

Cellcast plc
(the "Company")

Final Results for the year ended 31 December 2008

Highlights:

- Group revenues from continuing operations rose 33% to £16 million, driven by new and expanded distribution in the UK digital TV market. All 2008 revenues were generated in the UK, following the discontinuation in 2007 of remaining overseas activities
- Group continued to produce over 600 hours of live interactive television per week, distributed across eleven channels on the Sky Digital and other television platforms and increasingly via the web and mobile services
- Gross profit from continuing operations increased to £1.4 million from £0.9 million in 2007
- Group general and administrative expenses reduced by 33% to £1.4 million (£2.1 million in 2007), principally achieved through a reduction in staffing costs
- After a £1.2 million profit on sale of the Sky channels, Cellcast's 37.5% share of the losses in Cellcast Asia and a Research and Development tax credit, profit after tax for the year was £0.3m compared to a loss in 2007 of £2.2 million
- Technology division maintained its pioneering reputation, delivering improvements and new product developments for the group's proprietary Cellcast Interactive Platform
- UK operations returned to profitability on a significantly lower cost base, current credit facilities considered sufficient for the foreseeable future
- Ofcom have yet to complete their ruling on Participation TV which still may lead to regulations that could significantly constrain the Company's ability to maintain revenue at current levels.
- Aside from these unresolved regulatory issues, outlook is positive despite the unprecedented economic challenges, with expanded distribution of the group's channels and formats in a still-growing UK market for 3G, IPTV and video mobile services

Julian Paul, Chairman of Cellcast plc, commented:

"In 2008 the Company successfully completed its plan to become a substantially UK based business, growing revenues by 33% and reducing the head count to some 23 staff. Nevertheless, in the current economic climate, it is appropriate to be cautious about the future.

The group was profitable in the first quarter of 2009 but faces increased pressure on margins. However, with additional distribution outlets secured in the current year, our technological expertise and innovative solutions, and working from a reduced cost base, we are confident of the group's ability to prosper in this climate."

For further information:

Cellcast plc

Andrew Wilson, CEO
andrew@cellcast.tv

Tel: +44 (0) 20 7190 0300
www.cellcast.tv

HB Corporate Limited

Edward Hutton

Tel: +44 (0) 20 7510 8600

Chairman's statement

2008 results

Following the discontinuation in 2007 of several overseas activities, all our 2008 revenues arose in the UK and we effectively ceased operations in virtually every other overseas territory, apart from our retained minority interest in India. Our UK revenues were substantially from our seven Sky channels, with significant additional revenues in the fourth quarter from various Freeview channels and other media exploitation, which accounts for the strong second-half performance. We continued with our programme of aggressive cost-cutting, mainly in the personnel area and we monetised our investment in two Sky channels by selling them to Discovery, as was reported in the 2008 interim results statement.

Revenue from continuing operations increased significantly to £16 million, up 33% on 2007's £12 million. Gross profit at £1.4 million was 8.6% compared to 7.4% in 2007. The cost-cutting programme outlined below resulted in general and administrative expenses of £1.37m in 2008 compared to £2.1m in 2007, a reduction of 33%. After a £1.2 million profit on sale of the Sky channels, Cellcast's 37.5% share of the losses in Cellcast Asia and a Research and Development tax credit, profit after tax for the year was £0.3m compared to a loss in 2007 of £2.2 million.

This represents earnings per share of 0.4p (2007 – loss (3.8p)). No dividend is proposed.

Cost reductions

The cost reduction programme reported on in both the 2007 Annual Report and 30 June 2008 interim statement is now complete. The major reduction has been in staffing costs. The group now employs only 23 people, and on the basis of the group's present operations, there is no scope for further reductions. The other principal cost is premises. In January 2009, we vacated the head office premises in Bolsover Street, and moved our central office operation into the main studio operation in Great Portland Street. As a result of these initiatives, our monthly run-rate for overheads is currently about £80,000 per month, down from some £100,000 in January 2008.

