



## **DCD Media plc (“DCD Media” or the “Company”)**

### **Interim results for the Six months to 31 December 2006**

#### **Financial Highlights**

- First period to include full contributions from three acquired companies in FY05/06 – Done and Dusted, Box TV and NBD TV
- Trading in line with expectations, with majority of sales weighted to second half of the current year
- Turnover £13.1m (H12005: £3.7m)
- Gross profit £2.6m (H12005: £1m)

#### **Operational Highlights**

##### **Done and Dusted**

- Filmed major pop and rock events including Rolling Stones, Scissor Sisters and Robbie Williams;
- Continued successful push into higher budget American markets, with Victoria's Secret catwalk show in LA which it staged and filmed, turning over c.\$5m.

##### **Box TV**

- Delivered dramas Bon Voyage and Wind in the Willows during first half for peak time ITV and BBC respectively;
- Commenced production for £5.9m (estimated turnover) series for BBC entitled The Last Enemy – Box TV's biggest ever project. The majority of this revenue will be recognised in the second half of the financial year.

##### **Iambic Productions**

- Five programmes aired in December alone;
- Biggest project to date in motion – a programme charting the rise and fall of boy bands for ITV1

##### **NBD TV**

- Completed integration of Digital Classics Distribution, achieving significant cost savings;
- New agreements with major record labels have led to new content being added to library;
- Strongest period traditionally second half of financial year.

##### **DC DVD**

- DVD division on schedule to release 20+ titles during financial year;

- JV with US partner signed to enable exploitation of catalogue in North America.

**Chairman, David Elstein, commented,**

“We will continue to pursue growth, both organically and by acquisition of suitable companies which present synergy and added-value opportunities. Our balance of production and distribution in a market of ever increasing demand for top quality content for delivery across a wide range of traditional and new media continues to enable DCD to achieve substantial growth. There is no let-up in our efforts to maximise value for shareholders.”

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## **Chairman's report**

I am pleased to present the Company's interim results for the 6 months to 31 December 2006. This is the first full period of reporting of the three companies acquired during the 2005/06 financial year: Done and Dusted, Box TV and NBD TV. The board is pleased to report that the performance was as expected, and welcomes the completion of their closer integration with the overall Group. Operational synergies began to be identified and put into effect, both in terms of economies of scale (particularly in the merged distribution divisions) and in new revenue-generating opportunities, though the benefit of these will largely be recognised in future reporting periods.

The objective of continued growth by acquisition remains viable. All the companies acquired have been earnings enhancing, and all brought talented people who have contributed significantly to the Group's growth strategy.

The period under review was largely one of consolidation, creating robust structures for further growth, investing in and commencing deals and projects expected to bring returns in the second half of this financial year and beyond. Given the remaining pipeline in each of our divisions, for which we have visibility, we anticipate a satisfactory outcome for the full year.

## **Financial Review**

The six months to 30 December 2006 was a period of integration and stability to prepare the Group for its anticipated growth. The Group has now absorbed completely its recent acquisitions. The Directors expect a majority of the year's turnover to be recognised in the second half of the financial year with profit contribution similarly weighted.

Turnover was £13.1m (2005: £3.7m), and gross profit £2.6m, an increase of £1.6m on the comparable period (2005: £1.0m).

The Group's Adjusted Profit Before Tax was £159,000 (2005: £62,000). The adjusted profit calculation takes into account the non-cash items such as amortization of goodwill on acquisition, depreciation of library assets, and an exceptional item, which is a provision for a potentially cancelled project, to provide a result more closely associated with the Group's operating performance. The Group's pre-tax loss was £768,000, which compares to a loss of £131,000 for the same period the previous year, an increase caused entirely by the provision and write-off of goodwill on the new acquisitions.

The reported results reflect significantly increased overall activity which will help towards smoothing out the normal fluctuations of production activity. This is underpinned by the fact that the enlarged Group now includes productions that will regularly generate revenue.

### **Balance sheet**

At the end of the period under review the Group had net cash of £3.2m on the balance sheet.

## **Review of Divisions**

### **Production**

#### **Done and Dusted (DnD)**

Done and Dusted continued to film some of the most notable pop and rock events in the world, including concerts by the Rolling Stones, the Scissor Sisters and Robbie Williams. Two other concerts scheduled to be filmed during the period were postponed to the second half of the financial year. DnD also continued its successful push into the American market, where budgets can be higher though margins are also generally lower. It staged and filmed the Victoria's Secret catwalk show in Los Angeles in November, turning over approx \$5m, and its executive team also devised and filmed the MTV Video Music Awards, the industry's second-largest event after the Grammys.

