Vislink plc

Interim results for the six months ended 30 June 2002

“The Group has benefited from a strong performance by our US business within the Broadcast Division and from excellent growth from our marine CCTV business within the Video Division. As a result the Group’s sales and profits have increased over the corresponding period for the prior year.”

Highlights

- The Group’s sales from continuing operations were up by 8.4% to £41.33 million (2001 – £38.11 million)
- The Group has increased operating profits by 20.4% to £1.30 million (2001 - £1.08 million)
- Profit on ordinary activities before taxation and goodwill amortisation increased by 27.4% to £1.49 million (2001 - £1.17 million)
- The Group has increased profit on ordinary activities before taxation by 60.9% to £0.89million (2001 - £0.55 million)
- Earnings per share from continuing operations excluding goodwill amortisation rose by 17.4% to 1.08 pence (2001 – 0.92 pence)

Commenting on the interim announcement, Bob Morton, Chairman of Vislink plc said:

> “The Board is pleased that the Group has achieved growth in its orders, sales and profits during the first half. The current global economic climate continues to dictate longer sales cycles and competitive trading conditions. The current level of enquiries remains encouraging and given their timely conversion, the prospects for the second half remain in line with expectations.”

– Ends –

For further information on September 4th 2002, please contact:

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Chairman's Statement

Introduction

The Board is pleased to report that the Group has increased sales and profits over the previous half year and has continued to make progress in this first half in what has been a challenging trading environment. The Group has benefited from improved margins in the Broadcast Division's US business due to the continued implementation of digital TV in the US and good growth from the Video Division's specialised marine CCTV business.

Results for the six months to 30 June 2002

The Group's sales from continuing operations for the period were up by 8.4 per cent to £41.33 million (2001 – £38.11 million). The Group's order intake in the first half also showed growth to £41.17 million (2001 - £39.38 million).

The Group increased its operating profit before goodwill amortisation, to £1.90 million (2001 - £1.69 million). Goodwill amortisation for the period was £0.60 million (2001 - £0.62 million).

The profit on ordinary activities before interest and taxation was up 20.4 per cent to £1.30 million (2001 - £1.08 million). The net interest charge for the period of £0.41 million (2001 - £0.53 million) was lower than the corresponding half year due to a lower level of debt in the Group.

The Group's profit on ordinary activities before tax for the period rose by 60.9 per cent to £0.89 million (2001- £0.55 million).

The Group had a positive cash flow from operations of £0.22 million, although net debt increased slightly from the last year end to £10.08 million (31 December 2001 – £9.50 million).

Earnings per share

The adoption of Financial Reporting Standard 19 'deferred tax' has led to the previous years' earnings per share being restated.

Earnings per share from continuing operations excluding goodwill amortisation rose 17.4 percent to 1.08 pence (2001 – 0.92 pence). Basic earnings per share increased 58.1 per cent to 0.49 pence (2001 – 0.31 pence).

Dividends

As in previous years the Board is not recommending an interim dividend for the half year in line with the Group's stated strategy only to recommend an annual dividend.

Business Review of the half year

Broadcast Division

Financial review

The Division's sales for the six months increased to £32.11 million (2001 – £30.90 million). The Division's operating profit before goodwill increased to £2.39 million (2001 - £2.24 million) before charging exceptional costs of £0.30 million (2001- £nil) in respect of the rationalisation of the smaller operating companies which commenced in 2001. After goodwill amortisation of £0.60 million (2001 - £0.62 million) the Division's operating profit before exceptional costs was £1.79 million (2001 - £1.62 million).

General review

The Broadcast Division operates in global markets through MRC in the US and from the UK through Continental Microwave, Advent and Multipoint. Its core products remain broadcast quality microwave links, TV transmitters and satellite communications.

