

Ten Alps plc: Interim Results announcement

9 December 2005

TV production group Ten Alps plc ('Ten Alps') announces its interim results for the six-month period ended September 30, 2005.

Financial results – strong organic profits and revenue growth

- Revenues up 84.8% to £21.99m (same period in 2004: £11.9m)
- EBITDA increased to £1.94m (2004: £421,000)
- Adjusted pre-tax profit increased to £1.79m (2004: £320,000)*
- EBIT up to £1.33m (2004: £57,000)
- Net profit up to £649,000 (2004: £26,000)
- Basic EPS up to 1.46p (2004: 0.06p)
- Cash up by 61.5% to £7.46m (2004: £4.62m)
- * *Definition of adjusted profit: profit excluding goodwill amortisation*

Current trading

- Full year results to March 2006 should show continued profits growth, subject to unforeseen events.
- TV production slate is strong (see details below in operational section), including a major docudrama for Discovery US about *Hurricane Katrina* is currently in pre-production, as well as other projects for American broadcasters.

Operational headlines - strong growth in factual TV operations

- US growth for production subsidiary Brook Lapping. 9/11 docudrama *The Flight that Fought Back* was the highest-rated programme on Discovery US for the past five years.
- 24% of group TV revenues came from international clients (excluding the *Teachers' TV* channel.)
- Launch of Ten Alps Midlands division in Derby with year-round BBC TV politics commission, and other regional productions.

- Brook Lapping's *Elusive Peace* for BBC2/PBS in the US and other major broadcasters worldwide secured the front page lead in *The Guardian* and *The Independent* and major coverage in other papers for its revelations of remarks President Bush made about instructions he had received from God.
- Other successful shows included *Man United's Greatest Goals* (Ten Alps TV) and *Catherine the Great* (Brook Lapping) which achieved high ratings on Sky One and BBC2 respectively.
- Programmes coming soon from Ten Alps production companies include: *Tsunami: Where was God?* for Channel 4 (3BM), *The Long War* with Niall Fergusson for Channel 4 (Blakeway), *Dust to Dust* for Channel 4 (3BM), a *9/11 docudrama project* for BBC1 (Blakeway co-production), *Goering and the Nuremberg Jailer* for Channel 4 (3BM), *Enlightenment* for More 4 (Blakeway), and *Summers* for BBC2 (Blakeway)
- Digital growth. *Teachers' TV* is a market leader in online TV for teachers, having hundreds of hours of programmes downloadable through broadband. *Teachers' TV* is operated by an independent consortium, the principal member of which is Brook Lapping, a Ten Alps Company.
- Growth in radio production with substantial increase in projects for BBC Radio 4, including the critically acclaimed *Lennon – the Wener Tapes*, as well as re-commission of weekly *Worricker* current affairs programme for BBC Radio 5 Live and strong repeat business at Radio 2 including *Classic Singles* and the 14th series of *The Smith Lectures*.

Corporate changes

- Change of auditor (Oct 2005) to Grant Thornton UK LLP
- Addition of broker Collins Stewart Limited as joint brokers with Canaccord Capital (Europe). See separate RNS statement today.
- Reorganisation of subsidiaries for greater tax efficiency underway

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Chairman Brian Walden

“Our prospects for 2006 are exciting, with major new projects and expansion within a TV industry which itself is seeing growth, consolidation and new technologies.

The key to success is pretty simple: making very good programmes.

This is true whatever might be the broadcast delivery channel of the day, because you don't need to own the technology or even the channel to make money in a digital age. What matters is owning rights in the programmes that make the public want to use the technology or watch the channel. For us that can mean putting our programmes on podcast, Sky+, broadband TV, IPTV, digital radio or Video on Demand. The *mantra* of 1990s media investment bankers - 'content is king' – is actually coming true, but just a bit late.

We are therefore continuing to focus our efforts on editorial quality, from documentaries and talks on BBC Radio 4 to multi-million pound programmes for BBC1 or Discovery US. All of this is down the creative excellence of our staff, to whom we are very grateful.”

Chief Executive Alex Connock

“These results show the value of factual TV production coming through in our margins – really for the first time since Ten Alps joined the AIM market – and the large turnover increases of the past few years converting into profits.

Our first set of stock market results was in December 2001. In the four years since, the TV production market has expanded due to regulatory changes, and there has been significant consolidation. During that time, we have also had healthy compound growth - in revenues annually of 54%, and in EBITDA of 86%.