SUMO.tv

As indicated in the 2008 interim report, there have been no further capitalised SUMO costs in the second half of 2008. At 31 December 2008, the SUMO capitalised costs (net of amortisation) were £2.1 million. The directors have assessed the carrying value of the SUMO costs and have concluded that the recent earnings history and future earnings expectations support this carrying value. From 1 July 2008 onwards, the costs are being amortised over a five year period.

Cellcast Asia Holdings

The group continues to have a 37.5% shareholding in its Asian affiliate, Cellcast Asia Holdings (CAH). Since reducing its stake in August 2007 to an associate, Cellcast has not had and will not have any further funding requirement in respect of this entity. During 2008, Cellcast Asia continued to incur operating losses, of which Cellcast's minority share was £342,000. This has the effect of reducing the carrying value of Cellcast's shareholding in Cellcast Asia to a net £255,000 at 31 December 2008, which the board believes to be a sustainable value. CAH posted a profit both in March and April 2009 and we hope that it will trade profitably from now on.

Funding

As previously reported, the money received from the Sky channel sales enabled us to repay our short-term debts, and to renegotiate the terms of the Headstart convertible loan facilities. The Headstart obligations are

due to be paid off completely by the end of June 2009. At the date of this report there was only £70,000 outstanding, including interest. Apart from this facility, the group has a combination of bank overdraft and debt factoring facilities aggregating £600,000, as set out in note 14 to the accounts.

The directors have considered whether or not it is appropriate to adopt the going concern basis in preparing the 2008 financial statements. Following the substantial cost-cutting programme in 2007 and 2008, the group has seen the UK operations return to profitability in the last quarter of 2008. The group's detailed cash forecasts indicate that the credit facilities currently available are sufficient for the foreseeable future. Accordingly, the directors believe the going concern basis to be appropriate.

Outlook

Clearly, in the current economic climate, it is appropriate to be cautious about the future. The group was profitable in the first quarter of 2009, but margins have been under pressure and there is increased competition in our sector. Also, the Ofcom review of the UK participation TV sector, which was expected to have been concluded in May 2008, is not now expected to be concluded until the end of 2009 or early 2010. However, with additional distribution outlets secured in the current year, our technological expertise and innovative solutions, and working from a reduced cost base, we are confident of the group's ability to prosper in this climate.

Julian Paul

Chairman
9 June 2009

Review of operations Group Overview

Following the reappraisal of the group's operations in 2007 and the consequent reduction in costs and spending, our primary focus remained the United Kingdom market and achieving sustainable profitability through rationalisation and vigorous cost controls.

Throughout the year, opportunities for expansion in the UK continued to be constrained by regulatory challenges, specifically Ofcom's ongoing review of the Participation-TV sector. The industry-wide consultation that was due to be completed in May 2008 is still underway, and we do not expect it to be concluded until the end of 2009 or early 2010.

The group's extensive portfolio of applications, formats and programmes continued to serve it well despite the accelerating economic downturn in the second half of the year. Consumer demand for user generated content (UGC) and interactive formats remained strong throughout 2008, which in turn led to renewed interest among broadcasters and platform providers in the group's technology and formats.

UK Operations

The major effort in 2008 was to maintain the margins and profitability of the UK operations in the face of increased competition across all business sectors. This was achieved through ongoing cost reduction measures, combined with enhancements to the group's portfolio of products and services delivered across television, the internet and mobile phone platforms.

The group remains a leading provider of participation television programming in the United Kingdom, with a strong audience base. It continues to produce over 600 hours of live interactive television per week, which is distributed across seven channels on the Sky Digital platform and is syndicated to a further four digital channels. Revenues continue to be derived from audience participation in the television programmes, and increasingly via the web and mobile services, providing users with access 24-hours a day.