The US market for Broadcast microwave links has been particularly strong for MRC as a result of the implementation of the FCC mandated policy for TV stations to have a Digital TV broadcast capability. MRC supplies the majority of studio to transmitter microwave links in the US market. Significant contract wins outside of the US and UK markets included two contracts for the supply of digital TV systems to a Korean broadcaster and one for a Chinese broadcaster in Hong Kong. In addition, the ongoing development of new digital radio products is creating new opportunities for the Division within the "Homelands" public safety market in the US and also for mobile, air to ground systems in overseas markets.

Following the resolution of the ITV digital situation with the re-licensing of the ITV Digital channels, we expect that there will now be a demand, spread over the next few years, for additional TV transmitters to complete the coverage of the UK terrestrial digital TV network. CML have continued to win overseas business including an order for a second transmitter for a state sponsored TV station in West Africa following on from a successful installation last year.

Demand for satellite communications systems strengthened during the first half, with growth in both fixed and mobile communication applications. In particular Advent won orders for systems from UK broadcasters as well as further orders for mobile satellite communications equipment from Government agencies. Increased levels of business are also being seen from South America, the Middle East and Asia.

Video Technology Division

Financial review

The Division's sales for the half year increased to £9.22 million (2001 - £7.21 million) as a result of good sales growth from Hernis, the Division's Norwegian based specialised marine CCTV business.

The Division's operating profit for the half-year increased to £0.34 million from £0.30 million in the corresponding period last year, which was before exceptional costs of £0.28 million associated with development of the Active Imaging Multi Media Server. The benefits of the sales growth at Hernis have been eroded by reduced demand for the American Auto-Matrix ("AAM") building control systems in the US and also limited demand for Active Imaging Internet video server products.

General review

Hernis has had a record order intake in the first half year with orders of £6.07 million (2001 - £4.22million). Significant orders included two systems for offshore gas plants, and two systems for onshore refineries. In addition Hernis won its first US onshore contract for a security and safety CCTV system. Hernis has established itself as a major global supplier of high quality CCTV systems to commercial and naval shipping and oil and gas markets.

Data Cell, the image analysis business is trading in line with the prior year. AAM, our Pittsburgh based buildings control systems business has had a challenging first half as a result of a depressed US domestic building market and increased costs associated with launching their access control product range. Although maintenance and service revenues held up, higher margin new build and refurbishment projects have been deferred. Corrective action has been taken with a reduction to the cost base.

Strategy and Prospects

The Group is continuing to invest in developing new products and new market opportunities.

Within the Broadcast Division, the rationalisation of the smaller companies undertaken last year has provided a more integrated approach to international sales and marketing. This will continue to be developed to provide a strong focus on global opportunities. The US Broadcast sales continue to benefit from the implementation of digital TV and the US market also has growth opportunities from the emerging demand for microwave based public safety communications network systems.

The prospects for the Broadcast Division in both the satellite communications market and the global market for microwave links remain encouraging. However as the size and complexity of the systems business being won by the Division increases, so does the length of the sales cycle.

In the Video Division Hernis has had an excellent first half and is expected to continue to grow both sales and profits organically.

The Group has maintained its order book at £20.6 million at 30 June (31 December 2001 - £20.7million).

Against the global economic background of longer sales cycles and tougher trading conditions, the Group has achieved growth in sales and profit during the first half. Given the timely conversion of the current sales enquiries, the prospects for the second half remain in line with expectations.

