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## 29 February 2004 Interim Results Announcement

VTR plc announces its interim results for the six months to 29 February 2004.

- Group profit before tax of £401,607 (2003: £53,878)
- EPS 2.3p (2003: 0.3p)
- Gearing down to 104% (2003: 126%)
- Major archive restoration project from BBC won by The Machine Room
- Clipstream starts work on e-Title project

Making the announcement Chairman Philip Lovegrove said:

“There has been some improvement in market conditions since last year with more volume going through although prices continue to be under some pressure. As a result we have seen an upturn in our profitability which we hope heralds the first steps of a return to the levels we have achieved in the past.”

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## CHAIRMAN'S STATEMENT

I am pleased to report that in the six months to 29 February 2004 the Group made a profit before tax of £401,607 compared with £53,878 in the same period last year. Earnings per share rose from 0.3p to 2.3p while interest cover improved to 2.6 times compared with 1.2 times in February 2003 and 1.9 times in August.

As I reported in my year-end statement, there has been some improvement in market conditions since last year with more volume going through although prices continue to be under some pressure. As a result we have seen an upturn in our profitability which we hope heralds the first steps of a return to the levels we have achieved in the past.

These market conditions have, of course, been challenging to everyone as the advertising and media industries have gone through one of the worst recessions in memory. To counter this, over the past few years your Group has invested in upgrading equipment and creating new, but related, profit centres to reduce reliance on any single market segment. In spite of this expenditure gearing has fallen to 104% from 126% last February and 113% at August 2003. Capital expenditure for the half year was £596,000.

All our companies continue to work hard to maintain and improve their market position to ensure that they are the partners of choice for some of the world's leading media and advertising businesses but it is still difficult to forecast future market conditions, even for the next few months. Video Tape Recording has improved on the performance of the same period last year helped by D-Cinema which made a positive contribution to profits after a slow start and which is now attracting a lot of interest from film makers. blue continues to be a market leader in the broadcast sector while The Machine Room, whose DVD department is currently working at capacity, recently won a major archive restoration project from the BBC. Profitability at both companies was below that achieved in the same period last year.

Despite these difficult trading conditions the hive and K<POST managed to turn in their best ever performances for the period. Clipstream, which remained loss making at February, but at a much reduced level, has started work on its e-Title project which is partially funded by the European Union e-Content programme. While this will not impact on earnings this year we believe that this is a development with great potential.

Your Board has decided that, in view of the fragility of the market recovery, it would not be prudent to declare an interim dividend this year. Payment of future dividends will be subject to results and the outlook for the media sector as a whole.

The start of the second half has seen the recent upturn in trading continue although it remains hard to predict whether this will be sustained. Your Board believes, however, that conditions will not deteriorate and that the outcome for the full year will compare favourably with that of last year.

Philip Lovegrove  
Chairman  
28 April 2004

## Consolidated Profit and Loss Account

		<b>Six months to 29 February 2004</b>	Six months to 28 February 2003	Year to 31 August 2003
		<b>(unaudited)</b>	(unaudited)	(audited)
	Note	<b>£'000</b>	£'000	£'000
<b>Turnover</b>	2	<b>12,718</b>	11,813	23,991
Cost of sales		<u>(930)</u>	<u>(1,000)</u>	<u>(1,840)</u>
<b>Gross profit</b>		<b>11,788</b>	10,813	22,151
Administrative expenses		<u>(11,142)</u>	<u>(10,515)</u>	<u>(21,062)</u>
<b>Operating profit</b>		<b>646</b>	298	1,089
Interest payable and similar charges		<u>(244)</u>	<u>(244)</u>	<u>(564)</u>
<b>Profit on ordinary activities before taxation</b>		<b>402</b>	54	525
Taxation	3	<u>(149)</u>	<u>( 18)</u>	<u>(184)</u>
<b>Retained profit for the period</b>		<u><b>253</b></u>	<u>36</u>	<u>341</u>
Earnings per share	4	<b>2.3p</b>	0.3p	3.1p
Basic diluted earnings per share	4	<b>2.2p</b>	0.3p	3.1p

## Consolidated Balance Sheet

	As at <b>29 February 2004 (unaudited) £'000</b>	As at 28 February 2003 (unaudited) £'000	As at 31 August 2003 (audited) £'000
<b>Fixed assets</b>			
Tangible assets	11,714	12,997	12,827
Investments	110	112	112
	<u>11,824</u>	<u>13,109</u>	<u>12,939</u>
<b>Current assets</b>			
Stock	33	28	35
Debtors	6,450	5,494	5,522
Cash at bank and in hand	12	9	12
	<u>6,495</u>	<u>5,531</u>	<u>5,569</u>
<b>Creditors: Amounts falling due within one year</b>	<b>(9,059)</b>	(9,346)	(8,878)
	<u>(2,564)</u>	<u>(3,815)</u>	<u>(3,309)</u>
<b>Net current liabilities</b>			
	<b>9,260</b>	9,294	9,630
<b>Creditors: Amounts falling due after more than one year</b>	<b>(2,313)</b>	(2,991)	(2,936)
<b>Provisions for liabilities and charges</b>	<b>(397)</b>	(312)	(397)
	<u>6,550</u>	<u>5,991</u>	<u>6,297</u>
<b>Capital and reserves</b>			
Called up share capital	552	552	552
Share premium	4,071	4,071	4,071
Capital redemption reserve	270	270	270
Profit and loss account	1,657	1,098	1,404
<b>Equity shareholders' funds</b>	<u>6,550</u>	<u>5,991</u>	<u>6,297</u>