In 2008, the group's now curtailed investment in the UGC venture SUMO.tv produced a significant windfall of £1.2 million, from the sale of the channel's position in the Sky Electronic Program Guide to Discovery Networks. The group also continued to benefit from the deployment of proprietary technology and UGC applications developed by SUMO, to capture new opportunities arising from the growth of 3G, IPTV, enhanced broadband, video mobile and wireless broadband services in the UK.

International Operations

Following the formation of Cellcast Asia in 2007, as a minority shareholder the group no longer consolidates revenues from India and Sri Lanka, nor funds any operations in these markets.

In the Middle East, the group continued to offer premium telephony billing services to regional broadcasters, and maintained fourteen direct agreements with GSM operators. With over 370 free-to-air TV channels available in the region, Cellcast ME continued to expand its relationships with broadcasters, and introduced new services including mobile marketing and bulk SMS, SMS news alert services (primarily in Lebanon), and a new interactive TV production service drawing on the expertise and capacity of the UK operations.

Technology Division

The group continued to build on its reputation as a pioneer of innovative new multi-platform formats and UGC applications. In 2008, every component of Cellcast's proprietary Interactive Platform (the Network Attached Storage System (NAS), Transcoding Subsystem, Content Management System (CMS), Digital Asset Management System (DAMS), Rendering Engine, Website Kernel and 3G Subsystem) was further developed and improved to support existing formats and to facilitate new areas of product development.

During the year, the division delivered the first full product line to use the content management and media delivery systems. Each aspect of content delivery, from mobile and web to television broadcast, was deployed using the CMS and MDS frameworks. In the first quarter of 2008, all of the group's content and applications began migration to the new architecture, and in the second quarter a new suite of websites was deployed on the platform.

Throughout 2008, the group worked on several new areas of research and innovation. The first of three key development projects was "Eagle Eye", a system enabling format production to be monitored and varied according to the direct response of viewers. SatCast, the second major development, provides a new means by which the output of each television channel can be monitored in a more cost effective way. The evolution plan for SatCast will link it to the transcoding system so that all output will be automatically generated and streamed in real time for web and mobile. The third key project, Mailcast, is an online viral interactive storyboarding system utilising an innovative e-card process.

Outlook for 2009

The UK's unprecedented economic contraction is expected to impact consumer spending on Cellcast's services throughout the year, albeit less than is forecast for many other media sectors. Nevertheless, the combination of reduced consumer response rates and increased competition on the Sky platform has led to declining margins on the Sky platform in the first quarter of 2009. To address this, the group has redoubled its efforts to expand distribution of its Sky output on cable and other satellite TV platforms, and via the internet. The implementation of this strategy is already benefiting margins by effectively amortising production costs across multiple distribution platforms.

At the same time the group will continue with its stated focus on developing innovative products and services to capitalise on the increasing uptake of 3G, IPTV, and video mobile services in the UK, all of which require compelling content to drive subscriptions. These innovations, coupled with our expertise in this sector, are beginning to generate new revenues and represent a potentially significant growth opportunity for the group going forward.

