Annual Report and Accounts

Year ended 31st January 2004

INTELLIGENT MEDIA MONITORING

Thomson
INTERMEDIA PLC

Contents

Annual report and financial statements for **Thomson Intermedia Plc** for the year ended 31st January 2004

Directors and Advisors

Directors

John Napier	*Non-Executive Chairman*
Stephen Thomson	*Joint Chief Executive*
Sarah Jane Thomson	*Joint Chief Executive*
David Trendle	*Finance Director*
Paul Gladman	*IT Director*
Fiona Driscoll	*Non-Executive Director*

Secretary
David Trendle

Registered office
1 Westmoreland Road
Bromley
Kent BR2 0TB

Registration number
3967525

Nominated adviser and broker
Williams de Broe plc
6 Broadgate
London EC2M 2RP

Solicitors
Jones Day
10 Old Bailey
London EC4M 7NG

DMH Limited
40 High Street
Crawley
RH10 1BW

Auditors
BDO Stoy Hayward LLP
69 Tweedy Road
Bromley
Kent BR1 3WA

Registrars
Computershare Services PLC
PO Box 82
The Pavilions
Bridgewater Road
Bristol BS99 7NH

Chairman's Statement

Trading Performance
I am delighted to report the Group's impressive results for the year. We have continued to successfully develop and enhance the business, whilst showing strong sales growth and cash generation.

Results
The Group has achieved market expectations in all metrics. However the Accounting Standards Board introduced an amendment to Financial Reporting Standard 5, which enforces stringent guidelines regarding the recognition of revenue. The Directors have adopted this policy for the financial statements and the figures for the preceding financial periods have therefore been adjusted to show the correct comparison of performance.

This change has a material impact on the results and significantly increases the deferred income balance to £2.52m, which will be recognised as turnover in the next financial year. Full details of the impact are shown in the Financial Review.

The total value of contracts signed in the year amounted to £4.74m. This represents a significant rise of 31% on the previous year and exceeds total expenditure incurred in the financial year. In addition, the average value of all contracts rose by 28%.

On the revised basis, total revenue for the period was up 38% to £4.05m compared to £2.94m in 2003. Gross margin achieved was 56.1% (2003: 45.6%). Overhead expenditure increased by 8%, of which 5%, equivalent to £136,000, was attributable to the increase in Research & Development expenditure.

The loss before taxation was significantly reduced to £647,000 from £1.34m, whilst the Group had a positive cash flow of £230,000 to give a year end cash balance of £1.23m.

Strategy
The Group has focussed on providing innovative systems in the Advertising and PR sectors, empowering companies with real-time and insightful information. With approximately 5,000 companies with advertising expenditure exceeding £100,000, our strategy is to drive growth in the UK market. Our News evaluation product has also become a 'currency' in the market featuring in PR Week, with revenue growth expected as we expand publication coverage.

We continue to drive cost efficiencies through increasing use of automation technologies, leveraging our high operational gearing to ensure the Group delivers strong EBITDA growth.

The Group continues to improve and extend its product range providing differentiated and new services through our proprietary technology and innovation.

Staff
We would not have achieved our goals in the year without the dedication and expertise of our employees and my thanks are due to all of them for their unstinting efforts. My thanks are particularly due to the Directors. Since flotation life has not been a bed of roses but they have never wavered in either their belief or effort. In many ways their job is just beginning but their resolve to succeed makes me confident that the prospects for the Group are extremely bright.

Chairman's Statement

Current Trading and Prospects

There is no doubt that the Group is now in a very strong position within the media monitoring industry. The continuation of our recent progress in securing contracts will ensure markedly improved trading results.

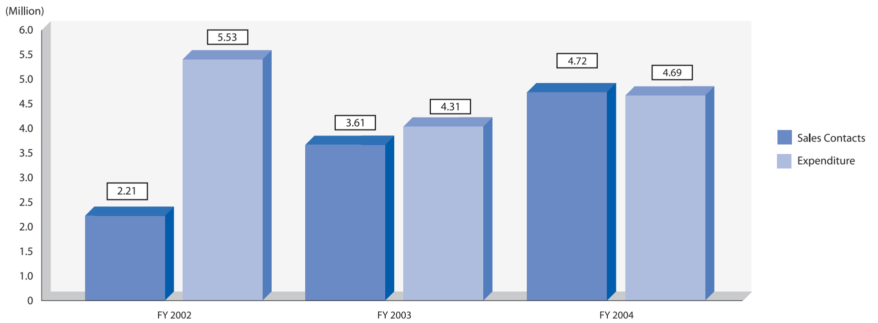
Market conditions are gradually improving and we are experiencing a notable increase in the level of interest and acceptance of our existing products. Revenue in the first six weeks of our current financial period is better than anticipated and we have received higher levels of new enquiries.

John Napier
Non Executive Chairman

25 March 2004

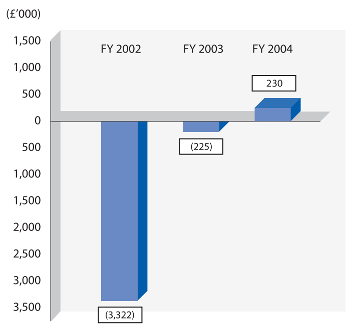
Highlights

Sales Contracts v Expenditure



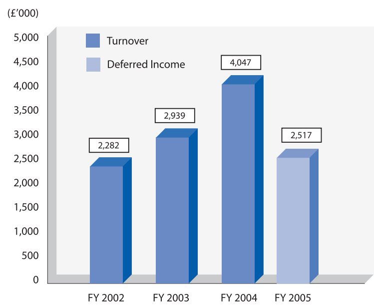
Continued sales growth and cost control has resulted in the value of sales contracts exceeding the group's cost base in this financial year.

