

**4 November 2002**

**THUS Group plc  
Interim Results  
Six months ended 30 September 2002**

**First Half Financial Highlights**

- Key measures show strong improvement:
  - Turnover up 11% year on year to £143.0 million
  - Gross profit up 53% to £29.5 million, with 6% gross margin expansion to 21%
  - EBITDA £10.9 million (H1 02 negative £9.0<sup>1</sup> million), with 15% EBITDA margin expansion to 8%
  - Operating loss reduced 37%<sup>1</sup> to £25.2 million
  - Loss before tax reduced 38% to £30.8 million
  - Cash outflow before financing £11.5 million (H1 02 £60.8 million)
  
- Underlying performance, strong treasury management and continuing financial discipline provide for:
  - Acceleration of target for free cash flow breakeven on a sustainable basis by one fiscal year to quarter four of financial year ending 31 March 2004
  - Reduction in peak funding requirement to less than £60 million

**Commenting on today's results William Allan, Chief Executive, said:**

“Our year on year performance has demonstrated the success of our business strategy to focus on quality recurring revenue growth in the UK market. In difficult trading conditions THUS has continued to significantly improve earnings and cash flow.

‘Material contracts won in the period include the renewal and expansion of our relationship with BVL; additional services to B SkyB; Orange; and new business from eleven universities under the framework agreement with the National Telecommunications Group. In addition, our new City Ethernet service increased business with Shell, Conoco and the University of the Highlands and Islands.

‘As previously announced, we revised our full year sales growth target to between 13% and 18% in our pre close statement to reflect pricing pressures and our caution on general economic conditions. Nevertheless, we maintain our expectation for EBITDA of £20 million to £30 million, with full year capital expenditure of approximately £45 million and cash outflow before financing of less than £35 million.

‘Our results today provide further evidence of our ability to flex and scale our Company in accordance with changing market conditions. The reduction in our peak funding requirement reinforces our confidence that we have more than sufficient headroom on our £90 million bank facility. Our uncompromising focus on bottom line growth and cash flow is what, we believe, will drive long-term shareholder value.”

<sup>1</sup> Before exceptional items included in Administration expenses for H1 02

## Further information

### THUS Group plc

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1. An analysts' conference will be held this morning at 9.00am for 9.30am at City Media Centre, The London Stock Exchange, Old Broad Street, London EC2M 1HP. A simultaneous webcast of the conference will be screened at [www.thus.net/investor-information/](http://www.thus.net/investor-information/) Webcast participants are advised to visit the website at least 15 minutes before the start of the conference to ensure they have all the necessary software to take part.
2. On Tuesday 5 November 2002 , THUS Group plc will be hosting a visit for analysts and investors to its network and web hosting facility at Park Royal at which it will present the operational capabilities and management of the business.
3. Financial Calendar

Following the Interim Results, THUS will move to a half yearly reporting schedule substituting the third quarter results statement with a shorter trading update commenting on the key trends within the business and future outlook for the Group.

Key dates in the Group's forthcoming financial calendar are listed below:

Trading Update	February 2003
Pre-close Period Trading Update ahead of Preliminary Results	March 2003
Preliminary Results	May 2003
AGM	July 2003

## Overview of Financial Statements

First half turnover grew 11% to £143.0 million, driven forward by a strong performance in the data and telecoms and Internet segments of the business.

Gross profit before depreciation rose 35% year on year to £51.7 million, representing a 6% margin expansion, up from 30% to 36% of sales. This improvement resulted from a stronger revenue mix coupled with reduced reliance on other operators and better traffic routing following full implementation of the THUS national network.

Selling, distribution and administration costs before depreciation were reduced by 14% to £40.8 million, falling from 37% of sales in the first half of last year to 29% of sales in the period under review. Cost efficiencies came from both process and property rationalisation.

EBITDA increased to £10.9 million, a margin of 8%, up from negative £9.0<sup>1</sup> million for the same period last year. After depreciation and amortisation of £36.1 million, gross profit rose 53% to £29.5 million, with margins expanding from 15% to 21% of sales and the operating loss was cut by 37% to £25.2 million.

A £0.2 million exceptional gain was made on the sale of fixed assets compared with a £1.1 million exceptional gain last year. This reflects the impact of the sale of Indefeasible Rights of Use (IRUs) of the network to other operators. In addition, £1.9 million was written off investments in own shares held to satisfy employee options as a result of marking the shares to market price at the balance sheet date. This follows the decision made last year to reclassify these shares as current asset investments.

