

Tarsus Group plc
Monday 15 September 2003

Tarsus Group announces interim results

Tarsus Group plc, the integrated media group, today announced interim figures for the six months to 30 June 2003. The figures are not representative of the anticipated full-year outcome owing to most of the major events organised by the Group taking place in the second half of the year.

Financial Highlights

Business Performance 'like-for-like'*

Interim results ahead of internal expectations with:

- Turnover – down 11.9% to £5.1 million
- Loss before tax – improved by £0.9 million to £0.6 million
- Net cash inflow from operating activities of £1.7 million (2002: £1 million outflow)

Statutory Results

- Turnover – down 27% to £4.9 million
- Operating loss before goodwill and exceptional items – improved by £0.9 million to £0.5 million
- Group operating loss – improved by £3.1 million to £2.4 million
- Loss on ordinary activities before tax – improved by £3.1 million to £2.5 million

*'Like-for-like' results are presented to provide a better indication of overall financial performance and to reflect how the business is managed on a day-to-day basis. The 'like-for-like' results are adjusted for discontinued operations, launches, biennial events, goodwill amortisation and exceptional items.

Operating Highlights

- United States
 - February Las Vegas exhibition very strong
 - successful launch of new May Las Vegas exhibition
 - publishing revenues up strongly
- United Kingdom
 - operating loss substantially improved by £350,000
 - three successful new Labelexpo launches
 - cash disposal of non-core products for £231,000 exceptional profit
- France
 - overall economic conditions very difficult
 - exhibitions stabilising
 - strong performance from directories
 - publishing weak

Current Trading

- US – Strong
- UK – Good
- France – Exhibitions – stabilising
– Directories – good
– Magazines – weak

In his review, Chairman, Neville Buch said: ‘We continue to trade in line with our internal expectations for the full year to 31 December 2003 notwithstanding continuing difficult trading conditions in France and a change in the timing of one of our significant annual exhibitions in the training sector from November 2003 to April 2004.

We are particularly encouraged by the performances of our Off-Price discount clothing and Labelling divisions. The first major event of the second half, the Off-Price August discount clothing exhibition in Las Vegas, has achieved another record performance. We anticipate revenues from our largest event of the year, Labelexpo Europe in September in Brussels, will be slightly ahead of its last edition – an excellent result in the context of the economic conditions which have prevailed for the past two years. Sales for the three Labelexpo launches in China, Russia and Latin America are most encouraging.

Our French exhibition and directory business are responding well to the new management team installed at the beginning of the year – this team is now focusing on the best ways to improve the performance of our magazine division by the end of the year.’

For further information:

Douglas Emslie, Group Managing Director
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CHAIRMAN'S AND MANAGING DIRECTOR'S STATEMENT

INTRODUCTION

We are pleased to report interim results for the period to 30 June 2003 in excess of internal expectations with adjusted loss on ordinary activities before taxation (before goodwill amortisation *, exceptional items and discontinued operations) reduced by 55 per cent to £521,000. After goodwill amortisation, exceptional items and discontinued operations the loss on ordinary activities before tax has reduced by 56 per cent to £2,461,000.

These results reflect a very strong trading performance in our United States operation, a solid outcome in the United Kingdom, continuing weak results from France and significant cost reduction throughout the Group.

RESULTS

As in 2002, these first half results are not representative of the anticipated outcome for the full year as the Group's revenues are heavily second half weighted owing to most of our major events taking place in the latter part of the financial year.

Turnover for the period under review amounted to £4,930,000 (2002: £6,762,000) resulting in an adjusted loss on ordinary activities before tax of £521,000 (2002: £1,154,000). Loss on ordinary activities before tax was £2,461,000 (2002: £5,542,000) after goodwill amortisation of £2,044,000 and an exceptional profit of £231,000.

On a like-for-like basis (continuing activities adjusted for acquisitions, launches and biennial events) revenues were down 11.9% from £5,805,000 to £5,113,000 and the like-for-like adjusted operating loss improved from £1,433,000 to £550,000.

Net cash inflow from operating activities was £1.7 million (2002: outflow of £1.0 million).

As before, a dividend for the year will be recommended at the time of the preliminary results in March 2004.

