



Who we are

World Television is a global leader in television and IPTV communications for companies, governments and international organisations, delivering solutions that communicate their messages effectively in today's global environment.

We combine our creative production skills with the latest technology to target external and internal audiences.

Who we are IFC
Highlights 01
Outlook 02
Chief executive's statement 03
Financial review 04
Group profit and loss account 06
Consolidated statement of total recognised gains and losses 07
Consolidated balance sheets 08
Group cash flow statements 09
Notes to the financial statements 10

Highlights

Financial highlights

- Group turnover for the first 6 months £4.75m excluding other operating income (revenues from loss making subsidiaries sold – Kamera Content and Foroso) (2005: £5.13m)
- Underlying turnover, reflecting recurring business, £4.75m (2005: £4.87m)
- EBITDA £116k (2005: £6k loss), pre-exceptionals and accounting for share options, the Group's first EBITDA positive result as a listed company
- Operating expenses before exceptional items, accounting for share options and goodwill amortisation £4.83m (2005: £5.30m)
- Write-back of £496k provision against HM Revenue and Customs (HMRC) claim
- Profit before tax of £298k including HMRC claim write-back (2005: £352k loss)
- Cash position stabilised. Total net operating cashflow £6k (2005: £(1,101)k), net cash outflow before financing £176k (2005: £1,489k)

Operational highlights

- Rapid growth in revenue from corporate IPTV services
- Awarded 3-year contract for media relations by European Space Agency (ESA)
- Agreed partnership with PR Newswire Europe and Intercall in Australia
- Other new business wins include Central Office of Information, International Power, Siemens, Ernst & Young, Deloitte and eBay

Outlook

The Directors expect Group underlying revenues in the second half of 2006 to show growth of between 4% and 5% over 2005 as webcasting continues to perform well.

Steve Garvey, CEO, comments:

“The Group achieved the Board’s goal of EBITDA profitability and our webcasting businesses grew rapidly as our clients increasingly shifted towards streaming technologies for communication delivery. However, it was disappointing that revenues fell slightly in the second quarter, primarily due to reduced spending from a major client in the UK Corporate TV business. Overall, I believe the Group is extremely well placed to benefit from this shift in the market, thanks to our proprietary technology and large client base.

The Board has reviewed strategy and believes we have an opportunity to deliver faster revenue and profits growth than we have achieved in the past two years. Having consolidated the business, we now have a growth engine in corporate IPTV services and we intend to invest more resources in this business.”

Stephen Kirk, Chairman, adds:

“I am delighted to have joined the Board of World Television. I am looking forward to the challenge of building on the foundations laid by my predecessor Mike Neville.”

Chief executive's statement

The Board's goal since the merger of World Television and Virtue Broadcasting in 2004 has been to establish a financially stable Group that can compete in all areas of televisual communications for corporate clients and international organisations. Specifically in the first six months of 2006 we aimed for an EBITDA positive figure before exceptional items. I believe the results show that we have made great progress towards our objectives by having taken the following steps:

- we continued to manage our cost base tightly;
- we invested in high growth businesses, both in software development for our IPTV platform and in new people to strengthen our network of offices; and
- we delivered key contract services such as BSN and ESA to our clients' satisfaction.

We have also improved our product development process to ensure the Group can respond more quickly to a rapidly changing market.

With the post-merger consolidation phase now behind us, we have shifted our focus to the future. Our first half financial results reveal rapid growth in the webcasting and corporate IPTV businesses. We have a strong and growing international client base and a software platform that we believe is one of the best in the market. We have opportunities to launch new products to accelerate revenue and profits growth. The increase in the world total of broadband lines, up 36% in the year to 31 March 2006 (source: www.point-topic.com), is driving demand for our corporate IPTV services. Our strategic goal is to bring these factors together to deliver faster improvements in our business performance.

The Board has taken note of these trends and has reviewed the Group's strategy and operations accordingly. In the light of continued improvements in the Group's financial performance, the Directors believe our strategy should focus on revenue and profits growth, including accelerating product development and expanding our international operations. An updated strategy presentation is available in the webcast on the IR section of the Group's website at www.world-television.com.

The Directors remain cautiously optimistic for the remaining six months of 2006. Group revenues in the third quarter are showing growth of approximately 10% over the comparable period in 2005 and the strong upward trend in webcasting revenues is continuing. The Board expects 2006 underlying revenue in the second half to show growth of between 4% and 5% compared with 2005.