Interest and similar charges fell sharply from £10.0 million last year to £3.9 million, reflecting lower debt levels following the financial restructuring completed last year. Interest and commitment fees on outstanding debt totalled £0.8 million. In addition, £0.6 million of loan cost amortisation, £1.9 million for amounts written off financing costs as a result of the reduction in peak funding requirements and £0.6 million of other charges were recorded.

After interest, the loss before tax improved by 38% to £30.8 million.

First half capital expenditure was £23.7 million compared with £37.6 million for the first half last year. This represented 17% of sales compared with 29% of sales last year and reflects the increasingly direct relationship between incremental sales and capital investment now that the core network is fully deployed.

Both operating cash flow and cash flow before financing showed strong year on year improvement, up from negative £24.3 million to positive £16.8 million and from negative £60.8 million to negative £11.5 million respectively.

As a result, net debt at the end of the period totalled £11.8 million, with £20 million drawn from the bank facility.

## Segmental Analysis of Turnover

### Data and Telecoms

Data and telecoms delivered the strongest performance, with sales up 19% year on year to £78.2 million.

Excluding the ScottishPower Facilities Management (SP FM) contract and consumer sales from last year, first half data and telecoms turnover grew 27% to £70.2 million, with strong growth in the majority of service areas offset by a decline in the lower margin SkyTalk residential telephone service. A reversal of this trend is expected following the extension and expansion of the original contract to July 2005. Second quarter business services sales were £35.3 million compared with £34.9 million in quarter one.

The SP FM contract contributed £8.0 million to first half turnover, down 18% compared with last year.

### Internet

First half Internet turnover grew by 16% to £44.0 million compared to last year.

Within the total, business services sales advanced 27% to £21.8 million, principally reflecting the growth in ADSL customers, now over 11,500. Second quarter business services sales were £11.0 million, up marginally on quarter one.

First half turnover from the more traditional dial up subscription services fell as expected to £9.2 million as customers migrated on to faster access services. Notwithstanding, first half dial-up termination revenues rose by 27% to £13.0 million as a result of the migration of all dial-up termination traffic on to the THUS network.

### **Contact Centre**

Contact centres sales totalled £12.6 million, spread evenly over the first two quarters. Although first half turnover fell slightly compared to last year as a result of the withdrawal from low margin business, the gross margin before depreciation improved from 24% to 34%.

### **Interactive**

Following the sale of the Branded division in October 2001, first half Interactive turnover fell by 30% year on year to £8.2 million. This masks an 8% increase in the sales of the remaining Creative division, resulting from a stream of successful competition formats. Second quarter sales were £4.5 million compared with £3.7 million in quarter one.

### **Service Innovation and Contract Wins**

During the period, THUS delivered a steady stream of service innovations and contract wins.

In the corporate market, THUS launched City Ethernet providing business with a cost-effective alternative to routers and leased lines traditionally used to link their offices and local area networks within metropolitan areas. To date, customers include Shell, Conoco, and the University of the Highlands and Islands. THUS also launched a transatlantic frame relay service facilitated via an agreement with Sprint.

In addition, THUS extended its business with BVL and Sky, expanded coverage for Orange in the Highlands and Islands and won new business from eleven universities around the country under a framework agreement with the NTG, the universities representative telecoms purchasing body.

In the small and medium size enterprise market, THUS launched Demon Premier Express, a new ATM backed ADSL service, offering customers improved throughput capacity via contention ratios of 5:1 and 1:1 compared to existing 50:1 and 20:1 offerings. Compared to competitor offerings, THUS will intercept the ADSL traffic from BT at an ATM interconnect point and carry a higher proportion of traffic over its own network, enabling better service quality and reliability.