* Including £110,000 of joint venture goodwill amortisation

OPERATING REVIEW

USA

Our operations in the United States performed very well with strong revenue growth from our continuing products. Of particular note were another record performance from the Off-Price February clothing exhibition in Las Vegas, and the successful launch of a May show in Las Vegas to replace the New York event. Publishing revenues were up 20% to \$267,000. This division is benefiting from strong management and excellent prospects in the discount clothing sector.

UK

In the United Kingdom like-for-like revenues from continuing businesses were down 11% and like-for-like adjusted operating losses were improved by £350,000 to £718,000.

There were no exhibitions during the period. Publishing revenues from Labels and Labelling International were up 3% to £224,000. Our internet business saw revenues fall by 28% to £207,000 owing to the rationalisation of our portfolio of web-sites.

France

Our French business continued to suffer from a very difficult economic environment. Revenue from continuing businesses, including our share of joint ventures, was down 17%. Our exhibitions have continued to receive strong visitor support but have suffered from reduced exhibitor sales and marketing budgets in the information technology and marketing sectors which are particularly sensitive to economic conditions.

An excellent performance from our directory division was more than offset by continuing weak performances from our three supporting information technology and marketing magazines.

DEVELOPMENTS

During the period, as part of our strategy to focus on our core products, we disposed of our UK organic food exhibition for a cash consideration of up to £750,000 of which £135,000 was received on completion. In addition, we disposed of the Exhibition Bulletin magazine for a cash consideration of £1.1 million of which £657,000 was received on completion with the balance receivable in tranches by January 2005.

Our new launch programme continued with the successful occurrence in May of a direct marketing exhibition in France as a 50:50 joint venture with Reed Elsevier plc and, as mentioned above, a new Off-Price discount clothing exhibition in May in Las Vegas.

Additional launches during the period were focused on the extension of the Labelexpo brand for the labelling market with new shows scheduled for China in December this year, Russia in March 2004 and Latin America in June 2004. A planned bottling, packaging and canning exhibition to run alongside Labelexpo Europe in Brussels in September 2003 was cancelled.

CURRENT TRADING AND PROSPECTS

We continue to trade in line with our internal expectations for the full year to 31 December 2003 notwithstanding continuing difficult trading conditions in France and a change in the timing of one of our significant annual exhibitions in the training sector from November 2003 to April 2004.

We are particularly encouraged by the performances of our Off-Price discount clothing and Labelling divisions. The first major event of the second half, the Off-Price August discount clothing exhibition in Las Vegas, has achieved another record performance. We anticipate revenues from our largest event of the year, Labelexpo Europe in September in Brussels, will be slightly ahead of its last edition – an excellent result in the context of the economic conditions which have prevailed for the past two years. Sales for the three Labelexpo launches in China, Russia and Latin America are most encouraging.

Our French exhibition and directory businesses are responding well to the new management team installed at the beginning of the year – this team is now focusing on the best ways to improve the performance of our magazine division by the end of the year.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	Six months to 30 June 2003 £000	Six months to 30 June 2002 £000	Year to 31 December 2002 £000
Turnover (including share of joint ventures)	2			
- continuing		5,786	6,953	18,141
- discontinued		292	906	1,636
less: share of turnover of joint ventures		(1,148)	(1,097)	(1,220)
Group turnover		4,930	6,762	18,557
Operating costs including goodwill amortisation		(7,371)	(12,317)	(34,009)
Operating loss				
Before goodwill amortisation				
- continuing		(380)	(1,107)	2,891
- discontinued	4	(127)	(281)	(951)
- exceptional items		-	(2,120)	(2,876)
		(507)	(3,508)	(936)
Goodwill amortisation				
- continuing		(1,887)	(1,928)	(3,766)
- impairment		-	-	(10,226)
- discontinued		(47)	(119)	(524)
		(1,934)	(2,047)	(14,516)
Operating loss		(2,267)	(5,155)	(13,977)
- continuing		(2,267)	(5,155)	(13,977)
- discontinued		(174)	(400)	(1,475)
Group operating loss		(2,441)	(5,555)	(15,452)
Share of operating profit/(loss) in joint venture (after £110,000 goodwill amortisation)		176	467	(2,600)
Profit on sale of discontinued operation		231	-	5
Interest receivable and similar income		115	118	227
Interest payable and similar charges		(542)	(572)	(1,109)
Loss on ordinary activities before taxation		(2,461)	(5,542)	(18,929)
Taxation credit / (charge)	8	175	(125)	90
Loss for the financial period after taxation		(2,286)	(5,667)	(18,839)
Dividend		-	(702)	(1,536)
Retained loss for the financial period		(2,286)	(6,369)	(20,375)

