

# INTERIM REPORT

6 months to 31 July 2003

INTELLIGENT

MEDIA

MONITORING

**Thomson**  
INTERMEDIA PLC

# Group Information

---

|            |                    |                        |
|------------|--------------------|------------------------|
| 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 |

|                    |  |
|--------------------|--|
| Registered Office: | 1 Westmoreland Road<br>Bromley<br>Kent BR2 0TB |
|--------------------|--|

|                               |  |
|-------------------------------|--|
| Nominated advisor and broker: | Williams de Broe plc<br>6 Broadgate<br>London EC2M 2RP |
|-------------------------------|--|

|             |  |
|-------------|--|
| Solicitors: | Gouldens<br>10 Old Bailey<br>London EC4M 7NG |
|-------------|--|

DMH  
100 Queens Road  
Brighton  
East Sussex  
BN1 3YB

|           |  |
|-----------|--|
| Auditors: | BDO Stoy Hayward<br>8 Baker Street<br>London W1U 3LL |
|-----------|--|

|             |  |
|-------------|--|
| Registrars: | Computershare Investor Services PLC<br>PO Box 82<br>The Pavilions<br>Bridgwater Road<br>Bristol BS99 7NH |
|-------------|--|

# Chairman's Statement

---

I am pleased to report that, in spite of the tight market environment, Thomson Intermedia has continued in its substantial performance improvement. The period has seen rapid technological development to the entire product range, an exceptional retention rate of our client base and further market penetration.

## Financial results

The company has recorded a strong operating performance in this challenging environment, which has resulted in a pre-tax loss narrowing to £29,000 compared with £641,000 incurred in the same period last year.

Revenue growth of 54% to £2.2 million, coupled with an increase of only 9% in direct expenses drove up the gross margin by 16% to 61%. Tight control of our overhead expenditure, limiting the increase to 5%, has led to the company recording a positive EBITDA, for the first time, of £62,000 compared to a negative £584,000 in the comparable period.

The first half of our financial year is the weaker half in respect of cash flow, however the outflow was restricted to £338,000. Certain salaries were deferred in the comparable period last year and have been paid in the current period. The adjusted net cash outflow for this period is £255,000, which is a 34% reduction on a like-for-like basis. The cash balance at the period end of £667,000 is in line with our expectations as we maintain our focus on cash flow into the stronger second half.

The improvement in our results has led to a noticeable strengthening of our balance sheet ratios. We constantly monitor the relationship between the balance of deferred income and direct costs. At the period end it covered the direct costs for 10.6 months, on a pro-forma basis. This period is greater than the remaining average life of the current contracts. This is a quick, yet reasonably reliable method of ensuring that our revenue recognition policies are reasonably prudent in respect of the various revenue streams.

## Business Update

A strong sales performance in our core businesses of Advertising Monitoring and Newsmetrics (news evaluation) has been recorded in the first half, with 49 new clients, including Easyjet, WH Smiths, More Th>n and Alliance & Leicester. The current order book highlights a strong pipeline of quality prospects, complemented by a healthy interest by existing clients upgrading to new services. Average contract values continue to rise.

# Chairman's Statement

---

Thomson continues to be recognised as the innovator in the market. Rapid development in our proprietary technology continues with early development programmes now in progress. This combined with further recognition of the accuracy and integrity of our data is presenting a myriad of opportunities to the company.

We are confident that the quality of our media monitoring systems and services will continue to provide the impetus to improve the financial performance. In general the business community has relied on cost cutting to provide increases in profitability, with the resulting budget constraints impacting on our business even though our revenue has shown a material increase. The emphasis for corporations will gradually change with more resources being directed to achieving top line growth. We are ready to take full advantage of this change, which will have a considerable influence on our business going forward.

## Outlook

Trading is continuing well despite continued economic uncertainty. Our focus remains on sustaining growth in our core businesses of Advertising Monitoring and Newsmetrics whilst constantly improving our proprietary technology.

We recognise the potential of broadening our offering and are in the early development phase of a number of projects, which will enable us to expand our services, exploit other markets and capitalise on our key assets, namely our technology and wealth of data. If these negotiations can be completed satisfactorily they present very exciting opportunities for developing additional revenues.

