



Professional IT for law firms and accountancy practices

Tikit Group plc

Interim report for the six months ended 30 June 2010



Tikit is a leading independent full service supplier to legal and accounting firms. We provide integrated software solutions, consultancy, implementation and ongoing support services.

We have over 1,000 clients in the UK, Europe and the US. These include more than 90 of the UK's top 100 law firms, 61 of the top 100 US law firms and 20 of the top 50 UK accountancy firms.

Tikit has a deep understanding of the broad technology requirements of our clients through a strong team of consultant technologists, service groups and best of breed software solutions. We have a presence throughout the UK, France, Spain and the US.

Solutions and services include accounting, financial and practice management, document and email management, automated document production, customer relationship management, business process management and a wide range of infrastructure services.

Global structure

US

Use of Tikit's eMarketing has grown in the US and there are now over 150 clients including 61 of the largest US law firms, using this exciting solution for email marketing and event management.

UK

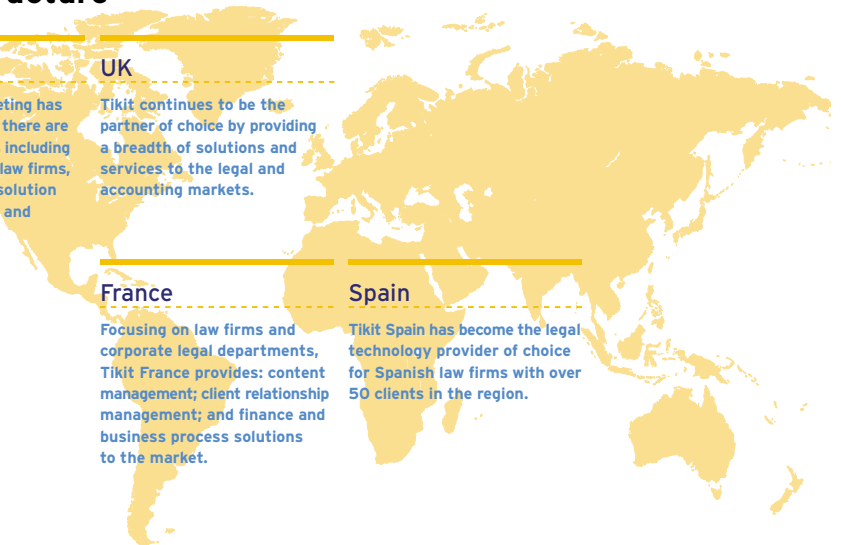
Tikit continues to be the partner of choice by providing a breadth of solutions and services to the legal and accounting markets.

France

Focusing on law firms and corporate legal departments, Tikit France provides: content management; client relationship management; and finance and business process solutions to the market.

Spain

Tikit Spain has become the legal technology provider of choice for Spanish law firms with over 50 clients in the region.



Our highlights

- Recurring support and outsourcing services revenues up 6% to £6.97m (H1 2009: £6.59m). These revenues contribute 53% of total Group revenues
- Operating profit before tax, amortisation of acquired intangibles and share-based charges increased 41% year on year to £1.67m (H1 2009: £1.18m) giving a strong improvement in operating margin to 12.6% (H1 2009: 9.1%)
- Earnings per share before amortisation of acquired intangibles and share-based charges up 45% to 8.4p (H1 2009: 5.8p)
- Interim dividend increased 5% to 2.0 pence per share (H1 2009: 1.9 pence)
- Cash generated from operations in the first half increased 30% to £2.27m (H1 2009: £1.75m)
- Net cash at period end increased year on year by £1.36m to £2.09m (H1 2009: £0.73m)

IFC Global structure

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Key financial results

PRESENTED UNDER IFRS

	2010	Increase	2009
Revenues	£13.22m	1%	£13.06m
Profit before tax, amortisation of acquired intangibles and share-based charges	£1.65m	43%	£1.16m
Profit before tax	£1.38m	49%	£0.93m
Earnings per share before amortisation of acquired intangibles and share-based charges	8.4p	45%	5.8p
Basic earnings per share	7.0p	52%	4.6p
Interim dividend per share	2.0p	5%	1.9p
Cash generated from operations	£2.27m	30%	£1.75m
Net cash at period end	£2.09m	187%	£0.73m

Chairman's statement

MIKE MCGOUN
CHAIRMAN



Highlights

- The Group's performance during the six months to 30 June 2010 has been in line with expectations ahead of the prior year and has remained cash generative.
- Revenues from support and outsourcing have increased by 6% to £6.97m in line with Tikit's strategy to grow contracted and recurring revenues.
- Sales of our own software increased by 26% over the corresponding period in 2009.
- We believe that the fundamentals of our business are strong and, with the planned launch of our new product, Tikit Legal Office, we look towards the future with optimism.

