



**Interim Results for the six months to
31 December 2007**

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DCD Media plc ('DCD' or the 'Group') is an independent producer and distributor of 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 first half of this financial year DCD began the integration of the three production companies acquired in August 2007 and progressed its strategy of programme diversification and expansion into the US markets, whilst at the same time ensuring the Group continues to nurture and grow its in-house talent.

As in previous years the Group's financial performance is heavily weighted towards the second half of the year, and current trading, combined with the newly acquired businesses, gives the board confidence that the outcome for the full year will be at least in line with expectations.

Financial Highlights

- Revenue increased to £18.1m (H12006: £13.1m)
- Gross profit increased to £4.7m (H12006: £2.6m)
- Profit before goodwill and exceptional item £0.6m (H12006 £0.4m)
- Adjusted Profit Before Tax (note 1) £0.25m (H12006: £0.16m)

Note 1: Pre tax result adjusted for non-cash items (goodwill and fair value acquisition costs, £0.6m, non cash and exceptional items, £0.2m)

Operational Highlights

- During the period the Group's management struck new deals to acquire three production companies (Prospect Pictures Limited, September Holdings Limited and West Park Pictures Limited)
- Group revenue and gross profit accelerated driven by both internal growth and acquisitions
- Revenue from US sourced business expanded in line with expectation, with strong contribution from the newly acquired subsidiaries

DCD Production is performing in line with expectations. Highlights include:

- Box TV delivered a significant prime time drama to BBC One achieving strong acclaim and commenced production on a new primetime drama series for ITV1
- Done and Dusted production continued to operate strongly in the US market and obtained a Grammy award nomination
- Iambic production's The Truth about Boy Bands transmitted on ITV1, and commissioned to work on a new production of King Lear with other projects developed for delivery in early 2008
- Prospect Pictures secured a further commission to supply the fourth series of Daily Cooks on ITV1
- September Films won several commissions including a double commission for Five's Extraordinary People and continued its strong growth in the US with a sixth series commission for Bridezillas
- West Park Pictures announced their major series for the BBC, 'Fry's in America' starring Stephen Fry

Distribution continues to deliver:

- NBD distribution obtained record sales during the MIPCOM event, and restructured its operation to build upon its dynamic growth phase
- The DVD division achieved significant deals to supply content for worldwide distribution

Chairman David Elstein commented:

'DCD continues to be one of the most broadly based of all the UK quoted independent TV production and distribution companies. We have a strengthened creative core, backed by a highly experienced 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 contribution from the recent acquisitions building upon the existing business success.'

Chairman's Report

On behalf of the board, I am pleased to present the interim results for the Group for the six months ended 31 December 2007.

During the last financial year the Group positioned itself for further enlargement within a rapidly consolidating sector. I am pleased to say that this objective was quickly achieved with the most recent trio of acquisitions. The Group now turns towards exploiting its expanded strengths across the wider market. As in previous years the Group's financial year is heavily weighted towards the second half. The Group has always made most of its profits in the second half of the year and the period to 30 June 2008 will reflect this trend. Given the remaining pipeline in each of our divisions, for which there is visibility, we anticipate a repeat of the last year's achievement in cementing full year expectations.

Financial Overview

Revenue in the period was £18.1m (1H2006 £13.1m), up 38% on the comparable period, reflecting the impact of additional US productions, partial contributions from the newly acquired companies and new distribution deals. This has driven gross profit to a creditable £4.7m (1H2006 £2.6m) a margin of 26% (1H2006 19.8%). The directors expect a majority of revenue to be recognized in the second half of the financial year with profit contribution similarly weighted.

In the six months ending 31 December 2007, the Group's profit before writedown of goodwill and related intangible assets grew to £0.6m (1H2006 £0.4m). Administration costs of £4.1m (1H2006 £2.1m) reflected the additional costs of absorbing three new subsidiaries and as such reflect 22% of gross revenue, up from the prior period 17%. This is before integration of the new subsidiaries has fully taken place which, when completed, will ensure any overlap of cost is eliminated.

The Group's Adjusted Profit before Tax and after interest rose to £0.25m (1H2006 £0.16). This outcome demonstrates the same profile of profit accumulation as the prior year, and points towards increased momentum in the second half.

The loss for the period was £0.48m (1H2006 loss £0.18m). This period of reporting reflects an increased goodwill writedown (a £0.6m charge, compared with £0.1m in the comparable six month period of reporting). There was a one-off cost during the period (£0.1m) relating to the restructuring of Distribution division which was announced in November 2007. The Group's interest expense increased in the period to £0.5m up from £0.2m in the comparable period. In total these increments reflect an additional £0.9m of cost, masking the improved operating result. In the period of reporting the non-cash items have increased by £0.5m over the comparable period.

The reported results reflect significantly increased overall activity which, in time, will help smooth the normal fluctuations of production activity which currently weights the performance towards the second half of the financial year.

International Financial Reporting Standards

DCD Media plc is reporting for the first time under International Financial Reporting Standards ('IFRS') from the period commencing 1 July 2007. While there is an impact on the presentation of the Group's results, management believe it should have no significant impact on the Group's trading or its cash flow reporting.

Capital Structure

Total equity stands at £40.0m (1H2006 £21.1m) driven by the recent acquisition activity. Refer to note 7 below.

The issued share capital of the company was increased by the issue of £9.5m of new Ordinary Shares and a placing of 10,625,000 new Ordinary shares of 0.1p raising £8.5m. In addition Secured Convertible Loans and Loan Notes totalling £4.2m were raised as part of the acquisitions in August 2007.

The Group also had short-term production loans totalling £1.5m (1H2006: £Nil). These loans help the Group to fund large production projects and are repaid on completion of a production.

Earnings per share is disclosed in note 5 below.

Cash flow liquidity and gearing

The net cash increase during the period reported was £2.5m (H12006: increase of £1.7m). The Group had cash on hand at the period end of £3.4m (H12006 £3.2m)

Net Cash flow from operating activities was negative reflecting the second half nature of the Group performance.

