication and hard work over the last six months, which has been exemplary. It is through their hard work and commitment that we have managed to make these significant steps.

The next six months are important for the Group as we move forward and continue to examine the ways in which we do things, in order to deliver the most value for our customers and our shareholders. Having completed the first two phases of the Group's evolution, we are now embarking on the third phase of assessing further organic and inorganic growth opportunities. The Board is focused on delivering increasing value in all areas, whilst still retaining tight cost control over its resources. We remain cautiously optimistic for the coming six months and I look forward to updating you at the year end.

Michael 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 2004.

A policy change has been implemented to capitalise £136k which relates to the development of software from which future revenue and benefit will flow. This will be amortised over 3 years, the treatment conforming to SSAP13 standards.

The interim results for the six months ended 30 June 2005 and 30 June 2004 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.

### Summary consolidated operating results

| £ thousands | **(Unaudited) Six months to 30.06.05** | (Unaudited) Pro-forma Six months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|---|---|---|
| Europe | **4,841** | 5,104 | 9,400 |
| Australasia | **287** | 200 | 564 |
| **Turnover** | **5,128** | 5,304 | 9,964 |
| Europe | **18** | (171) | (574) |
| Australasia | **(24)** | (85) | (513) |
| **EBITDA (pre-exceptionals)** | **(6)** | (256) | (1,087) |
| Europe | **(273)** | (482) | (999) |
| Australasia | **(14)** | (47) | (83) |
| **Depreciation and Amortisation** | **(287)** | (529) | (1,082) |
| Europe | **(255)** | (653) | (1,573) |
| Australasia | **(38)** | (132) | (596) |
| **EBIT (pre-exceptionals)** | **(293)** | (785) | (2,169) |

Financial results during the period have been largely as expected as we have concentrated on delivering operational objectives following a year of heavy M&A activity.

In March we disposed of our Kamera Content business to a consortium of new investors whilst retaining a significant stake in the new business. There was no profit or loss on disposal of the business. This has allowed us to focus on our core activity in Sweden whilst removing losses for the Group.

### Turnover

Total turnover during the period decreased by £176k, or 3%, to £5,128k. This however masks the underlying trend of the business which is one of growth.

The disposal of our loss making enterprise Kamera Content in March has led to part of this reduction. Additionally in 2004 we concluded a large one off governmental contract to deliver a news service to Iraq. If both of these elements are removed from the comparatives we see like for like growth of £386k or 7%.

# FINANCIAL REVIEW continued

European turnover from the Group decreased by £263k or 5%, to £4,841k although there were significant contributions from our UK Corporate department which increased revenue by 26% and Spain with an increase of 38%, albeit from a small base.

Turnover from the former World TV business increased by £132k or 5%, to £2,943k. Trading was good with contributions from new and existing customers. If, as stated above, the completed contract is removed from the comparatives, we see growth of £608k, some 22%.

Turnover within the Australian segment grew by £87k or 43% to £287k.

### EBITDA before exceptional items

Earnings before interest, tax, amortisation and depreciation (EBITDA) before exceptional items was £(6)k compared to £(256)k in the same period last year. This improvement in profitability is attributable to the cost cutting program implemented by the Board following the merger in August last year.

EBITDA from the European business also showed an improvement of £189k at £18k.

EBITDA loss from the Australian segment reduced by £61k to £(24)k, as cost reductions are coupled with an increase in revenues in the region.

### EBIT

EBIT before exceptional items was £(293)k compared to £(785)k in the same period last year, an improvement of £492k.

### Cashflow

Free cash outflow increased by £1,033k from £456k to £1,489k. This is as a result of an increase in capital expenditure of £120k, an increase in taxation paid of £95k, and changes to creditors relating to merger costs unwinding.

A number of shareholders, including Directors Peter Sibley, Andrew Booth and Tony Bartlett, have agreed to provide a short term working capital facility of up to £300k to cover short term fluctuations. This facility, which terminates on 31 December 2005, is unsecured and attracts an interest rate of 5%. As yet it has not been drawn down upon.

### 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.

### Financial liabilities

As set out in the 2004 Annual Report & Accounts the Group's main financial liability was a property lease for its former head office in Commercial Street, London. The property has a lease of £160k per annum and its earliest termination date is December 2006. The Group made full provision for the expected costs arising under the lease together with other associated outgoings in its 2004 Annual Report & Accounts.