	Notes	Six months to 30 June 2003 £000	Six months to 30 June 2002 £000	Year to 31 December 2002 £000
(Loss)/Earnings per share (pence)	7			
- adjusted		(0.9)	(3.4)	4.9
- basic		(5.9)	(17.1)	(52.2)
- diluted		(5.9)	(17.1)	(52.2)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Six months to 30 June 2003 £000	Six months to 30 June 2002 £000	Year to 31 December 2002 £000
Loss for the financial period	(2,286)	(5,667)	(18,839)
Foreign exchange gains and losses offset in reserves	(8)	101	(202)
Total recognised losses for the period	<u>(2,294)</u>	<u>(5,566)</u>	<u>(19,041)</u>

RECONCILIATION OF MOVEMENTS IN GROUP SHAREHOLDERS' (DEFICIT)/FUNDS

	Six months to 30 June 2003 £000	Six months to 30 June 2002 £000	Year to 31 December 2002 £000
Loss attributable to shareholders	(2,286)	(5,667)	(18,839)
Nominal value of share options exercised	-	2	2
Nominal value of scrip dividend	141	-	13
Proceeds of ordinary shares issued for cash - placing and open offer	-	4,682	4,613
Premium on options exercised	-	10	11
Premium on scrip dividend	393	-	216
Recognised foreign exchange gains and losses for the period	(8)	101	(202)
Dividend paid	-	-	(703)
Dividend declared	-	(703)	(833)
Net change in shareholder deficit	<u>(1,760)</u>	<u>(1,575)</u>	<u>(15,722)</u>
Opening equity shareholders' (deficit)/ funds	(2,085)	13,637	13,637
Closing equity shareholders' (deficit) / funds	<u>(3,845)</u>	<u>12,062</u>	<u>(2,085)</u>

CONSOLIDATED BALANCE SHEET

	Notes	30 June 2003 £000	30 June 2002 £000	31 December 2002 £000
FIXED ASSETS				
Intangible assets	5	16,206	31,190	18,170
Tangible assets		291	649	427
Interests in joint venture		2,008	4,786	2,100
- Share of gross assets		875	1,992	1,736
- Share of gross liabilities		(168)	(1,189)	(1,047)
- Goodwill arising on acquisition		1,301	3,983	1,411
		18,505	36,625	20,697
CURRENT ASSETS				
Debtors	6	8,653	10,323	7,113
Cash at bank		5,954	6,834	5,824
		14,607	17,157	12,937
CREDITORS: Amounts falling due within one year		(16,773)	(24,852)	(20,530)
NET CURRENT LIABILITIES		(2,166)	(7,695)	(7,593)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,339	28,930	13,104
CREDITORS: Amounts falling due after more than one year		(19,520)	(14,634)	(13,799)
Provisions for liabilities and charges		(664)	(2,234)	(1,390)
NET (LIABILITIES)/ASSETS		(3,845)	12,062	(2,085)
CAPITAL AND RESERVES				
Share capital		2,032	1,878	1,891
Share premium account		23,828	23,286	23,435
Capital redemption reserve		15	15	15
Other reserves		(443)	(443)	(443)
Profit and loss account		(29,277)	(12,674)	(26,983)
SHAREHOLDERS' (DEFICIT)/FUNDS		(3,845)	12,062	(2,085)