INTRODUCTION

I am pleased to report that the Group's performance during the six months ended 30 June 2010 has been in line with expectations, ahead of the prior year and has remained cash generative. During the tough economic environment of the past two years, we have taken the opportunity to analyse our business strengths and to cut back or eliminate non-strategic business operations. We have invested our resources to achieve better service levels and efficiencies in our core operations and also continued our investment in the development of software and outsourcing services that will drive the future profitability of the Group. Tikit has emerged from this period in a stronger position.

Revenues increased slightly, and as anticipated, the saving and efficiency measures we implemented over the course of last year helped to increase overall profitability. During the period we have added significantly to our client base, continued to focus on winning and retaining recurring, managed service and support revenues and this, combined with higher margin business derived from Tikit-owned software sales, will drive the Group's future growth.

It is worth noting, however, that the first half has not been without its challenges. The legal market is still under significant pressure to reduce its cost base and many law firms remain reluctant to commit to major projects involving third-party software. However, despite these challenges, our sales mix has continued to improve with stronger contributions from both Tikit-developed software and managed services, resulting in an improved performance over the prior year.

RESULTS

Revenues from our support and outsourcing businesses increased by 6% to £6.97m (H1 2009: £6.59m) and now contribute 53% of total Group revenues. Support revenues from Tikit-owned software increased by 4% to £2.17m (H1 2009: £2.09m).

Operating profit before amortisation of acquired intangibles and share-based charges increased 41% year on year to £1.67m (H1 2009: £1.18m) giving a strong improvement in operating margin to 12.6% (H1 2009: 9.1%). Profit before taxation increased by 49% to £1.38m (H1 2009: £0.93m) with basic earnings per share up 52% to 7.0p (H1 2009: 4.6p).

Our balance sheet remains strong. Net assets at 30 June 2010 were £14.92m (H1 2009: £14.30m), with net cash balances up £1.36m to £2.09m (H1 2009: £0.73m). The business continues to be cash generative, the net inflow of cash from operating activities in the period was £2.27m (H1 2009: £1.75m) representing a conversion into cash of 123% of operating profit before depreciation, amortisation and share-based charges. Cash outflow for dividends was £0.59m in the period (H1 2009: £0.59m).

INTERIM DIVIDEND

The interim dividend has been increased by 5% to 2.0p (2009: 1.9p) and will be paid on 15 October 2010 to shareholders on the register at 17 September 2010.

OPERATING REVIEW

Operationally it has been a good first half of the year. Our sales and marketing teams have produced some excellent results and the cost and

efficiency measures implemented in 2009 continue to bear fruit. We are very pleased to have won a number of significant new contracts in the UK and Europe, as well as in North America, across all our product lines.

Tikit's core focus continues to be in the law firm market with over 85% of its revenues derived from this sector. The accountancy market is the next largest and is responsible for around 10% of our business.

RECURRING REVENUES

Revenues from support and outsourcing have increased by 6% to £6.97m (H1 2009: £6.59m) in line with Tikit's strategy to grow contracted and recurring revenues. Tikit now has approximately 1,000 clients taking contracted support services, including many in mainland Europe and the USA. Contract retention rates remain at over 95%.

One of the highlights in the period was a new three year contract with major law firm Fox Williams LLP to outsource all IT support and service functions. Under this agreement, Tikit is providing Fox Williams with a fully managed service support desk, technical third line infrastructure support, 'Out of Hours' user support, IT training and IT strategy consultancy.

TFB

TFB continues to contribute to the Group's management strength, client coverage and recurring revenue streams. TFB now has approximately 600 clients in the small and medium sized law firm market. Since the acquisition of TFB in April 2008, we have won 95 new clients where Tikit's own accounting system, Partner for

Windows, has been installed, adding significantly to future support revenues. In a tough market place, this is an excellent record of achievement and highlights the benefits that can be obtained when putting two organisations together with such a strong legal focus.

SOFTWARE SALES

Total software sales increased by 7% to £3.04m (H1 2009: £2.85m) and, importantly within this, sales of our own software increased by 26% over the corresponding period in 2009. Total software sales account for 23% of our total revenues.