Net Cash Flow



The group generated positive cash flow of £230,000. With high operational gearing and continued revenue growth, the group expects to continue to generate positive cash.

Turnover and Secured Income



The group has generated 77% growth in Turnover in the last two years, with deferred income of £2.52m representing revenue already secured for the next financial year.

Joint Chief Executive's Review

Products

There is a growing need for companies to understand the impact their advertising is having against the backdrop of competitor noise and an increasingly fragmented media market.

The Group's unique product positioning is focussed on meeting this need. Our product range provides empowerment to advertisers whose combined expenditure exceeds £10 billion per annum. Our current market penetration is only 3% for the top 5,000 spending advertisers, and is only 9% for those spending in excess of £1 million, yet our systems capture data for the entire population. Our cost base is therefore stable and hence our continued focus on increasing product penetration into the market will have significant impact on future results.

Over the last 12 months we have grown our subscriptions by 70 clients selling in at senior level, with recent wins including the following:

Churchill	Marks & Spencers
Ladbrokes	BSkyB
More Th>n	WH Smith

Some feedback from our client base includes the following comments

> "An essential service ... I am not sure how you can run a successful marketing division without it."
>
> **Norwich Union**

> "Consistently good ....."
>
> **AA**

> "An essential part of our everyday business"
>
> **Mediavest**

> "Thomson Intermedia's monitoring system allows us to react ...."
>
> **EDF Energy**

We have had an extremely encouraging rate of new client subscriptions with total new business value exceeding £2 million, whilst continuing to maintain an excellent renewal rate at 82% for this year.   Our average contract price has continued to rise and the average value of a new contract is now £22,000. Our newly developed Utopia product, which combines advertising and news in a tailored and timely environment, has an average value of £37,000.

Product Developments

We have continued to accelerate our research and development with a growing number of in-house developers. This has resulted in some significant breakthroughs in technology and further advancements of our existing capture and delivery techniques.

Joint Chief Executive's Review

We have successfully developed the cornerstone of automatic sentiment evaluation. When completed, this will enable significant expansion of our syndicated news evaluation system, Newsmetrics. It will quantify the impact of vast quantities of news from multi-channel news feeds into comparable indices.

Outlook

For the first time since float, we have reached the critical point where our revenues now exceed our cost base. We have growing demand for our products, huge market opportunity and improving market conditions, which will drive considerable and exciting growth to our bottom line.

Some exciting opportunities, which add further value to our existing proposition are now in the final stages of negotiation with third parties. If successfully completed, these will significantly affect our revenue opportunity and standing in the coming year. We look forward to an exciting and rewarding year.

We would like to take this opportunity to thank all our staff, whose continued dedication and commitment made the achievement of these results possible.

Stephen Thomson
Joint Chief Executive

Sarah Jane Thomson
Joint Chief Executive

25 March 2004

Financial Review

Change in Accounting policy – Financial Reporting Standard 5

The Accounting Standards Board introduced an amendment to Financial Reporting Standard 5, which details a highly prudent approach to recognition of revenue. The Board has adopted this policy for the financial statements and the figures for the preceding financial periods have been adjusted to show the correct comparison of performance.

With our business model providing significant revenue growth and high operational gearing, this change has a major impact on the results presented. The effect in this financial year has been to defer an additional £600,000 of contract revenue to the next financial year, compared to continuing with our accounting policy as stated in the interim results. Consequently both the loss before tax and the deferred income balance have increased by the same amount.

A reconciliation of sales contracts and turnover can be illustrated as follows:

	2003	2004	2003	2004	Change
	£'000	£'000	£'000	£'000	%
	pre FRS5		post FRS5		
Deferred Income balance b/fwd	918	1,457	1,160	1,826	57%
Non-cancellable contracts:					
- renewals	1,860	2,655	1,860	2,655	43%
- new business	1,664	1,946	1,664	1,946	17%
non-contract revenue	81	137	81	137	69%
Gross sales total	**3,605**	**4,738**	**3,605**	**4,738**	31%
Deferred Income balance c/fwd	1,457	1,548	1,826	2,517	38%
Turnover (per profit annd loss statement)	**3,066**	**4,647**	**2,939**	**4,047**	38%

Sales Contracts

The total value of contracts signed in the year rose by 31% to £4.74m up from £3.60m. This results in deferred income of £2.52m secured for the next financial year, as well as providing a solid base for contract renewals.

New contracts signed in the year increased 17% to total £1.95m (2003: £1.66m) with the average value of new contracts also substantially increased by 76% to £22,000. This reflects the value created from the development work undertaken since flotation. The 82% rate of renewal of existing contracts further endorses the competitive advantage gained by the products.

Trading performance

On the new accounting basis, revenue for the period was up 38% to £4.05m (2003: £2.94m).

Financial Review

Direct costs increased by 11% as a result of the expansion of Thomson's product range during the year. Gross margin improved by 10.5% to 56.1%.

Overheads were well controlled showing an increase of only 8% to £2.93m. We have continued to invest substantial sums improving existing systems as well as developing new systems and this cost has been expensed as incurred. The increase in expenditure relating to research and development year on year amounted to £136,000 and accounted for 5% of increase in overheads.