Gearing as a proportion of Net Assets was 28% as at 31 December 2007 compared with 36% at the close of the prior period results.

Balance Sheet

Fixed and intangible assets

The increase in fixed assets during the six months principally represents the capitalisation of new productions during the period and the reclassification of certain goodwill as trade names. The trade names will be amortised over the life of the intangible assets in line with expected future sales.

Net Current Assets

Net current assets rose to £3.1m (1H2006 £1.3m) driven by the addition of the recent acquisitions' positive current asset position and additional distribution deals towards the end of the period.

Goodwill

During the period there was a £12.9m increase in Goodwill driven by the excess of the purchase price over the fair value of net assets acquired.

Taxation

A deferred tax asset of £2.7m arising principally from historic losses in the Group has not been recognised. These losses can be offset against future trading profits. The directors believe that it is prudent not to recognise the deferred tax asset within the financial statements.

Dividend

No dividend is proposed for this interim period.

Chief Executive Review of Divisions

Highlights of post-period end trading in the divisions include:

- Digital Classics download site launch
- Double Rose d'Or award nomination for Done and Dusted
- Done and Dusted films Amy Winehouse at the Grammy awards and gains two music series commissions for Channel 4 and the BBC
- Prospect Pictures Daily Cooks Challenge which transmits during March 2008
- September Films new commission for a major new TV series on Channel 4 'When Women Rule the World' and a series for the BBC with Alan Whicker
- Strong second half trading to date gives further comfort for full year expectations

The addition of three new businesses in August 2007, Prospect Pictures, September Films and West Park Pictures has broadened the Group's genre base and range of broadcast customers, with the additional benefit of adding strong creative talent to the Group development pool. DCD now has over two hundred clients, most of which are television channels, with sales in the UK representing less than 10% of Group revenue.

The Group now consists of a number of diverse production and distribution units consolidated into the DCD Group in their respective production genres – Box TV in high end drama, Done and Dusted in event management and filming, Iambic in arts and entertainment documentaries, Prospect in lifestyle programmes, September in factual entertainment and West Park in documentaries. NBD TV, the distribution division, now has access to all the new intellectual property rights arising from the recent acquisitions, further expanding its horizon.

The Group has understood that certain areas of expertise need to be harnessed and harmonized to drive the best from both the creative departments and its production engine. This will be underpinned by an improved and more efficient back office to support the creative development and production process.

This strengthens the ability of the Group to drive new revenue opportunities through:

- operating synergies across the Group
- deeper recognition gained across a wide range of television production genres
- cross-fertilisation of relationships both in the UK and abroad
- deeper vertical integration by pushing through an expanded distribution division

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 series entitled 'Affinity', from the novel by the writer of 'Tipping The Velvet' and 'Fingersmith', while founder creative head Gub Neal produced Box TV's biggest ever commission, for a five 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' recently aired on BBC One. The productions continue to derive sales in both UK and foreign markets, and there is reason to anticipate further profits from both these new productions, as well as the previous successes completed in the prior year.

Box TV continues to have a strong outlook, with large-scale projects in development.

Done and Dusted Limited (Done and Dusted)

The company works with an enviable list of the world's most famous rock and pop acts, from The Rolling Stones to Christina Aguilera. In the US it continues its march, retaining the stellar Victoria's Secret event which it staged and filmed during the period, 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. The company has also retained the recently filmed annual 'Laureus World Sports Awards' and the forthcoming Channel 4 event 'T4 On The Beach'.

Iambic Productions (Iambic)

The Group's original production unit has maintained a high margin and consolidated its worldwide reputation for high quality entertainment documentaries, with the transmission of a mini-series for ITV1 called 'The Truth About Boy Bands' and work commencing on the RPTA production of King Lear, starring Ian McKellen. This three hour film is due to be shown on Channel 4 later this year. Iambic has also developed 3 music based projects which fall into the second half of the financial year.

Distribution

NBD TV (NBD)

During the period the distribution division recorded its highest-ever sales at the world's biggest television market, in Cannes, France, in October 2007. The results were buoyed by sales of additional catalogue from recent acquisition September Films (whose titles include Bridezillas amongst many others) and West Park Pictures (including a new BBC series with Stephen Fry). Sales of programming from the Group's other production divisions including Box TV, Done and Dusted and Iambic are in line with expectations.

Television sales in the Group's mainly classical catalogue continue to be steady. Development of new strands for worldwide exploitation of on-demand and broadband delivery systems are in advanced stages of development. The outlook for distribution includes increasing sales to new media.

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, major deals were achieved to boost the division, taking its content to a wider audience through an agreement with a major record label. 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.

Companies acquired in the period:

Prospect Pictures Limited (Prospect)

Prospect 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. During the period the company was able to recruit an additional senior creative executive bringing a strong track record of delivery and development, and has already secured a landmark documentary on the 90th Anniversary of the R.A.F. for the BBC plus other factual projects for a range of broadcasters including SKY, BBC Three and Virgin 1. Among independent producers Prospect is one of the largest suppliers, making over several hundred hours of television for UK broadcasters. In the domestic market, Prospect specialises in live, interactive lifestyle programming, but it is also developing factual entertainment formats and documentaries for the international market.

September Holdings Limited (September Films)

The company is a major producer of factual entertainment programming, documentaries and reality formats for media channels worldwide and is headed by David Green, an internationally renowned TV producer and film director. A burgeoning part of September's business takes place in the US, with a full time operating office in Los Angeles. Its credits include 'Bridezillas' which recently aired its fourth record-breaking season on the

Women's Entertainment Channel in the US, and the 'Hollywood' brand recently transmitting its thirteenth series for ITV.

The company is currently in production on 'Bridezillas' series 5 and other entertainment series for worldwide distribution.

Following the engagement of an additional senior creative executive during the period, September Films was awarded a double commission for Five's recently aired 'Extraordinary People' strand and has further factual-based projects in the pipeline, including the Channel 4 commissions 'Quest for the Lost Ark' and 'I Am The Elephant Man'.

