

Ten Alps Communications PLC

Interim Results to September 30 2002

Ten Alps, the integrated communications company producing TV, advertising and events today announces its interim results.

“Rapid revenue growth, increased operating profits before goodwill and positive cash flow have set the tone,” said Chairman Brian Walden, “and we have made potentially earnings-enhancing acquisitions.”

“Meanwhile, in current trading we are looking at further significant increases in revenues and have begun developing our own content for the long-term.”

Financial highlights:

- Turnover 44% increase to £5.42m (2001: £3.76m)
- Operating profit before goodwill was 48% up at £176,000 (2001: £119,000)
- Adjusted EPS 9% increase at 0.44p (2001:0.41p)
- Cash balance of £2.568m at Sept 30 2002, equating to 48% of market capitalisation as at that date.
- After charging £190,000 of goodwill, net profit was £6,000 (2001: £71,000) Goodwill charged in same period of 2001 was £45,000.
- Equity Shareholders' funds were £6.54m (2001: £5.49m)

Operational highlights:

- Major client wins on top of 80 or so existing customers - Discovery Europe, P&O Ocean Village, UK Gold, Escada, Office of National Statistics (UK Census) and Woodpecker
- Development of significant own-brand content such as Winter City, Bark in the Park, and a number of TV and radio properties
- Acquisition of 3-D graphics company Red Welly with no issue of shares.

Chairman's Statement – Brian Walden

Rapid growth and positive cash flow are our two goals for Ten Alps in the financial year 2002-3 and we have so far achieved them both as we seek to build a strong, multi-faceted communications company.

We have substantially boosted our overall revenues over a Summer period which is traditionally quiet in one of our key divisions, events. And looking forward, the major addition of Brook Lapping without dilution of existing shareholders could provide a further impetus in revenues and earnings per share. Their last reported profits were over 70% greater than those of the entire Ten Alps group.

But the focus of our efforts is actually the 2-year horizon, and that is the basis on which we seek investor interest. We aim to continue growing at our current rate through investment and acquisition, as well as organically.

Current Trading

Current trading for the full year indicates (at this early, unaudited stage) a healthy picture, with significant increases in revenue and operating profit before goodwill, and net profit dented by the increased goodwill writeoffs.

The majority of the 8 divisions are currently performing ahead of our expectations. In particular TV division Brook Lapping has closed £1.46m in new contracts in the 5 weeks since acquisition, with another £1m in deals at the budget negotiation stage for possible inclusion in the next financial year.

Advertising agencies Ten Alps RMA and MTD have significantly outperformed last year, as has agency Know Comment. Ten Alps Events has so far underperformed last year due to some weakness in the exhibitions market, but the picture has not all been gloomy, with major work in the USA and UK, and development of exciting Ten Alps-owned event projects for 2003-4. Meanwhile corporate launch event division Dr Party has beaten last year's figures at this stage.

Scale through investment in owned content

The group was restored to profitability – and therefore stability - in the last financial year, following the reverse takeover by the current management team in July 2001.

In order to benefit from economies of scale, Ten Alps now needs to achieve growth in revenues and then profits. To achieve the necessary scale over the medium term, we have begun in this period to invest a proportion of profits from our client work back into development of our own content, such as large events and TV shows.

Our experience of our own and other media businesses is that such investments yield results over roughly an 18-month time horizon. So in 2003-4, having meanwhile maintained a basic level of profits and a positive cash flow, we now plan to see revenues from major projects in which we have significant ownership. Such revenues are where the real equity value lies for comparable companies.

Scale through opportunistic acquisition in depressed market

The current climate on the stock market sets certain conditions which we can exploit, in that acquisitions are cheaper and far more available than they were even a year ago.

Using a combination of self-financing earnout and purchase of net assets, we have completed two deals in the last two months (details below) without diluting existing investors, or dropping our group cash balance below £2m.

We aim, subject to finalising a suitably profitable target in TV or events, to carry out another synergistic acquisition on the scale of Brook Lapping.

Ten Alps operational focus and strategy

The Ten Alps strategy is to build a strong, multi-faceted communications company. Everything in the media today – from a TV format to a non-traditional marketing agency – is cross-genre. And we are no exception.

Ten Alps seeks to create value and earnings in two ways.

- Short term: communications ‘service’ work, such as advertising campaigns or marketing events, for 100 or so clients on as broad a front as possible.
- Long term: reinvestment of some of the profits from that activity into the creation of our own content direct to the consumer. This must be done prudently, without prejudicing cash balances or going into losses. We are already holding rights in TV documentary series or formats with international potential, and large events with multiple revenue opportunities such as ‘Winter City.’

Ten Alps should keep its activities broad within communications, because of:

- Vertical synergies between current activities. For instance, advertising and events and graphics units work together on projects for the Boat Show, state openings and corporate events clients.
- Back office synergies. Our TV and radio units (including Brook Lapping) are merging into the same office and facilities. Our events offerings have merged under one roof.
- Market vulnerability. Sectorally-focussed media companies have underperformed Ten Alps, as one particular aspect of the media (such as TV advertising, sports rights, radio licences etc) is perceived in a downturn.
- Intra-group overlap. We prefer to buy or start companies which offer complimentary rather than overlapping services, so that they do not cannibalise each others’ market.

Financial detail during the period

Profit and Loss Account

The highlights above show the continued benefits of the Group's strategy, with group profitability being maintained. Operating profit before goodwill was £176,000 in the first six months compared to £119,000 in 2001.