The loss before taxation has been significantly cut to £647,000 from £1.34m in 2003. We have obtained tax credits in respect of our development expenditure for prior periods which leaves a balance of £322,000 to be debited to reserves.

Basic and diluted loss per share significantly improved to 1.1p this year compared to a loss per share of 4.7p in the previous year.

The strength of the Balance Sheet continues to improve with net current assets of £2.03m. In addition the balance of deferred income has increased by £0.69m to total £2.52m. This balance effectively represents turnover already secured for the next financial year.

The Group has also built a significant asset in the data library it has created. This asset is not recognised on the balance sheet and all development expenditure continues to be expensed as incurred.

With total contracts signed of £4.74m and total costs of £4.69m the business has effectively become profitable. However this will only show in the Profit & Loss account when the full contract value has been amortised.

Treasury

The Group recorded positive operating cash flow of £171,000, reflective of the relationship between contracts signed and costs incurred above. On a comparative year-on-year basis the operational cash flow improved to an inflow of £391,000 from an outflow of £242,000 in the previous year. Given the high operational gearing of the business, the Group will continue to generate cash as revenues grow, with the only major non-operational cash outflow being investment in technology.

The group increased net funds by £230,000 during the year, with a debt free position at the year end. This included a cash inflow of 189,000 relating to Research and Development tax credits, with a further £136,000 received after the year end.

David Trendle
Finance Director

25 March 2004

Directors, Board Committes and Corporate Governance

Board of Directors

The Board of Directors, which comprises four Executive Directors and two independent Non-Executive Directors, meets on a monthly basis throughout the year. The Board is responsible for leading and controlling the Group. The four Executive Directors and a further two members of senior management comprise the Group's Executive Management Team, which meets on a regular basis, and provides the principal vehicle for directing the Group's business at an operational level. The following Board committees deal with the important aspects of the Group's affairs and provide independent, objective advice.

Audit Committee

The Audit Committee, which meets twice a year, is chaired by John Napier and comprises both the Non-Executive Directors and the Group's IT Director. The purpose of the committee is to ensure the preservation of good financial practices throughout the Group; to monitor that controls are in force to ensure the integrity of financial information; to review the interim and annual financial statements; and to provide a line of communication between the Board and the external auditors.

Remuneration Committee

The remuneration committee, which meets at least once a year, is chaired by John Napier and comprises of both the Non-Executive Directors. It is responsible for the Executive Directors' remuneration, other benefits and terms of employment, including performance related bonuses and share options.

Nomination Committee

Given the small size of the Board, the Board as a whole fulfils the function of the Nomination Committee.

Compliance with the Combined Code

Under the rules of the AIM market the Group is not required to comply with the Combined Code. However, the Directors have taken steps to comply with the Combined Code in so far as it can be applied practically, given the size of the Group and the nature of its operations.

The Directors acknowledge that fully listed companies are required to report on internal controls in compliance with The Turnbull Report. Despite the fact that the Group is not bound to comply, as it is listed on the Alternative Investment Market, the Directors recognise the need to focus on significant risks and related controls, procedures and reports. The directors consider that such matters are dealt with appropriately bearing in mind the Group's present size and its potential for expansion.

Directors Report

The directors present their annual report and Group audited accounts for the year ended 31 January 2004.

Principal activities

Thomson Intermedia Plc is a holding company for a Group which continued to provide innovative systems that empower companies to leverage maximum return on investment from their marketing. The Chairman's Statement on pages 4 and 5 and the Joint Chief Executives' Review on pages 6 and 7 set out the full activities of the Group.

Trading review and future developments

A review of the business and future developments are included in the Joint Chief Executive's Review on pages 6 and 7.

Research and development

The Group continues to invest in research and development. This has resulted in some breakthroughs in technology and enhancements of existing services which will benefit the Group in the medium to long term. Costs in respect of research and development have to date been expensed as incurred.

Results and dividend

The loss on ordinary activities of the Group after taxation for the year amounted to £0.32m (2003: Loss £1.34m). The Directors do not recommend the payment of a dividend (2003: £Nil)

Charitable and political donations

During the current and prior year the Group made no political or charitable donations.

Creditor payment policy

The Group's policy is to comply fully with the payment terms agreed with suppliers. As at 31st January 2004, the Group's average creditor days figure (based on the ratio of the aggregate of the amounts owed to trade creditors at the year end to the aggregate amount invoiced by suppliers during the financial year) was equivalent to 42 days (2003: 72 days). The Company had no trade creditors at either year-end.

Substantial shareholdings

At 31 March 2004 the following held more than 3% of the Company's ordinary share capital, other than the shareholdings held by directors. No other person has reported an interest of more than 3% in the Company's ordinary shares.

	31 January 2004		31 January 2003	
Name	No. of Shares	%	No. of Shares	%
Herald Investment Management limited	3,571,060	12.4	3,571,060	12.5
Eaglet Investment Trust Plc	3,053,000	10.6	3,053,000	10.7
Henderson Smaller Company Investment Trust plc	1,000,000	3.5	2,211,500	7.7

Directors Report

Going Concern

The Board is responsible for considering whether it is appropriate to prepare financial statements on a going concern basis. After making appropriate enquiries the Board concluded that the Group has adequate resources to continue in operation for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing the financial statements.

