Professional IT for law firms and accountancy practices

Interim Report for the six months ended 30 June 2008

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Innovation
Implementation
Management

Interim Results for six months ended 30 June 2008

>> Key Financial Results

(Presented under IFRS)

	2008	2007	Increase
Revenue	£13.64m	£13.19m	3.4%
Profit before taxation, amortisation and share-based charges	£1.84m	£1.62m	13.2%
Profit before taxation	£1.56m	£1.51m	3.9%
Earnings per share before amortisation and share-based charges	9.7p	9.0p	7.8%
Basic earnings per share	8.0p	8.3p	(3.6%)
Dividend per share	1.90p	1.75p	8.6%
Cash generated from operations	£2.95m	£0.95m	210.0%

>> Key Financial Highlights

Main Points

- Group Revenues up 3.4% to £13.64m (2007: £13.19m)
  - Total services revenues up 9.6% to £9.72m (2007: £8.87m)
  - Contracted recurring revenue up 17.7% to £5.85m (2007: £4.97m) contributing 42.9% of total Group revenues
- Operating margin of 13.7% (2007: 12.1%)
- Operating profit before amortisation and share-based charges up 17.7% to £1.88 million (2007: £1.59m)
- Profit before taxation up 3.9% to £1.56m (2007: £1.51m)
- Earnings per share before amortisation and share-based charges up 7.8% to 9.7p (2007: 9.0p)
- Proposed interim dividend up 8.6% to 1.9 pence per share (2007: 1.75 pence)
- Cash generated from operations was £2.95m (2007: £0.95m)

Chairman's Statement

Introduction

The Group is pleased to report performance in the first half broadly in line with the Directors' expectations. The acquisition of TfB at the start of the second quarter has enabled the Group to report continued growth in revenues, profit and earnings per share.* Our continued focus on winning and retaining recurring, managed service and support revenues combined with the increase in revenues from Tikit-owned software has resulted in improved margins and a stronger business in the face of tougher economic conditions.

Total Group revenues of £13.64m in the first half of 2008 represent growth of 3.4% compared with the first half of 2007. As indicated previously, the introduction of subscription-based pricing for certain software products will hold back top-line revenue growth in the short-term, in return for contracted longer-term revenues and profits. The Group has again increased its operating margins, achieving 13.7% in the first half (2007: 12.1%), resulting in an increase in operating profits before amortisation and share-based charges of 17.7% to £1.88m.

I draw your attention to the cash management of the Group during the period. Your Board decided to utilise the Group's cash resources combined with a new loan facility from its bank to finance £5.3m of the TfB transaction rather than the issue of dilutive new shares. The cash-generating nature of the business should, in the absence of other transactions, result in a net cash position for the Group in 2009. Cash generated from operations in the first half was £2.95m, representing 147% of operating profit†. At 30 June 2008, the Group had net debt of £753,000.

Good progress has been made in many areas of the business, with continued growth in recurring, contracted support revenues. In addition, customer response to the release of new Tikit-developed software, particularly the enhanced version of Tikit e-marketing suite and the Tikit Template Management System (TMS) for Microsoft Word, indicates potentially higher sales of these products in the second half.

* Before amortisation and share-based charges.
† Before depreciation, amortisation and share-based charges

Results

Turnover for the period was £13.64m (2007: £13.19m), representing a 3.4% increase on the same period last year. The introduction of subscription-based pricing, where revenues are recognised over a number of years rather than upfront, has had a small impact on headline revenue and profit growth.

Revenues in our services businesses, in total, increased by 9.6% to £9.72m (2007: £8.87m), with contracted recurring revenues showing strong growth of 17.7% to £5.85m (2007: £4.97m) contributing 42.9% of total Group revenues.

Operating margins before amortisation and share-based charges continue to improve and were 13.7% in the first half (2007: 12.1%).

Operating profit before amortisation, taxation, interest and share-based charges was £1.88m, an increase of 17.7% over the first half of 2007 (£1.59m). Share-based charges were £159,000 (2007: £118,000) and amortisation, which relates predominantly to intangible fixed assets acquired with TfB, was £115,000 (2007: £nil). There was a net interest charge of £37,000 (2007: interest received £31,000) during the period resulting from the use of the bank loan facility for the acquisition of TfB. The profit before taxation was £1.56m, (2007: £1.51m), an increase of 3.9% over the prior year period.

Earnings per share before amortisation and share-based charges were 9.7p (2007: 9.0p), an increase of 7.8% over the prior year. Basic earnings per shares were 8.0p (2007: 8.3p).

Cash generated from operations was £2.95 million. In the first half, £680,000 of the Group's cash resources were used to satisfy final earn-out payments due to Shamrock, its specialist data auditing and cleansing subsidiary, under the terms of an earn-out agreement; £4.3m was used for the acquisition of TfB; £1.1m was used to repay TfB net debt; and £416,000 was used to pay dividends. Cash inflows came from the exercise of share options totalling £311,000 and £721,000 from the sale of shares held in treasury.

A £5m credit facility was successfully negotiated with our bank and at the end of the period £1.3m of this facility was utilised, resulting in net debt of £753,000 at 30 June 2008 (2007: net cash £2.81m).

Interim Dividend

An interim dividend of 1.9 pence per share (2007: 1.75 pence per share), an increase of 8.6%, is to be paid on 17 October 2008 to shareholders on the register at 19 September 2008.

