

Ten Alps Communications PLC - Interim Results announcement

26 November 2004

Media group Ten Alps Communications PLC ('Ten Alps') announces its Interim Results for the six-month financial period ended September 30, 2004.

Financial

- Revenues up 64.6% to £11.9m (same period in 2003: £7.23m.)
- EBITDA up 35.7 % to £422,000 (2003: £311,000.)
- Pre Tax profits up 157.1% to £72,000 (2003: £28,000.)
- Cash up 37.8% to £4.62m (2003: £3.35m.)
- Net assets up 2.6% to £6.82m (2003: £6.65m) with no significant debt.
- Adjusted EPS increased by 13% to 0.62p (2003: 0.55p.)
- Share capital unchanged for past three years.

Current trading

- Rate of revenue growth is set to be stronger in the second half of the year to March 31, 2005.
- Teachers' TV channel, now at full production rate since October 2004, due on air in February 2005, backed by major internet and marketing presences. (The consortium producing the channel for the Department for Education and Skills is 70%-owned by Brook Lapping, a Ten Alps subsidiary.)
- Improved conditions in TV and events businesses. Advertising second half expected to be broadly in line with last year.

Operational

- Two most recent TV production company acquisitions now integrated (deals completed in February and April 2004).
- New TV channel production operation set up with 45 staff.
- Further 14 TV series or programmes and 6 radio shows currently in production
- Overall year-on-year 80% increase in group staff numbers to 150.

Creative

- Forthcoming TV projects include drama-documentaries such as *Ten Days to Victory* (3BM for five international broadcasters) *Flight 93* (Brook Lapping/Discovery US), second series of *Zero Hour* for Discovery Europe and *Warlords* (3BM/Channel 4).
- New series include *Churchill* (Blakeway/BBC), *Jeremy Vine Meets* (BBC) and *Africa* (Brook Lapping/BBC). One-offs include *Peaches* (Sky One), and the already-controversial *Dust to Dust* (3BM/Channel 4) in which a decomposing body will be filmed.
- Events company currently lighting up Oxford St and building the UK stand at the Japan World Expo for the Foreign Office, launching in March 2005

Outlook

Said Alex Connock, Chief Executive: "Looking forward, the period to March 2005 will see us return to an interest in acquisition of television production businesses, financed by organic cash flows. Television production was significantly up in this period, and continues in the full year to March 2005 to represent a greater proportion of both our overall group revenues and our growth rate. The long term strategy is to develop Ten Alps as a financially strong media business focussed principally on TV production across a range of genres, but also protected

by its diversity in advertising and events. Such a business would in our view be a valuable asset in this changed TV production landscape.”

Investor Relations

Ten Alps Communications PLC is listed on the Alternative Investment Market (AiM) in London and its shares are traded under the symbol TAL.

For more creative news and downloadable investor relations presentation, see our new website www.tenalps.com.

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Chairman Brian Walden

Ten Alps is aiming to become one of the UK's leading independent TV production businesses, at a time when the market has been going through a period of regulator-driven expansion and rapid consolidation.

All our financial measures improved year on year, and either exceeded or matched the board's expectations for the period. Ten Alps has now almost trebled revenues through organic growth and four acquisitions during a three year period, without any use of new equity or significant debt, and whilst increasing its cash.

Bedding-in the two more recent TV acquisitions and participating in the creation from scratch of a TV channel production and commissioning operation were the key operational activities for staff in this period, and those goals were achieved.

Acting as a brake on our revenue growth relative to other acquisitive, private equity-driven TV production groups has been our choice not to crystallise value by issuing equity to raise a 'war chest' at specific price levels. We believe this was the right strategy. Our avoidance of debt has also left Ten Alps in our view a more financially secure entity than it might otherwise have been had we gone for a faster, leveraged growth approach.

Creative businesses derive sales only through the quality of delivered projects. Ten Alps is extremely appreciative of the efforts of its experienced producers and commercial executives at all levels. We are fortunate to work with such talented people.

Chief Executive Alex Connock

Looking forward, the period to March 2005 will certainly see us return to an interest in acquisition of television production businesses, financed by organic cash flows.

We have done the ground work in terms of finding opportunities, covering editorial areas outside factual TV, such as entertainment or drama. We hope to make our fifth TV company acquisition before the middle of 2005.

We are seeing further organic growth in our factual TV production. We continue to believe that factual TV is an excellent place to be, given the wider environment, charter renewal at the BBC, the possible increase in BBC production quotas for independent producers, the internationalisation of TV programme finance, the rise of the drama-documentary genre and the proliferation of factual channels. This may sound like a list of trade-press catchphrases – but it represents a very real opportunity, and explains the boom in investor interest in TV production companies across the sector over the past year. For that reason we will be continuing to increase investment in shares of the rights in our own programming.

