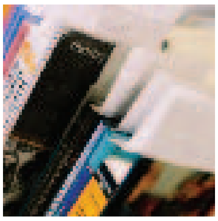
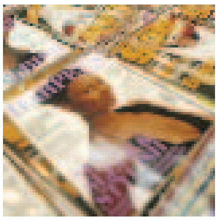
Dawson Holdings PLC

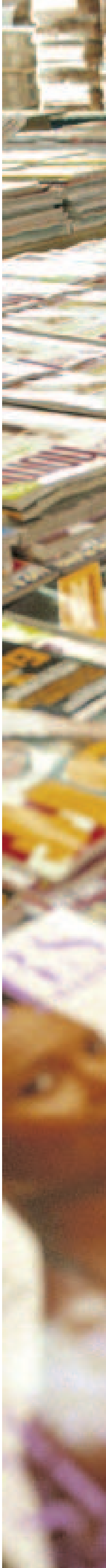
Interim Statement
for the 26 weeks ended 29 March 2003

Quality
Distribution

Logistics

Marketing
Services




USED
SALE

CHAIRMAN'S STATEMENT

The first half of the financial year has seen a continuation of the strong performance reported at the year end.

Pre-tax profits have risen to £6.0m from £4.3m for the same period last year and earnings per share grew to 5.8p from 4.0p, which is stated before the exceptional deferred tax credit of £1.3m last year.

Cash flow is satisfactory and the Board has decided to maintain the interim dividend at 2.6p per share.

Our strategy has been successful in enabling us to cope with difficult trading conditions in our travel related businesses whilst we have benefited significantly from the tight control in the News Wholesale division and achieved growth in the Books division.

As previously announced we are delighted to confirm that Jim McCarthy joined the Board officially on 1 May as a Non Executive Director.

The divisional management teams will continue to pursue their individual divisional plans whilst seeking further opportunities for growth both organically and by bolt on acquisitions if this is appropriate. The Board is pleased with these results which leave the Group well placed for the future.

The dividend of 2.6p will be paid on 11 July to shareholders on the register on 20 June.

Peter M Brown
Chairman
30 May 2003

Dawson News

Dawson News is the dominant division, accounting for over 85% of Group turnover.

Underlying sales volumes of core products showed 3% growth in the period although reported turnover was down 2% due to low promotional cover prices of tabloid newspapers and our planned reduction in sales of very low margin mobile phone cards.

Newspaper sales were 4.9% below the corresponding period last year affected both by a strong competitive period post September 11 last year and also the tabloid price war referred to above. The end of the tabloid price war and recent price increases have reversed this situation.

If the volumes sold had been at normal cover prices then newspaper sales would have been 4% ahead of the previous half year.

The growth of the weekly periodical market, fuelled by the celebrity titles, has continued at over 6%, and with new product launches, shows no sign of abating. There was also an increase of over 10% in sales of part work titles launched during the period though monthly magazine sales have been relatively flat.

Strict control of gross margin and overheads has remained a top priority for management and we continue to see benefits flowing from the centralisation of certain administrative functions.

We are building on the strengths of our proven systems and supplementing them with operational investment in returns processing equipment, upgraded delivery information to retail customers and significantly enhanced reporting to publishers. This will see an increase in capital investment in the division financed by the improved cash flow. Upgraded returns processing equipment will be in all major branches by the end of the financial year with installation in the remainder during next year. Upgrades to the information provided to publishers and retailers are under development and will be introduced in a phased programme from the summer.

Dawson Marketing Services

After a difficult previous year the division is settling down on a slightly reduced but much firmer basis. At present it represents less than 5% of Group turnover and continues to be marginally loss making. The division has the potential for growth, particularly in the distribution and marketing support services areas.

Whilst the volume of travel brochures has not returned to pre September 11 levels, there has been an uplift from the extremely low levels last year. This, together with the restructuring undertaken at the end of 2002, including a significant negotiated reduction in rent for the main premises in Abingdon, means we can continue to offer a viable service to our tour operator customers.

