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**DCD MEDIA PLC**  
**("DCD" or the "Group")**

**Final Results for the Year Ended 30 June 2007**

DCD Media plc ("DCD") produces and distributes high quality factual, entertainment, drama, music and arts programming for television, DVD, and new media. The Group also stages and manages related media events.

During the period DCD completed the integration of its previous trio of acquisitions and progressed with a year of aggressive growth.

**Financial Highlights**

- Turnover increased to £26.8m (2006: £13.3m)
- Gross profit increased to £5.8m (2006: £3.1m)
- Adjusted Profit Before Tax<sup>1</sup> £1.36m (2006: loss £0.3m)

*Note 1: Pre tax result adjusted for non-cash items (amortization of goodwill and fair value acquisition costs, £1.2m, catalogue amortization £0.26m, exceptional item, £0.3m)*

**Operational Highlights**

- First full year of consolidated results from previously acquired companies
- Group turnover and gross profit accelerated year on year
- At the close of the year the Group's management struck new deals to acquire three new production divisions

***Production divisions performed in line with expectations***

- Box TV secured significant prime time drama achieving high ratings and acclaim
- Iambic achieved success with Beatles and Boy Bands documentaries for BBC One and ITV  
NBD TV catalogue substantially increased
- Done & Dusted production growth led by its US event staging and filming business
- DVD division achieved a significant deal to supply content for worldwide distribution

**Chairman David Elstein commented:**

"During 2006/7 DCD has fulfilled the board's expectations in terms of turnover and profit growth, and shown that our acquisition and consolidation strategy is soundly based. We are probably now the most broadly based of all the UK quoted independent TV companies, we have an exciting creative core and a strengthened management team, who together make DCD Media a key player in the TV production and distribution sector. The current trading year should show further progress, with the latest acquisitions bearing fruit.

**For further information please contact:**

**DCD Media plc**

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**Chairman's statement**

On behalf of the board, I am pleased to present the annual results for the Group for the year ended June 30<sup>th</sup> 2007.

During this financial year, DCD Media has set itself two key targets: integration of the acquisitions made in the previous year and preparation for further enlargement of the Group within a rapidly consolidating sector.

Turnover in 2006/7 was more than double the previous year, which in turn had seen a significant increase on 2004/5. What was until recently a £3.1m per annum turnover company is now a £26.8m turnover company, and this is before any contribution from the acquisitions made in the summer.

Each of the production entities within the Group has made significant contributions to our outcome, and the distribution division has capitalized on the availability of dramas delivered by Box, such as *Wind In The Willows*, *Bon Voyage* and (still in post-production) *The Last Enemy*, as well as documentaries from *Iambic* on *Abba*, *The Beatles* and *Boy Bands*. *Done and Dusted*, which specializes in filming live events, is also generating opportunities for the distribution division, with activities ranging from *T4 on the Beach* to *Christina Aguilera*. The results reported here embrace the results of *Iambic*, *Done and Dusted*, *Box*, our DVD label and the distribution specialist *NBD TV*.

**Financial Review**

With turnover doubling (from £13.3m in 2005/6 to £26.8m in 2006/7), the various measures of profit reflected the enlarged scale of the business. Gross profit increased from £3.1m (2005/6) to £5.8m (2006/7), operating profit from a loss of £1.0m (2005/6) to a positive figure of £0.4m before an exceptional item, and adjusted profit before tax from a loss of £0.3m (2005/6) to a profit of £1.36m (2006/7). This outcome demonstrates our ability to absorb new businesses, and encourages us to continue on this track.

There were a number of one-off costs during the year, such as moving all operating companies into one office in order to rationalise the Group. This was also a period when we took a full year of goodwill amortization from previous acquisitions (£1.2m charge, compared with £0.7m in the previous year).

**Outlook**

As the core of production entities within the Group enlarges, so the benefits of shared overheads and creative synergy come to the fore. Further acquisitions, made during August 2007 and described below, will accentuate these trends, and place DCD Media firmly in the front rank of listed production and distribution companies. The UK production industry is a leading player internationally, and the strategy of steadily broadening our base whilst carefully controlling central costs looks increasingly attractive. We therefore expect to make further progress, on all key metrics, during the 2007/8 trading year.

I would like to thank all my board colleagues for their efforts, particularly the executive management team led by Chris Hunt and John McIntosh.

David Elstein,  
Chairman

## **Chief Executive's Review**

### **CEO, Chris Hunt, commenting on the success of the Group and its newly acquired companies:**

'For the financial year to June 2008 the Group is planning to continue its strong growth. I am delighted with the early performance of the three companies which DCD acquired in August 2007, and I am confident that they are on the road to deliver the added value to shareholders that we had anticipated. DCD has developed a stronger stable of top class producers of content across a wide range of genres and with a large and growing number of clients, with extra benefit through the vertical integration provided by our in-house distributor'.