A L R Morton
Chairman
September 4, 2002

GROUP PROFIT AND LOSS ACCOUNT
for the six months ended 30 June 2002

	Notes	**Six months to 30 June 2002 £'000**	Six months to 30 June 2001* £'000	Year ended 31 Dec 2001* £'000
Turnover				
Continuing operations		**41,326**	38,111	75,869
Discontinued operations		**-**	409	560
	2	**41,326**	38,520	76,429
Operating profit				
Continuing operations before goodwill		**1,904**	1,691	1,256
Goodwill on continuing operations		**(603)**	(616)	(1,199)
Continuing operations		**1,301**	1,075	57
Discontinued operations		**-**	6	33
	2	**1,301**	1,081	90
Profit on disposal of business		**-**	-	15
Profit on disposal of freehold land		**-**	-	100
Profit on ordinary activities before interest		**1,301**	1,081	205
Interest receivable		**22**	87	214
Interest payable		**(433)**	(615)	(1,226)
Profit (loss) on ordinary activities before taxation		**890**	553	(807)
Tax on profit (loss) on ordinary activities	1,3	**(394)**	(234)	(668)
Profit (loss) for the financial period		**496**	319	(1,475)
Dividends	4	**-**	-	(101)
Transfer to (from) reserves		**496**	319	(1,576)
Basic and fully diluted earnings (loss) per share	5	**0.49p**	0.31p	(1.45)p
Earnings (loss) per share from continuing operations excluding goodwill	5	**1.08p**	0.92p	(0.42)p
Dividend per share		**-**	-	0.10p

*As adjusted for the adoption of FRS19, see note 1.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the six months ended 30 June 2002

	Notes	**Six months to 30 June 2002 £'000**	Six months to 30 June 2001* £'000	Year ended 31 Dec 2001* £'000
Profit (loss) for the financial period		**496**	319	(1,475)
Translation difference on foreign currency net investments		**(513)**	1,080	337
Total recognised gains and losses for the financial period		**(17)**	1,399	(1,138)
Prior year adjustment in respect of deferred tax	1	**1,009**		
Total recognised gains and losses since last Annual Report		**992**		

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the six months ended 30 June 2002

	Notes	**Six months to 30 June 2002 £'000**	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
Opening equity shareholders' funds previously reported		**32,879**	33,596	33,596
Prior year adjustment in respect of deferred tax	1	**1,009**	1,753	1,753
Opening equity shareholders' funds restated		**33,888**	35,349	35,349
Profit (loss) for the financial period		**496**	319	(1,475)
Dividends	4	**-**	-	(101)
		34,384	35,668	33,773
Value of shares issued in the financial period		**223**	-	-
Change in value of shares to be issued		**(216)**	(170)	(222)
Translation difference on foreign currency net investments		**(513)**	1,080	337
Closing equity shareholders' funds		**33,878**	36,578	33,888

*As adjusted for the adoption of FRS19, see note 1.

GROUP BALANCE SHEET
as at 30 June 2002

	Notes	**30 June 2002 £'000**	30 June 2001* £'000	31 Dec 2001* £'000
Fixed assets				
Intangible assets	1	**20,100**	22,236	21,058
Tangible assets		**5,809**	6,344	6,032
Financial assets		**15**	19	15
		25,924	28,599	27,105
Current assets				
Stocks		**14,413**	16,697	13,217
Debtors	1,7	**19,371**	19,503	20,099
Cash at bank and in hand		**2,071**	1,677	3,450
		35,855	37,877	36,766
Creditors - amounts falling due within one year				
Borrowings		**2,252**	2,283	2,257
Creditors		**15,307**	15,273	16,571
		17,559	17,556	18,828
Net current assets		**18,296**	20,321	17,938
Total assets less current liabilities		**44,220**	48,920	45,043
Creditors - amounts falling due after more than one year				
Borrowings		**9,896**	11,820	10,697
Provisions for liabilities and charges		**446**	522	458
		33,878	36,578	33,888
Capital and reserves				
Called up share capital		**2,552**	2,534	2,534
Share premium account		**205**	-	-
Shares to be issued		**-**	268	216
Merger reserve		**27,895**	27,895	27,895
Profit and loss account	1,8	**3,226**	5,881	3,243
Equity shareholders' funds		**33,878**	36,578	33,888

*As adjusted for the adoption of FRS19, see note 1.