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The Directors who held office during the year were as follows:

John Napier	Non-Executive Chairman
Stephen Thomson	Joint Chief Executive
Sarah Jane Thomson	Joint Chief Executive
David Trendle	Finance Director
Paul Gladman	IT Director
Fiona Driscoll	Non-Executive Director

Directors Report

Directors' interests

The Directors' beneficial interests in the ordinary shares of the Company and options to purchase such shares at the beginning and end of the financial year comprised:

	Number of ordinary shares 31 January 2004	Options 31 January 2004	Number of ordinary shares 1 February 2003	Options 1 February 2003
John Napier	235,000	-	79,761	-
Stephen Thomson	8,002,393	-	7,902,393	-
Sarah Jane Thomson	8,002,394	-	7,902,394	-
David Trendle	35,000	200,000	30,000	200,000
Paul Gladman	874,804	400,000	865,504	400,000
Fiona Driscoll	30,523	-	30,523	-

No Director has any direct interest in the shares of the subsidiary company. There have been no changes in the above Directors' shareholdings between 31 January 2004 and 31 March 2004. Further details of the Director's share options are shown in note 5.

The Directors who retire by rotation are Stephen Thomson and Sarah Jane Thomson who, being eligible, offer themselves' for re-election.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By Order of the Board:

David Trendle
Company Secretary

25 March 2004

Report of the Independent Auditors

To the shareholders of Thomson Intermedia Plc

We have audited the financial statements of Thomson Intermedia Plc for the year ended 31 January 2004 on pages 16 to 34 which have been prepared under the accounting policies set out on pages 21 to 23.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's Statement, the Joint Chief Executives' Review, the Financial Review, minutes of Board Committee meetings, Corporate Governance Statement and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give

Report of the Independent Auditors

reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 January 2004 and of the result of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP
Chartered Accountants
and Registered Auditors
Bromley

25 March 2004

Consolidated Profit and Loss Account

for the year ended 31st January 2004

	Note	2004 £'000	As restated 2003 £'000
Turnover	2.28	**4,047**	2,939
Cost of sales		**(1,778)**	(1,599)
Gross profit		**2,269**	1,340
Operating Expenses		**(2,934)**	(2,708)
Operating loss	3	**(665)**	(1,368)
Interest receivable	6	**18**	27
Interest payable	7	**-**	(1)
Loss on ordinary activities before taxation		**(647)**	(1,342)
Taxation		**325**	-
Loss on ordinary activities after taxation		**(322)**	(1,342)
Loss per share	9		
Loss per share, pence - Basic & Diluted		**(1.1)**	(4.7)

All amounts relate to continuing activities.

The notes on pages 21 to 34 form part of these financial statements.

Consolidated Statement of Total Recognised Gains and Losses

for the year ended 31st January 2004

	Note	2004 £'000	As restated 2003 £'000
Consolidated statement of total recognised gains and loses			
Loss for the financial year		(322)	(1,342)
Total recognised gains and loses for the year			
Prior year adjustment	28	(369)	
		(691)	

All amounts relate to continuing activities.

The notes on pages 21 to 34 form part of these financial statements.

Consolidated Balance Sheet

for the year ended 31st January 2004

	Note	2004	2004	As restated 2003	As restated 2003
		£'000	£'000	£'000	£'000
Fixed assets					
Intangible fixed assets	11		43		55
Tangible fixed assets	12		451		483
			494		538
Current assets					
Debtors	14	1,438		995	
Cash at bank and in hand		1,229		1,005	
		2,667		2,000	
Creditors: amounts falling due within one year	15	(637)		(536)	
Net current assets			2,030		1,464
Total assets less current liabilities			2,524		2,002
Accruals and deferred income	17		(3,194)		(2,381)
			(670)		(379)
Capital and reserves					
Share capital	19		7,186		7,155
Share premium	21		5,064		5,064
Merger reserve	21		(5,250)		(5,250)
Profit and loss account	21		(7,670)		(7,348)
Equity shareholders' funds	20		(670)		(379)

The financial statements were approved by the Board on 25 March 2004

Stephen Thomson
Director

David Trendle
Director

The notes on pages 21 to 34 form part of these financial statements.

Company Balance Sheet

as at 31st January 2004

	Note	2004	2003
		£'000	£'000
Fixed assets			
Investments	13	**5,250**	5,250
Total assets less current liabilities		**5,250**	5,250
Capital and reserves			
Share capital	19	**7,186**	7,155
Share premium	21	**5,064**	5,064
Profit and loss account	21	**(7,000)**	(6,969)
Equity shareholders' funds	20	**5,250**	5,250

The financial statements were approved by the Board on 25 March 2004.

Stephen Thomson
Director

David Trendle
Director

The notes on pages 21 to 34 form part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31st January 2004

	Note	2004	2004	2003	2003
		£'000	£'000	£'000	£'000
Net cash outflow from operating activities	23		202		(22)
Returns on investments and servicing of finance					
Interest received			18		24
Taxation					
Research & development tax credit received			189		-
Capital expenditure					
Purchase of tangible fixed assets		(185)		(167)	
Sale of tangible fixed assets		6		-	
Net cash outflow from capital expenditure			(179)		(167)
Acquisitions and disposals					
Purchase of business assets			-		(60)
Net cash inflow / (outflow) before management of liquid resources and financing			230		(225)
Management of liquid resources					
Reduction in short term deposit			91		161
Financial					
Capital element of financial lease payments			(6)		(3)
Increase / (decrease) in cash in the year	25		315		(67)

The notes on pages 21 to 34 form part of these financial statements.

Notes to the Financial Statements

for the year ended 31st January 2004

1. **Accounting Policies**

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention.