## **Financial Overview**

### *Trading results*

Group turnover grew by 101% to £26.8m (2006: £13.3m) with the Group's three acquisitions from 2006 contributing a full year of consolidated contribution for the first time. In the prior year these three acquisitions contributed to turnover for approximately six months out of that year of trading.

Gross profit increased by 88% to £5.8m (2006: £3.1m). The gross margin has remained steady at 22% (2006: 23%), a slight decrease on the prior year due to the higher costs of set up and manning a presence in the U.S.

The full year of additional contribution of new businesses has driven central, administration, sales and distribution costs to £5.4m up from £4.1m in 2006. Consequently, administrative costs now represent 20% of turnover, a significantly reduced proportion compared with 31% in 2006. This measure represents a significant indicator in driving efficiencies across the overall Group.

Operating profit increased by £1.4m to £0.4m before exceptional item (2006: Loss £1.0m) reflecting the contribution of prior year acquisitions, after an amortization charge on goodwill of £1.2m (2006: £0.7m).

The Group's management believes that a better representation of earnings is by reference to Adjusted Profit before Tax, taking account of non-cash deductions against operating profit. Adjusted Profit before Tax stood at £1.36m up from a loss of £0.3m in 2006.

The board previously considered the alternative measure of Earnings Before Interest Depreciation and Amortisation (EBITDA). However, this measure does not provide a satisfactory reflection of non-cash related normalised operating income and expenditure. For information only, during the period of review, reported EBITDA rose to £8.0m (2006: £2.2m).

Earnings per share is disclosed in note 2 below.

### *Balance Sheet*

Net current assets increased to £2.0m (2006: £1.4m) reflecting the delivery of programmes during the period allowing a production loan to be repaid, and the value of new productions in progress at the period end.

Net funds stand at £1.0m (2006: £1.5m) reflecting increased net interest payments in the period of £0.5m (2006: £0.2m) and timing differences due to funding of programme production towards the end of the period.

Interest cost arises from the full year cost of long term debt, which at the year end, stood at £7.3m (2006: £7.7m) and reflects a Convertible Loan raised during the prior year to finance earlier acquisitions.

Shareholder funds remain steady at £21.3m (2006: £21.3m) reflecting the result for the period.

### **Review of divisions**

The Group is now recognised as a significant independent media producer spanning the entertainment, factual, drama, arts and media event management sectors. In addition to continuing organic growth, it remains part of the Group's strategy to continue to make further acquisitions within other genres where it believes commercial synergies will result.

DCD is strengthened by the acquisition of three new businesses in August 2007, Prospect Pictures, September Films and West Park Pictures, which are all established in their respective production genres – Prospect in lifestyle programmes, September in factual entertainment and West Park in documentaries. DCD recognises that the industry is consolidating but its own rate of growth means it will now be ranked within the UK's top ten independent producers by turnover. This strengthens the ability of the Group to drive new revenue opportunities through:

- economies of scale through operating synergies across the Group
- recognition gained across a wide range of television production genres
- new relationships being developed both in the UK and abroad from the contacts of the acquired companies. The opening of the door to US broadcasters via September Films is considered one of the most important factors in that acquisition
- maximisation of the benefits from vertical integration by pushing more product through an expanded distribution division.

DCD has the capacity to sell its programmes to online distributors and more such opportunities will open up. It has a pool of talent which bears comparison with the best any independent producer can offer, and will establish an organisational structure to allow the creative heads to think outside their normal remits to develop new ideas and products.

### **Production**

#### **BOX TV (Box)**

This division continued to grow its reputation in the large scale drama sector. Its most recent addition to the creative department, executive producer Adrian Bate, contributed a major ITV1 drama entitled 'Affinity', from the novel by the writer of 'Tipping The Velvet' and 'Fingersmith', while founder creative head Gub Neal won Box TV's biggest ever commission, for a 5 part thriller series 'The Last Enemy' for BBC One.

Box is expected to conclude 'Affinity' during the coming period, with the premiere of the completed 'The Last Enemy' due to be announced shortly for primetime BBC airing. The productions continue to derive sales in both UK and foreign markets, and there is reason to anticipate further profits from them, as well as the previous successes completed in the prior year.

Box TV has a strong outlook, with a number of projects in development.