Tikit continues to be a leading partner to Autonomy and LexisNexis and has provided document management and client relationship solutions to leading firms such as Arthur Cox, Begbies Traynor, and Watson Farley & Williams in the UK, as well as leading European firms such as Castren and Snellman and Roschier.

CONSULTANCY

Consultancy revenues for the first half of this year were £2.46m (H1 2009: £2.93m), a reduction of 16% on the corresponding period, but broadly in line with the run rate achieved in the second half of 2009. The reduction was due in part to the cutbacks made in non-core consulting activities.

HARDWARE SALES

Sales have increased slightly to £0.76m (H1 2009: £0.70m) despite the tough conditions in which we continue to operate. During the period, Tikit deployed Riverbed, a remote networking performance product, to the international law firm Norton Rose. Riverbed will help

Norton Rose to improve fee-earner productivity and gain cost savings by making its IT infrastructure faster, more responsive and less expensive to operate. Riverbed will be implemented across Norton Rose's 20 offices throughout Europe, Middle East and Asia Pacific.

Tikit has now supplied more Riverbed technology to law firms than any other Riverbed partner, having deployed the product into 14 large UK clients including Kingston Smith, SJ Berwin, Clyde & Co and Thomas Eggar. Whilst hardware makes up less than 6% of Tikit's revenues, the success of the deployment demonstrates Tikit's ability to meet, not just the software application requirements of law firms, but also to support the core infrastructure of some of the leading global law firms.

OVERSEAS OPERATIONS

Our subsidiary in France has experienced a good first half, having started six new projects including two new client wins at Latournerie Wolfrom and Ligner Rochelet. Tikit France now has over 60 clients. Focusing on law firms and corporate legal departments, Tikit France provides content management, client relationship management and finance and business process solutions to the market.

Trading continues to be tougher in Spain given the economic difficulties that still exist. Nevertheless, Tikit Spain has become the legal technology provider of choice for Spanish law firms, with over 50 clients in the region. The content and client relationship management solutions that Tikit Spain has implemented are some of the largest in Europe.

OVERSEAS OPERATIONS CONTINUED

Overall, combined revenues for France and Spain were £1.23m (H1 2009: £1.07m).

Business in North America continues to be strong with 14 new client wins for our eMarketing solution. Our key focus is selling Tikit's eMarketing software into the US market where it has over 150 US law firms as clients, including 59 of the top 100. We are optimistic about the future prospects in North America as there remains a significant growth opportunity there from further penetration of our eMarketing solution and introduction of our new suite of products, including FileNote and TMS, our template management system.

TIKIT LEGAL OFFICE

An important new element of our growth strategy is the development of the Tikit Legal Office ("TLO") which we are planning to launch in the last quarter of 2010. This is an outsourced package solution aimed at providing small and medium sized law firms with a complete solution for their practice, including accounting, document management, CRM and time recording. By using TLO, law firms will benefit not only from a reduced capital cost, but also enhanced mobility and reliability. Tikit owns most of the core software that makes up the TLO which will be a subscription based hosted solution.

TLO is an important development for Tikit as we predict many law firms, under pressure to increase efficiencies and profit margins, will look to outsource much of their IT function. Tikit is uniquely placed to benefit from this development given its place at the heart of the professional services IT industry.

CURRENT TRADING

Since the half year end the Group has continued to win new software sales contracts with both new and existing clients, in both Europe and North America.

The Group has recently launched FileNote, an innovative product which allows users to record summary details and running notes. FileNote has already been purchased by six leading law firms, totalling over 6,000 seats. Taylor Wessing, Speechly Bircham, CMS Cameron McKenna and Bird & Bird are among those that see FileNote as a highly valuable addition to their Autonomy iManage environment.

Alongside sales of our own software, the Group has scored notable successes in third-party software sales, including six new clients for Autonomy iManage and DocAuto WorkSpace Manager and three new clients for the leading CRM solution, LexisNexis InterAction.

OUTLOOK

Overall, the Board is pleased with the progress that has been made in the first half and, whilst the UK professional services markets remain cautious, business activity levels are improving and clients are engaging with us on the assumption that economic conditions are now stable.

The Group continues to explore potential acquisition opportunities and has funds available. Our acquisition criteria are tough and are in place to ensure that any acquisitions undertaken are in line with our strategy and add to the range of services that we are able to provide to our increasing client base.