DnD also continued its push into made-for-television productions, and has a strong pipeline of projects for the last quarter of the financial year.

#### **Box TV**

During the period Box delivered Bon Voyage and Wind in the Willows, both substantial drama productions for the UK's premier broadcasters, ITV and the BBC respectively. Both were transmitted during peak times, with significant ratings wins. Wind in the Willows is now released on DVD in the UK.

Another production which commenced during the period for Box TV, The Last Enemy, has an approximate estimated turnover of £5.9 million, most of which will be recognised in the second half of this financial year. Since the period end Box has completed the agreement with BBC Television for the production of what is Box's biggest ever project.

Written by Peter Berry (Prime Suspect VI), it stars Robert Carlyle, Benedict Cumberbatch, Max Beesley, Geraldine James and Bafta winning actress Anamaria Marinca.

At the time of writing The Last Enemy is almost halfway through production, and is due for broadcast in autumn. As the owner of the worldwide exploitation rights to this project, the Group has the potential to generate significant further revenues.

Box has a number of projects in active development with BBC, ITV and Channel 4 and expects that two or more of these will reach the production stage. In addition, Box is developing projects for US cable television, which it is anticipated will strengthen the pipeline of work.

Anticipating a forthcoming upswing in production, Box engaged executive producer Adrian Bate in November. He had been Head of Drama at Zenith Productions, and brought with him a slate of projects in various stages of development.

As with all DCD Media productions the direct costs, overheads and a profit element are contracted and funded before production begins, ensuring that the profit contribution is secured with the minimum of risk.

## **lambic Productions Limited (lambic)**

lambic had a good half year, with five programmes being aired in December. These were led by a major new documentary about Abba for ITV1 and a film about the Cirque du Soleil collaboration with the Beatles for the Imagine strand on BBCOne. It also began one of its biggest ever projects, charting the rise and fall of boy bands over the last forty years, for ITV1. This has kept it busy during the third quarter, while a strong pipeline of further work is expected to occupy it fully well into the next financial year.

## **Distribution**

### **NBD TV**

On July 1st NBD TV completed the incorporation of Digital Classics Distribution into its operation, achieving important cost savings.

It has been successful in gaining a healthy stream of content to distribute. New agreements with two major record labels have led to concerts by artists from Pink to Take That being added to the catalogue, while the classical library of operas, documentaries and concerts has been boosted by performances by such popular figures as Paul McCartney (his classical work *Ecce Cor Meum*) and Katherine Jenkins. NBD recently added the 2007 Glastonbury Festival to its roster of programmes to distribute this year, along with *Il Divo* and *The Beatles Love* programmes which were internally produced by Done and Dusted and lambic respectively.

With strong product to sell, strong sales usually follow, and NBD has added those above to further internally-produced titles such as Box TV's *Wind In The Willows*, *Sweeney Todd*, *Bon Voyage* and *The Last Enemy*, Done and Dusted's *T4 On The Beach*, and lambic's *Joan Sutherland* and *Abba* documentaries.

More than production, distribution is a seasonal business, with quiet summers and three of its four major sales markets occurring between January and April. There are additionally large packages of programmes under negotiation where the lead time is several months, one of which has the potential to be the most profitable single deal the group has ever undertaken. With new media sales also growing, NBD therefore anticipates a strong second half year.

## **Digital Classics DVD (DC DVD)**

The DVD label has expanded beyond its original mix of classical and world music titles. The label is on schedule to release over 20 titles during the year. A number of classic British comedy titles have been added to the our catalogue: *A Home of Your Own* starring Ronnie Barker, Bernard Cribbins and Richard Briers; *San Ferry Ann* starring Barbara Windsor and Wilfrid Brambell and *Simon, Simon* with Graham Stark, Michael Caine and Peter Sellers.

The division continues to release internally-generated titles, such as *The Human Factor* starring George Kennedy and John Mills via NBD TV, *Dice*, a thriller from Box TV, and lambic's film about Dame Joan Sutherland: *The Reluctant Prima Donna*.

As well as expanding the availability of titles to Australia and New Zealand, a joint venture with an American partner allows the division to exploit its existing titles in the large North American market, as well as to add new titles to the catalogue.