<sup>1</sup> Before exceptional items included in Administration expenses for H1 02

**Ends**

# THUS Group plc

## Unaudited Group Profit and Loss Account for the six months ended 30 September 2002

		First half 2002-03	First half 2001-02 Restated (Note 4)	Full year 2001-02
	Notes	£'000	£'000	£'000
<b>Turnover</b>	<b>2</b>	<b>142,996</b>	128,359	268,354
Cost of sales		<b>(113,514)</b>	(109,096)	(218,923)
<b>Gross profit</b>		<b>29,482</b>	19,263	49,431
Selling and distribution Administration expenses	<b>3</b>	<b>(15,140)</b> <b>(39,531)</b>	(17,856) (42,406)	(34,842) (79,765)
<b>Operating loss</b>		<b>(25,189)</b>	(40,999)	(65,176)
Exceptional items				
- Gain on sale of fixed assets		<b>250</b>	1,092	1,660
- Loss on disposal of businesses		<b>-</b>	-	(741)
<b>Loss on ordinary activities before interest and other similar charges</b>		<b>(24,939)</b>	(39,907)	(64,257)
Amounts written off investments		<b>(1,894)</b>	-	(21,259)
Net interest payable and other similar charges		<b>(3,949)</b>	(9,970)	(18,738)
<b>Loss on ordinary activities before taxation</b>		<b>(30,782)</b>	(49,877)	(104,254)
Taxation on loss on ordinary activities	<b>5</b>	<b>(213)</b>	-	(416)
<b>Loss after taxation</b>		<b>(30,995)</b>	(49,877)	(104,670)
Minority interest		<b>-</b>	599	914
<b>Loss for the period</b>		<b>(30,995)</b>	(49,278)	(103,756)
Appropriations – non equity		<b>-</b>	(1,250)	(2,425)
<b>Loss retained for the period</b>		<b>(30,995)</b>	(50,528)	(106,181)
<b>Loss and diluted loss per ordinary share (pence)</b>	<b>6</b>	<b>(2.33)</b>	(7.37)	(14.76)

There were no acquisitions or discontinued operations in the period.

The Notes on pages 9 to 12 form part of these Accounts.

# THUS Group plc

## Unaudited Statement of Total Recognised Gains and Losses for the six months ended 30 September 2002

	First half 2002-03	First half 2001-02 Restated (Note 4)	Full year 2001-02
	£'000	£'000	£'000
<b>Loss for the period</b>	<b>(30,995)</b>	(49,278)	(103,756)
Currency translation differences on overseas net assets	(14)	(71)	(100)
Unrealised gains on fixed asset disposals	-	7,123	14,905
<b>Total recognised losses for the period</b>	<b>(31,009)</b>	<b>(42,226)</b>	<b>(88,951)</b>

## Unaudited Reconciliation of Movements in Shareholders' Funds for the six months ended 30 September 2002

	First half 2002-03	First half 2001-02 Restated (Note 4)	Full year 2001-02
	£'000	£'000	£'000
<b>Loss for the period</b>	<b>(30,995)</b>	(49,278)	(103,756)
Appropriations – non equity	-	(1,250)	(2,425)
<b>Loss retained for the period</b>	<b>(30,995)</b>	(50,528)	(106,181)
Currency translation differences on overseas net assets	(14)	(71)	(100)
Reversal of appropriations – non equity	-	1,250	2,425
Share capital issued	-	-	272,139
Unrealised gains on fixed asset disposals	-	7,123	14,905
<b>Net movement in shareholders' funds</b>	<b>(31,009)</b>	<b>(42,226)</b>	183,188
<b>Opening shareholders' funds</b>	<b>466,152</b>	282,964	282,964
<b>Closing shareholders' funds</b>	<b>435,143</b>	240,738	466,152

The Notes on pages 9 to 12 form part of these Accounts.