The high level of contracted support revenues, combined with anticipated sales of Tikit-developed software, lead us to expect that the full year will produce results which will reflect the second half bias to profits that previous years have produced. We believe that the fundamentals of our business are strong and, with the planned launch of our new product, Tikit Legal Office, we look towards the future with optimism.

MIKE MCGOUN
CHAIRMAN
TIKIT GROUP plc
8 SEPTEMBER 2010

Consolidated income statement

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Note	Unaudited six months to 30 June 2010 £'000	Unaudited six months to 30 June 2009 £'000	Audited full year to 31 December 2009 £'000
Revenue	3	13,224	13,063	25,196
Operating costs		(11,823)	(12,108)	(22,669)
Operating profit before amortisation of acquired intangibles and share-based charges		1,670	1,183	3,018
Amortisation of acquired intangibles		(185)	(185)	(369)
Share-based charges		(84)	(43)	(122)
Operating profit		1,401	955	2,527
Finance income		2	1	2
Finance costs		(20)	(28)	(55)
Profit before tax, amortisation of acquired intangibles and share-based charges		1,652	1,156	2,965
Amortisation of acquired intangibles		(185)	(185)	(369)
Share-based charges		(84)	(43)	(122)
Profit before tax		1,383	928	2,474
Tax expense		(379)	(261)	(639)
Profit for the period attributable to equity holders of the parent		1,004	667	1,835
Earnings per share				
Basic earnings per share	4	7.0p	4.6p	12.7p
Diluted earnings per share	4	6.9p	4.5p	12.6p

Consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited six months to 30 June 2010 £'000	Unaudited six months to 30 June 2009 £'000	Audited full year to 31 December 2009 £'000
Profit for the period	1,004	667	1,835
Other comprehensive income			
Currency translation losses on foreign operations	(28)	(42)	(34)
Total comprehensive income for the period	976	625	1,801

Consolidated balance sheet

AT 30 JUNE 2010

	Unaudited At 30 June 2010 £'000	Unaudited At 30 June 2009 £'000	Audited At 31 December 2009 £'000
ASSETS			
Non-current assets			
Goodwill	12,885	12,885	12,885
Other intangible assets	4,262	4,615	4,447
Property, plant and equipment	377	557	451
Total non-current assets	17,524	18,057	17,783
Current assets			
Inventories	103	74	89
Trade and other receivables	6,268	6,496	5,761
Cash and cash equivalents	2,725	726	2,607
Total current assets	9,096	7,296	8,457
LIABILITIES			
Current liabilities			
Trade payables	(3,137)	(3,768)	(1,964)
Other tax liabilities	(1,091)	(813)	(999)
Corporation tax liability	(441)	(337)	(408)
Accruals and deferred income	(5,350)	(5,011)	(5,641)
Bank overdraft	(640)	–	(979)
Total current liabilities	(10,659)	(9,929)	(9,991)
Non-current liabilities			
Deferred tax liability	(1,037)	(1,128)	(1,066)
TOTAL NET ASSETS	14,924	14,296	15,183
Capital and reserves attributable to equity holders of the parent			
Called up share capital	1,473	1,473	1,473
Share premium account	1,890	1,890	1,890
Merger reserve	4,074	4,074	4,074
EBT share reserve	(1,213)	(536)	(617)
Capital redemption reserve	124	124	124
Translation reserve	81	101	109
Profit and loss account	8,495	7,170	8,130
TOTAL EQUITY	14,924	14,296	15,183

Consolidated cash flow statement

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited six months to 30 June 2010 £'000	Unaudited six months to 30 June 2009 £'000	Audited full year to 31 December 2009 £'000
Profit for the financial period	1,004	667	1,835
Tax expense	379	261	639
Interest receivable	(2)	(1)	(2)
Interest payable	20	28	55
Share-based charges	84	43	109
Depreciation charges	91	132	264
Loss on fixed asset disposal	1	–	5
Amortisation of intangibles	266	265	525
Operating profit before changes in working capital and provisions	1,843	1,395	3,430
(Increase)/decrease in inventories	(14)	38	23
(Increase)/decrease in trade and other receivables	(535)	1,477	2,231
Increase/(decrease) in trade payables and other current liabilities	974	(1,165)	(2,154)
Cash generated from operations	2,268	1,745	3,530
Taxation	(375)	(472)	(851)
Net cash generated from operating activities	1,893	1,273	2,679
Cash flows from investing activities			
Purchase of property, plant and equipment	(18)	(103)	(135)
Purchase of other intangible assets	(81)	(85)	(177)
Proceeds on disposal of fixed assets	–	–	1
Net cash used in investing activities	(99)	(188)	(311)
Cash flows from financing activities			
Interest received	2	1	2
Interest paid	(20)	(28)	(55)
Dividends paid to equity shareholders	(590)	(593)	(867)
Proceeds from the exercise of share options	16	–	–
Purchase of Ordinary shares for EBT/treasury	(745)	(32)	(113)
Net cash used in financing activities	(1,337)	(652)	(1,033)
Net increase in cash and cash equivalents	457	433	1,335
Cash and cash equivalents at start of the period	1,628	293	293
Cash and cash equivalents at end of the period	2,085	726	1,628
Attributable to:			
- cash and cash equivalents	2,725	726	2,607
- bank overdraft	(640)	–	(979)
Cash and cash equivalents at end of the period	2,085	726	1,628