International rights are exploited through DCD's distribution arm, with the dedicated distribution arm September Films International now consolidated within the parent Group.

West Park Pictures Limited (West Park)

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 work 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 be followed by two more series presented by the same person: 'Last Chance To See' and 'Stephen Fry's In America', a major new travel series for BBC One, which is currently in production.

Outlook

The Group is now broadly diversified in its content and media delivery, with a number of successful brands and no over-reliance on any one area. The acquisitions made during the period further cement DCD Media's position in the front rank of UK production and distribution organisations. The strategy of steadily broadening our base whilst controlling central costs has been demonstrably successful. We therefore anticipate further progress across the balance of the trading year. In addition to continuing to promote internal growth, it remains part of the Group's strategy to continue to make acquisitions within other genres and other markets where it believes commercial synergies will result.

The normal weighting of DCD revenues and profits to the second half of the financial year will occur again, with the most recent acquisitions set to make a full half year contribution for the first time during DCD's second half of the financial year. DCD's post period end performance to date plus its visible pipeline enables the Group to view its position as it did last year, where proportionately lower revenue and contribution occurred in the first half of the year. Consequently the full year expectations remain unchanged.

The mission statement remains the same: a simple, vertically-integrated structure; the best talent incentivised; a diversified client base; the ability to create and own content across all media; and an acquisition strategy built on earnings enhancement. These continue to be the watchwords by which DCD Media is continuing to grow, and which will ensure that the outlook remains favourable.

Chris Hunt
Chief Executive

Condensed Consolidated Interim Financial statements for the period ended 31 December 2007

Condensed consolidated interim income statement (unaudited)

		6 months to 31 December 2007	6 months 31 December 2006 (Restated)	Year to 30 June 2007 (Restated)
	Note	£'000	£'000	£'000
Revenue	3	18,123	13,132	26,777
Cost of sales		(13,437)	(10,529)	(21,000)
Gross profit		4,686	2,603	5,777
Selling and distribution expenses		(51)	(25)	(35)
Administration costs		(4,077)	(2,177)	(3,966)
Profit before amortisation of goodwill and related intangible assets and exceptional items		558	401	1,776
Amortisation of goodwill and related intangible assets		(614)	(97)	(194)
Exceptional items	4	(131)	(250)	(297)
Operating (loss)/profit	3	(187)	54	1,285
Bank and other interest income		43	-	30
Bank and other interest expense		(462)	(242)	(518)
(Loss)/profit before tax		(606)	(188)	797
Taxation - current		(8)	4	(2)
- deferred		138	-	-
(Loss)/profit for the period		(476)	(184)	795
Basic and diluted (loss)/earnings per share	5	(1.0p)	(0.6p)	2.6p

Condensed consolidated interim balance sheet (unaudited)

	31 December 2007 £'000	31 December 2006 (Restated) £'000	30 June 2007 (Restated) £'000
Assets			
Non-current			
Goodwill	34,449	21,589	21,819
Other intangible assets	15,865	5,676	5,691
Property, plant and equipment	260	251	212
	50,574	27,516	27,722
Current assets			
Inventories	851	94	1,076
Trade and other receivables	13,779	6,341	7,281
Cash and cash equivalents	3,415	3,212	1,003
	18,045	9,647	9,360
Liabilities			
Current liabilities			
Bank overdrafts	(24)	-	(67)
Bank and other loans	(1,520)	-	-
Trade payables	(1,859)	(779)	(1,255)
Other payables	(11,275)	(7,598)	(5,999)
Deferred tax liabilities	(276)	-	-
	(14,954)	(8,377)	(7,321)
Net current assets	3,091	1,270	2,039
Non-current liabilities			
Secured convertible loan	(11,276)	(7,652)	(7,308)
Obligations under finance leases	(3)	(11)	(7)
Deferred tax	(2,349)	-	-
	(13,628)	(7,663)	(7,315)
Net assets	40,037	21,123	22,446
Capital and reserves			
Called up share capital	5,769	3,466	3,510
Share premium account	49,050	32,942	33,242
Merger reserve	6,356	6,356	6,356
Retained earnings	(21,138)	(21,641)	(20,662)
Total equity	40,037	21,123	22,446

Condensed consolidated interim cash flow statement (unaudited)

	Note	6 months to 31 December 2007 £'000	6 months to 31 December 2006 (Restated) £'000	Year to 30 June 2007 (Restated) £'000
Net cash flows (absorbed by)/from operating activities	6	(578)	7,084	8,395
Investing activities				
Acquisition of subsidiary undertakings, net of cash and overdrafts acquired		(8,175)	-	-
Purchase of property, plant and equipment		(15)	(121)	(138)
Purchase of intangible assets		(2,630)	(3,153)	(6,723)
Sale proceeds of property, plant and equipment		10	-	-
Net cash flows used in investing activities		(10,810)	(3,274)	(6,861)
Financing activities				
Issue of ordinary share capital		8,500	-	-
Repayment of loans		-	(2,091)	(2,091)
New loans raised		5,343	-	-
Net cash flows from financing activities		13,843	(2,091)	(2,091)
Net increase/(decrease) in cash		2,455	1,719	(557)
Cash and cash equivalents at beginning of period		936	1,493	1,493
Cash and cash equivalents at end of period		3,391	3,212	936

Condensed consolidated interim statement of changes in equity (unaudited)

	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total equity £'000
Balance at 30 June 2006 (as previously stated)	3,466	32,942	6,356	(21,457)	21,307
Impact of transition to IFRS	-	-	-	-	-
Balance at 1 July 2006 (restated)	3,466	32,942	6,356	(21,457)	21,307
Loss for the period	-	-	-	(184)	(184)
Balance at 31 December 2006	3,466	32,942	6,356	(21,641)	21,123
Balance at 1 January 2007	3,466	32,942	6,356	(21,641)	21,123
Profit for the period	-	-	-	979	979
Shares issued	44	300	-	-	344
Balance at 30 June 2007	3,510	33,242	6,356	(20,662)	22,446
Balance at 1 July 2007	3,510	33,242	6,356	(20,662)	22,446
Loss for the period	-	-	-	(476)	(476)
Shares issued	2,259	15,808	-	-	18,067
Balance at 31 December 2007	5,769	49,050	6,356	(21,138)	40,037

Notes to the condensed consolidated interim financial statements

Nature of operations and general information

The principal activity of DCD Media plc and subsidiaries (the Group) is the production of television programmes in the United Kingdom and United States, and the worldwide distribution of those programmes for television and other media; the Group also distributes programmes on behalf of other independent producers.