SUMMARISED STATEMENT OF CASH FLOWS
for the six months ended 30 June 2002

	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
Net cash inflow from operating activities	**217**	714	4,651
Returns on investments and servicing of finance	**(152)**	(905)	(1,419)
Taxation	**(160)**	(130)	(17)
Capital expenditure	**(193)**	(397)	(562)
Acquisitions and disposals	**-**	-	215
Equity dividends paid	**-**	-	(405)
Net cash (outflow) inflow before financing	**(288)**	(718)	2,463
Financing	**(871)**	(1,194)	(2,347)
(Decrease) increase in cash	**(1,159)**	(1,912)	116

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT
for the six months ended 30 June 2002

	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
(Decrease) increase in cash	**(1,159)**	(1,912)	116
Repayment of bank loans	**863**	1,117	2,243
Finance lease repayments	**8**	77	104
Change in net debt resulting from cash flows	**(288)**	(718)	2,463
Effect of foreign exchange changes	**(285)**	139	(120)
Movement in net debt	**(573)**	(579)	2,343
Opening net debt	**(9,504)**	(11,847)	(11,847)
Closing net debt	**(10,077)**	(12,426)	(9,504)

NOTES TO THE INTERIM ACCOUNTS
for the six months ended 30 June 2002

1. ACCOUNTING POLICIES

This interim report is unaudited and does not constitute audited accounts within the meaning of the Companies Act 1985. Except as disclosed below, the interim results have been prepared using accounting policies and practices consistent with those used in the preparation of the Annual Report and Accounts for the year ended December 31, 2001, which should be read in conjunction with this report. Those accounts (on which the auditors gave an unqualified audit opinion) have been filed with the Registrar of Companies.

The Group's accounting policy on deferred taxation has been amended following the adoption of Financial Reporting Standard 19 'Deferred Tax' (FRS 19). FRS19 requires full provision to be made for deferred taxation arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation.

Previously the Group's accounting policy was to provide for deferred tax liabilities on timing differences to the extent that they were expected to become payable in the foreseeable future. The application of the previous accounting policy resulted in no provision for deferred taxation being recognised at December 31, 2000, June 30, 2001 and December 31, 2001. Deferred tax assets have now been recognised in accordance with FRS19 to the extent that they are regarded as recoverable.

As a result of this change in accounting policy net deferred tax assets have been recognised and the comparatives have been restated as follows:

Adjustments to the Group balance sheet

	Profit and loss account (retained reserves)		Intangible assets	
	30 June 2001 £'000	31 Dec 2001 £'000	30 June 2001 £'000	31 Dec 2001 £'000
Previously reported	4,214	2,234	23,143	21,965
Prior year adjustment in respect of FRS 19	1,753	1,753	(907)	(907)
Period adjustment in respect of FRS 19	(86)	(744)	-	-
Restated now reported	5,881	3,243	22,236	21,058

The adjustment to intangible assets is an adjustment to the goodwill in respect of the acquisition of MRC to reflect the recognition of deferred tax assets acquired and not previously recognised.

	Debtors	
	30 June 2001 £'000	31 Dec 2001 £'000
Previously reported	16,929	18,183
Deferred tax provision	2,574	1,916
Restated now reported	19,503	20,099

Adjustments to the Group profit and loss account statement

	Tax on profit (loss) on ordinary activities		Basic earnings (loss) per share	
	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
Previously reported	148	(76)	0.40 p	(0.72)p
Adjustment in respect of FRS 19	86	744	(0.09)p	(0.73)p
Restated now reported	234	668	0.31 p	(1.45)p

2. SEGMENTAL REPORT

	Turnover			Operating Profit		
By division:	**Six months to 30 June 2002 £'000**	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000	**Six months to 30 June 2002 £'000**	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
Broadcast	**32,108**	30,899	60,993	**2,389**	2,239	3,835
Video Technology	**9,218**	7,212	14,876	**340**	296	868
Central costs	**-**	-	-	**(521)**	(564)	(978)
	41,326	38,111	75,869	**2,208**	1,971	3,725
Exceptional inventory write down	**-**	-	-	**-**	-	(2,227)
Other exceptional costs (net)	**-**	-	-	**(304)**	(280)	(242)
Goodwill amortisation	**-**	-	-	**(603)**	(616)	(1,199)
Continuing operations	**41,326**	38,111	75,869	**1,301**	1,075	57
Discontinued operations	**-**	409	560	**-**	6	33
Group total	**41,326**	38,520	76,429	**1,301**	1,081	90

Goodwill amortisation in the continuing operations is in respect of the businesses of Advent Communications, Microwave Radio Communications and Multipoint Communications, all of which are within the Broadcast Division.