The principal accounting policies are:

Basis of preparation

The accounts have been prepared on a going concern basis taking into account continued sales growth predicted for the future and high operational gearing, as outlined in more detail in the Chairman's Statement and Joint Chief Executive's Review. Accordingly the Directors, at the date of approval of these financial statements, consider it appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the results of Thomson Intermedia Plc and its subsidiary undertaking, as at 31st January 2004, using the merger method of accounting.

Merger accounting

Where merger accounting is used, the investment is recorded in the Company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the Group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the Group. The results of the subsidiary are included for the whole period in the year it joins the Group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the Company as consideration as if they had always been in issue. Any difference between the nominal value of the share capital acquired and those issued by the Company to acquire them is taken to reserves.

Turnover

Turnover represents income earned during the period on contracts with customers after the deduction of value added tax. The Company has changed its accounting policy following the amendment to Financial Reporting Standard 5 "Commercial substance over legal form" (Application note G). Details of the impact of this change are shown in note 28. Income is now recognised evenly over the period of the contract.

Depreciation

Depreciation is calculated to write down the cost, less estimated residual value, of all tangible fixed assets over their expected useful lives. The rates generally applicable are:

Motor vehicles	25% per annum reducing balance
Furniture and equipment	25% per annum reducing balance
Computer equipment	25% per annum on cost

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Acquisitions that entail significant market positions and which are of long-term strategic significance to the Group's operations are classified as strategic acquisitions, with goodwill amortised over 20 years.

For acquisitions of complementary operations in markets where the Group is already established, the amortisation period for goodwill is between 5 and 10 years.

Research and development

Research and development costs are charged to the profit and loss account in the year of expenditure.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that, the recognition of deferred tax assets is limited to the extent that the Group anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balances of capital repayments outstanding. The capital element reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

Notes to the Financial Statements

Investments
Investments held as fixed assets are held at cost less any provision for impairment in valuation.

Financial Instruments
In relation to the disclosures made in note 22:

- Short term debtors and creditors are not treated as financial assets or financial liabilities;
- The Group does not hold or issue derivative financial instruments for trading purposes.

Liquid resources
For the purposes of the cashflow statement, liquid resources are defined as current asset investments and short term deposits, within the definition of Financial Reporting Standard 1 "Cash flow statements".

2. Turnover
The turnover and operating loss for the year was derived from the Group's principal activities and was carried out wholly in the UK. All assets are located in the UK.

3. Operating loss
The operating loss is stated after charging:

	2004	2003
	£'000	£'000
Research and development expenditure – expensed	643	507
Operating lease rentals		
- motor vehicles	24	24
- land and buildings	237	238
Amounts payable to the auditors in respect of audit services (Company £3,000 (2003: £3,000))	17	16
Amounts payable to the auditors in respect of non audit services (Company and Group)	23	16
Depreciation		
- owned assets	210	168
- leased assets	1	2
Amortisation	12	3

Notes to the Financial Statements

4. Employees

The average number of employees of the Group, including Executive Directors, was as follows:

	2004	2003
	No	No
Sales and marketing	15	14
Information technology development	9	8
Production	85	90
Accounts and administration	6	5
Directors	6	6
	121	123

Staff costs for all employees, including Executive Directors, consist of:

	2004	2003
	£'000	£'000
Wages and salaries	2,556	2,486
Social security costs	254	221
	2,810	2,707

5. Directors' emoluments

The Directors' emoluments for the year amounted to:

	Salaries / fees £'000	Benefits in Kind £'000	Performance Bonus £'000	2004 Total £'000	2003 Total £'000
John Napier	30	-	-	30	25
Stephen Thomson	101	1	48	150	147
Sarah Jane Thomson	101	-	48	149	146
David Trendle	80	1	38	119	111
Paul Gladman	150	1	34	185	136
Fiona Driscoll	20	-	-	20	20
	482	3	168	653	585

Phantom Share Plan

The Board of Directors has introduced a phantom share plan for senior executives to act as a lock in and incentive for the executives concerned. The plan is a deferred cash bonus arrangement under which the executive is awarded the right to call for a cash payment calculated by reference to the market value of a fixed number of ordinary shares in the capital of the company at the end of a three year period. The number of shares on which the entitlement will be based having been fixed at the outset when the award is made. If the executive leaves before the end of the three year period, he/she will forfeit the award except in limited circumstances where some or all of the phantom share award may vest. The first such awards relate to the year ended 31 January 2004 and will therefore, vest no earlier than 31 January 2007.

The performance bonus consists of 50% cash and 50% phantom shares.

No amounts were paid in respect of Directors' pensions in the current or prior year.

No options were granted or exercised by Directors during the current year:

Options held by Directors at the year end were:

	Date of Grant	Exercise Price	Number of Options	Date when exercisable
Paul Gladman	31 Oct 2002	25p	400,000	31 Oct 2005 to 31st Oct 2012
David Trendle	31 Oct 2002	25p	200,000	31 Oct 2005 to 31st Oct 2012

The options were granted in the prior year under the 2000 executive share option scheme as amended by the Board on 28 October 2003. The above options were granted under the Enterprise Management Incentive (EMI) provisions within this scheme.

The market price of the shares at 31 January 2004 was £ 0.35 and the range during the financial year was £0.145 to £0.355

6. Interest receivable

	2004	2003
	£'000	£'000
Bank interest receivable	18	27

7. Interest payable

Interest payable	2004	2003
	£'000	£'000
Other interest paid	-	1

8. Taxation on loss on ordinary activities

No liability to UK corporation tax arose on the loss for the year ended 31 January 2004. The Group has approximately £5.8m (2003 - £5m) of tax losses, subject to agreement by the Inland Revenue, to carry forward against future trading profits.