As we go into 2006 our production slate is strong, we have brought in a new production operation since the end of the interim financial period (namely Ten Alps Midlands) and we are looking at investments outside the factual genre.

We now have a five-year plan for the next stage of Ten Alps, the key points of which are:

Entertainment and Drama. We are now looking at going beyond factual TV into other areas where formats and rights offer opportunities. Through Ten Alps TV we are working on a number of factual entertainment commissions, which have format sales potential. And we are seriously considering drama, building on the success that our companies, such as 3BM TV, have had in docudrama.

International sales. Our companies have achieved significant success with European and American customers, and we aim to build on that. There is every possibility that in 2006 we will consider opening an American office, probably in Washington, which is where some key customers are, and a good focus for the kind of political programming we make. There is an opportunity to build a factual TV production company of scale in the US.

Acquisitions. We have done five deals in the past four years, all for cash. We will continue to examine similarly EPS-enhancing acquisition opportunities, both within and beyond the factual TV genre.

Rights exploitation – new platforms. We are also looking at DVD and mobile content opportunities and aim to firm one or more up in 2006. The goal is to make the absolute most of the intellectual property we have developed and acquired, which includes some 350 past projects.

Digital revolution. *Teachers' TV* is attracting interest from around the world as a publicly-funded, quality, niche vocational TV channel, and we will explore other opportunities in this digital space. *Teachers' TV* is also a world leader in broadband TV, with hundreds of hours of material online at www.teachers.tv and the imminent launch of podcasting. We are looking at a number of ways to exploit this technology in other areas of our production business.“

Finance Director – Nitil Patel

Financial analysis

“This was a period in which we made progress on margins.

Group turnover grew by 85% to £21.99m (2004: £11.9m) and gross profit increased by 55% to £5.23m (2004: £3.38m) signifying that we were able to deliver greatly improved profitability.

EBITDA or headline profit, a key measure used by the board, increased by 360.8% to £1.94m (2004: £421,000) reflecting improved conditions in the TV and Events sectors and the inclusion of the *Teachers' TV* key performance indicator-related Performance Management Fee (“KPI’s”).

Profit before tax (PBT) was therefore also very much improved at £1.394m (2004: £72,000), even after a goodwill amortisation charge of £397,000 (2004: £248,000) for the period, which was increased due to an exceptional writedown on our Dr Party business.

Gross margin has increased from 20.1% in March 2005 to 23.8% in September 2005 (although it has decreased from 28.4% in September 2004 to 23.8% in

September 2005.)

Shareholders' funds have increased from £6.80m to £7.73m, reflecting the results for the period under review. The retained distributable profit and loss account reserves are now at £839,000 (2004: £(16,000)).

The Company continues to maintain a strong cash balance and held £7.46m (2004: £4.62m) as at 30 September 2005. The balance is £66,000 lower than at 31 March 2005, reflecting cash outflows on deferred earnouts on previous acquisitions and a significant reduction in creditor balances.

Profit Growth

The interim results reflect the full impact of payments confirmed following assessment of the KPIs relating to Education Digital Ltd for the period August 2004 to July 2005. Confirmation of this figure was received on December 9 2005.

We had accrued for a conservative level of KPI fees as appropriate at 31 March 2005. However, the KPI fees actually received exceeded this accrued income, so there is an extra contribution relating back to the earlier financial period. Investors should bear this in mind when assessing our six-monthly profits going forward.

In future periods, the Company will continue to account for the management fee of 2.5%, which is guaranteed under the Teachers' TV contract. Our announcement of year end results next Summer will include a further accrual for Teachers' TV, which will be made on the basis of our internal assessment of performance on measurable parameters (such as audience figures, internet traffic and so forth) against the KPI's. This is because the external KPI assessment for Teachers' TV for the year to July 2006 will not be confirmed until much later that year.

Looking at the wider picture across the group, trading is favourable and the market is expanding. But whilst the results for the six months to 31 March 2006 could see profits growth, the rate of growth will not be as radical as we have just seen."