John Napier

Non-Executive Chairman

2<sup>nd</sup> September 2003

# Profit and Loss Account

|  |       | Unaudited<br>Six months<br>ended<br>31 July 2003 | Unaudited<br>Six months<br>ended<br>31 July 2002 | Audited<br>Year ended<br>31 January<br>2003 |
|--|-------|--|--|---|
|  | Notes | £'000  | £'000  | £'000                                       |
| Turnover   |       | 2,211  | 1,437  | 3,066                                       |
| Direct Expenses  | 1     | (864)  | (792)  | (1,599)                                     |
| Gross Profit   |       | 1,347  | 645  | 1,467                                       |
| Operating Expenses                                       | 1     | (1,387)  | (1,302)  | (2,708)                                     |
| Operating loss   |       | (40)   | (657)  | (1,241)                                     |
| Interest receivable                                      |       | 11   | 16   | 27  |
| Interest payable   |       | -  | -  | (1)   |
| Loss on ordinary activities before<br>taxation           |       | (29)   | (641)  | (1,215)                                     |
| Taxation   | 2     | 52   | -  | -   |
| Profit / (Loss) on ordinary<br>activities after taxation |       | 23   | (641)  | (1,215)                                     |
| Dividends  | 3     | -  | -  | -   |
| Retained Profit / (Loss) transferred<br>to reserves      |       | 23   | (641)  | (1,215)                                     |
| Earnings / (Loss) per share, pence                       |       |  |  |   |
| - basic  | 4     | 0.1  | (2.2)  | (4.2)                                       |
| - diluted  |       | 0.1  | (2.2)  | (4.2)                                       |

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

# Balance Sheet

|  | Unaudited<br>Six months<br>ended<br>31 July 2003 | Unaudited<br>Six months<br>ended<br>31 July<br>2002 | Audited<br>Year ended<br>31 January<br>2003 |
|--|--|---|---|
|  | £'000  | £'000   | £'000                                       |
| Fixed assets                                   |  |   |   |
| Intangible fixed assets                        | 49   | -   | 55  |
| Tangible fixed assets                          | 504  | 475   | 483   |
|  | 553  | 475   | 538   |
| Current assets                                 |  |   |   |
| Debtors  | 1,175  | 963   | 995   |
| Cash at bank and in hand                       | 667  | 958   | 1,005                                       |
|  | 1,842  | 1,921   | 2,000                                       |
| Creditors: Amounts falling due within one year | (459)  | (380)   | (536)                                       |
| Net Current Assets                             | 1,383  | 1,541   | 1,464                                       |
| Total assets less current liabilities          | 1,936  | 2,016   | 2,002                                       |
| Accruals and Deferred Income (note 1)          | (1,925)  | (1,444)   | (2,012)                                     |
| Net Assets                                     | 11   | 572   | (10)  |
| Capital and Reserves                           |  |   |   |
| Share capital                                  | 7,155  | 7,155   | 7,155                                       |
| Share premium                                  | 5,064  | 5,064   | 5,064                                       |
| Share scheme reserve                           | -  | 13  | -   |
| Merger reserve                                 | (5,250)  | (5,250)   | (5,250)                                     |
| Profit and loss                                | (6,958)  | (6,410)   | (6,979)                                     |
| Equity shareholders' funds                     | 11   | 572   | (10)  |

# Cash Flow Statement

|  | Unaudited<br>Six months<br>ended<br>31 July 2003 | Unaudited<br>Six months<br>ended<br>31 July 2002 | Audited<br>Year ended<br>31 January<br>2003 |
|--|--|--|---|
|  | £'000  | £'000  | £'000                                       |
| Cash outflow from operating activities                               | (270)  | (225)  | (22)  |
| Taxation   |  |  |   |
| R&D tax credit received  | 52   |  |   |
| Returns on investments and servicing of finance                      | 11   | 15   | 24  |
| Capital expenditure  | (125)  | (64)   | (167)                                       |
| Net cash outflow from acquisitions and disposals                     | -  | -  | (60)  |
| Net cash outflow before management of liquid resources and financing | (332)  | (274)  | (225)                                       |
| Management of liquid resources                                       |  |  |   |
| Money withdrawn from short term deposits                             | 254  | 157  | 161   |
| Cash inflow from management of liquid resources                      | 254  | 157  | 161   |
| Financing  |  |  |   |
| Capital element of finance lease payments                            | (6)  | (1)  | (3)   |
| Cash flow from financing   | (6)  | (1)  | (3)   |
| Decrease in cash   | (84)   | (118)  | (67)  |