The Company received research and development tax credits amounting to £325,000 for the three years to 31 January 2003. The Company received £189,000 cash in respect of these tax credits during the year and £136,000 after the year end.

There is no charge to corporation tax for the current or prior period and the following analysis provides additional information:

	2004	2003
	£'000	£'000
Receipt in respect of research & development tax credit	(325)	-
Loss on ordinary activities	(647)	(1,342)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30 %)	(194)	(402)
Effects of:		
Expenses not deductible for tax purposes	9	106
Capital allowances for period in excess of depreciation	14	3
Other timing differences	(67)	-
Research and development tax credit	(325)	-
Losses carried forward in period	238	293
Current tax charge for period	(325)	-

9. Loss per share

Basic loss per share, calculated in accordance with Financial Reporting Standard 14 "Earnings per share", is based upon the loss on ordinary activities after tax of £322,769 (2003: Loss £1,342,416) apportioned over the weighted average number of ordinary shares that were in issue for the period of 28,640,080 (2003: 28,619,247). The calculation of diluted loss per share is the same as basic loss per share as the impact of any potential ordinary shares is antidilutive.

10. Result for the financial year

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 not to present its own profit and loss account in these financial statements. The Company acts as a holding company and does not trade. During the year the Company provided against the amount due from its subsidiary undertaking and hence made a loss of £31,000 (2003: £Nil).

Notes to the Financial Statements

11. Intangible fixed assets

	Goodwill
Group	£'000
Cost	
At 1 February 2003	60
Additions	-
At 31 January 2004	60
Amortisation	
At 1 February 2003	5
Provision for year	12
At 31 January 2004	17
Net book value	
At 31 January 2004	43
At 31 January 2003	55

12. Tangible fixed assets

Group	Motor vehicles	Fixtures and fittings	Computer equipment	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 February 2003	14	309	663	986
Additions	1	27	157	185
Disposals	(14)	-	-	(14)
At 31 January 2004	1	336	820	1,157
Depreciation				
At 1 February 2003	7	140	356	503
Charged for the year	1	49	161	211
Disposals	(8)	-	-	(8)
At 31 January 2004	-	189	517	706
Net Book Value				
At 31 January 2004	1	147	303	451
At 31 January 2003	7	169	307	483

The net book value of Group assets held under finance leases as at year end was £Nil (2003: £6,000).
The depreciation charge in the year was £1,000 (2003: £2,000)
The Company held no assets under such leases at either year end.

Notes to the Financial Statements

13. Fixed asset investments

Company

Cost and net book value	Subsidiary undertaking
	£'000
At 1 February 2003 and 31 January 2004	5,250

Subsidiary undertaking	Country of incorporation	Class of share capital held	Proportion of voting rights and ordinary share capital held	Nature of business
Thomson Intermedia Associates Limited	England	Ordinary	100%	Technology and media monitoring business

14. Debtors

Group	2004	2003
	£'000	£'000
Trade debtors	643	676
Other debtors	17	22
Prepayments and accrued income	642	297
Tax credit reeivable	136	-
	1,438	995

All amounts fall due for payment with one year.

15. Creditors: amounts falling due within one year

Group	2004	2003
	£'000	£'000
Trade creditors	256	276
Net obligations under hire purchase and finance lease contracts	-	6
Other taxes and social security	380	253
Other creditors	1	1
	637	536

Notes to the Financial Statements

16. Provisions for liabilities and charges

		As restated
	2004	2003
	£'000	£'000
Deferred taxation		
Accelerated capital allowances	18	31
Short term timing differences	(37)	(104)
Estimated trading losses available for relief	(1,844)	(1,494)
	(1,863)	(1,567)

Assuming future profits are taxable at a rate of 30%, the balance of available tax losses disclosed in note 8 for offset against future taxable profits, gives rise to a deferred tax asset of £1.8m (2003: £1.5m). In accordance with Financial Reporting Standard 19 "Deferred taxation", this asset has not been recognised in the balance sheet.

17. Accruals and deferred income

		As restated
	2004	2003
	£'000	£'000
Accruals	677	555
Deferred income	2,517	1,826
	3,194	2,381

18. Operating leases

At 31 January 2004, the Group had annual commitments under non-cancellable operating leases as set out below:

	2004		2003	
	Land and buildings	Other	Land and buildings	Other
	£'000	£'000	£'000	£'000
Within one year	37	-	-	14
In one to two years	-	14	64	-
Between two and five years	-	-	-	-
After five years	173	-	173	-
	210	14	237	14

The Company held no assets under such leases at either year end.

Notes to the Financial Statements

19. Share capital

	2004	2003
	£'000	£'000
Authorised		
40,000,000 ordinary shares of 25p each	10,000	10,000
Allotted, called up and fully paid		
28,744,247 ordinary shares of 25p each (2003: 28,619,247 ordinary shares of 25p each)	7,186	7,155

125,000 ordinary shares were issued at 25 pence on 27 November 2003 to satisfy a consultancy agreement entered into in conjunction with the acquisition of Radio Monitor, a specialist monitor of advertising on radio stations, on 1 September 2002.

Share options

The total number of shares under option at the year-end was 984,189 (2003: 712,850), including options granted to Directors as disclosed in note 5.