Ten Alps plc
Consolidated Profit and Loss
Account
Six Months ended 30
September 2005

	Six months ended 30 Sept 2005 (000's)	Six months ended 30 Sept 2004 (000's)	Year ended 31 March 2005 (000's)
Turnover- continuing operations	21,988	11,900	34,753
Cost of sales	(16,763)	(8,522)	(27,755)
Gross profit	5,225	3,378	6,998
Amortization of goodwill	(397)	(248)	(569)
Administrative expenses	(3,497)	(3,073)	(5,862)
Operating profit	1,331	57	567
Profit on ordinary activities before interest and taxation	1,331	57	567
Net interest receivable	63	15	60
Profit on ordinary activities before tax	1,394	72	627
Taxation	(475)	(21)	(252)
Profit on ordinary activities after taxation	919	51	375
Equity minority interest	(270)	(25)	(143)
Retained profit for the year	649	26	232
Basic earnings per share	1.46p	0.06p	0.52p
Diluted earnings per share	1.43p	0.06p	0.51p

Ten Alps plc
Consolidated Balance Sheet
Six Months ended 30 September
2005

	As at 30 Sept 2005 Unaudited £ '000	As at 30 Sept 2004 Unaudited £ '000	As at 31 Mar 2005 Audited £ '000
Fixed Assets			
Intangible assets - goodwill	3,467	3,728	3,658
Intangible assets - investment in productions	171	-	-
Tangible assets	1,178	887	1,279
	<hr/> 4,816	<hr/> 4,615	<hr/> 4,937
Current assets			
Work in progress	62	303	244
Debtors	7,585	3,961	7,233
Bank	7,456	4,617	7,522
	<hr/> 15,103	<hr/> 8,881	<hr/> 14,999
Creditors			
Amounts falling due within one year	<hr/> (11,140)	<hr/> (6,371)	<hr/> (12,015)
NET CURRENT ASSETS			
	3,963	2,510	2,984
	<hr/>		
Total assets less current liabilities	8,779	7,125	7,921
Creditors			
Amounts falling due after one year	(636)	(301)	(737)
	<hr/>		
Net assets	<hr/> 8,143	<hr/> 6,824	<hr/> 7,184

Capital and reserves

Called up share capital	892	883	887
Share premium account	3,065	2,999	3,030
Merger reserve	2,930	2,930	2,930
Special reserve	2	-	2
Profit and loss account	<u>839</u>	<u>(16)</u>	<u>190</u>
Shareholders' funds	7,728	6,796	7,039
Minority interest	415	28	145
Equity shareholders	<u>8,143</u>	<u>6,824</u>	<u>7,184</u>

**Ten Alps plc
Consolidated Cash Flow
Six Months ended
30 September 2005**

	As at 30 Sept 2005 Unaudited £ '000	As at 30 Sept 2004 Unaudited £ '000	As at 31 Mar 2005 Audited £ '000
Net Cash inflow from operating activities	433	1,102	5,338
Return on investments and servicing of finance	63	15	60
Taxation	-	(14)	(151)
Capital expenditure and financial investment	(281)	(395)	(1,027)
Acquisitions and disposals	(315)	(288)	(518)

Net cash (outflow)/inflow before financing	(100)	420	3,702
Financing			
Issue of ordinary share capital	40	-	35
Capital element of finance lease rentals	(6)	(16)	(52)
Media Loans net (decrease)/increase	-	(134)	(134)
Net cash inflow/(outflow) from financing	34	(150)	(151)
(Decrease)/Increase in cash	(66)	270	3,551
Reconciliation of net cash flow movement to movement in net debt			
(Decrease)/Increase in cash in period	(66)	270	3,551
Cash outflow from decrease in debt and lease financing	6	16	52
Change in net debt resulting from cash flows	(60)	286	3,603
Movements in media loans	-	134	134
Exchange adjustments	3	(8)	(8)
	(57)	412	3,729
Net funds at beginning of period	7,131	3,402	3,402
Net funds at end of period	7,074	3,814	7,131

Notes to Cashflow:**Analysis of cash flows for headings netted in cash flow statement**

Reconciliation of operating loss to net cash inflow/(outflow) from operating activities:

Operating profit	1,331	57	567
Depreciation	212	116	330
Goodwill amortisation	397	248	569
Loss/ (gain) on sale of fixed assets	-	-	(1)
Foreign exchange (gain)/loss on media loans	(3)	8	8
Change in work in progress	182	(148)	(89)
Change in debtors	(352)	(1,075)	(4,383)
Change in Creditors	(1,334)	1,896	8,337
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Net Cash inflow from operating activities	433	1,102	5,338

1. The financial information in this statement does not constitute statutory accounts. The financial information in respect of the year ended 31 March 2005 has been extracted from the statutory Accounts, which received an unqualified auditors' report and have been delivered to the Registrar of Companies.

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