CONSOLIDATED CASH FLOW STATEMENT

	Six months to 30 June 2003 £000	Six months to 30 June 2002 £000	Year to 31 December 2002 £000
Operating Activities			
Net cash flow from operating activities	1,711	(1,012)	(1,065)
Joint venture dividend received	-	328	331
	<hr/> 1,711	<hr/> (684)	<hr/> (734)
Returns on investment and servicing of finance			
Interest received on cash deposit	93	139	304
Interest paid on bank overdraft	(844)	(489)	(779)
	<hr/> (751)	<hr/> (350)	<hr/> (475)
Net cash outflow from returns on investment and servicing of finance			
Tax paid – overseas	(53)	-	(128)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(73)	(69)	(98)
Purchase of intangible assets	-	(107)	-
Proceeds on disposal of tangible fixed assets	-	-	20
	<hr/> (73)	<hr/> (176)	<hr/> (78)
Net cash outflow from capital expenditure and financial investment			
Acquisitions and disposals			
Purchase of subsidiary undertaking	-	-	(249)
Costs of disposal of goodwill	(246)	-	-
Proceeds on disposal of goodwill	831	-	-
Deferred consideration paid	(448)	(543)	(751)
Consideration adjustment on prior year acquisitions	-	-	262
	<hr/> 137	<hr/> (543)	<hr/> (738)
Net cash inflow/(outflow) for acquisitions and disposals			
Equity dividend paid to shareholders	(299)	-	(474)
	<hr/> 672	<hr/> (1,753)	<hr/> (2,627)
Cash inflow/(outflow) before financing			
Financing			
Net repayment of loan	(328)	-	-
Payment of loan note instalment	-	(100)	(500)
Issue of ordinary share capital	-	4,693	5,079
Cost of share issue	-	-	(452)
	<hr/> (328)	<hr/> 4,593	<hr/> 4,127
Net cash (outflow) / inflow from financing			
Increase in cash in the period	<hr/> <hr/> 344	<hr/> <hr/> 2,840	<hr/> <hr/> 1,500

RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Six months to 30 June 2003 £000	Six months to 30 June 2002 £000	Year to 31 December 2002 £000
Group operating loss	(2,441)	(5,555)	(15,452)
Depreciation	178	255	402
Amortisation of goodwill	1,934	2,047	3,950
Impairment of goodwill	-	-	10,566
Loss on disposal of fixed assets	52	-	189
(Increase)/decrease in debtors	(681)	(1,494)	1,515
Increase/(decrease) in creditors	3,395	2,748	(2,271)
(Decrease)/increase in provisions	(726)	987	36
Net cash inflow/(outflow)	<u>1,711</u>	<u>(1,012)</u>	<u>(1,065)</u>

RECONCILIATION OF NET CASH FLOWS TO MOVEMENTS IN NET DEBT

	2003 £000
Increase in cash in the period	344
Cash outflow from decrease in debt	<u>328</u>
Change in net debt resulting from cash flows	672
Translation differences on loans	(542)
Net debt at 1 January 2003	(15,351)
Net debt at 30 June 2003	<u><u>(15,221)</u></u>

ANALYSIS OF CHANGES IN NET DEBT

	At 1 January 2003 £000	Cash Flow £000	Exchange Adjustment £000	At 30 June 2003 £000
Cash in bank and at hand including on deposit	5,824	130	-	5,954
Overdraft	(1,565)	214	-	(1,351)
	<u>4,259</u>	<u>344</u>	<u>-</u>	<u>4,603</u>
Bank loans				
Debt due within one year	(5,200)	(303)	-	(5,503)
Debt due after one year	(14,410)	631	(542)	(14,321)
	<u>(15,351)</u>	<u>672</u>	<u>(542)</u>	<u>(15,221)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The interim results for the six months to 30 June 2003 have been prepared in accordance with the accounting policies set out in the 2002 Annual Report.

2. SEGMENTAL ANALYSIS

Group turnover (including share of joint venture turnover) and Group operating loss is split below by media origin and geographical segment.

	Six months to 30 June 2003 Turnover £000	Six months to 30 June 2002 Turnover £000	Year to 31 December 2002 Turnover £000
(i) Media Segment			
Traditional media	5,781	7,354	18,835
New Media	297	505	942
Total including joint venture	<u>6,078</u>	<u>7,859</u>	<u>19,777</u>
Continuing	5,786	6,953	18,141
Discontinuing	292	906	1,636
	<u>6,078</u>	<u>7,859</u>	<u>19,777</u>
(ii) Geographical Segment			
United Kingdom	746	1,124	2,222
United States	2,125	2,112	7,377
Europe	2,059	2,849	8,288
Asia	-	677	670
Joint venture	1,148	1,097	1,220
	<u>6,078</u>	<u>7,859</u>	<u>19,777</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