DCD Media plc is the Group's ultimate parent company, and it is incorporated and domiciled in Great Britain. The address of DCD Media plc's registered office is One America Square, Crosswall, London EC3N 2SG, and its principal place of business is 151 Wardour Street, London W1F 8WE. DCD Media plc's shares are listed on the Alternative Investment Market of the London Stock Exchange.

DCD Media plc's consolidated interim financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company.

These consolidated condensed interim financial statements have been approved for issue by the Board of Directors on 25 March 2008.

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 2007 have been extracted from the Group's statutory financial statements, prepared under UK GAAP, which have been filed with the Registrar of Companies, amended for the impact of the adoption of International Financial Reporting Standards (IFRS). The auditor's report on those financial statements was unqualified and did not contain a statement under Section 237(2) of the Companies Act 1985. Details of the impact of the adoption of IFRS are set out in Appendix 1 to this report.

1. Basis of preparation

These interim condensed consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2007. They have been prepared in accordance with the requirements of IFRS 1 "First-time Adoption of International Financial Reporting Standards" relevant to interim reports. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2007.

As permitted these interim financial statements have been prepared with UK AIM listing rules and not in accordance with IAS 34 "Interim Financial Reporting" and therefore are not fully in compliance with IFRS.

The financial statements have been prepared under the historical cost convention.

These interim financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and are effective at 30 June 2008, our first annual reporting date at which we are required to use IFRS accounting standards adopted by the EU.

DCD Media plc's consolidated financial statements were prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) until 30 June 2007. The date of transition to IFRS was 1 July 2006. The comparative figures in respect of the previous financial year have been restated to reflect changes in accounting policies as a result of adoption of IFRS. The disclosures required by IFRS 1 concerning the transition from UK GAAP to IFRS are given in the reconciliation schedules, presented and explained in Appendix 1.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

2. Principal accounting policies

Basis of consolidation

The Group financial statements consolidate those of the company and of its subsidiary undertakings drawn up to 31 December 2007. Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Business Combinations completed prior to date of transition to IFRS

The Group has elected not to apply IFRS 3 Business Combinations retrospectively to business combinations prior to 1 July 2006.

Accordingly the classification of the acquisitions prior to that date remains unchanged from that used under UK GAAP. Assets and liabilities are recognised at the date of transition and are measured using their UK GAAP carrying amount immediately post-acquisition as deemed cost under IFRS. Deferred tax is adjusted for the impact of any consequential adjustments after taking advantage of the transitional provisions.

Revenue and attributable profit

Production revenue represents work carried out and amounts receivable in producing content and is recognised over the period of the production. Gross profit on production is recognised over the period of the production and in accordance with the underlying contract. Recognition of revenue takes place when the contractual terms have been agreed, and when the substantive elements of the production have taken place, including pre-production stage completion, shoot stage completion, post-production, availability for exploitation and delivery.

Attributable profit on production is calculated by amortising programme costs in the proportion that actual revenue recognised in the current period bears to estimated ultimate revenue, subject to an impairment review.

Distribution revenue arises from the distribution and exploitation of programme rights obtained from external parties or from within the Group. Distribution revenue is the amount receivable from license contracts signed during the year.

Revenue from sales of DVDs and other sales is the amount receivable from invoiced sales during the year.

All revenue excludes value added tax.

Property, plant and equipment

Tangible non-current assets are stated at cost net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost less estimated residual value of all tangible non-current assets by equal annual installments over their expected useful lives. The rates generally applicable are:

Short leasehold property	over the life of the lease
Motor vehicles	20% on cost
Office and technical equipment	25%-33% on cost

The assets' residual values and useful lives are reviewed at each balance sheet date and adjusted if appropriate.

Intangible Assets

Goodwill

Goodwill arising on consolidation is recorded as an intangible asset and is the surplus of the cost of acquisition over the Group's interest in the fair value of identifiable net assets acquired. Goodwill is reviewed annually for impairment. Any impairment identified as a result of the review is charged in the income statement.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS's are recorded at their carrying value at the date of transition to IFRS, subject to a review for impairment at that date.

Other intangible assets

Other intangible assets are stated at cost net of amortisation and any provision for impairment. Amortisation is calculated to write down the cost less estimated residual value of all intangible assets over their expected useful lives.

Trade names

Trade names acquired through business combinations are stated at their fair value at the date of acquisition. They are amortised through the income statement on a straight line basis over their useful economic lives, such periods not to exceed 10 years. They are subject to review for impairment in accordance with IAS 36.

Programme rights

Programme rights are stated at the lower of cost, less accumulated amortisation, or net realisable value. Cost comprises the cost of production and all other directly attributable costs incurred up to completion of the programme and all programme development costs. Where programmes in development are not expected to proceed, the related costs are written off to the income statement. Amortisation of programme costs is charged in the ratio that actual revenue recognised in the current period bears to estimated ultimate revenue, after making provision for anticipated losses. Programme costs of purchased catalogues are amortised on a straight line basis over an appropriate period of the estimated useful economic life of the programmes, such period not to exceed 20 years. At each balance sheet date, the directors review the carrying value of programme rights and consider whether a provision is required to reduce the carrying value of the investment in programmes to net realisable value. Amortisation and any charge in respect of writing down to net

realisable value during the period are included in the income statement as part of cost of sales.