Ten Alps' business model has never been one that depended on achieving hits for growth; but we are increasing the number of bets that we are putting on the table in terms of formats that could deliver hits, including in America, which is the thinking behind our deal with Fremantle in Hollywood for ideas such as *Celebrity Court*. It is possible an idea could come off and produce a significant degree of profit – but not necessary for the business to go forward. In the longer run, we might also consider a small acquisition in the US as an entrée into the market.

The long term strategy is to develop Ten Alps as a financially strong media business focussed principally on TV production across a range of genres, but also protected by its diversity in advertising and events. Such a business would in our view be a valuable asset in this changed TV production landscape.

Financial Director Nitil Patel

Financial analysis

Group turnover grew by 65% to £11.9m (2003: £7.23m) with acquisitions contributing £0.64m. The gross profit increased by 48% to £3.38m (2003: £2.28m).

Gross margin has decreased from 31.5% in 2003 to 30.0% in 2004. However, administrative expenses have decreased as a percentage and now represent 27.3% of turnover (2003: 28.4%).

The Group's EBITDA has increased by 37.8% to £422,000 (2003: £311,000) reflecting improved conditions in the TV and Events Sector. The profit before tax (PBT) was £72,000 (2003: £28,000) after a goodwill amortisation charge of £248,000 (2003: £217,000) for the period.

Shareholders funds have increased from £6.65m to £6.80m, reflecting the results for the year. The profit and loss account shows the deficit being reduced to £(16,000) (2003: £(164,000)).

The Group continues to generate cash which is again reflected in the cash balance at the period end of £4.62m (2003: £3.35m)

Divisional Performance

Television production was significantly up in this period, and continues in the full year to March 2005 to represent a greater proportion of both our overall group revenues and our growth rate.

Divisional performances show that our Events company is outperforming last year in this full year to March 2005, with a strong contribution from building of the Aichi Expo stand in Japan for the Foreign and Commonwealth Office and the Oxford Street lights at Christmas, amongst other key projects. Meanwhile, whilst our Advertising operations performed less well in the first half than in the previous year, their second half is looking decent, and we currently expect performance to be broadly in line with last year, subject to conditions in the market over the next four months.

Margins

We will be working to improve our margins on TV production over the next year. Of course, growth costs money, and we believe the evidence of internal investment already made is clear from the organic growth achieved. Equally, there would be a technical benefit from any further acquisitions of offsetting the effect of the fixed cost of being a PLC on the overall margin. But we believe we could make more money on the kind of projects we are producing, starting of course with the kind of rolling review of production costs that should be omnipresent in a creative business.

With respect to the Teachers' TV project, there are two possible profit elements. The first is production fee from programmes produced for the channel by the wholly-owned Brook Lapping in-house department, Brook Lapping Education. This constitutes approximately 40% of the channel's produced output. Second, the Teachers' TV project is at this point paying a 2.5% management fee on the total revenue to its consortium shareholders. From February 2005 there will additionally be the opportunity, though not the certainty, for those shareholders (of which Ten Alps, via Brook Lapping, constitutes 70%) to achieve performance-related fees, based on assessment by an independent board of the channel's achievements against a range of parameters. These fees would take the theoretical maximum up to 12.5% of the contracted turnover figure, minus certain management incentive bonuses which the shareholders would pay.

We would not steer any investor towards the assumption that this full figure, or indeed any other particular figure, would be achieved, notwithstanding the efforts of the team so far. The only figure of which we can be sure is the 2.5 %. The first retrospective management fee decision will be taken in November 2005.

The size of the independent production market

Tessa Jowell, Secretary of State for Culture, Media and Sport reportedly told *The Independent, Media Weekly* October 2004: "This £2.8bn [BBC] licence-fee money is venture capital for creativity. The opportunity to bid for that, and contribute to BBC programmes, should extend beyond 25% ... to what is a flourishing independent sector."

Were that apparent government faith in the sector to translate into reality with the BBC boosting its production slate with independent producers significantly beyond its current £300m+ level, that could be significant news for a company such as Ten Alps.

Notes

Accompanying this results statement is a downloadable powerpoint presentation. Both that presentation, and this statement, contain certain forward-looking statements.

Although Ten Alps considers that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct.

These statements involve uncertainties and risks, and actual results may differ materially from those expressed or implied by these forward looking statements.