I would like to take the opportunity to thank all the staff at World Television for their dedication, expertise and hard work over the last six months. I would like to thank Mike Neville, who stood down as Chairman at the end of August, for his leadership over the past three years. The Group's financial performance has improved substantially during that period. Finally, I would like to welcome Stephen Kirk as Chairman. I believe Stephen's fresh perspective will bring a new dimension to the Group's strategic thinking.

Steve Garvey
Chief Executive Officer
20 September 2006

Financial review

Basis of preparation of financial information

The unaudited interim financial information has been prepared on the basis of the accounting policies set out in the Annual Report and Accounts of the Group for the year ended 31 December 2005.

Summary consolidated operating results

	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Europe	4,477	4,841	9,008
Australasia	271	287	555
Turnover	4,748	5,128	9,563
Europe	80	18	45
Australasia	36	(24)	(82)
EBITDA (pre-exceptionals and accounting for share options)	116	(6)	(37)
Europe	(253)	(273)	(523)
Australasia	(15)	(14)	(28)
Depreciation and amortisation	(268)	(287)	(551)
Europe	(173)	(255)	(478)
Australasia	21	(38)	(110)
EBIT (pre-exceptionals and accounting for share options)	(152)	(293)	(588)

Financial results during the period were characterised by double-digit underlying growth in all of our webcasting businesses except Germany and by a weak second quarter performance on revenues particularly from our UK Corporate TV business.

In June we won our appeal against HMRC's claim concerning potential PAYE and National Insurance contributions dating back to March 2000. We have therefore written back in full the £496k provision made in December 2005.

Turnover

Total turnover during the period decreased by £380k to £4,748k. However underlying revenues, which discount the effect of revenues from businesses disposed of, showed a smaller reduction of £122k or 2.5%.

Our webcasting and IPTV businesses performed strongly, with revenue growth of 73% in Spain, 43% in Australia and Switzerland and 29% in the UK. Revenue in Germany fell which led us to restructure the management to position the business for stronger second half performance.

World Television UK, which had delivered 22% underlying growth in the first half of 2005, found conditions more challenging in 2006. This was due to reduced spending by a major corporate TV client in the second quarter, as a result of internal circumstances at the client organisation. We have restructured certain teams within the UK since the second quarter.

Other operating income of £66k includes revenues from Kamera Content and Foroso.

Operating expenses

Operating expenses before exceptional items, accounting for share options and goodwill amortisation fell by £471k from £5,304k to £4,833k.

EBITDA and EBIT before exceptional items and accounting for share options

Earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptional items and accounting for share options was £116k compared to £(6)k in the same period last year. This improvement in profitability can be attributed to the Group's tight management of costs as gross margins rose by 7%. The EBIT loss for the Group (pre-exceptionals and accounting for share options) fell by 48% to £152k.

Cashflow

The Group's cash position stabilised in comparison with the first half of 2005. Total net operating cashflow was £6k, an improvement of £1,107k, and free cash outflow, including payments for interest and acquiring assets, decreased by £1,313k from £1,489k to £176k. Cash is tightly managed within the business.

Dividends

For the immediate future the Board believes that the Group's cash reserves are best employed by investing in the Group's business in line with its strategy and therefore no interim dividend will be paid.

Financial liabilities

As set out in the 2005 Annual Report and Accounts, the Group's main financial liabilities were three property leases for its former head office in Commercial Street, London, and the convertible Loan Notes.

The Commercial Street property leases had a total rental of £160k per annum and their earliest termination date is September 2006. The Group made full provision for the expected costs arising under the leases together with other associated outgoings in its 2004 Annual Report and Accounts. New tenants were obtained for two of the leases in July 2006 and the early termination included the release of the Group's obligation for repairs and dilapidations of these floors.

The convertible Loan Notes of £1,100k are redeemable at a rate of £1.15 for every £1.00 nominal amount by any Noteholder or by the Group in whole or in part at any time after 30 November 2006. The redemption date of these Loan Notes has been extended with the agreement of the Loan Noteholders to any time after May 2007.