# Notes to the Cash Flow Statement

| (a) Reconciliation of operating loss to operating cash flow: | Unaudited<br>Six months<br>ended<br>31 July 2003 | Unaudited<br>Six months<br>ended<br>31 July 2002 | Audited<br>Year ended<br>31 January<br>2003 |
|--|--|--|---|
|  | £'000  | £'000  | £'000                                       |
| Operating loss   | (40)   | (657)  | (1,241)                                     |
| Depreciation & Amortisation                                  | 108  | 75   | 175   |
| Loss on sale of fixed asset                                  | 1  | -  | -   |
| Increase in debtors  | (179)  | (101)  | (133)                                       |
| (Decrease) / Increase in creditors                           | (74)   | 154  | 159   |
| (Decrease) / Increase in accruals and deferred income        | (86)   | 304  | 1,018                                       |
| Net cash flow from operating activities                      | (270)  | (225)  | (22)  |

| (b) Analysis of net funds | Opening balance<br>1 February 2003 | Cash flow | Closing balance<br>31 July 2003 |
|---------------------------|------------------------------------|-----------|---------------------------------|
|                           | £'000                              | £'000     | £'000                           |
| Cash                      | 155                                | (84)      | 71                              |
| Liquid resources          | 850                                | (254)     | 596                             |
| Cash at bank and in hand  | 1,005                              | (338)     | 667                             |
| Finance leases            | (6)                                | 6         | -                               |
| Total                     | 999                                | (332)     | 667                             |

# Notes to Accounts

---

## 1. Basis of preparation

The financial information set out above is extracted from the consolidated financial statements of Thomson Intermedia plc and its subsidiary Thomson Intermedia Associates Limited (together referred to as the “Group”). The accounts of the Group for the six months ended 31<sup>st</sup> July 2003, which are unaudited, were approved by the Board on 2<sup>nd</sup> September 2003. These accounts have been prepared in accordance with the accounting policies set out in the Report and Accounts of Thomson Intermedia plc for the year ended 31<sup>st</sup> January 2003.

This interim statement does not constitute the company’s statutory accounts. The financial information presented for the 6 months ended 31 July 2002 and 2003 have not been audited. Statutory accounts for the year ended 31 January 2003 have been delivered to the Registrar of Companies. The auditors report on those statutory accounts were unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The consolidated financial statements incorporate the results of Thomson Intermedia plc and its subsidiary undertaking as at 31<sup>st</sup> July 2003 using the merger method of accounting.

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.

The recognition of revenue is assessed by the Directors at the commencement of each financial period to ensure that the balance of income deferred to future periods is sufficient to meet direct costs attributable to the remaining life of the contracts. The Directors believe the assessment is required for the accounts to continue to show a ‘true and fair’ view.

# Notes to Accounts

---

## 2. Taxation

During the period the company received a R&D Tax credit of £52,000 relating to the year ended 31 January 2001. The company is currently pursuing R&D Tax credits for the years ending 31 January 2002 and 2003. Details of these claims have not been finalised and therefore the company has prudently not accounted for these amounts in the interim accounts.

## 3. Dividend

No interim dividend is being proposed.

## 4. Earnings per share

Basic earnings per share is calculated, in accordance with FRS 14 (Earnings per share), on profit on ordinary activities after tax of £23,000 (2002: loss £641,000) apportioned over the weighted average number of ordinary shares that were in issue for the period of 28,619,047 (2002: 28,619,047). The calculation of diluted earnings per share is based on 29,489,047 ordinary shares (2002: 28,619,047).

## 5. Interim report

Copies of this interim report for the six months ended 31<sup>st</sup> July 2003 will be sent to shareholders. Further copies will be available from the Company Secretary at the registered office.