TEN ALPS COMMUNICATIONS PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
SIX MONTHS ENDED 30 SEPTEMBER 2004

		Six months ended 30 Sept 2004	Six months ended 30 Sept 2003	Year ended 31 Mar 2004
		Total Unaudited £'000	Total Unaudited £'000	Total Audited £'000
Turnover	- continuing operations	11,261	7,230	16,732
	- acquisitions	639	0	0
		<hr/>	<hr/>	<hr/>
		11,900	7,230	16,732
Cost of sales		(8,522)	(4,954)	(11,955)
		<hr/>	<hr/>	<hr/>
Gross profit		3,378	2,276	4,777
Administrative expenses		(3,073)	(2,054)	(4,264)
Amortisation of Goodwill		(248)	(217)	(437)
		<hr/>	<hr/>	<hr/>
Operating profit	- continuing operations	48	5	76
	- acquisitions	9	0	
		<hr/>	<hr/>	<hr/>
Profit on ordinary activities before interest		57	5	76
Net interest receivable		15	23	50
		<hr/>	<hr/>	<hr/>
Profit on ordinary activities before tax		72	28	126
Tax (charge)/credit		(21)	(1)	24
		<hr/>	<hr/>	<hr/>
Profit on ordinary activities after tax		51	27	150
Minority Interest		(25)	0	(1)
		<hr/>	<hr/>	<hr/>
Retained profit for the period		<u>26</u>	<u>27</u>	<u>150</u>
Basic earnings per share		0.06 p	0.06 p	0.34 p
Adjusted earnings per share before goodwill amortisation		0.62 p	0.55 p	1.33 p

**TEN ALPS COMMUNICATIONS PLC
CONSOLIDATED BALANCE SHEETS
SIX MONTHS 30 SEPTEMBER 2004**

	As at 30 Sept 2004 Unaudited £ '000	As at 30 Sept 2003 Unaudited £ '000	As at 31 Mar 2004 Audited £ '000
Fixed assets			
Intangible	3,728	3,500	3,640
Tangible assets	887	515	499
	<u>4,615</u>	<u>4,015</u>	<u>4,139</u>
Current assets			
Work in progress	303	465	136
Debtors	3,961	2,776	2,683
Cash at Bank	4,617	3,350	3,971
	<u>8,881</u>	<u>6,591</u>	<u>6,790</u>
Creditors			
Amounts falling due within one year	<u>(6,371)</u>	<u>(3,626)</u>	<u>(3,849)</u>
NET CURRENT ASSETS	2,510	2,965	2,941
Total assets less current liabilities	<u>7,125</u>	<u>6,980</u>	<u>7,080</u>
Creditors			
Amounts falling due after more than one year	(301)	(331)	(308)
	<u>6,824</u>	<u>6,649</u>	<u>6,772</u>
Capital and reserves			
Called up share capital	883	883	883
Share premium account	2,999	2,999	2,999
Merger Reserve	2,930	2,930	2,930
Profit and loss account	(16)	(164)	(42)
Equity shareholders' funds	<u>6,796</u>	<u>6,648</u>	<u>6,770</u>
Equity Minority Interest	28	1	2
	<u>6,824</u>	<u>6,649</u>	<u>6,772</u>

TEN ALPS COMMUNICATIONS PLC
CONSOLIDATED CASH FLOW STATEMENT
SIX MONTHS ENDED 30 SEPTEMBER 2004

	Six months ended 30 Sept 2004	Six months ended 30 Sept 2003	Year ended 31 Mar 2004
	Total Unaudited £'000	Total Unaudited £'000	Total Audited £'000
Net cash inflow from operating activities	1,102	102	651
Return on investments and servicing of finance	15	23	50
Taxation	(14)	(52)	(65)
Capital expenditure and financial investment	(395)	(43)	(101)
Acquisitions and disposals	(288)	-	65
Net cash inflow before financing	420	30	600
Financing			
Capital element of finance lease rentals	(16)	(19)	(6)
Media Loans net (decrease)/increase	(134)		38
Deferred consideration on acquisitions			
Net cash (outflow) from financing	(150)	(19)	32
Increase in cash	270	11	632
Reconciliation of net cash flow movement to movement in net debt			
Increase in cash in the period	270	11	632
Cash outflow from decrease in debt and lease financing	150	19	6
Change in net debt resulting from cash flows	420	30	638
Finance leases	-	-	-
Loans acquired with subsidiaries	-	-	-
Movements in media loans	-	-	(38)
Exchange adjustments	(8)	-	11
Net funds at beginning of period	3,402	2,791	2,791
Net funds at end of period	3,814	2,821	3,402

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	57	6	76
Depreciation	116	89	180
Goodwill amortisation	248	217	437
Loss/ (gain) on sale of fixed assets	-	-	20
Foreign exchange loss/(gain) on media loans	8	-	(11)
Change in work in progress	(148)	17	358
Change in debtors	(1,075)	(562)	(295)
Change in creditors	1,896	335	(114)
Net cash inflow from operating activities	1,102	102	651

1. The financial information in this statement does not constitute statutory accounts.

The financial information in respect of the year ended 31 March 2004 has been extracted from the statutory accounts which received an unqualified auditors' report and have been delivered to the Registrar of Companies.

2. Adjusted earnings per share has been provided in order that the effects of goodwill amortization can be fully appreciated.

ENDS