Evelyn Kimber

Chief Financial Officer

20 September 2006

Group profit and loss account for the half year ended 30 June 2006

	Note	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Turnover		4,748	5,128	9,563
Operating expenses before exceptional items and goodwill amortisation		(4,833)	(5,304)	(9,988)
– Reorganisation expenses		—	(45)	(45)
– Provision for bad debt		—	—	310
– Share option expense		(38)	—	—
– Amortisation of goodwill and intangible fixed assets		(133)	(117)	(235)
– Tornado PAYE provision	3	496	—	(496)
Total net operating expenses		(4,508)	(5,466)	(10,454)
		240	(338)	(891)
Other operating income		66	—	72
Operating profit/(loss)		306	(338)	(819)
Exceptional items – non-operating				
– Loss on sale and termination of operations		—	—	(81)
Profit/(loss) on ordinary activities before interest		306	(338)	(900)
Interest receivable and similar income		—	7	15
Interest payable and similar charges		(8)	(21)	(13)
Profit/(loss) on ordinary activities before taxation		298	(352)	(898)
Taxation		—	—	81
Profit/(loss) on ordinary activities after taxation		298	(352)	(817)
Minority interests		(1)	10	25
Retained profit/(loss) for the period		297	(342)	(792)
Profit/(loss) per share (pence)				
Basic	4	0.0	(0.0)	(0.1)

Consolidated statement of total recognised gains and losses for the half year ended 30 June 2006

	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Profit/(loss) for the financial period	297	(342)	(792)
Foreign exchange movements	(10)	62	(118)
Total recognised gains and losses for the period	287	(280)	(910)

Consolidated balance sheets as at 30 June 2006

	Note	(Unaudited) at 30 June 2006 £'000	(Unaudited) at 30 June 2005 £'000	(Audited) at 31 December 2005 £'000
Fixed assets				
Goodwill		822	1,057	939
Other intangible assets		133	136	94
Tangible assets		455	528	473
Unlisted investments		1	—	1
		1,411	1,721	1,507
Current assets				
Debtors		2,097	2,102	2,406
Cash at bank and in hand		262	512	230
		2,359	2,614	2,636
Creditors: amounts falling due within one year		(4,332)	(2,681)	(4,504)
Net current liabilities		(1,973)	(67)	(1,868)
Total assets less current liabilities		(562)	1,654	(361)
Creditors: amounts falling due after one year		(91)	(1,530)	(85)
Provisions for liabilities and charges		(110)	(314)	(714)
Net liabilities		(763)	(190)	(1,160)
Capital and reserves				
Called up share capital		18,590	18,834	18,582
Share premium account		8,967	8,977	8,904
Capital redemption reserve		16,874	16,874	16,874
Merger reserve		(15,999)	(15,999)	(15,999)
Other reserve		2,365	2,365	2,365
Profit and loss account		(31,466)	(31,161)	(31,791)
Shareholders' deficit	5	(669)	(110)	(1,065)
Minority interests		(94)	(80)	(95)
		(763)	(190)	(1,160)

Group cash flow statements for the half year ended 30 June 2006

	Note	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Net cash flow from operating activities	6	6	(1,101)	(1,402)
Returns on investment and servicing of finance				
Interest received		—	7	15
Interest paid		(8)	(21)	(13)
		(8)	(14)	2
Taxation paid		—	(104)	(174)
Capital expenditure and financial investment				
Payments to acquire intangible assets		(55)	(136)	(94)
Payments to acquire tangible assets		(119)	(134)	(110)
Receipts from sale of tangible assets		—	—	1
		(174)	(270)	(203)
Acquisitions and disposals				
Cash disposed of with subsidiary undertaking		—	—	(2)
		—	—	(2)
Net cash outflow before financing		(176)	(1,489)	(1,779)
Financing				
Issue of ordinary shares net of expenses		72	—	9
Issue of loan finance		—	116	—
Capital element of finance lease payments		(42)	(27)	(64)
Repayment of loans		—	(10)	—
		30	79	(55)
Decrease in cash	7	(146)	(1,410)	(1,834)
Reconciliation of cash flow movement in net (debt)/funds				
Decrease in cash		(146)	(1,410)	(1,834)
Cashflow from decrease/(increase) in debts		39	(79)	64
Change in net (debt)/funds resulting from cashflow		(107)	(1,489)	(1,770)
New finance leases		(43)	—	(133)
Translation adjustments		—	(4)	—
Movement in net (debt)/funds		(150)	(1,493)	(1,903)
Net (debt)/funds at start of period		(1,382)	521	521
Net debt at end of period	7	(1,532)	(972)	(1,382)

Notes to the financial statements for the half year ended 30 June 2006

1. Basis of preparation of financial information

The results for the first half of the financial year have not been audited and are prepared on the basis of accounting policies set out in the Group's 2005 Annual Report and Accounts. The summary of results for the year ended 31 December 2005 does not constitute full financial statements within the meaning of Section 240 of the Companies Act. The full financial statements for that year have been reported on by the Group's auditors and delivered to the Registrar of Companies. The audit report was unqualified and did not contain a statement under Section 237(2) or Section 237(3) of the Companies Act 1985.