### **DONE AND DUSTED**

The roster of the clientele which the company works with is an enviable list of the world's most famous rock and pop acts, from The Rolling Stones to Christina Aguilera. The company has also retained the annual Laureus World Sports Awards work and the burgeoning Channel 4 event T4 On The Beach. In the US Done and Dusted continues its march, retaining the stellar Victoria's Secret event which it stages and films, while opening an office in New York specifically to further its push into this market and winning new contracts such as the Environmental Media Awards .

### **IAMBIC PRODUCTIONS**

The Group's original production unit has maintained a high margin and consolidated its worldwide reputation for high quality entertainment documentaries, with a mini-series for ITV1 called 'The Truth About Boy Bands' and films about The Beatles, Abba and Michael Jackson being aired on BBC One and ITV1 respectively. Its arts output was maintained by two classical music-based programmes, and it has a healthy outlook in further arts and entertainment projects.

### **Distribution**

#### **NBD TELEVISION (NBD)**

During the period the distribution division recorded its highest-ever sales at the world's biggest television market, MIPTV in Cannes, France, in April. NBD has successfully distributed programmes produced by the Group's production divisions, such as Done and Dusted's T4 On The Beach, Box TV's The Last Enemy and Iambic's The Beatles In 'Love', and has already made inroads into distributing the output of the new acquisitions (the benefit of which will come into the results for 2008), including half a million pounds of pre-sales for West Park Pictures' new documentary series with Stephen Fry. The outlook for NBD includes increasing sales to new media.

Television sales in the Group's mainly classical catalogue remain steady. It is managed under the distribution arm and is well-suited for exploitation in on-demand and broadband delivery systems, which are in various stages of development around the world.

#### **DIGITAL CLASSICS DVD (DC DVD)**

The DVD label has exceeded expectations. While the titles sold via the DC DVD website and retail are relatively small, a major deal was achieved to boost the division, taking its content to a wider audience through a deal with a major record company. To further this objective the company has earmarked a substantial number of additional comedy titles for distribution which it is anticipated will broaden its appeal and generate further regular revenue streams.

### **Deal structure of acquisitions announced in August 2007**

The Group has acquired the entire issued share capital of each of Prospect Pictures Limited, September Holdings Limited and West Park Pictures Limited. These companies operate in the areas of lifestyle TV, factual entertainment and international documentary TV production. Completion of the acquisitions took place on 7 August 2007.

In each case the vendors were the company's management, who all agreed to accept new service agreements lasting at least three years, and who all received half their consideration in

cash and half in DCD Media shares which were locked in for two years (plus a third year through an orderly market agreement with the Group's brokers). The new subsidiaries are therefore run by a highly incentivised management congruent with DCD Media plc objectives to help it grow and prosper.

### **Funding of Acquisitions**

Similar to the previous trio of acquisitions, each of the companies acquired was bought on a multiple of earnings before interest, tax, depreciation and amortisation of nine times or less, based on current and historic performance, with a forward multiple of seven.

The aggregate consideration amounted to approximately £19.1 million, comprising £9.37 million in cash, £0.18 million in loan notes and £9.55 million in new Ordinary Shares. DCD raised £8.5 million before expenses via a placing of 10,625,000 new Ordinary Shares with certain institutional investors at 80 pence per share following a planned 100 for 1 share consolidation. In addition, the Group raised £4 million of convertible loan from institutional investors.

The board believes the acquisitions meet the Group's criteria for growth by acquisition and will help to capitalise on the opportunities becoming available as the market consolidates.

### **Review of Acquisitions**

#### **Prospect Pictures Limited**

The company is a major producer of weekday entertainment programmes featuring cookery and other lifestyle subjects. It has a high volume of low cost productions and recurring output contracts, which provide stable and visible earnings. For the domestic market, Prospect specialises in live, interactive lifestyle programming, but it is also developing factual entertainment formats and documentaries for the international market. A subsidiary of Prospect Pictures, Cardiff-based Prospect Cymru Wales, specialises in the creation and production of English and Welsh language television programmes for Welsh based broadcasters (such as BBC Wales and S4C). Among independent producers Prospect is one of the largest suppliers, making over 500 hours of television for UK broadcasters in 2006.

The total consideration for the acquisition was £7.05 million, comprising £3.35 million in cash, £0.18 million in loan notes and £3.52 million satisfied by 4,406,250 new Ordinary Shares.

#### **September Holdings Limited**

The company is a major producer of 'factual entertainment' for media channels worldwide and is headed by David Green, an internationally renowned producer and director. An important part of the business of September Holdings Limited is in the US, with a full time operating office in Los Angeles. Its credits include 'Bridezillas' soon to broadcast its fifth season on the Women's Entertainment channel in the US, and 'the Hollywood' brand recently transmitting its thirteenth series for ITV1. It has produced over 1,000 hours of primetime television during the last fifteen years.