Andrew Wilson

Chief Executive Officer
9 June 2009

Bertrand Folliet

Chief Operating Officer
9 June 2009

Consolidated income statement	No te	Year ended 31 December	
		2008	2007
		£	£
Continuing operations			
Revenue		15,994,412	12,008,998
Cost of sales		(14,619,887)	(11,119,565)
Gross profit		<u>1,374,525</u>	<u>889,433</u>
Operating costs and expenses:			
General and administrative		(1,369,172)	(2,061,806)
Share option expense		(56,619)	(150,665)
Amortisation & depreciation		(516,587)	(489,200)
Total operating costs and expenses		<u>(1,942,378)</u>	<u>(2,701,671)</u>
Operating loss	2	(567,853)	(1,812,238)
Profit on disposal of channels		1,207,275	-
Interest receivable & similar income	3	2,914	4,898
Interest payable and similar charges	4	(120,023)	(168,586)
Share of loss in associates		(342,498)	(180,567)
Profit / (loss) before tax		<u>179,815</u>	<u>(2,156,493)</u>
R & D tax credit		153,313	-
Deferred taxation		-	(84,698)
Total taxation		<u>153,313</u>	<u>(84,698)</u>
Profit / (loss) after tax for continuing operations		<u>333,128</u>	<u>(2,241,191)</u>
Discontinued operations			
Profit for the year from discontinued operations		-	18,591
Total profit / (loss) for the year		<u>333,128</u>	<u>(2,222,600)</u>
Profit attributable to minority interests		-	30,684
Profit / (loss) for the year attributable to equity holders of the parent		<u>333,128</u>	<u>(2,253,284)</u>
Total profit / (loss) for the year		<u>333,128</u>	<u>(2,222,600)</u>
Profit / (loss) per share			
Basic & diluted – continuing	5	0.4p	(3.8p)
Basic & diluted – continuing and discontinued	5	0.4p	(3.7p)

Consolidated balance sheet

As at 31 December

	2008 £	2007 £
Assets		
Non-current assets		
Intangible assets	2,460,596	2,212,605
Property, plant and equipment	327,068	511,096
Investments in associates	254,795	561,217
	<u>3,042,459</u>	<u>3,284,918</u>
Current assets		
Trade and other receivables	2,999,339	2,270,027
Cash and cash equivalents	-	7,533
	<u>2,999,339</u>	<u>2,277,560</u>
Total assets	<u>6,041,798</u>	<u>5,562,478</u>
Capital and reserves		
Called up share capital	2,265,398	2,265,398
Share premium account	5,498,626	5,498,626
Merger reserve	1,300,395	1,300,395
Cumulative translation reserve	36,075	(5,159)
Retained earnings	(6,808,186)	(7,197,933)
Equity attributable to equity holders of the parent	<u>2,292,308</u>	<u>1,861,327</u>
Liabilities		
Current liabilities		
Trade and other payables	3,502,193	3,219,042
Borrowings	247,297	482,109
Total liabilities	<u>3,749,490</u>	<u>3,701,151</u>
Total equity and liabilities	<u>6,041,798</u>	<u>5,562,478</u>

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

	Amounts attributable to the equity holders of the parent undertaking							
	Share capital £	Share Premium £	Merger Reserve £	Cumulative Translation Reserve £	Retained Earnings £	Total £	Minority Interest £	Total £
Balance at 1 January 2008	2,265,398	5,498,626	1,300,395	(5,159)	(7,197,933)	1,861,327	-	1,861,327
Profit for the year	-	-	-	-	333,128	333,128	-	333,128
Exchange translation	-	-	-	41,234	-	41,234	-	41,234
Total recognised income and expenditure for the year	-	-	-	41,234	333,128	374,362	-	374,362
Share-based payment charge	-	-	-	-	56,619	56,619	-	56,619
Balance at 31 December 2008	2,265,398	5,498,626	1,300,395	36,075	(6,808,186)	2,292,308	-	2,292,308

Consolidated statement of changes in equity for the year ended 31 December 2007

	Amounts attributable to the equity holders of the parent undertaking							
	Share capital £	Share Premium £	Merger Reserve £	Cumulative Translation Reserve £	Retained Loss £	Total £	Minority Interest £	Total £
Balance at 1 January 2007	1,331,619	4,775,743	1,300,395	24,995	(5,245,614)	2,187,138	(30,684)	2,156,454
Profit / (loss) for the year	-	-	-	-	(2,253,284)	(2,253,284)	30,684	(2,222,600)
Exchange translation	-	-	-	(30,154)	-	(30,154)	-	(30,154)
Total recognised income / (expense) for the year	-	-	-	(30,154)	(2,253,284)	(2,283,438)	30,684	(2,252,754)
Share-based payment charge	-	-	-	-	150,665	150,665	-	150,665
Proceeds of share issue	933,779	722,883	-	-	-	1,656,662	-	1,656,662
Warrant issue charge	-	-	-	-	150,300	150,300	-	150,300
Balance at 31 December 2007	2,265,398	5,498,626	1,300,395	(5,159)	(7,197,933)	1,861,327	-	1,861,327