# GROUP PROFIT AND LOSS ACCOUNT

For the half year ended 30 June 2005

| £ thousands | Note | **(Unaudited) Six months to 30.06.05** | (Unaudited) Pro-forma* Six months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|---|---|---|---|
| **Turnover** | | **5,128** | 5,304 | 9,964 |
| Operating expenses before exceptional items and goodwill amortisation | | **(5,304)** | (5,784) | (11,451) |
| - Reorganisation expenses | 3 | **(45)** | – | (342) |
| - Provision for bad debt | | **–** | – | (310) |
| - Net goodwill amortisation and write-back | | **(117)** | (305) | (547) |
| - Goodwill impairment | | **–** | – | (1,710) |
| Total net operating expenses | | **(5,466)** | (6,089) | (14,360) |
| **Operating loss** | | **(338)** | (785) | (4,396) |
| Exceptional items - non-operating | | | | |
| - Merger expenses | | **–** | – | (510) |
| **Loss on ordinary activities before interest** | | **(338)** | (785) | (4,906) |
| Interest receivable and similar income | | **7** | 22 | 16 |
| Interest payable and similar charges | | **(21)** | (12) | (183) |
| **Loss on ordinary activities before taxation** | | **(352)** | (775) | (5,073) |
| Taxation | | **–** | (100) | (122) |
| **Loss on ordinary activities after taxation** | | **(352)** | (875) | (5,195) |
| Equity minority interests | | **10** | 21 | 106 |
| **Loss for the period** | | **(342)** | (854) | (5,089) |
| Dividends | | **–** | (600) | – |
| **Retained loss for the period** | | **(342)** | (1,454) | (5,089) |
| **Loss per share (pence)** | | | | |
| Basic | 4 | **(0.0)** | (0.1) | (1.2) |
| Basic - adjusted | 4 | **(0.0)** | (0.1) | (0.5) |

* Comparative figures have been restated as a result of merger accounting

# CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the half year ended 30 June 2005

| £ thousands | **(Unaudited) Six months to 30.06.05** | (Unaudited) Pro-forma* Six months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|---|---|---|
| Loss for the financial period | **(342)** | (1,454) | (5,089) |
| Foreign exchange movements | **62** | (1) | (61) |
| Total recognised gains and losses for the period | **(280)** | (1,455) | (5,150) |

* Comparative figures have been restated as a result of merger accounting

# CONSOLIDATED BALANCE SHEET

As at 30 June 2005

| £ thousands | (Unaudited) at 30.06.05 | (Unaudited) Pro-forma* at 30.06.04 | (Audited) at 31.12.04 |
|---|---|---|---|
| **Fixed assets** | | | |
| Positive goodwill | **1,057** | 3,236 | 1,174 |
| Negative goodwill | **–** | (120) | – |
| Goodwill | **1,057** | 3,116 | 1,174 |
| Other Intangible assets | **136** | – | – |
| Tangible assets | **528** | 693 | 564 |
| | **1,721** | 3,809 | 1,738 |
| **Current assets** | | | |
| Debtors | **2,102** | 2,419 | 2,024 |
| Cash at bank and in hand | **512** | 1,857 | 1,922 |
| | **2,614** | 4,276 | 3,946 |
| **Creditors:** amounts falling due within one year | **(2,681)** | (3,057) | (3,713) |
| **Net current (liabilities) / assets** | **(67)** | 1,219 | 233 |
| **Total assets less current liabilities** | **1,654** | 5,028 | 1,971 |
| Creditors: amounts falling due after one year | **(1,530)** | (149) | (1,455) |
| **Provisions for liabilities and charges** | **(314)** | (411) | (416) |
| **Net (liabilities) / assets** | **(190)** | 4,468 | 100 |
| **Capital and reserves** | | | |
| Called up share capital | **18,834** | 11,332 | 18,834 |
| Share premium account | **8,977** | 18,834 | 8,977 |
| Capital redemption reserve | **16,874** | 16,874 | 16,874 |
| Merger reserve | **(15,999)** | (15,999) | (15,999) |
| Other reserve | **2,365** | – | 2,365 |
| Profit and loss account | **(31,161)** | (26,586) | (30,881) |
| **Equity shareholders' funds** | **(110)** | 4,455 | 170 |
| Equity minority interests | **(80)** | 13 | (70) |
| | **(190)** | 4,468 | 100 |