Following the engagement of an additional creative executive September Films has recently announced a double commission for Five's 'Extraordinary People' strand and has further factual-based projects in the pipeline, all of which are in line with the Group's expectations.

September retains the international rights to its programmes; these are exploited through its dedicated sales arm, September International which has now been consolidated into DCD's distribution arm NBDTV.

The total consideration for the acquisition was £9.06 million, comprising £4.53 million in cash and £4.53 million satisfied by 5,662,152 new Ordinary Shares.

### **West Park Pictures Limited**

West Park is a producer of documentary content with an international flavour; it has established links with well known UK presenter personalities and also produces works for Prince Charles' artistic foundation. It was founded by one of the UK's most highly respected film makers, Andre Singer.

Its recent broadcasts on BBC2, 'Stephen Fry: HIV and Me', which attracted sizeable audiences and acclaim, will for instance be followed by two more series presented by the same person: 'Last Chance To See', and 'Stephen Fry's In America' which is currently being filmed.

The total consideration for the acquisition was £2.96 million, comprising £1.48 million in cash and £1.48 million satisfied by 1,850,391 new Ordinary Shares.

### **Outlook**

The outlook for the Group is positive for a number of reasons. It has acquired three new production companies with only a minimal increase in central costs, so that nearly all their contribution to cash earnings flows through to the Operating Profit. Each of these companies is growing in line with expectations, and synergies are emerging.

The Directors are comfortable with the performance of the pre-existing production and distribution divisions, which continue to deliver as anticipated. These have all been successfully assimilated into the DCD Group, and the seamless way in which this occurred has more recently been mirrored by the consolidation of the new acquisitions.

The Group is now a widely diversified entity, with a number of successful brands but no over-reliance on any one, and with a very wide client base in the UK and abroad. In the period under review no single client represented more than 10% of turnover, and DCD had over 200 clients. With the three acquisitions then joining, the list of clients has broadened further.

A simple, vertically-integrated structure; the best talent locked in and incentivised; a diversified client base; the ability to create and own content across all media; and an acquisition strategy built on immediate earnings enhancement and the addition of shareholder value: these are the watchwords by which DCD Media is continuing to grow, and which will ensure that the outlook remains favourable for some distance into the future.

Despite recent industry hiccoughs at the BBC and ITV, the outlook for DCD is favourable as the BBC has announced that it will focus on areas in which DCD is strong and is formalising WOCC (The Window of Creative Competition) which may lead to an expansion of the potential independent market of £250m, and ITV has pledged to continue to seek the best programming from whatsoever source.

The net effect of the changes that have ensued there makes the prospects for DCD no less favourable than before. DCD has remained totally unaffected by the recent ethics and phone revenue problems at the BBC and ITV.

Further growth is anticipated, organically and by acquisition. DCD Media plc is a work in progress, but one which is already demonstrating the benefits of its strategy.

Chris Hunt  
Chief Executive

**Consolidated Profit and Loss account  
For the year ended 30 June 2007**

	2007	2006 restated
	£	£
<b>Group turnover</b>	<b>26,776,419</b>	<b>13,295,802</b>
Cost of sales	(20,999,904)	(10,217,162)
<b>Gross profit/(loss)</b>	<b>5,776,515</b>	<b>3,078,640</b>
Other operating charges	(5,373,343)	(4,089,450)
Exceptional item	(297,400)	-
<b>Group operating profit/(loss)</b>	<b>105,772</b>	<b>(1,010,810)</b>
Interest receivable and similar income	30,048	34,445
Interest payable and similar charges	(517,889)	(240,833)
<b>Loss on ordinary activities before taxation</b>	<b>(382,069)</b>	<b>(1,217,198)</b>
Tax on loss on ordinary activities	(2,108)	(21,631)
<b>Loss for the financial period</b>	<b>(384,177)</b>	<b>(1,238,829)</b>
<b>Basic and diluted loss per share</b>	<b>(1.27p)</b>	<b>(7.50p)</b>

The accompanying notes and accounting policies form an integral part of these financial statements.