Consolidated cash flow statement	Year ended 31 December	
	2008 £	2007 £
Net increase/(decrease) in cash and cash equivalents		
Net cash outflow from operations	a (424,740)	(432,743)
Income taxes	153,313	-
Interest received	2,914	4,898
Net cash outflow from operating activities	<u>(268,513)</u>	<u>(427,845)</u>
Net cash inflow/(outflow) from investing activities	b 601,942	(1,207,154)
Net cash (used in)/generated from financing activities	c (450,918)	1,705,029
Net (decrease) / increase in cash and cash equivalents	(117,489)	70,030
Cash and cash equivalents at beginning of period	7,533	(53,476)
Exchange gains/(losses)	41,234	(9,021)
Cash and cash equivalents at end of period	<u>(68,722)</u>	<u>7,533</u>

Notes to the consolidated cash flow statement

Year ended 31 December

2008

2007

£

£

a Reconciliation of net profit/(loss) to net cash outflow from operating activities

Profit/(loss) before tax on continuing operations	179,815	(2,156,493)
Interest receivable and similar income	(2,914)	(4,898)
Interest payable and similar charges	120,023	168,586
Share of operating losses in associates	342,498	180,567
Amortisation and depreciation	516,587	489,200
Share option expense	56,619	150,665
General administration fees settled in shares	-	221,024
Loss on disposal of property, plant and equipment	24,784	-
Gain on disposal of intangible assets – proceeds from disposal of channels	(1,207,275)	-
Finance costs	42,977	-
(Increase)/decrease in trade and other receivables	(765,388)	182,233
Increase in trade and other payables	267,534	1,573,787
Net cash inflow / (outflow) from operating activities from continuing operations	(424,740)	804,671
Net cash outflow from operating activities of discontinued operations	-	(1,237,414)
Net cash outflow from operations	(424,740)	(432,743)

b Cash flow from investing activities

Proceeds on disposal of intangible assets	1,400,000	-
Purchase of property, plant and equipment	(44,076)	(12,235)
Purchase of intangible assets	(753,982)	(1,194,919)
Net cash inflow/(outflow) from investing activities	601,942	(1,207,154)

c Cash flow from financing activities

Capital element of finance leases	(54,395)	(62,463)
Interest paid	(120,023)	(44,418)
Repayment of loan	(276,500)	-
Proceeds from the issue of convertible loan note	-	2,000,000
Less issue costs	-	(188,090)
Net cash (used in)/generated from financing activities	(450,918)	1,705,029

Notes to the preliminary announcement

1. Accounting policies

The consolidated financial statements have been prepared under the historical cost convention in accordance with applicable International Financial Reporting Standards as adopted by the European Union (IFRS).

2. Profit before tax

Profit before tax (2007 – loss) is stated after charging:	2008	2007
	£	£
Depreciation – owned assets	183,091	388,564
Depreciation – assets on hire purchase contracts	20,229	18,918
Licences amortisation	77,975	81,718
Auditor's remuneration – statutory audit of parent and consolidated accounts	35,000	33,000
Audit services provided to subsidiaries were £25,000 (2007: £25,000)		
Other services supplied pursuant to such legislation: Interim results	5,000	5,000
Foreign exchange loss	7,268	5,410

3. Interest receivable and similar income

	2008	2007
	£	£
Bank interest received	2,914	4,898

4. Interest payable and similar charges

	2008	2007
	£	£
Interest on convertible loan	41,654	124,168
Bank charges & interest paid	70,541	24,244
Finance leases	7,828	20,174
	120,023	168,586