No of Options	Exercise Price (pence)	Dates when exercisable
104,755	105	5 May 2003 to 5 May 2010
600,000	25	31 October 2005 to 31 October 2012
270,000	25	9 May 2006 to 9 May 2013
9,434	26.5	3 September 2006 to 3 September 2013

20. Reconciliation of movement in shareholders' funds

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Opening shareholders' funds, as previously stated	(10)	1,205	5,250	5,250
Prior year adjustment	(369)	(242)	-	-
Opening shareholder' funds, as restated	(379)	963	5,250	5,250
Issue of shares	31	-	31	-
Loss for the financial year	(322)	(1,342)	(31)	-
Closing shareholders' funds	(670)	(379)	5,250	5,250

Notes to the Financial Statements

21. Reserves

Group	Merger reserve	Share premium	Profit and Loss account
	£'000	£'000	£'000
At 1 February 2003, as previously stated	(5,250)	5,064	(6,979)
Prior year adjustment	-	-	(369)
At 1 February 2003, restated	(5,250)	5,064	(7,348)
Loss for the financial year	-	-	(322)
At 31 January 2004	(5,250)	5,064	(7,670)

Company	Share premium	Profit and loss account
	£'000	£'000
At 1 February 2003	5,064	(6,969)
Loss for the financial year	-	(31)
At 31 January 2004	5,064	(7,000)

22. Financial instruments

The Group holds financial instruments to finance its operations and to manage the related financial risks noted below. Thomson Intermedia Plc financial instruments comprise of trade debtors, trade creditors and cash. The Group has not entered into any derivative or other hedging transactions. As permitted by Financial Reporting Standard 13 "Derivatives and other financial instruments", amounts dealt with in the numerical disclosures in this note, with the exception of the currency analysis, exclude short-term debtors and creditors. There is no significant difference between the fair value and book value of the financial instruments.

Interest rate risk: The Group does not have any borrowings. Cash at bank and in hand relates to amounts invested in money market deposits and in current and deposit accounts, which accrue fixed and floating rate interest. Cash at bank and in hand is the only financial asset. All cash balances are held on fixed rate and floating rate bearing deposits, the weighted average interest rate for fixed rate bearing deposits being 2.87% (2003: 3.27%) and the weighted average period over which interest is fixed is 7 days (2003: 190 days).

Liquidity Risk: At the balance sheet date the Group had cash of £1.2m (2003 : £1.0m). The Group does not, therefore, consider that it has significant liquidity risk in the short, medium or long term.

Notes to the Financial Statements

Currency Risk: The Group does not at present have any other financial instruments denoted in foreign currencies other than local operating currency. Should the Group enter into such financial instruments in the future, the directors will take into account the extent of the Group's exposure and the need to hedge such risks.

Undrawn bank facilities: The Group has no undrawn bank facilities.

23. Net cash outflow from operating activities

		As Restated
	2004	2003
	£'000	£'000
Operating loss	(665)	(1,368)
Depreciation	211	170
Amortisation	12	5
Other non-cash operating expense	31	-
Increase in debtors	(306)	(133)
Increase in creditors	106	159
Increase in accruals and deferred income	813	1,145
Net cash outflow from operating activities	202	(22)

24. Reconciliation of net cash flow to movement in net funds

	2004	2003
	£'000	£'000
Increase / (decrease) in cash in the year	315	(67)
Cash outflow from decrease in debt and lease financing	6	3
Cash inflow from decrease in liquid resources	(91)	(161)
Movement in net funds in the year	230	(225)
Net funds at start of year	999	1,224
Net funds at end of year	1,229	999

Notes to the Financial Statements

25. Analysis of net funds

	Opening balance	Cash flow	Closing balance
	£'000	£'000	£'000
Cash	155	315	470
Liquid resources	850	(91)	759
Cash at bank and in hand	1,005	224	1,229
Finance leases – due within 1 year	(6)	6	-
	999	230	1,229

26. Pensions

The Group operates a stakeholder pension scheme, which is available to all employees. The Group made no contribution during the year.

27. Related party transactions

There were no transactions with related parties.

28. Prior year adjustments

The Board approved a change in accounting policy relating to revenue recognition following the amendment to Financial Reporting Standard 5. Revenue arising from all contracts is now recognised evenly across the contractual period of those contracts. The change in policy has impacted the results as shown below:

		Results under previous policy	Movement	As restated
		£'000	£'000	£'000
Turnover	FY 03/04	4,647	(600)	4,047
	FY 02/03	3,066	(127)	2,939
Deferred Income	At 31 Jan 04	1,548	969	2,517
	At 31 Jan 03	1,457	369	1,826
Profit & Loss account	At 31 Jan 03	(6,979)	(369)	(7,348)
		Relating to 02/03	(127)	
		Relating to previous periods	(242)	

The previous policy recognised a proportion of revenue on signature of the contracts to fairly reflect the delivery of the developed systems and extensive data library. The amended Financial Reporting Standard 5 "Commercial substance over legal form" (Application note G) only allows separate recognition of revenue where this is recognised contractually and those revenue components are delivered separately. The Board implemented the change in policy to comply with the amendment to this Financial Reporting Standard.