Leased assets

In accordance with IAS 17, tangible fixed assets acquired under finance leases or hire purchase contracts are capitalised and depreciated in the same manner as other tangible fixed assets, and the interest element of the lease is charged to the income statement over the period of the lease. The related obligations, net of future finance charges, are included in liabilities.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Inventories (previously classified as work in progress)

Inventories comprise costs incurred in respect of programmes in the course of production, and finished stock of DVDs available for resale. Costs are valued at the lower of cost or net realisable value.

Programmes in progress at period end

Where productions are in progress at the period end and where the sales income exceeds the value of work done, the excess is classified as deferred income and is shown within creditors. Where costs incurred exceed the value of work done to date, the amounts are classified as inventories.

Impairment of long-term assets

For the purposes of assessing impairment, assets are grouped into separately identifiable cash-generating units. Goodwill is allocated to those cash-generating units that have arisen from business combinations.

At each balance sheet date, the Group reviews the carrying amounts of its long-term assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Goodwill is tested for impairment annually.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value and value in use based on an internal discounted cash flow evaluation.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Equity

Equity comprises the following:

- *Share capital* represents the nominal value of issued Ordinary shares and Deferred shares.
- *Share premium* represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- *Merger reserve* represents the excess over nominal value of the fair value of consideration received for equity shares issued on acquisition of subsidiaries, net of expenses of the share issue.
- *Retained earnings* represents retained profits and losses.

Provisions, contingent liabilities and contingent assets

Provisions for contingent liabilities are recognised only when there is a legal or constructive obligation as a result of past events, where it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Current and Deferred taxation

Current tax is the tax currently payable based on taxable profit for the period, or if there is a taxable loss the charge represents unrecoverable withholding tax suffered during the period.

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising on the settlement and retranslation of monetary items are taken to the income statement.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at the exchange rate ruling at the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's translation reserve.

Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade Receivables

Trade receivables are recorded at their nominal amount less any provision for doubtful debts. Trade receivables due in more than one year are discounted to their present value.

Convertible Loans

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan note and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Group, is included in equity.

Issue costs are apportioned between the liability and equity components of the convertible loan notes based on their relative carrying amounts at the date of issue. The portion relating to the equity component is charged directly against equity.

The interest expense of the liability component is calculated by applying the prevailing market interest rates for similar non-convertible debts to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible loan note.

Bank Borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds received, net of direct issue costs. Finance charges are accounted for on an effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade Payables

Trade Payables are stated at their nominal value.

Equity Instruments

Equity instruments issued by the Group are recorded as the proceeds received, net of direct costs.

Share options

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period. Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

The share options are exercisable from the grant date. Upon exercise of share options, the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Retirement benefits

The group operates pension schemes for the benefit of a number of its directors. The schemes are defined contribution schemes and the contributions are charged against profits as they accrue.

Exceptional items

Items that are material in size, unusual and infrequent in nature are presented as exceptional items in the income statement. The Directors are of the opinion that the separate disclosure of such items provides helpful information about the Group's underlying business performance.

3. Segment analysis

Revenue, which excludes value added tax and transactions between Group companies, represents principally production fees and the distribution of programmes; other revenue includes the sale of DVDs.

The Group's headquarters is based in the United Kingdom and its activities form a single class of business, namely television production and exploitation of programme rights. The Group also has offices in New York and Los Angeles to conduct any business in the United States.

Revenue and profit before interest and taxation are attributable to the following classes of continuing business:

	6 months to 31 December 2007	6 months to 31 December 2006 (Restated)	Year to 30 June 2007 (Restated)
	£'000	£'000	£'000
Revenue			
Production	13,525	9,248	20,241
Programme distribution	4,541	3,732	5,676
Other	57	152	860
	<u>18,123</u>	<u>13,132</u>	<u>26,777</u>
Operating (loss)/profit before interest and taxation			
Production	(905)	164	1,032
Programme distribution	1,052	(61)	28
Other	(155)	(45)	101
Common costs including exceptional item	<u>(179)</u>	<u>(4)</u>	<u>124</u>
	<u>(187)</u>	<u>54</u>	<u>1,285</u>

4. Exceptional items

The exceptional item in the six months ended 31 December 2007 relates to the costs associated with a reorganisation and restructuring within the production and distribution segment.

The exceptional item in the year ended 30 June 2007 and the six months ended 31 December 2006 related to a provision made by a subsidiary company against a television production contract. The directors took the view that the decision by ITV not to broadcast certain programmes in the UK involving viewer phone-ins may have had an adverse effect on fulfillment of the contract, even though ITV had stated that the decision was temporary.

5. Earnings/(loss) per share

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

The calculation of the diluted earnings/(loss) per share is based on the basic earnings/(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 have not been adjusted for such conversion as the effects of such conversion would be anti-dilutive.

On 6 August 2007, the company held an Extraordinary General Meeting at which a resolution was passed to consolidate every one hundred issued and un-issued ordinary shares of 0.1pence into one new ordinary share of 10 pence only. For the purposes of the loss per share calculation the weighted average number of shares in prior periods has been adjusted to reflect this consolidation.