# THUS Group plc

## Unaudited Group Balance Sheet as at 30 September 2002

	30 September 2002	30 September 2001 Restated (Note 4)	31 March 2002
	£'000	£'000	£'000
<b>Fixed assets</b>			
Intangible assets	396	538	466
Tangible assets	457,168	471,763	469,482
Investments	-	24,250	-
	<b>457,564</b>	<b>496,551</b>	<b>469,948</b>
<b>Current assets</b>			
Stocks	5,748	10,269	5,323
Debtors:			
- Other debtors	85,440	95,565	89,071
- Funds deposited with ScottishPower	-	3,800	-
	<b>85,440</b>	<b>99,365</b>	<b>89,071</b>
Investments	1,097	-	2,991
Cash at bank and in hand	13,063	2,589	9,533
<b>Total current assets</b>	<b>105,348</b>	<b>112,223</b>	<b>106,918</b>
<b>Creditors: amounts falling due within one year</b>			
Other creditors	(105,785)	(121,105)	(104,323)
Loans and other borrowings	(111)	(3,834)	(691)
<b>Total creditors falling due within one year</b>	<b>(105,896)</b>	<b>(124,939)</b>	<b>(105,014)</b>
<b>Net current (liabilities) / assets</b>	<b>(548)</b>	<b>(12,716)</b>	<b>1,904</b>
<b>Total assets less current liabilities</b>	<b>457,016</b>	<b>483,835</b>	<b>471,852</b>
<b>Creditors: amounts falling due after more than one year</b>			
Loans and other borrowings:			
- ScottishPower loan account	(600)	(240,600)	(600)
- Loans and other borrowings	(20,373)	(4,253)	(4,200)
<b>Total creditors falling due after more than one year</b>	<b>(20,973)</b>	<b>(244,853)</b>	<b>(4,800)</b>
<b>Provisions for liabilities and charges</b>	<b>(900)</b>	<b>(127)</b>	<b>(900)</b>
<b>Deferred income</b>	<b>-</b>	<b>(1)</b>	<b>-</b>
<b>Net assets</b>	<b>435,143</b>	<b>238,854</b>	<b>466,152</b>
<b>Capital and reserves</b>			
Called-up share capital	33,715	42,637	56,963
Merger reserve and Share premium	565,746	307,933	565,746
Capital redemption reserve	23,248	-	-
Profit and loss account	(207,376)	(123,175)	(176,849)
Other reserves	19,810	13,343	20,292
<b>Shareholders' funds</b>	<b>435,143</b>	<b>240,738</b>	<b>466,152</b>
Equity minority interest	-	(1,884)	-
<b>Capital employed</b>	<b>435,143</b>	<b>238,854</b>	<b>466,152</b>
Equity Shareholders' funds	435,143	210,861	442,904
Non equity Shareholders' funds	-	29,877	23,248
<b>Total Shareholders' funds</b>	<b>435,143</b>	<b>240,738</b>	<b>466,152</b>

The Notes on pages 9 to 12 form part of these Accounts.

Approved by the Board on 1 November 2002 and signed on its behalf by

William Allan  
Chief Executive

John Maguire  
Chief Financial Officer

# THUS Group plc

## Unaudited Group Cash Flow Statement for the six months ended 30 September 2002

		First half 2002-03	First half 2001-02 Restated (Note 4)	Full year 2001-02
	Notes	£'000	£'000	£'000
<b>Net cash inflow / (outflow) from continuing operating activities</b>	<b>7</b>	<b>16,782</b>	<b>(24,355)</b>	<b>(1,604)</b>
Returns on investments and servicing of finance		(255)	(9,415)	(19,316)
<b>Free cash flow</b>		<b>16,527</b>	<b>(33,770)</b>	<b>(20,920)</b>
Capital expenditure and financial investment		(28,005)	(40,756)	(85,875)
<b>Cash flow before acquisitions and disposals</b>		<b>(11,478)</b>	<b>(74,526)</b>	<b>(106,795)</b>
Cash inflow from disposals		-	-	2,910
<b>Cash flow before management of liquid resources</b>		<b>(11,478)</b>	<b>(74,526)</b>	<b>(103,885)</b>
Management of liquid resources		-	13,750	17,550
<b>Cash outflow before financing</b>		<b>(11,478)</b>	<b>(60,776)</b>	<b>(86,335)</b>
Financing		15,093	59,952	92,543
<b>Increase / (decrease) in cash in the period</b>	<b>8</b>	<b>3,615</b>	<b>(824)</b>	<b>6,208</b>

Free cash flow represents cash flow from continuing operating activities after adjusting for returns on investments and servicing of finance and taxation.

## Unaudited Reconciliation of Net Cash Flow to Movement in Net (Debt)/Funds for the six months ended 30 September 2002

		First half 2002-03	First half 2001-02	Full year 2001-02
	Note	£'000	£'000	£'000
Increase / (decrease) in cash in the period	8	3,615	(824)	6,208
Cash (inflow) / outflow from (increase) / reduction in debt	8	(19,447)	(59,952)	179,596
Cash inflow from decrease in liquid resources		-	(13,750)	(17,550)
<b>Changes in net (debt) / funds resulting from cash flows</b>	<b>8</b>	<b>(15,832)</b>	<b>(74,526)</b>	<b>168,254</b>
Net debt disposed		-	-	3,560
<b>Movement in net (debt) / funds in the period</b>	<b>8</b>	<b>(15,832)</b>	<b>(74,526)</b>	<b>171,814</b>
<b>Net funds / (debt) at the beginning of the period</b>	<b>8</b>	<b>4,042</b>	<b>(167,772)</b>	<b>(167,772)</b>
<b>Net (debt) / funds at the end of the period</b>	<b>8</b>	<b>(11,790)</b>	<b>(242,298)</b>	<b>4,042</b>

The Notes on pages 9 to 12 form part of these Accounts.