	Six months to 30 June 2003 Operating Profit/(loss) £000	Six months to 30 June 2002 Operating Profit/(loss) £000	Year to 31 December 2002 Operating Profit/(loss) £000
(i) Media Segment			
Traditional media	(580)	(1,292)	1,618
New Media	(1,511)	(1,276)	(2,364)
Total including joint venture	<u>(2,091)</u>	<u>(2,568)</u>	<u>(746)</u>
(ii) Geographical Segment			
United Kingdom	(1,881)	(1,624)	(2,695)
United States	470	(213)	2,556
Europe	(842)	(901)	(430)
Asia	(14)	(297)	(306)
Joint venture	176	467	129
	<u>(2,091)</u>	<u>(2,568)</u>	<u>(746)</u>
Impairment	-	-	(10,226)
Exceptional Items	-	(2,120)	(2,876)
Operating loss on discontinued items	(174)	(400)	(1,475)
Operating profit on joint venture	(176)	(467)	(129)
Group operating loss	<u>(2,441)</u>	<u>(5,555)</u>	<u>(15,452)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

3. PROFIT RECOGNITION

Profits on events are recognised when an event is completed. Most of the Group's major 2003 exhibitions take place in the second half of the year. Income for all future events of £8,086,000 is included in creditors, £6,989,000 of which relates to events to occur in 2003 and the balance to events in 2004.

4. DISCONTINUED ITEMS

On 17 January 2003, Tarsus Organex Limited, a wholly owned subsidiary of Tarsus Group plc, sold its UK Organic Food Exhibition, Organex, to Diversified Business Communications Inc. for a cash consideration of up to £750,000.

Tarsus received £135,000 cash on completion. A further £29,000 was received upon completion of the 2003 event, with the balance dependant upon the outcome of the 2004 event, to be run by Diversified Business Communications Inc.

On 9 June 2003 the Group sold the goodwill and contracts relating to Exhibition Bulletin for £1,100,000. Tarsus received £500,000 cash on completion and retained advanced subscription and advertising revenues of £167,000. In addition the Company will receive £150,000 in February 2004, £150,000 in July 2004 and £133,000 in January 2005.

5. INTANGIBLE FIXED ASSETS

	2003 £000
Cost:	
At 1 January 2003	55,161
Foreign exchange adjustments	657
Adjustments for deferred consideration	101
Disposals	(2,809)
At 30 June 2003	<u>53,110</u>
Amortisation:	
At 1 January 2003	36,991
Amortisation charge	1,934
Disposals	<u>(2,021)</u>
At 30 June 2003	36,904
Net book value at 30 June 2003	<u><u>16,206</u></u>
Net book value at 31 December 2002	<u><u>18,170</u></u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS (CONTINUED)

6. DEBTORS

Included within debtors is an amount of £283,000, which relates to deferred consideration, which is receivable after more than twelve months.

7. LOSS PER SHARE

The adjusted loss per share is based on losses after tax from continuing operations, including joint ventures, before amortisation of goodwill and exceptional items, of £346,853 (December 2002 £1,777,851 profit) and 38,800,235 (December 2002: 36,107,914) ordinary shares being the weighted average number of shares in issue during the period.

The basic loss per share has been calculated on losses after tax attributable to ordinary shareholders for the six months of £2,286,598 (December 2002: £18,838,754) and 38,800,235 (December 2002: 36,107,914) ordinary shares being the weighted average number of shares in issue during the period.

Under Financial Reporting Standards 14 ("FRS14") the share options have no dilutive effect on the loss per share.

8. TAX ON LOSS ON ORDINARY ACTIVITIES

	30 June 2003 £000	30 June 2002 £000	31 December 2002 £000
Current tax credit	(283)	-	(182)
Overseas tax on joint venture	108	125	92
Tax (credit)/ charge for the period	<u>(175)</u>	<u>125</u>	<u>(90)</u>

The taxation credit for the six months ended 30 June 2003 is based on the estimated effective tax rate of 27%, after adjusting for goodwill amortisation and exceptional items for the year ending 31 December 2003.

9. INTERIM FINANCIAL STATEMENTS

The interim financial statements are unaudited but have been reviewed by the auditors.

The comparative figures for the financial year ended 31 December 2002 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not include a statement under Section 237(2) or 237(3) of the Companies Act 1985.

Copies of this document have been sent to Shareholders and are available for public inspection at the Company's registered office during normal business hours.