Consolidated statement of changes in shareholders' equity

FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Unaudited six months to 30 June 2010 £'000	Unaudited six months to 30 June 2009 £'000	Audited full year to 31 December 2009 £'000
Total comprehensive income for the period	976	625	1,801
Ordinary shares purchased into EBT/treasury	(745)	(32)	(113)
Ordinary shares transferred from EBT to satisfy options	149	–	–
Loss on transfer of ordinary shares from EBT to satisfy options	(133)	–	–
Credit in respect of share-based charges	84	43	109
Dividends paid	(590)	(593)	(867)
Net (decrease)/increase in shareholders' equity	(259)	43	930
Opening shareholders' equity	15,183	14,253	14,253
Closing shareholders' equity	14,924	14,296	15,183

Notes to the interim results

FOR THE SIX MONTHS ENDED 30 JUNE 2010

1 CORPORATE INFORMATION

Tikit Group plc is a public limited company incorporated in England and Wales whose shares are publicly traded on the Alternative Investment Market ("AIM") of the London Stock Exchange. The interim results of the company and its subsidiaries ("the Group") for the six months ended 30 June 2010 were authorised for issue in accordance with a resolution of the Directors on 8 September 2010.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim results for the six months ended 30 June 2010 have been prepared in accordance with the AIM Rules for Companies. The Group has not elected to apply IAS 34 "Interim Financial Reporting".

This financial information has been prepared using the recognition and measurement principles of International Accounting Standards, International Financial Reporting Standards and Interpretations adopted for use in the European Union (collectively Adopted IFRSs). The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statement for the year ended 31 December 2010 and are unchanged from those disclosed in the Group's Annual Report and Financial Statements for the year ended 31 December 2009.

The financial information for the six months ended 30 June 2010 and 30 June 2009 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the year ended 31 December 2009 has, however, been derived from the audited statutory financial statement for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

3 SEGMENTAL ANALYSIS

An analysis of the Group's revenue by business segment is as follows:

	Unaudited six months to 30 June 2010 £'000	Unaudited six months to 30 June 2009 £'000	Audited full year to 31 December 2009 £'000
Managed Services	6,967	6,588	13,737
Software	3,035	2,848	4,983
Consultancy	2,464	2,926	5,439
Hardware	758	701	1,037
Total	13,224	13,063	25,196

4 EARNINGS PER SHARE

Basic earnings per share has been calculated based on the profit on ordinary activities after taxation and the weighted average number of shares in issue for the period of 14,273,000 (30 June 2009: 14,453,000 and 31 December 2009: 14,439,000). Diluted basic earnings per share has been calculated based on the profit on ordinary activities after taxation and the weighted average number of shares in issue for the period, after the dilutive effect of outstanding share options, of 14,507,000 (30 June 2009: 14,756,000 and 31 December 2009: 14,541,000).

5 DIVIDENDS PAID AND PROPOSED

The interim dividend of 2.0p (2009: 1.9p) per share (not recognised as a liability at 30 June 2010) will be payable on 15 October 2010 to ordinary shareholders on the register at the close of business on 17 September 2010. The dividend disclosed in the cash flow statement represents the final ordinary dividend of 4.1p (2008: 4.1p) per share as proposed in the 31 December 2009 financial statements and approved at the Group's Annual General Meeting (not recognised as a liability at 31 December 2009). The company has declared and paid dividends of £590,000 (2009: £593,000) in the period.

6 INTERIM STATEMENT

A copy of this interim statement is being sent to shareholders and copies are available from the company's registered office at Tikit Group plc, 12 Gough Square, London EC4A 3DW or by visiting our website at www.tikit.com.

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