	6 months to 31 December 2007	6 months to 31 December 2006 (Restated)	Year to 30 June 2007 (Restated)
Basic and diluted (loss)/earnings per share			
(Loss)/profit attributable to ordinary shareholders (£'000)	(476)	(184)	795
Weighted average number of shares ('000's)	48,645	30,078	30,253
Per share amount (pence)	(1.0)	(0.5)	2.6

6. Reconciliation of cash flows from operating activities

	6 months to 31 December 2007 £'000	6 months to 31 December 2006 (Restated) £'000	Year to 30 June 2007 (Restated) £'000
Net (loss)/profit before taxation	(606)	(188)	797
Adjustments for:			
Depreciation of property plant and equipment	45	55	111
Amortisation of intangible assets	3,136	3,239	6,564
Net bank and other interest charges	419	242	488
Net profit before changes in working capital	2,994	3,348	7,960
Decrease/(increase) in inventories	273	(67)	(1,049)
(Increase)/decrease in trade and other receivables	(3,776)	2,023	1,083
Increase in trade and other payables	358	2,018	891
Cash (absorbed by)/generated from operations	(151)	7,322	8,885
Interest received	43	-	30
Interest paid	(462)	(242)	(518)
Income taxes (paid)/received	(8)	4	(2)
Net cash (absorbed by)/generated from operating activities	(578)	7,084	8,395

7. Acquisitions

September Holdings Limited

With effect from 1 July 2007 the Company acquired the entire share capital of September Holdings Limited. The consideration was £4,530,000 in cash paid to the vendors on 6 August 2007 and 5,662,000 ordinary shares to be allotted and issued to the vendors on 6 August 2007. The ordinary shares have been valued using the DCD Media mid-market closing share price of 80p on the previous trading day. The transaction has been accounted for by the acquisition method of accounting as detailed by IFRS 3 (Business Combinations).

The following assets and liabilities were acquired at the date of acquisition:

	Book value £'000	Fair value £'000
Intangible assets	811	4,990
Property, plant and equipment	55	55
Inventories	9	9
Trade and other receivables	1,459	1,459
Cash and cash equivalents	702	702
Trade and other payables	(1,879)	(1,879)
Deferred tax	-	(1,170)
	<u>1,156</u>	<u>4,166</u>
Goodwill		<u>5,350</u>
Total consideration		<u>9,516</u>
Satisfied by:		
Cash		4,530
Costs of acquisition		456
Fair value of shares to be issued		<u>4,530</u>
		<u>9,516</u>

Prospect Pictures Limited

With effect from 1 July 2007 the Company acquired the entire share capital of Prospect Pictures Limited. The consideration was £3,348,000 in cash paid to the vendors on 6 August 2007, £177,000 in cash to be paid on demand and 4,406,000 ordinary shares to be allotted and issued to the vendors on 6 August 2007. The ordinary shares have been valued using the DCD Media mid-market closing share price of 80p on the previous trading day. The transaction has been accounted for by the acquisition method of accounting as detailed by IFRS 3 (Business Combinations).

The following assets and liabilities were acquired at the date of acquisition:

	Book value	Fair value
	£'000	£'000
Intangible assets	-	3,842
Property, plant and equipment	5	5
Trade and other receivables	1,194	1,194
Cash and cash equivalents	1,029	1,029
Trade and other payables	(2,418)	(2,418)
Deferred tax	-	(1,076)
	<u>(190)</u>	<u>2,576</u>
Goodwill		<u>4,917</u>
Total consideration		<u>7,493</u>
Satisfied by:		
Cash		3,348
Deferred cash		177
Costs of acquisition		443
Fair value of shares to be issued		<u>3,525</u>
		<u>7,493</u>

West Park Pictures Limited

On 1 July 2007 the Company acquired the entire share capital of West Park Pictures Limited. The consideration was £1,480,000 in cash paid to the vendors on 6 August 2007 and 1,850,000 ordinary shares to be allotted and issued to the vendors on 6 August 2007. The ordinary shares have been valued using the DCD Media mid-market closing share price of 80p on the previous trading day. The transaction has been accounted for by the acquisition method of accounting as detailed by IFRS 3 (Business Combinations).

The following assets and liabilities were acquired at the date of acquisition:

	Book value	Fair value
	£'000	£'000
Intangible assets	-	1,847
Property, plant and equipment	28	28
Inventories	39	39
Trade and other receivables	69	69
Cash and cash equivalents	781	781
Trade and other payables	(1,221)	(1,221)
Deferred tax	-	(517)
	<u>(304)</u>	<u>1,026</u>
Goodwill		<u>2,364</u>
Total consideration		<u>3,390</u>
Satisfied by:		
Cash		1,480
Costs of acquisition		430
Fair value of shares to be issued		<u>1,480</u>
		<u>3,390</u>

8. Publication of non-statutory accounts

The financial information contained in these interim statements has not been audited or reviewed by the Company's auditors and does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

The financial information for the full preceding year is extracted from the statutory accounts for the financial year ended 30 June 2007 amended for the impact of the adoption of IFRS. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies. Details of the impact of the adoption of IFRS are set out in Appendix 1 of this announcement.

The report containing the interim financial information is to be sent direct to shareholders. Copies of the report are available to the public from the registered office of plc. The address of the registered office is: DCD Media plc, One America Square, Crosswall, London EC3N 2SG.

Appendix 1

Transition to International Financial Reporting Standards

Introduction

Shares in DCD Media plc are quoted on the Alternative Investment Market (AIM). It is therefore required to report its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for its accounting periods commencing on or after 1 July 2007. Individual company financial statements will continue to be reported under UK Generally Accepted Accounting Principles (UK GAAP).

In order to comply with this requirement DCD Media plc has published its interim financial statements for the period to 31 December 2007 on the basis of IFRS, including the restatement of the December 2006 and June 2007 comparative information. In so doing it has applied the requirements of IFRS 1 'First time adoption of IFRS'.

The purpose of this appendix is to advise on the impact of the initial transition balance sheet adjustments, the restatement of the prior period's published financial information (both annual and interim) and the interim results to 31 December 2007. Although the identified adjustments have been discussed with the auditors, the numbers in this report are unaudited and may be subject to revision when the audited financial statements for the year ended 30 June 2008 are published.