# THUS Group plc

## Notes to the Accounts for the six months ended 30 September 2002

### 1 Basis of preparation

These interim Accounts have been prepared on the basis of accounting policies consistent with those set out in the Annual Report and Accounts for the year ended 31 March 2002.

The interim Accounts are unaudited but have been formally reviewed by the auditors and their report to the Company is set out on page 13.

The information shown for the year ended 31 March 2002 does not constitute statutory Accounts within the meaning of Section 240 of the Companies Act 1985 and has been extracted from the full Accounts for the year ended 31 March 2002 filed with the Registrar of Companies. The report of the auditors on those Accounts was unqualified and did not contain a statement under either Section 237 (2) or Section 237 (3) of the Companies Act 1985.

### 2 Segmental reporting

Turnover has been analysed below between Internet services, interactive services, data and telecom services, and contact centre services. The Directors consider these to be the same class of business and accordingly no segmental analysis of operating loss or net assets has been given.

	<b>First half 2002-03</b>	First half 2001-02 Restated (Note 4)	Full year 2001-02
	<b>£'000</b>	£'000	£'000
<b>Turnover analysis</b>			
Internet services	<b>44,007</b>	37,941	81,713
Interactive services	<b>8,145</b>	11,696	18,664
Data and telecom services	<b>78,222</b>	65,689	142,539
Contact centre services	<b>12,622</b>	13,033	25,438
	<b>142,996</b>	128,359	268,354
<b>Turnover by origin</b>			
United Kingdom	<b>138,727</b>	125,692	262,259
Europe	<b>4,269</b>	2,667	6,095
	<b>142,996</b>	128,359	268,354
<b>Turnover by destination</b>			
United Kingdom	<b>136,859</b>	125,503	261,254
Europe	<b>5,642</b>	2,856	6,767
U.S.A.	<b>495</b>	-	333
	<b>142,996</b>	128,359	268,354

# THUS Group plc

## Notes to the Accounts for the six months ended 30 September 2002

### 3 Exceptional items

	First half 2002-03 £'000	First half 2001-02 £'000	Full year 2001-02 £'000
Included in administration expenses are:			
Restructuring costs	-	1,020	3,152

### 4 Prior period adjustments

#### Accounting for Infeasible Rights of Use sales ("IRUs")

During the year ended 31 March 2002 the Group changed its accounting policy regarding accounting for Infeasible Rights of Use sales (IRUs).

As part of its service offering, the Group periodically sells dark fibre to other network operators seeking to extend their own networks under IRU agreements. These agreements extend for all of the assets' expected useful lives and transfer substantially all of the risks and benefits of ownership to the buyer. In a number of cases, the Group has acquired dark fibre under IRU agreements from the same counterparties in order to complete its own network.

Where the consideration received by the Group for such IRU sales is in cash and there is no separate agreement with the buyer to acquire fibre, the resulting profit is shown in the Accounts as a gain on the disposal of fixed assets.

Where the sale of fibre has occurred and there is a separate agreement with the buyer, involving the Group acquiring fibre of a similar value at a similar time, the Directors have concluded that it is most appropriate to record the sale and purchase transactions at fair value with the gain arising on the sale treated as unrealised and recorded in the Statement of Total Recognised Gains and Losses.

The Directors consider that the underlying trading performance of the Group is most appropriately presented under this revised policy. The Group's former policy was to record all sales of dark fibre as turnover and to record the cost of the assets sold within cost of sales.

The impact of the change is (i) sales of dark fibre under IRU agreements are no longer recorded within turnover; (ii) the profit on sales settled in cash is recorded below the operating result in the Profit and Loss Account unless the sale involves a separate agreement with the buyer involving the Group acquiring fibre of a similar value at a similar time in which case the profit is recorded in the Statement of Total Recognised Gains and Losses rather than in the Profit and Loss Account.