Notice of Meeting

Thomson Intermedia plc
(Registered in England No.3967525)

Notice of Annual General Meeting

Notice is hereby given that the 2004 Annual General Meeting of Thomson Intermedia plc ("the Company") will be held at 58 Farringdon Road, London, EC1R3BP at 11am on 9 June 2004 for the following purposes:

Ordinary Business

1. To receive and, if thought fit, adopt the Audited Accounts and the Directors' and Auditors' Reports for the year ended 31 January 2004.
2. To re-elect as a Director Stephen Thomson who retires by rotation pursuant to Article 122 of the Company's Articles of Association and who, being eligible, offers himself for re-election.
3. To re-elect as a Director Sarah Thomson who retires by rotation pursuant to Article 122 of the Company's Articles of Association and who, being eligible, offers herself for re-election.
4. To re-appoint BDO Stoy Hayward LLP as Auditors of the Company pursuant to section 384 of the Companies Act 1985 to hold office from the conclusion of this meeting until the conclusion of the next General Meeting at which accounts are laid before the Company, at a remuneration to be determined by the Directors.

Special Business

And, by way of special business, to consider and if thought fit, to pass the following resolutions of which resolution 5 will be proposed as an ordinary resolution and resolution 6 will be proposed as a special resolution:

5 That, in substitution for any existing authority subsisting at the date of this resolution (save to the extent that the same may already have been exercised and for any such powers granted by statute), the directors be and they are generally and unconditionally authorised to exercise all powers of the company to allot relevant securities (within the meaning of section 80 of the Companies Act 1985) up to an aggregate nominal amount of £2,641,401 provided that this authority shall expire on the fifth anniversary of the passing of this resolution, save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

6 That the Directors be and are empowered, to the exclusion of and in substitution for any such power previously granted to them and subsisting at the date of this resolution (save to the extent the same may already have been exercised and for any such powers granted by statute) to allot equity securities (within the meaning of section 94 (2) of the Companies Act 1985 (the "Act")) of the company pursuant to the authority conferred by

Notice of Meeting

resolution No.5 set out in the notice of this meeting, as if section 89 (1) of the Act did not apply to any such allotment provided that this power shall expire on the fifth anniversary of the passing of this resolution and shall be limited to the allotment of equity securities:

(i) in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (and such other equity securities in the capital of the Company as the Directors may determine) on the register on a fixed record date in proportion (as nearly as maybe) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and

(ii) for cash (otherwise than pursuant to sub-paragraph (i) above) and up to an aggregate nominal amount of £359,303

Registered Office:

1 Westmoreland Road
Bromley
Kent
BR2 0TB

By order of the Board

David Trendle

Company Secretary

25 March 2004

Notice of Meeting

Notes:

- (i) A member who is entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on his/her behalf. A proxy need not be a member of the Company. A form of proxy is enclosed.
- (ii) The form of proxy and the power of attorney to other authority (if any) under which it is signed, or a notarially certified copy of such power or authority must be deposited at the office of the Company's Registrars, Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, by no later than 48 hours in advance of the meeting.
- (iii) Completing and returning a form of proxy will not prevent the member from attending at the meeting and voting should he/she wish.
- (iv) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the company specifies that only those shareholders registered in the register of members as at 11am on 7 June 2004 shall be entitled to attend or vote at the above general meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of members after that date will be disregarded in determining the rights of the person to attend or vote at the meeting.
- (v) The following documents, which are available for inspection during normal business hours at the registered office of the Company on any business day until the date of the meeting and will also be available for inspection at the place of the Annual General Meeting during the meeting and for at least fifteen minutes prior to the meeting:

- (a) copies of the service contracts of the Directors with the Company;
- (b) the register of interests of the Directors (and their immediate families) in the share capital of the Company.

Form of proxy

Thomson Intermedia plc
(Registered in England No. 3967525 and hereinafter referred to as 'the Company')

Form of proxy for use at the Annual General Meeting to be held at 58 Farringdon Road, London, EC1R 3BP at 11am on 9th June 2004

I/We ....(FULL NAME IN BLOCK LETTERS PLEASE)

Of ....(ADDRESS IN BLOCK LETTERS PLEASE)

being a member/members of the Company entitled to attend and vote at general meetings of the Company, hereby appoint the Chairman of the Meeting or:

....
(Please enter name of proxy and delete `Chairman of the Meeting', if required) (see Note 1)

as my / our proxy, to vote for me / us and on my / our behalf as indicated below at the aforementioned Annual General Meeting of the Company and at any adjournment thereof.

Please indicate with an 'X' how you wish your votes to be cast on the Resolutions. Unless otherwise directed, the proxy will vote or abstain from voting at his discretion in respect of the member's total holding on the Resolutions or any amendment thereon or on any other business transacted at the meeting.

Resolution		For	Against
1	To receive and adopt the Audited Accounts for the period to 31 January 2004 and Reports thereon		
2	To re-elect Sarah Jane Thomson		
3	To re-elect Steve Thomson		
4	To re-appoint BDO Stoy Hayward as Auditors		
5	General authority to allot shares		
6	Disapplication of pre-emption rights (Special Resolution)		

Date ....

Signature or Common Seal ....

Notes

1 A member entitled to attend and vote at the meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend and, on a poll, to vote instead of him.
2 To be valid for the meeting or adjourned meeting (as the case may be), this proxy form, duly completed, and any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such authority, must be deposited at the offices of the Company's registrars, Computershare Services PLC, PO Box 82, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, no later than 48 hours in advance of the meeting. Completion and return of the proxy form will not preclude a shareholder from attending and voting at the meeting or adjourned meeting (as the case may be) if he so wishes.
3 In the case of an individual, this proxy form should be signed by the appointor or his or her attorney. In the case of a company, this proxy form must be executed under its common seal or signed on its behalf by a duly authorised officer or attorney of the company.
4 In the case of joint members, the signature of the first named in the register of members in respect of the holding will be accepted to the exclusion of the votes of the other joint holders.
5 Any alterations made to this form should be initialled.