Brochure volumes have slowed down since the turn of the year but unlike previous years, reductions in the variable cost base can minimise the impact on the business.

The distribution activities, marketed under the name Dawson Distribution, are settling down extremely well and have increased business in the six months. We are well placed to expand this operation further utilising the Dawson News network.

Our point of sale business in Maidenhead has enjoyed a solid six months and increased turnover by 11%. This is extremely gratifying in a very competitive market and has been aided by our ongoing development of web-enhanced reporting systems for clients.

Dawson Media Direct

During the period we were successful in renewing our contract with British Airways for a further five years. This will see the introduction of a departure gate service across 60 airports in Europe offering English newspapers to BA passengers. The new service started in Gatwick in March, moves into Heathrow by the end of July and will then be rolled out across Europe.

We have seen some increases in the numbers of newspapers placed during the period but magazine publishers remain reluctant to release copy due to the depressed state of the advertising market.

Recent months have seen another slow down as international travel is cut back in light of the Iraq War and SARS. However, we have now created a more flexible cost base for the business which allows us to cope with changing market conditions. Other avenues of providing media product to the travelling public are always being explored.

Our operations in Brussels continue to prove successful and expansion of the business across Europe remains a key goal for the division.

Our subscriptions operations have consolidated their management processes onto one system and the focus is now on developing these services to a wider range of clients.

Dawson Books

Sales in the United Kingdom and European operations continue to show healthy, organic growth, as do our export activities. Slowing economic conditions and budgetary constraints have depressed sales in the USA. Overall sales grew 12%.

The operational benefits gained from relocating our headquarters to custom-built premises, our partnership approach to client expectations and the provision of a high quality service all combine to set the industry standard.

The provision of scholarly publications to academic institutions is increasingly governed by fixed-term contracts with purchasing consortia. We were extremely pleased to be awarded extensions of our existing contracts to supply the Scottish Consortium for Academic Book Supply and the Libraries in the Southern Universities Purchasing Consortium. Our reappointment, after the first full five year term, as preferred supplier with the Higher Education Purchasing Consortium in Wales was equally gratifying, a reaffirmation of our standing in this important client sector.

Our strategy is continuing to bring benefits to our clients as well as ourselves. We are building on the strength of our internal and external IT systems. Current developments of new IT systems are on schedule to deliver enhanced service offerings next year.

Financing

Net debt at the half year is typically higher than at the year end because of working capital timings and dividend payments. At £35.9m this year it is noticeably below the £45.9m at the corresponding time last year due to tight control of cashflow, capital spend and working capital in general.

Interest cost has again fallen to £1.2m this period, compared to £1.4m in the corresponding half year, also benefiting from lower interest rates. Interest cover by Earnings before Interest and Taxation, adjusted for goodwill, has risen to 6.3 times from 4.4 times for last year as a whole.

Taxation

The underlying rate of taxation is 32% on profits before goodwill (2002: 32%). Last year's figures were affected by a £1.3m exceptional deferred tax credit on the sale of investment properties, following the adoption of Financial Reporting Standard 19 (Deferred Tax).

Earnings per Share ("EPS")

Basic EPS for the current half year were 5.8p compared to 6.1p for the corresponding period last year although the prior period included the favourable effect of the exceptional deferred tax credit of £1.3m. Stripping out this exceptional credit from the previous half year, the equivalent EPS would have been 4.0p. Before the exceptional item and goodwill amortisation, EPS for the first half year were 6.5p, compared to 4.8p last year.