Summary of impacts on the financial statements

Summary of impact on profit/(loss) before tax

Year ended 30.06.07 £'000		Six months ended	
		31.12.07 £'000	31.12.06 £'000
(382)	UK GAAP	(1,192)	(768)
1,179	IFRS 3 'Business Combinations'	586	580
<u>797</u>	IFRS (unaudited)	<u>(606)</u>	<u>(188)</u>

Summary of impact on net assets

01.07.06 £'000	30.06.07 £'000		31.12.07 £'000	31.12.06 £'000
21,307	21,267	UK GAAP	38,134	20,543
-	-	Opening adjustments	1,179	-
-	1,179	IFRS 3 'Business Combinations'	586	580
-	-	IAS 12 'Income taxes'	138	-
<u>21,307</u>	<u>22,446</u>	IFRS (unaudited)	<u>40,037</u>	<u>21,123</u>

Transitional arrangements

Under the provisions of IFRS 1 'First time adoption of IFRS', specific exemptions are either mandatory or permitted in certain areas. DCD Media has taken advantage of the following options:

- Business combinations completed prior to 1 July 2006 have not been restated under IFRS 3 'Business combinations'. Business combinations completed since that date have been restated with adjustments to goodwill, other intangible fixed assets and deferred taxation.
- The opening fair values of other non-current assets have been deemed to be their accounting values as at 1 July 2007, after reviewing for impairment as appropriate.
- Cumulative translation differences for all foreign operations have been set to zero as at 1 July 2006 (rather than calculate the cumulative translation differences for each foreign operation as if IAS 21 'The Effects of Changes in Foreign Exchange Rates' had always applied).

Reclassification and presentational changes

The presentational formats of IFRS financial statements differ from those under UK GAAP in a number of areas. The majority of changes relate to detailed disclosure in the notes to the accounts and are therefore not dealt with in this report. However, the structure and descriptions on the face of the primary statements have been changed. A restatement of the UK GAAP balance sheet and P&L account to reflect the format changes are shown in the attached IFRS reconciliations.

Detailed changes impacting on published results

IFRS 3 'Business Combinations'

The Group acquired September Holdings Limited, Prospect Pictures Limited and West Park Pictures Limited with effect from 1 July 2007. Under UK GAAP the excess of consideration over the fair value of net assets acquired was treated as goodwill and amortised over a period of up to 20 years. Specific intangible assets acquired as a result were not separately identified, but included within goodwill.

Application of IFRS 3 to these business combinations resulted in identification of a number of intangible assets, including trade names. Under IFRS these have been recognised separately in the balance sheet at their fair value at the date of the combination. The result of this adjustment is to decrease goodwill and increase other intangible assets at the date of the combinations. This has also had an impact on the deferred tax liability (see below).

At 31 December 2007 the value of 'Other intangible assets' was increased by £9,868k, with goodwill reduced by an equal amount.

Goodwill recognised by the Group under UK GAAP on acquisitions was amortised over a period of 20 years. Under IFRS goodwill is not amortised, but tested annually for impairment. The goodwill amortisation charge that would have been recognised in accordance with UK GAAP in the six months ended 31 December 2007 of £1,079k (year to 30 June 2007 £1,179k; six months to 31 December 2006 £580k) has been written back. However, other intangible assets identified on this business combination in accordance with IFRS as described above are amortised in accordance with the accounting policy explained in note 2. The result of this is to increase the amortisation charge in the income statement for the period by £493k (year to 30 June 2007 £nil; six months to 31 December 2006 £nil). The result is a net reduction in the Group's amortisation charge of £586k (year to 30 June 2007 £1,179k; six months to 31 December 2006 £580k).

IAS 12 'Income taxes'

Under UK GAAP deferred tax was recognised only on timing differences; in contrast IAS 12 requires the recognition of deferred tax on all temporary differences. The recognition of intangible assets on the acquisitions of September Holdings Limited, Prospect Pictures Limited and West Park Pictures Limited resulted in a number of temporary differences. The effect of the application of IFRS is to create a deferred tax liability of £2,763k at the date of the acquisition (1 July 2007). Goodwill is increased by the same amount. The release of this deferred tax against the amortisation of the related intangible asset results in a credit to the tax charge for the six months ended 31 December 2007 of £138k.

Summary of reconciliations

Set out below are the following reconciliations of UK GAAP to IFRS:

- Consolidated balance sheet at 30 June 2006
- Consolidated income statement for the year ended 30 June 2007
- Consolidated balance sheet at 30 June 2007
- Consolidated income statement for the six months ended 31 December 2006

- Consolidated balance sheet at 31 December 2006
- Consolidated income statement for the six months ended 31 December 2007
- Consolidated balance sheet at 31 December 2007

Consolidated balance sheet as at 30 June 2006

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Non-current assets					
Goodwill	21,589				21,589
Other intangible assets	5,762				5,762
Property, plant & equipment	185				185
	27,536	-	-	-	27,536
Current assets					
Inventories	27				27
Trade and other receivables	8,364				8,364
Cash and cash equivalents	1,493				1,493
	9,884	-	-	-	9,884
Current liabilities					
Bank overdrafts	-				-
Bank and other loans	(2,091)				(2,091)
Trade payables	(1,364)				(1,364)
Other payables	(4,991)				(4,991)
Provisions					-
	(8,446)	-	-	-	(8,446)
Non-current liabilities					
Secured convertible loan	(7,652)				(7,652)
Obligations under finance leases	(15)				(15)
Deferred tax liabilities					-
	(7,667)	-	-	-	(7,667)
Net assets					
	21,307	-	-	-	21,307
Equity					
Share capital	3,466				3,466
Share premium account	32,942				32,942
Merger reserve	6,356				6,356
Retained earnings	(21,457)				(21,457)
	21,307	-	-	-	21,307

**Consolidated profit and loss account
(Income statement)
for the year ended 30 June 2007**

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Revenue	26,777				26,777
Cost of sales	(21,000)				(21,000)
Gross profit	5,777	-	-	-	5,777
Selling and distribution expenses	(35)				(35)
Administrative expenses	(3,966)				(3,966)
Profit before share based payments and amortisation of goodwill and related intangible assets	1,776	-	-	-	1,776
Amortisation of goodwill and related intangible assets	(1,373)		1,179		(194)
IFRS 2 Share based payments	-				-
Exceptional item	(297)				(297)
Operating profit/(loss)	106	-	1,179	-	1,285
Bank and other interest income	30				30
Bank and other interest charges	(518)				(518)
Loss on continuing operations before taxation	(382)	-	1,179	-	797
Taxation - current tax	(2)				(2)
Loss on continuing operations after taxation	(384)	-	1,179	-	795
(Loss)/earnings per share - basic	(1.3p)	-	3.9p	-	2.6p