## Consolidated Cash Flow Statement

	Six months to 29 February 2004 (unaudited) £'000	Six months to 28 February 2003 (unaudited) £'000	Year to 31 August 2003 (audited) £'000
Net cash flows from operating activities	1,375	2,605	5,047
Returns on investments and servicing of finance	(244)	(244)	(564)
Taxation	(243)	(300)	(598)
Capital expenditure and financial investment	(126)	(345)	(387)
Equity dividends paid	0	(386)	(386)
<b>Cash flows before use of liquid resources and financing</b>	<b>762</b>	<b>1,330</b>	<b>3,112</b>
Financing	(1,139)	(1,341)	(2,718)
<b>(Decrease) / increase in cash in the period</b>	<b>(377)</b>	<b>( 11)</b>	<b>394</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease) / increase in cash in the period	(377)	( 11)	394
Cash flow from decrease in debt and lease financing	1,139	1,342	2,718
<b>Change in net debt resulting from cash flows</b>	<b>762</b>	<b>1,331</b>	<b>3,112</b>
New finance leases	(470)	(1,711)	(3,069)
<b>Decrease / (increase) in net debt in the period</b>	<b>292</b>	<b>(380)</b>	<b>43</b>
Net debt at 1 September 2003	(7,102)	(7,145)	(7,145)
<b>Net debt at 29 February 2004</b>	<b>(6,810)</b>	<b>(7,525)</b>	<b>(7,102)</b>

## Reconciliation of operating profit to net cash inflow from operating activities

	Six months to 29 February 2004 (unaudited) £'000	Six months to 28 February 2003 (unaudited) £'000	Year to 31 August 2003 (audited) £'000
Operating profit	646	298	1,089
Depreciation	1,708	1,710	3,365
Profit on disposal of tangible fixed assets	0	(68)	(151)
Increase in debtors	(928)	(235)	(263)
(Decrease) / increase in creditors	(55)	904	1,018
Decrease / (increase) in stock	2	(4)	(11)
Amounts written off investments	2	0	0
	<b>1,375</b>	<b>2,605</b>	<b>5,047</b>

**No separate Statement of Total Recognised Gains and Losses has been presented as all such material gains and losses have been dealt with in the Profit and Loss Account.**

## Notes to the Interim Financial Statements

FOR THE SIX MONTHS TO 29 FEBRUARY 2004

### 1 Preparation of the interim financial statements

The interim financial statements, which do not constitute statutory accounts within the meaning of S.240 of the Companies Act 1985, have been prepared on the basis of the accounting policies set out in the statutory accounts of the Group for the year ended 31 August 2003. The interim financial statements, which have been approved by the directors, are unaudited but have been reviewed in accordance with Auditing Practices Board Bulletin "Review of Interim Financial Information" by the auditors.

Comparative figures for the year ended 31 August 2003 are an abridged version of the Group's full accounts which carry an unqualified audit report and have been delivered to the Registrar of Companies.

<b>2 Turnover by geographical market</b>	<b>Six months to 29 February 2004 (unaudited) £'000</b>	Six months to 28 February 2003 (unaudited) £'000	Year to 31 August 2003 (audited) £'000
United Kingdom	<b>12,066</b>	11,324	22,987
Rest of Europe	<b>245</b>	265	524
Other	<b>407</b>	224	480
	<b><u>12,718</u></b>	<u>11,813</u>	<u>23,991</u>

### 3 Taxation

The effective rate of tax is 37% which is the rate expected to apply throughout the whole tax year. The tax rate takes into consideration expenditure that is not deductible for tax purposes.

### 4 Earnings per share

The earnings per share is calculated on profits of £253,012 (6 months to 28 February 2003: £36,098, year to 31 August 2003: £341,296) and on 11,038,550 weighted average ordinary 5p shares in issue during the period (6 months to 28 February 2003: 11,038,550, year to 31 August 2003: 11,038,550).

Basic diluted earnings per share is calculated on the profit of £253,012 (6 months to 28 February 2003: £36,098, year to 31 August 2003: £341,296) and 11,388,550 (six months to 28 February 2003: 11,038,550, year to 31 August 2003: 11,038,550) shares including 350,000 (6 months to 28 February 2003 and year to 31 August 2002: nil) options.

A further 331,000 options, which were in issue during all the accounting periods mentioned above, have exercise prices that are above the market price and therefore have been excluded from this calculation as they are non-dilutive.

### 5 Dividends

There is no proposed interim dividend (28 February 2003: Nil).

### 6 Interim statement

Copies of this interim statement are being sent to shareholders and will be available from the company at 64 Dean Street, London W1D 4QQ.