The effect of applying the new policy on the 30 September 2001 comparative results, in comparison with the amounts previously reported in the Interim Report for the six months ended 30 September 2001, is set out in the table below. The effect of the adjustment was to increase the loss per ordinary share by 1.04p for the six months ended 30 September 2001.

	New policy £'000	Old policy £'000	Impact £'000
Turnover	128,359	140,790	(12,431)
Operating loss from continuing activities	(40,999)	(32,784)	(8,215)
Loss on ordinary activities before taxation	(49,877)	(42,754)	(7,123)
Net assets	238,854	238,854	-
Net cash outflow from continuing operating activities	(24,355)	(16,140)	(8,215)
Outflow from capital expenditure and financial investment	(40,756)	(48,971)	8,215

# THUS Group plc

## Notes to the Accounts for the six months ended 30 September 2002

### 5 Taxation

	<b>First half 2002-03</b>	First half 2001-02	Full year 2001-02
	<b>£'000</b>	£'000	£'000
<b>Taxation charge on the loss for the period / year:</b>			
Overseas taxation	<b>213</b>	-	416

No taxation charge is required for the period due to the availability of taxation losses. No provision for deferred taxation is considered necessary at 30 September 2002, since accumulated taxation losses are expected to offset any reversal of accelerated capital allowances.

### 6 Loss per ordinary share

Loss per ordinary share has been calculated in accordance with FRS 14 "Earnings per Share" for all periods by dividing the loss for the period, after non equity appropriations, by the weighted average number of ordinary shares in issue during the period, based on the following information:

	<b>First half 2002-03</b>	First half 2001-02	Full year 2001-02
	<b>£'000</b>	Restated (Note 4) £'000	£'000
Loss for the period after non equity appropriations	<b>(30,995)</b>	(50,528)	(106,181)
Basic weighted average share capital (number of shares, thousands)	<b>1,329,178</b>	685,604	719,349
Diluted weighted average share capital (number of shares, thousands)	<b>1,329,178</b>	685,604	719,349

The basic weighted average share capital excludes shares held by the Company under Trust in connection with the Employee Share Schemes. The impact of the share options is antidilutive and has therefore been excluded from the calculation of diluted weighted average share capital.

### 7 Reconciliation of operating loss to net cash inflow / (outflow) from continuing operating activities

	<b>First half 2002-03</b>	First half 2001-02	Full year 2001-02
	<b>£'000</b>	Restated (Note 4) £'000	£'000
Operating loss	<b>(25,189)</b>	(40,999)	(65,176)
Depreciation of tangible fixed assets	<b>36,014</b>	30,924	65,025
Amortisation of intangible fixed assets	<b>70</b>	72	143
Release of government grant deferred income	-	(12)	(13)
Movements in provisions for liabilities and charges	-	(68)	705
(Increase) / decrease in stocks	<b>(425)</b>	472	3,369
(Increase) / decrease in debtors	<b>(2,275)</b>	(3,111)	319
Increase / (decrease) in creditors	<b>8,587</b>	(11,633)	(5,976)
<b>Net cash inflow / (outflow) from continuing operating activities</b>	<b>16,782</b>	(24,355)	(1,604)

# THUS Group plc

## Notes to the Accounts for the six months ended 30 September 2002

### 8 Analysis of net (debt) / funds

	At 1 April 2002 £'000	Cashflow £'000	At 30 September 2002 £'000
Cash at bank and in hand	9,533	3,530	13,063
Overdrafts	(85)	85	-
	9,448	3,615	13,063
Loan notes - due within one year	(500)	500	-
Loans – due after one year	-	(20,000)	(20,000)
ScottishPower loan account – due after one year	(600)	-	(600)
Finance leases	(4,306)	53	(4,253)
	(5,406)	(19,447)	(24,853)
<b>Total</b>	<b>4,042</b>	<b>(15,832)</b>	<b>(11,790)</b>

### 9 Contingent liabilities

There have been no material changes to the Group's contingent liabilities disclosed in the Annual Report and Accounts for the year ended 31 March 2002.

# Independent Review Report by KPMG Audit plc to THUS Group plc

## Introduction

We have been instructed by the Company to review the financial information set out on pages 5 to 12 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

## Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding Annual Accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are disclosed.

## Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4: Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

## Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 September 2002.

KPMG Audit Plc  
Chartered Accountants  
1 November 2002

8 Salisbury Square  
London  
EC4Y 8BB

## Notes:

- (a) The maintenance and integrity of the THUS Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the web site.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.