**Consolidated balance sheet
as at 30 June 2007**

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Non-current assets					
Goodwill	20,640		1,179		21,819
Other intangible assets	5,691				5,691
Property, plant & equipment	212				212
	26,543	-	1,179	-	27,722
Current assets					
Inventories	1,076				1,076
Trade and other receivables	7,281				7,281
Cash and cash equivalents	1,003				1,003
	9,360	-	-	-	9,360
Current liabilities					
Bank overdrafts	(67)				(67)
Bank and other loans	-				-
Trade payables	(1,255)				(1,255)
Other payables	(5,999)				(5,999)
Provisions	-				-
	(7,321)	-	-	-	(7,321)
Non-current liabilities					
Secured convertible loan	(7,308)				(7,308)
Obligations under finance leases	(7)				(7)
Deferred tax liabilities					
	(7,315)	-	-	-	(7,315)
Net assets					
	21,267	-	1,179	-	22,446
Equity					
Share capital	3,510				3,510
Share premium account	33,242				33,242
Merger reserve	6,356				6,356
Retained earnings	(21,841)		1,179		(20,662)
	21,267	-	1,179	-	22,446

**Consolidated profit and loss account
(Income statement)
for the six months ended
31 December 2006**

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Revenue	13,132				13,132
Cost of sales	(10,529)				(10,529)
Gross profit	2,603	-	-	-	2,603
Selling and distribution expenses	(25)				(25)
Administrative expenses	(2,177)				(2,177)
Profit before share based payments and amortisation of goodwill and related intangible assets	401	-	-	-	401
Amortisation of goodwill and related intangible assets	(677)		580		(97)
IFRS 2 Share based payments	-				-
Exceptional item	(250)				(250)
Operating profit/(loss)	(526)	-	580	-	54
Bank and other interest income	-				-
Bank and other interest charges	(242)				(242)
Loss on continuing operations before taxation	(768)	-	580	-	(188)
Taxation - current tax	4				4
Loss on continuing operations after taxation	(764)	-	580	-	(184)
Loss per share - basic and diluted	(2.5p)	-	1.9p	-	(0.6p)

**Consolidated balance sheet
as at 31 December 2006**

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Non-current assets					
Goodwill	21,009		580		21,589
Other intangible assets	5,676				5,676
Property, plant & equipment	251				251
	26,936	-	580	-	27,516
Current assets					
Inventories	94				94
Trade and other receivables	6,341				6,341
Cash and cash equivalents	3,212				3,212
	9,647	-	-	-	9,647
Current liabilities					
Bank overdrafts	-				-
Bank and other loans	-				-
Trade payables	(779)				(779)
Other payables	(7,598)				(7,598)
Provisions	-				-
	(8,377)	-	-	-	(8,377)
Non-current liabilities					
Secured convertible loan	(7,652)				(7,652)
Obligations under finance leases	(11)				(11)
Deferred tax liabilities					
	(7,663)	-	-	-	(7,663)
Net assets					
	20,543	-	580	-	21,123
Equity					
Share capital	3,466				3,466
Share premium account	32,942				32,942
Merger reserve	6,356				6,356
Retained earnings	(22,221)		580		(21,641)
	20,543	-	580	-	21,123

**Consolidated profit and loss account
(Income statement)
for the six months ended
31 December 2007**

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Revenue	18,123				18,123
Cost of sales	(13,437)				(13,437)
Gross profit	4,686	-	-	-	4,686
Selling and distribution expenses	(51)				(51)
Administrative expenses	(4,077)				(4,077)
Profit before share based payments and amortisation of goodwill and related intangible assets	558	-	-	-	558
Amortisation of goodwill and related intangible assets	(1,200)		586		(614)
IFRS 2 Share based payments	-				-
Exceptional item	(131)				(131)
Operating profit/(loss)	(773)	-	586	-	(187)
Bank and other interest income	43				43
Bank and other interest charges	(462)				(462)
Loss on continuing operations before taxation	(1,192)	-	586	-	(606)
Taxation - current tax	(8)				(8)
- deferred tax	-			138	138
Loss on continuing operations after taxation	(1,200)	-	586	138	(476)
(Loss)/earnings per share - basic	(2.5p)	-	1.2p	0.3p	(1.0p)

**Consolidated balance sheet
as at 31 December 2007**

	UK GAAP under IFRS presentation £'000	Reclassification of intangibles £'000	Intangibles amortisation £'000	Deferred tax £'000	Unaudited IFRS £'000
Non-current assets					
Goodwill	39,296	(9,868)	2,258	2,763	34,449
Other intangible assets	6,490	9,868	(493)		15,865
Property, plant & equipment	260				260
	46,046	-	1,765	2,763	50,574
Current assets					
Inventories	851				851
Trade and other receivables	13,779				13,779
Cash and cash equivalents	3,415				3,415
	18,045	-	-	-	18,045
Current liabilities					
Bank overdrafts	(24)				(24)
Bank and other loans	(1,520)				(1,520)
Trade payables	(1,859)				(1,859)
Other payables	(11,275)				(11,275)
Deferred tax liabilities	-			(276)	(276)
	(14,678)	-	-	(276)	(14,954)
Non-current liabilities					
Secured convertible loan	(11,276)				(11,276)
Obligations under finance leases	(3)				(3)
Deferred tax liability	-			(2,349)	(2,349)
	(11,279)	-	-	(2,349)	(13,628)
Net assets	38,134	-	1,765	138	40,037
Equity					
Share capital	5,769				5,769
Share premium account	49,050				49,050
Merger reserve	6,356				6,356
Retained earnings	(23,041)		1,765	138	(21,138)
	38,134	-	1,765	138	40,037

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