Consolidated Profit and Loss Account

For the 26 weeks ended 29 March 2003

	Unaudited 26 weeks to 29 March 2003 £m	Unaudited 26 weeks to 30 March 2002 £m	52 weeks to 28 September 2002 £m
Turnover	**326.3**	333.9	655.5
Operating costs	**(319.3)**	(328.3)	(647.1)
Operating profit			
Before goodwill impairment	**7.0**	5.6	11.6
Goodwill impairment	**–**	–	(3.2)
After goodwill impairment	**7.0**	5.6	8.4
Income from interest in associated undertakings	**0.2**	0.1	0.3
Net interest payable and similar charges	**(1.2)**	(1.4)	(2.7)
Profit on ordinary activities before taxation	**6.0**	4.3	6.0
Tax on profit on ordinary activities (2002 amounts include an exceptional credit of £1.3m)	**(2.1)**	(0.2)	(1.9)
Profit on ordinary activities after taxation	**3.9**	4.1	4.1
Equity minority interests	**(0.3)**	(0.3)	(0.5)
Profit attributable to members of the parent company	**3.6**	3.8	3.6
Dividends	**(1.6)**	(1.6)	(4.1)
Amount transferred to/(from) reserves	**2.0**	2.2	(0.5)
Basic earnings per share	**5.8p**	6.1p	5.8p
Basic earnings per share before exceptional items and goodwill	**6.5p**	4.8p	10.7p
Diluted earnings per share	**5.7p**	6.0p	5.8p

The above results are wholly due to continuing operations

Consolidated Balance Sheet

As at 29 March 2003

	29 March 2003 £m	30 March 2002 £m	28 September 2002 £m
Fixed assets			
Intangible assets	**14.6**	18.9	15.1
Tangible assets	**19.3**	20.2	18.7
Investments	**3.2**	3.1	3.2
	37.1	42.2	37.0
Current assets			
Stocks	**2.0**	2.4	2.0
Debtors	**34.9**	40.0	33.2
Cash and short-term investments	**4.7**	4.5	14.4
	41.6	46.9	49.6
Creditors – amounts falling due within one year	**(69.7)**	(72.1)	(74.3)
Net current liabilities	**(28.1)**	(25.2)	(24.7)
Total assets less current liabilities	**9.0**	17.0	12.3
Creditors – amounts falling due after more than one year	**(27.4)**	(34.6)	(32.9)
Provisions for liabilities and charges	**–**	(0.1)	–
	(18.4)	(17.7)	(20.6)
Capital and reserves			
Called up share capital	**0.6**	0.6	0.6
Share premium account	**5.4**	5.4	5.4
Revaluation reserve	**1.0**	2.4	1.0
Profit and loss account	**(25.4)**	(26.1)	(27.6)
Equity shareholders' deficit	**(18.4)**	(17.7)	(20.6)

Consolidated Cash Flow Statement

For the 26 weeks ended 29 March 2003

	26 weeks to 29 March 2003 £m	26 weeks to 30 March 2002 £m	52 weeks to 28 September 2002 £m
Net cash (outflow)/inflow from operating activities	**(1.3)**	(5.6)	18.7
Returns on investment and servicing of finance	**(1.2)**	(1.1)	(2.2)
Taxation	**(2.1)**	(0.7)	(2.0)
Capital expenditure and financial investment	**(2.0)**	4.1	2.9
Acquisitions and disposals	**(0.1)**	(0.8)	(0.3)
Equity dividends paid	**(2.5)**	(2.5)	(4.1)
Cash (outflow)/inflow before use of liquid resources and financing	**(9.2)**	(6.6)	13.0
Management of liquid resources	**5.1**	0.6	(5.6)
Financing – (reduction)/increase in debt	**(6.0)**	12.6	11.9
(Decrease)/increase in cash in the period	**(10.1)**	6.6	19.3

Reconciliation of net cash flow to movement in net debt

(Decrease)/increase in cash in the period	**(10.1)**	6.6	19.3
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	**6.0**	(12.6)	(11.9)
Cash (inflow)/outflow from (decrease)/increase in liquid resources	**(5.1)**	(0.6)	5.6
(Increase)/decrease in net debt resulting from cash flows	**(9.2)**	(6.6)	13.0
New finance leases	**–**	(0.2)	(0.3)
Finance fee amortisation	**(0.1)**	–	(0.2)
Translation difference	**0.1**	–	(0.1)
(Increase)/decrease in net debt in the period	**(9.2)**	(6.8)	12.4
Opening net debt	**(26.7)**	(39.1)	(39.1)
Closing net debt	**(35.9)**	(45.9)	(26.7)

Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

Operating profit	**7.0**	5.6	8.4
Depreciation charges	**1.6**	2.0	4.4
Amortisation and impairment of goodwill	**0.5**	0.6	4.3
(Profit)/loss on disposal of tangible fixed assets	**(0.1)**	–	0.3
Profit on disposal of investment properties	**–**	–	(0.1)
Decrease in stocks	**–**	–	0.4
(Increase)/decrease in debtors	**(1.4)**	(6.1)	0.6
(Decrease)/increase in creditors	**(8.9)**	(7.7)	0.4
Net cash (outflow)/inflow from operating activities	**(1.3)**	(5.6)	18.7

Analysis of Turnover and Operating Profit

For the 26 weeks ended 29 March 2003

	26 weeks to 29 March 2003 £m	26 weeks to 30 March 2002 £m	52 weeks to 28 September 2002 £m
Turnover by type of business			
Distribution and marketing services	**303.2**	313.3	615.2
Book supply	**23.1**	20.6	40.3
	326.3	333.9	655.5
Operating profit			
Distribution and marketing services	**7.0**	5.7	11.5
Book supply	**1.2**	1.0	2.1
Central costs	**(0.7)**	(0.5)	(0.9)
	7.5	6.2	12.7
Amortisation of goodwill	**(0.5)**	(0.6)	(1.1)
	7.0	5.6	11.6
Exceptional item			
Impairment of goodwill	**–**	–	(3.2)
	7.0	5.6	8.4

Goodwill amortisation and impairment of goodwill relate to the Distribution and marketing services business segment.

The operating profit of the Distribution and marketing services business segment, after goodwill amortisation and impairment, was £6.5m (26 weeks to 30 March 2002 – £5.1m, 52 weeks to 28 September 2002 – £7.2m).

Basis of preparation

The Interim Statements have been prepared in accordance with accounting policies which are consistent in all material respects with those set out in the group's Annual Report for 2002.

The Interim Statements are unaudited. The financial information set out in these statements does not comprise statutory accounts for the purpose of section 240 of the Companies Act 1985. The abridged information for the 52 weeks to 28 September 2002 has been extracted from the group's statutory accounts for that period, which have been filed with the Registrar of Companies. The auditors' report on the group's accounts for that period was unqualified and did not contain a statement under either of sections 237(2) or 237(3) of the Companies Act 1985.

Exceptional tax credit

During the 26 weeks ended 30 March 2002, the group disposed of a number of investment properties. As no timing differences remained on those properties, deferred tax of £1.3m was credited to the profit and loss account in the period to 30 March 2002, as an exceptional item.

INDEPENDENT REVIEW REPORT TO DAWSON HOLDINGS PLC

Introduction

We have been instructed by the company to review the financial information for the 26 weeks ended 29 March 2003 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and related notes. 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.

This report is made solely to the company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

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 presentations 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 the 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 presentations 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.

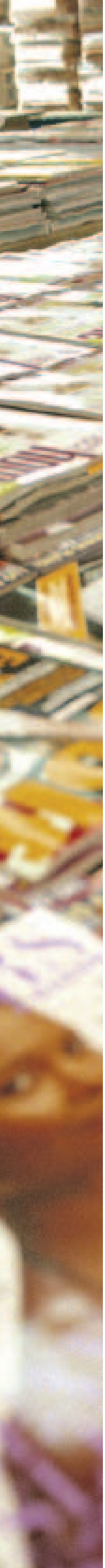
Accordingly, we do not express an audit opinion on the financial information.

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 26 weeks ended 29 March 2003.

Deloitte & Touche
Chartered Accountants
London

30 May 2003



Dawson
Holdings PLC

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