**Consolidated and Company Balance Sheets  
As at 30 June 2007**

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
<b>Fixed assets</b>				
Intangible assets	26,331,356	27,351,526	321,051	348,819
Tangible assets	211,789	184,736	121,023	94,066
Investments in subsidiaries	-	-	25,409,207	25,409,207
	<b>26,543,145</b>	<b>27,536,262</b>	<b>25,851,281</b>	<b>25,852,092</b>
<b>Current assets</b>				
Work in progress	1,076,160	27,420	-	-
Debtors	7,280,893	8,363,564	4,158,830	3,511,167
Cash at bank and in hand	1,003,469	1,492,620	788	524,274
	<b>9,360,522</b>	<b>9,883,604</b>	<b>4,159,618</b>	<b>4,035,441</b>
<b>Creditors: amounts falling due within one year</b>	(7,321,648)	(8,445,837)	(699,110)	(697,643)
<b>Net current assets</b>	<b>2,038,874</b>	<b>1,437,767</b>	<b>3,460,508</b>	<b>3,337,798</b>
<b>Creditors: amounts falling due after more than one year</b>	(7,314,855)	(7,667,333)	(7,307,710)	(7,652,355)
<b>Total net assets</b>	<b>21,267,164</b>	<b>21,306,696</b>	<b>22,004,079</b>	<b>21,537,535</b>
<b>Capital and reserves</b>				
Called up share capital	3,510,476	3,466,195	3,510,476	3,466,195
Share premium account	33,241,866	32,941,502	33,241,866	32,941,502
Merger reserve	6,355,556	6,355,556	-	-
Profit and loss account	(21,840,734)	(21,456,557)	(14,748,263)	(14,870,162)
<b>Shareholders' funds</b>	<b>21,267,164</b>	<b>21,306,696</b>	<b>22,004,079</b>	<b>21,537,535</b>

The financial statements were approved by the Board of Directors on 4th November 2007

M Barton  
Director

**Consolidated cash flow statement  
for the year ended 30 June 2007**

	2007	2006
	£	£
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8,885,480</b>	<b>96,112</b>
<b>Return on investments and servicing of finance</b>		
Interest received	30,048	34,445
Interest paid	(517,889)	(240,833)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>	<b>(487,841)</b>	<b>(206,388)</b>
<b>Taxation</b>	<b>(2,108)</b>	<b>(21,631)</b>
<b>Capital expenditure</b>		
Disposal of tangible fixed assets	255	-
Purchase of tangible fixed assets	(138,362)	(97,070)
Purchase of intangible fixed assets	(6,722,853)	(3,583,654)
<b>Net cash outflow from capital expenditure</b>	<b>(6,860,960)</b>	<b>(3,680,724)</b>
<b>Acquisitions and disposals</b>		
Acquisition of subsidiary undertakings	-	(9,575,072)
Net cash acquired with subsidiary undertakings	-	318,910
Expenses on acquisition of subsidiary undertakings	-	(1,282,893)
<b>Net cash outflow from acquisitions</b>	<b>-</b>	<b>(10,539,055)</b>
<b>Financing</b>		
Issue of shares	-	6,381,883
Expenses paid in connection with share issues	-	(278,287)
Repayment of loan	(2,090,993)	-
New loans	-	9,743,348
<b>Net cash (outflow)/inflow from financing</b>	<b>(2,090,993)</b>	<b>15,846,944</b>
<b>(Decrease)/increase in cash</b>	<b>(556,422)</b>	<b>1,495,258</b>

**Consolidated statement of total recognised gains and losses for  
the year ended 30 June 2007**

	2007	2006
	£	£
Loss for the financial period	<b>(384,177)</b>	<b>(1,238,829)</b>
Total recognised gains and losses for the year as above	(384,177)	-
Prior period adjustment (note 3)	(44,000)	-
Total gains and losses recognised since the last annual report	<b>(428,177)</b>	-

## Notes to accounts

### 1. Basis of preparation

The financial information set out above does not constitute the group's statutory accounts for the years ended 30 June 2007 or 2006, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under the Companies Act 1985, s 237(2) or (3).

### 2. 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 year.

The calculation of 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.

	Loss	2007	Per share amount	Loss	2006	Per share amount
	£	Weighted average number of shares	pence	£	Weighted average number of shares	pence
Basic loss per share						
Loss attributable to ordinary shareholders	(384,177)	30,253,407	(1.27)	(1,238,829)	16,526,899	(7.50)

Due to the losses incurred in the year, the share options and the convertible loan outstanding at the year end do not have a dilutive effect on the stated loss per share. As such, no separate calculation is disclosed.

### 3. Adoption of FRS 20

During the year the company adopted FRS 20 in accounting for its share options. The effect of such adoption resulted in the increase in the prior year loss for the year of £44,000. The change in accounting policy has no effect on the results for the current year.

### 4. Posting and availability of accounts

The Group's annual report and accounts will be posted to shareholders on 23<sup>rd</sup> November 2007. Copies of the accounts will be available at 151 Wardour Street, London, W1F 8WE for a month after that date.

#### Further information:

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