## Outlook

2006 has been a year of transformation. This is the first full period of reporting with Box TV, Done and Dusted, and NBD TV contributing in full to the first half of the financial year 2006/07.

The Directors are satisfied that the new subsidiaries are performing according to expectations, and that the pre-existing operations are also in line with expectations. DCDVD has started the year brightly, and Iambic continues to perform consistently. The Directors are comfortable with their overall full-year expectations, with the effects of seasonality, production opportunities and contract lead times leading to a performance heavily weighted towards the second half of the year.

The Directors will continue to pursue growth, both organically and by further acquisition of suitable companies, which offer cash flow and risk profiles to complement those of the Group's existing businesses and present synergy and added-value opportunities. As before these will only be undertaken should demonstrable benefits to shareholders be anticipated.

The broader base of production and distribution both spreads risks and creates business opportunities. We expect our internal growth to attract other companies keen to join the group, and will carefully evaluate such options so as to enhance shareholder value.

In the opening months of 2007 the Group's companies have performed as expected. The Directors and management of the Group have sought to improve performance, and achieve substantial growth in a short time, while maintaining a lean operation. There is no let-up in our efforts to maximize value for shareholders.

David Elstein  
30 March, 2007

**Consolidated summarised profit and loss account**  
**For the period ended 31 December 2006**

	Note	Unaudited 6 months to 31 December 2006 £	Unaudited 6 months to 31 December 2005 £	Audited 12 months to 30 June 2006 £
<b>Group turnover</b>		<b>13,131,470</b>	<b>3,695,263</b>	<b>13,295,802</b>
Cost of sales		(10,528,944)	(2,667,928)	(10,217,162)
<b>Gross profit</b>		<b>2,602,526</b>	<b>1,027,335</b>	<b>3,078,640</b>
Other operating income and charges		(2,879,339)	(1,144,065)	(4,045,450)
<b>Group operating loss before exceptional item</b>		<b>(276,813)</b>	<b>(116,730)</b>	<b>(966,810)</b>
Exceptional item	2	(250,000)	-	-
<b>Group operating loss</b>		<b>(526,813)</b>	<b>(116,730)</b>	<b>(966,810)</b>
Net interest payable		(241,532)	(14,234)	(206,388)
<b>Loss on ordinary activities before taxation</b>		<b>(768,345)</b>	<b>(130,964)</b>	<b>(1,173,198)</b>
Tax on ordinary activities	3	3,772	(8,260)	(21,631)
<b>Loss for the financial period</b>		<b>(764,573)</b>	<b>(139,224)</b>	<b>(1,194,829)</b>
<b>Loss per share - basic</b>	4	<b>(0.025p)</b>	<b>(0.016p)</b>	<b>(0.07p)</b>

**Consolidated summarised balance sheet**  
**At 31 December 2006**

	Unaudited 31 December 2006 £	Unaudited 31 December 2005 £	Audited 30 June 2006 £
<b>Fixed assets</b>			
Intangible	26,684,535	14,396,206	27,351,526
Tangible	251,182	193,909	184,736
	<b>26,935,717</b>	<b>14,590,115</b>	<b>27,536,262</b>
<b>Current assets</b>			
Work in progress	93,976	166,078	27,420
Debtors	6,340,558	2,708,002	8,363,564
Cash at bank and in hand	3,212,086	406,268	1,492,620
	<b>9,646,620</b>	<b>3,280,348</b>	<b>9,883,604</b>
<b>Creditors: amounts falling due within one year</b>	<b>(8,333,257)</b>	<b>(3,342,758)</b>	<b>(8,401,837)</b>
<b>Net current assets/(liabilities)</b>	<b>1,313,363</b>	<b>(62,410)</b>	<b>1,481,767</b>
<b>Total assets less current liabilities</b>	<b>28,249,080</b>	<b>14,527,705</b>	<b>29,018,029</b>
<b>Creditors: amounts falling due after more than one year</b>	<b>(7,662,957)</b>	<b>(4,000,000)</b>	<b>(7,667,333)</b>
	<b>20,586,123</b>	<b>10,527,705</b>	<b>21,350,696</b>
<b>Capital and reserves</b>			
Called up share capital	3,466,195	1,771,502	3,466,195
Share premium account	32,941,502	22,757,599	32,941,502
Merger reserve	6,355,556	6,355,556	6,355,556
Profit and loss account	(22,177,130)	(20,356,952)	(21,412,557)
	<b>20,586,123</b>	<b>10,527,705</b>	<b>21,350,696</b>