The other exceptional charges in the period are costs associated with the rationalisation of the Broadcast Division companies, which commenced in 2001.

Turnover Analysis

	Turnover		
By market:	**Six months to 30 June 2002 £'000**	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
Continuing operations			
UK & Ireland	**6,155**	5,693	8,957
Rest of Europe	**4,398**	6,180	10,053
North America	**15,364**	15,694	30,583
South America	**3,869**	767	2,946
Asia	**6,215**	6,094	14,170
Africa	**1,893**	708	3,430
Other	**3,432**	2,975	5,730
	41,326	38,111	75,869
Discontinued operations			
UK & Ireland	**-**	404	551
Rest of Europe	**-**	-	9
Asia	**-**	5	-
Group Total	**41,326**	38,520	76,429

3. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge for the six months ended 30 June 2002 is based on the effective tax rate which it is estimated will apply to earnings for the full year.

4. DIVIDENDS

No interim dividend is proposed for the period. In 2001 there was no interim dividend and the final dividend was 0.10 pence.

5. EARNINGS PER ORDINARY SHARE

Earnings per share is calculated by reference to a weighted average of 101,657,000 ordinary shares in issue during the period (30 June and 31 December 2001 – 101,377,000).

The diluted earnings per share is after taking account of a further 118,000 shares (June 30 2001- 1,452,000; December 31, 2001 - 310,000) being the dilutive effect of share options.

Earnings per share from continuing operations excludes after tax profits relating to discontinued operations of £nil (30 June 2001 - £6,000; 31 December 2001 - £33,000) and after tax exceptional profits of £nil (30 June 2001 - £nil; 31 December 2001 - £115,000).

	Six months to 30 June 2002	Six months to 30 June 2001	Year ended 31 Dec 2001
Basic earnings (loss) per share	**0.49 p**	0.31 p	(1.45)p
Adjustments:			
Goodwill	**0.59 p**	0.62 p	1.17 p
Result after taxation from operations to be discontinued	**-**	(0.01)p	(0.03)p
Non-operating exceptional items	**-**	-	(0.11)p
Earnings (loss) per share from continuing operations excluding goodwill	**1.08 p**	0.92 p	(0.42)p
Fully diluted earnings (loss) per share	**0.49 p**	0.31 p	(1.45)p

6. RECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Six months to 30 June 2002 £'000	Six months to 30 June 2001 £'000	Year ended 31 Dec 2001 £'000
Operating profit	**1,301**	1,081	90
Depreciation	**470**	567	1,084
Amortisation of goodwill	**603**	616	1,199
Provision against investments	**-**	-	4
(Profit) on sale of fixed assets	**(4)**	(16)	(29)
(Increase) decrease in stocks	**(1,163)**	764	4,016
Decrease in debtors	**523**	1,459	39
(Decrease) in creditors	**(1,501)**	(3,423)	(1,259)
(Decrease) in provisions	**(12)**	(334)	(493)
Net cash inflow from operating activities	**217**	714	4,651

7. DEBTORS

Debtors include deferred tax assets of £1,608,000 (June 30, 2001 - £2,574,000 and December 31, 2001 - £1,916,000).

8. PROFIT AND LOSS ACCOUNT

The profit and loss account comprises:

	30 June 2002 £'000	30 June 2001* £'000	31 Dec 2001* £'000
Accumulated profits	**8,677**	10,146	8,091
Goodwill written off	**(5,451)**	(4,265)	(4,848)
	3,226	5,881	3,243

*As adjusted for the adoption of FRS19, see note 1.

INDEPENDENT REVIEW REPORT TO VISLINK PLC

Introduction
We have been instructed by the company to review the financial information set out on pages 6 to 13. We have read the other information contained in the interim report for 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 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 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 excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom 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 June 2002.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Bristol
4 September 2002