* Comparative figures have been restated as a result of merger accounting

# GROUP CASH FLOW STATEMENT

For the half year ended 30 June 2005

| £ thousands | Note | **(Unaudited) Six months to 30.06.05** | (Unaudited) Pro-forma* Six months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|---|---|---|---|
| **Net cash flow from operating activities** | 5 | **(1,101)** | (307) | (1,199) |
| **Returns on investment and servicing of finance** | | | | |
| Interest received | | **7** | 22 | 16 |
| Interest paid | | **(21)** | (12) | (16) |
| | | **(14)** | 10 | – |
| **Taxation paid** | | **(104)** | (9) | (29) |
| **Capital expenditure and financial investment** | | | | |
| Payments to acquire intangible assets | | **(136)** | – | – |
| Payments to acquire tangible assets | | **(134)** | (150) | (203) |
| | | **(270)** | (150) | (203) |
| **Acquisitions and disposals** | | | | |
| Purchase of subsidiary undertakings | | **–** | (610) | (645) |
| | | **–** | (610) | (645) |
| **Equity dividends paid** | | **–** | (600) | – |
| **Net cash out flow before financing** | | **(1,489)** | (1,666) | (2,076) |
| **Financing** | | | | |
| Issue of ordinary shares net of expenses | | **–** | 2,911 | 2,272 |
| Purchase of own shares | | **–** | – | (600) |
| Cash element of merger consideration | | **–** | – | (1,000) |
| Issue of loan finance | | **116** | – | 1,110 |
| Capital element of finance lease payments | | **(27)** | (27) | – |
| Repayment of loans | | **(10)** | (6) | (45) |
| | | **79** | 2,878 | 1,737 |
| **(Decrease) / increase in cash** | 6 | **(1,410)** | 1,212 | (339) |
| **Reconciliation of cash flow movement in net funds** | | | | |
| (Decrease) / increase in cash | | **(1,410)** | 1,212 | (339) |
| Borrowings acquired with subsidiaries | | **–** | (172) | (124) |
| Movement in borrowings | | **(79)** | 33 | (1,232) |
| Translation adjustments | | **(4)** | 26 | – |
| **Movement in net funds** | | **(1,493)** | 1,099 | (1,695) |
| Net funds at start of year | | **521** | 2,216 | 2,216 |
| **Net funds at end of year** | 6 | **(972)** | 3,315 | 521 |

* Comparative figures have been restated as a result of merger accounting

# NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 30 June 2005

## 1 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 2004 Annual Report & Accounts. The summary of results for the year ended 31 December 2004 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.

## 2 Foreign currencies

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

| | **30.06.05** | **Average 2005 six months** | 30.06.04 | Averge 2004 six months | 31.12.04 | Average 2004 12 months |
|---|---|---|---|---|---|---|
| Australian Dollar (AUD) | **2.3701** | **2.4251** | 2.6076 | 2.4685 | 2.4570 | 2.4863 |
| Euros (EUR) | **1.4963** | **1.4584** | 1.4880 | 1.4867 | 1.4156 | 1.4721 |
| Swedish Kronor (SEK) | **14.1439** | **13.3347** | 13.6359 | 13.6455 | 12.7877 | 13.4228 |
| Swiss Franc (CHF) | **2.3152** | **2.2548** | 2.2689 | 2.3069 | 2.1877 | 2.2727 |

## 3 Exceptional items

The Group incurred exceptional costs during the period which relate to the disposal of certain assets relating to the subsidiary Kamera Holdings AB and the redundancy of former directors, part of which will fall into the full year results for 2005.

# NOTES TO THE FINANCIAL STATEMENTS continued

## 4 Loss per share

| £ thousands | **(Unaudited) Six months to 30.06.05** | (Unaudited) Pro-forma Six months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|---|---|---|
| **Basic loss per share** | | | |
| Loss for the period | **(342)** | (1,454) | (5,089) |
| Weighted average number of shares (thousands) | **755,425** | 673,711 | 436,251 |
| **Loss per share (pence)** | **(0.0)** | (0.1) | (1.2) |
| | | | |
| **Supplemental loss per share** | | | |
| Loss for the period | **(342)** | (1,454) | (5,089) |
| Exceptional items | **–** | – | 510 |
| Goodwill amortisation, impairment and write-back | **117** | 305 | 2,257 |
| Adjusted earnings | **(225)** | (1,149) | (2,322) |
| Weighted average number of shares (thousands) | **755,425** | 673,711 | 436,251 |
| **Loss per share - adjusted (pence)** | **(0.0)** | (0.1) | (0.5) |

## 5 Reconciliation of operating loss to net cash flow from operating activities

| £ thousands | **(Unaudited) Six months to 30.06.05** | (Unaudited) Pro-forma Six months to 30.06.04 | (Audited) 12 months to 31.12.04 |
|---|---|---|---|
| Group operating loss | **(338)** | (785) | (4,906) |
| Depreciation | **170** | 224 | 400 |
| Amortisation, impairment and write-back of goodwill | **117** | 305 | 2,257 |
| (Increase) / decrease in debtors | **(78)** | 567 | 967 |
| Increase / (decrease) in creditors | **(1,027)** | (534) | 115 |
| Loss on disposal of fixed assets | **–** | – | 28 |
| Non-cash transactions | **55** | (84) | (60) |
| **Total net operating cash flow** | **(1,101)** | (307) | (1,199) |

# NOTES TO THE FINANCIAL STATEMENTS
Continued

### 6 Reconciliation of movement in net funds

| £ thousands | At 31.12.04 | Cash flow | Non cash movements | **At 30.06.05** |
|---|---|---|---|---|
| Cash at bank and in hand | 1,922 | (1,410) | – | **512** |
| Convertible loan stock | (1,277) | – | – | **(1,277)** |
| Other loans | – | (106) | (4) | **(110)** |
| Finance leases | (124) | 27 | – | **(97)** |
| | 521 | (1,489) | (4) | **(972)** |

Copies of the interim report will be sent to shareholders on 30 September 2005 and are available from the Company Secretary, World Television Group plc, 8 Fitzroy Square, London, W1T 5HN.

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