The Group has adopted FRS 20 (Share-based Payment) for the first time, whereby the fair value of any share-based payment transaction is expensed. Share options granted to employees and directors are covered by this Standard. Under transitional rules, no expense is recognised for share options vested prior to 1 January 2006. The Group granted share options in February 2006 and the cost of these options is measured by reference to the fair value at the date of grant, determined using the Black-Scholes model. The charge or credit for an accounting period represents the movement in the cumulative expense.

A charge of £38k has been made for the period to 30 June 2006.

2. Foreign currencies

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

	30 June 2006	Average 2006 six months	30 June 2005	Average 2005 six months	31 December 2005	Average 2005 12 months
Australian Dollar (AUD)	2.488	2.409	2.370	2.425	2.358	2.388
Euros (EUR)	1.447	1.456	1.496	1.458	1.453	1.463
Swedish Kronor (SEK)	13.352	13.579	14.144	13.335	13.702	13.577
Swiss Franc (CHF)	2.264	2.273	2.315	2.255	2.264	2.263

3. Exceptional items

The Group has written back a provision of £496k that was made in 2005 for a claim by HMRC for unpaid PAYE and National Insurance contributions relating to the exercise of share options by ex-employees of Tornado Group plc (now World Television Group plc) in 2000. In June 2006 HMRC advised the Company that it was not liable for these costs and the provision has now been written back.

Costs of £50k incurred by the Company in defending this claim are included within operating expenses.

4. Profit/(loss) per share

	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Basic profit/(loss) per share			
Profit/(loss) for the period	297	(342)	(792)
Weighted average number of shares (thousands)	755,606	755,425	749,781
Profit/(loss) per share (pence)	0.0	(0.0)	(0.1)
Supplemental loss per share			
Profit/(loss) for the period	297	(342)	(792)
Exceptional items	(496)	—	577
Goodwill amortisation	133	117	235
Adjusted earnings	(66)	(225)	20
Weighted average number of shares (thousands)	755,606	755,425	749,781
(Loss)/profit per share – adjusted (pence)	(0.0)	(0.0)	0.0

5. Reconciliation of movement in shareholders' deficit

	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Profit/(loss) for the period	297	(342)	(792)
Foreign exchange adjustments	(10)	62	(118)
Waived share capital	—	—	(334)
Share issue net of costs	71	—	9
Share option expense	38	—	—
Net addition/(reduction) to shareholders' (deficit)/funds	396	(280)	(1,235)
Opening shareholders' (deficit)/funds	(1,065)	170	170
Closing shareholders' deficit	(669)	(110)	(1,065)

Notes to the financial statements for the half year ended 30 June 2006

6. Reconciliation of operating profit/(loss) to net cash flow from operating activities

	(Unaudited) Six months to 30 June 2006 £'000	(Unaudited) Six months to 30 June 2005 £'000	(Audited) 12 months to 31 December 2005 £'000
Group operating profit/(loss)	306	(338)	(900)
Depreciation	135	170	316
Amortisation of goodwill	133	117	235
Decrease/(increase) in debtors	309	(78)	(826)
Decrease in creditors	(305)	(1,027)	(492)
Loss on sale of operations	—	—	81
Loss on disposal of fixed assets	1	—	6
Movement in provisions	(603)	—	297
Movement in share option expense	38	—	—
Foreign exchange	(8)	55	(119)
Total net operating cash flow	6	(1,101)	(1,402)

7. Reconciliation of movement in net debt

	At 31 December 2005 £'000	Cash flow £'000	Non cash movements £'000	At 30 June 2006 £'000
Cash at bank and in hand	88	(146)	—	(58)
Convertible loan stock	(1,277)	—	—	(1,277)
Finance leases	(193)	39	(43)	(197)
	(1,382)	(107)	(43)	(1,532)

8. Copies of the Interim Report will be sent to shareholders and are available from the Company Secretary, World Television Group PLC, 8 Fitzroy Square, London, W1T 5HN.



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