## Consolidated summarised cash flow statement For the period ended 31 December 2006

	Note	Unaudited 6 months to 31 December 2006 £	Unaudited 6 months to 31 December 2005 £	Audited 12 months to 30 June 2006 £
Net cash inflow/(outflow) from operating activities	5	<b>7,321,774</b>	<b>547,179</b>	<b>96,112</b>
Return on investments and servicing of finance		(241,532)	(14,234)	(206,388)
Taxation		3,772	(8,260)	(21,631)
Capital expenditure and financial investment		(3,273,536)	(900)	(3,680,724)
Acquisitions and disposals		-	(3,801,850)	(10,539,055)
Financing		(2,090,993)	3,686,994	15,846,944
<b>Increase in cash</b>	<b>6</b>	<b>1,719,485</b>	<b>408,925</b>	<b>1,495,258</b>

## Notes to the interim report For the period ended 31 December 2006

### 1 Basis of preparation

The interim financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The principal accounting policies of the group have remained unchanged from those set out in the Group's 2006 annual report and financial statements.

The interim financial information in this report has been neither audited nor reviewed by the company's auditors.

### 2 Exceptional item

A provision of £250,000 has been made in respect of the reduced certainty of the continuation of an existing contract, following the suspension of a television channel.

### 3 Tax on ordinary activity

	6 months to 31 December 2006 £	6 months to 31 December 2005 £	12 months to 30 June 2006 £
The tax charge/(credit) represents:			
Overseas withholding tax not recoverable/(recoverable)	(3,772)	8,260	21,631

### 4 Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the average number of shares in issue during the period.

The calculation of the diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares and the post tax effect of dividends and interest, on the assumed conversion of all other dilutive options and other potential ordinary shares. However, the figures below have not been adjusted for such conversion as the effects of such conversion would be anti-dilutive.

	6 months to 31 December 2006	6 months to 31 December 2005	12 months to 30 June 2006
Basic loss per share			
Loss attributable to ordinary shareholders	(£764,573)	(£139,224)	(£1,194,829)
Weighted average number of shares	3,007,790,580	885,944,844	1,652,689,856
Per share amount (pence)	<b>(0.025p)</b>	<b>(0.016p)</b>	<b>(0.07p)</b>
Diluted loss per share			
Adjusted loss attributable to ordinary shareholders	(£764,573)	(£139,224)	(£1,194,829)
Weighted average number of shares	3,007,790,580	885,944,844	1,652,689,856
Per share amount (pence)	<b>(0.025p)</b>	<b>(0.016p)</b>	<b>(0.07p)</b>

## 5 Net cash outflow from operating activities

	6 months to 31 December 2006 £	6 months to 31 December 2005 £	12 months to 30 June 2006 £
Operating loss	(526,813)	(116,730)	(966,810)
Depreciation and amortisation	3,874,081	303,923	3,223,595
Profit on sale of fixed assets	-	-	-
(Increase)/decrease in work in progress	(66,556)	64,909	141,673
(Increase)/decrease in debtors	2,023,006	479,408	(4,716,498)
(Decrease)/increase in creditors	2,018,056	(184,331)	2,414,152
Net cash inflow from operating activities	<b>7,321,774</b>	<b>547,179</b>	<b>96,112</b>

## 6 Reconciliation of net cash flow to movement in net debt

	6 months to 31 December 2006 £	6 months to 31 December 2005 £	12 months to 30 June 2006 £
Increase in cash in the period	1,719,485	408,925	1,495,258
(Inflow)/outflow from changes in debt	2,090,993	(4,000,000)	(10,090,993)
Conversion of loan stock	-	-	347,645
Movement in net debt	<b>3,810,478</b>	<b>(3,591,075)</b>	<b>(8,248,090)</b>
Net debt at 30 June 2006	(8,250,747)	(2,657)	(2,657)
<b>Net debt at 31 December 2006</b>	<b>(4,440,269)</b>	<b>(3,593,732)</b>	<b>(8,250,747)</b>

## 7 Publication of non-statutory accounts

The financial information set out in this interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The figures for the year ended 30 June 2006 have been extracted from the statutory financial statements which have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain a statement under section 237(2) of the Companies Act 1985.

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