5. Earnings/(loss) per share

Adjusted earnings/(loss) per share

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

	Continuing operations		Continuing and discontinued operations	
	2008	2007	2008	2007
Reported profit /(loss) for the financial period	333,128	(2,241,191)	333,128	(2,222,600)
Weighted average number of ordinary shares	75,513,224	59,390,157	75,513,224	59,390,157
Weighted average number of ordinary shares including dilutive effect of outstanding share options and warrants	75,513,224	59,390,157	75,513,224	59,390,157
Basic earnings/(loss) per share	0.4p	(3.8p)	0.4p	(3.7p)
Diluted earnings/(loss) per share	0.4p	(3.8p)	0.4p	(3.7p)

Due to the loss incurred in 2007 there was no dilution effect from the issued share options and warrants. There is not considered to be any dilution effect of the issued share options and warrants during 2008 as the listed market value of the shares throughout 2008 was lower than the exercise prices of the share options and warrants in issue during the year.

6. Segmental reporting

The group operates in one business; that (which is considered to be the primary analysis) of television and broadcasting. The segmental analysis by region is presented below.

	Year ended 31 December	
	2008	2007
	£	£
Revenue		
UK	15,994,412	11,871,761
Asia	-	137,237
Total	<u>15,994,412</u>	<u>12,008,998</u>
Cost of sales		
UK	14,619,887	10,959,797
Asia	-	159,768
Total	<u>14,619,887</u>	<u>11,119,565</u>
Gross profit		
UK	1,374,525	911,964
Asia	-	(22,531)
Total	<u>1,374,525</u>	<u>889,433</u>
Operating loss from continuing operations		
UK	(1,141,059)	(1,009,397)
Asia	-	(162,976)
Segmental operating loss	<u>(1,141,059)</u>	<u>(1,172,373)</u>
Non Segmental		
Amortisation and depreciation	(516,587)	(489,200)
Share option expense	(56,619)	(150,665)
Operating profit loss	<u>(567,853)</u>	<u>(1,812,238)</u>
Total assets		
UK	6,041,798	5,471,589
Rest of Europe	-	65,970
Asia	-	24,919
Total	<u>6,041,798</u>	<u>5,562,478</u>
Total liabilities		
UK	3,502,193	3,141,728
Rest of Europe	-	65,970
Asia	-	11,344
Non Segmental		
Borrowings	247,297	482,109
Total	<u>3,749,490</u>	<u>3,701,151</u>
Capital expenditure - intangible		
UK	753,982	1,194,919
Total	<u>753,982</u>	<u>1,194,919</u>

Capital expenditure - tangible		
UK	44,076	12,235
Total	<u>44,076</u>	<u>12,235</u>
	2008	2007
Amortisation and depreciation	£	£
UK	516,587	483,268
Asia	-	5,932
Total	<u>516,587</u>	<u>489,200</u>
Discontinued operations		
Revenue	-	2,896,865
Cost of sales	<u>-</u>	<u>(3,339,917)</u>
Gross profit	-	(443,052)
Administrative expenses	-	(725,513)
Finance cost	-	(65)
Gain on disposal of subsidiary	<u>-</u>	<u>1,187,221</u>
Profit for the year from discontinued operations	<u>-</u>	<u>18,591</u>

7. Publication of non-statutory accounts

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. Statutory accounts for 2008 will be delivered to the Registrar following the Company's Annual General Meeting. The balance sheet at 31 December 2008 and income statement, statement of changes in equity, cash flow statement and associated notes for the year then ended have been extracted from the Company's 2008 financial statements upon which the auditor's opinion is unqualified.

8. Other information

The report and accounts for the year ended 31 December 2008 will be posted to shareholders shortly and will be laid before the Annual General Meeting to be held at the offices of Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP on 30 July 2009 at 10.00 am.

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