Turnover has increased by £1.7m producing a 48% increase in EBITDA to £235,000. The adjusted EPS for the period was 0.44p (0.41p)

Balance Sheet

As at 30 September 2002 the group had net assets of £6.54m (2001: £5.492m). Net current assets were £2.729m (2001: £2.726m) reflecting our strong cash balance of £2.568m.

The group has goodwill of £3.422m, which is being amortised over 10 years. The charge for the period was £190,000 (2001: £45,000)

Divisional analysis during the period

Top divisions in this period have been advertising agency Ten Alps RMA, whose revenues and profits were significantly up during the period, and political agency Know Comment, which has quadrupled its revenue and continues to grow rapidly since the end of the period. Know Comment now represents over 30 commentators, and has offered consultancy to clients as diverse as the Home Office and the Professional Contractors Group.

Although for Ten Alps Events trading was weaker in April and May when a key employee was incapacitated, it then picked up significant business and new clients into the Summer, notwithstanding the standard seasonal dip.

Ten Alps Broadcasting increased its profits for the period and Ten Alps MTD, the Edinburgh-based advertising agency, showed a small rise in profits – no small achievement given what was a tough period in the Scottish advertising industry, with two agencies closing down altogether.

The single biggest cost area, despite constant cost reviews and an extremely streamlined executive board (only two people), remains the PLC overhead itself. This inherent and unavoidable cost of being a PLC is another reason why staying small is not an intelligent option for Ten Alps or indeed in our view any other small AiM-listed company.

Acquisitions

Brook Lapping

On November 4, 2002, Ten Alps acquired Brook Lapping Productions, one of Britain's best-known independent factual television production companies, with a 20-year history of producing programmes for the BBC, Channel 4, ITV, The Discovery Channel and broadcasters in America and over 40 other countries around the world. The group had net assets of £2.02m, including £2.45m in cash (as at October 31 2002.) For the year ended 31 December 2001, Brook Lapping reported profits before taxation of £841,937 on turnover of £4.6m. Ten Alps paid consideration of up to £2.35m in cash.

Additional consideration may also be payable under an earnout arrangement.

Red Welly

On September 27, Ten Alps acquired 100% of the issued share capital of Red Welly Studios Limited, a digital effects and animation production company.

The initial payment was £50,000 in cash, for assets valued at £50,000.

For further information on the acquisitions please go to our website www.tenalps.com

Contacts

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www.tenalps.com

TEN ALPS COMMUNICATIONS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 30 SEPTEMBER 2002

	Six months ended 30 Sept 2002	Six months ended 30 Sept 2001	Year ended 31 Mar 2002
	Total Unaudited £'000	Total Unaudited £'000	Total Audited £'000
Turnover	5,420	3,753	10,446
Cost of sales	(3,499)	(2,437)	(6,763)
Gross profit	<u>1,921</u>	<u>1,316</u>	<u>3,683</u>
Administrative expenses	(1,686)	(1,157)	(2,974)
Depreciation	(59)	(40)	(105)
Amortisation of Goodwill	(190)	(45)	(220)
Operating profit/(loss)	<u>(14)</u>	<u>74</u>	<u>384</u>
Profit on disposal of businesses	0	0	41
Profit on ordinary activities before interest	<u>(14)</u>	<u>74</u>	<u>425</u>
Net interest receivable	20	20	52
Profit on ordinary activities before tax	<u>6</u>	<u>94</u>	<u>477</u>
Tax charge	0	(22)	(33)
Profit on ordinary activities after tax	<u>6</u>	<u>72</u>	<u>444</u>
Minority Interest	0	(1)	0
Retained profit for the period	<u><u>6</u></u>	<u><u>71</u></u>	<u><u>444</u></u>
Basic earnings per share	0.014p	0.25p	1.36p
Adjusted earnings per share before goodwill amortisation and profit on disposal of business	0.44p	0.41p	1.91p

**TEN ALPS COMMUNICATIONS PLC
CONSOLIDATED BALANCE SHEETS
SIX MONTHS 30 SEPTEMBER 2002**

	As at 30 Sept 2002 Unaudited £ '000	As at 30 Sept2001 Unaudited £ '000	As at 31 Mar2002 Audited £ '000
Fixed assets			
Intangible	3,422	2,498	3,588
Tangible assets	443	306	358
	3,865	2,804	3,946
Current assets			
Work in progress	59	-	44
Debtors	2,268	1,357	2,104
Cash at Bank	2,568	2,907	2,545
	4,895	4,264	4,693
Creditors			
Amounts falling due within one year	(2,166)	(1,538)	(2,041)
	2,729	2,726	2,652
NET CURRENT ASSETS/LIABILITIES			
Total assets less current liabilities	6,594	5,530	6,598
Creditors			
Amounts falling due after more than one year	(54)	(38)	(64)
	6,540	5,492	6,534
Capital and reserves			
Called up share capital	883	786	883
Share premium account	2,999	5,356	2,999
Merger Reserve	2,930	-	2930
Profit and loss account	(273)	(652)	(279)
	6,539	5,490	6,533
Equity shareholders' funds			
Equity Minority Interest	1	2	1
	6,540	5,492	6,534

Notes

- The financial information in this statement does not constitute statutory accounts. The financial information in respect of the year ended 31 March 2002 has been extracted from the statutory accounts which received an unqualified auditors' report and have been delivered to the Registrar of Companies.
- Adjusted earnings per share has been provided in order that the effects of goodwill amortisation and profit on disposal of businesses can be fully appreciated.