Operating Review

The acquisition of TfB was successfully completed at the start of the second quarter with minimal impact upon the Group's operations and has greatly contributed to the Group's management strength, client coverage and recurring revenue streams. Since the acquisition, TfB has won a number of new clients, which, in part, can be attributed to the success of the acquisition. TfB has over 500 clients in the smaller law firm market and we are currently introducing some of Tikit's more traditional services into this market. This was our largest acquisition to date and significant effort was expended by Tikit's management team to ensure that the profile of TfB was complementary to Tikit's strategy of increasing ownership of market leading software with good visible earnings. The TfB team has settled in well and their business made an important contribution to profits in the second quarter and is expected to continue to do so in the second half.

The tougher economic environment in which we and our clients currently operate has led us to undertake some initiatives to help our clients and secure profitable business in such an environment. Our consultants are working with clients to help them analyse their business operations to identify operational efficiencies that can be obtained with minimal expense. We have introduced subscription-based pricing to reduce upfront capital expenditure for key applications and we have developed and introduced Internet-based training on the leading software applications. This initiative allows law and accounting firms to reduce their expenditure when introducing new systems to staff by using Tikit's training content in a hosted environment and we have already won our first client in this market segment.

Our Managed Services team continue to deliver the high levels of service that our clients expect. This, in turn, has meant that we have maintained our high retention rate of clients and revenues from this area continue to grow. We have increased efficiency by continuing the roll-out of our web-based self-service support. Our network and infrastructure support team has been particularly successful in winning business in the legal market in the first half, especially in the area of network performance work and we expect this to continue.

Following a solid first quarter, sales of third party software slowed towards the end of the second quarter as uncertainty over the economic outlook caused some firms to defer their decisions to

Chairman's Statement

commit to capital projects. However, demand for our market-leading software, InterAction CRM and Interwoven Worksite DM, held up well.

As part of our initiative to secure business that has a fast payback for our clients, we have written a number of small software applications to add to our existing portfolio. Since the successful launch of the Tikit-developed Template Management System (TMS) in late 2007, the software has been sold to 20 organisations and we have a good pipeline of further opportunities in the second half. We have also developed a number of key applications for legal clients that work with standard workflow software in areas such as anti-money laundering, matter inception and compliance. These small, low cost application modules offer significant efficiencies for clients quickly and have been well received.

We continue to provide business and technical consulting to the world's largest law firms in the areas of practice management, document management and client relationship management systems, with a particular emphasis at present on operational efficiencies in these areas. The award of large-scale consulting and implementation projects has enabled our professional consulting operation to improve utilisation levels during the period.

Our overseas subsidiaries in France and Spain are also experiencing tougher conditions. However, they both continue to win new clients in their respective markets and also provide local expertise for the overseas offices of our UK and US clients.

Costs were controlled well in the first half which resulted in higher margins and profits growth. The Board continually reviews costs to ensure they are commensurate with the activity the Group plans in the second half. A cautious approach on costs has been taken and wherever possible we have sought to concentrate on growing revenues where operational efficiencies are possible without additional costs, such as support and Tikit-owned software.

Prospects

The second half of the financial year for the Group has traditionally been stronger than the first half. With a healthy pipeline of consultancy and services, combined with a number of opportunities to secure major projects with some of our larger clients, we believe we are in a good position to continue this profile in 2008.

The second quarter ended with a couple of clients deferring projects, reflecting the uncertainty associated with the current economic climate which has led to some clients taking a more cautious approach to capital projects. Our experience is, however, that any tightening of project spend by our clients will lead to greater managed services opportunities for Tikit.

The Board continues to search for suitable acquisition opportunities to complement its organic growth. The Group has undertaken a number of successful acquisitions since its introduction to AIM in 2001 and we believe that tougher markets may produce good acquisition opportunities for the Group.

In summary, the first half of 2008 has seen good progress for Tikit and has created a strong platform for the Group to produce another good set of results for the year as a whole. I look forward to updating shareholders on progress at the end of the year.

Mike McGoun
Chairman
8 September 2008

Consolidated Income Statement

	Note	Unaudited 6 months to 30 June 2008 £'000	Unaudited 6 months to 30 June 2007 £'000	Audited full year to 31 December 2007 £'000
Revenue		**13,638**	13,188	26,426
Cost of sales		**(10,020)**	(9,948)	(19,649)
Gross profit		**3,618**	3,240	6,777
Total net operating expenses		**(2,017)**	(1,765)	(3,431)
Operating profit before amortisation and share-based charges		**1,875**	1,593	3,606
Amortisation		**(115)**	–	(29)
Share-based charges		**(159)**	(118)	(231)
Operating profit		**1,601**	1,475	3,346
Finance income		**31**	31	54
Finance costs		**(68)**	–	(7)
Profit before taxation		**1,564**	1,506	3,393
Tax expense		**(467)**	(445)	(1,019)
Profit for the period attributable to equity holders of the parent		**1,097**	1,061	2,374
Basic earnings per share	3	**8.0p**	8.3p	18.6p
Diluted basic earnings per share	3	**7.8p**	8.1p	18.1p

Consolidated Balance Sheet

	Unaudited as at 30 June 2008 £'000	Unaudited as at 30 June 2007 £'000	Audited as at 31 December 2007 £'000
ASSETS			
Non-current assets			
Goodwill	**12,867**	5,471	5,733
Other intangible assets	**4,987**	63	179
Deferred tax asset	**247**	236	228
Property, plant and equipment	**448**	512	415
Total non-current assets	**18,549**	**6,282**	**6,555**
Current assets			
Inventories	**86**	37	62
Trade and other receivables	**8,173**	7,772	9,533
Cash and cash equivalents	**547**	2,806	2,545
Total current assets	**8,806**	**10,615**	**12,140**
Total assets	**27,355**	**16,897**	**18,695**
LIABILITIES			
Current liabilities			
Trade and other payables	**(4,633)**	(3,916)	(4,196)
Other tax liabilities	**(1,011)**	(1,274)	(1,369)
Corporation tax liability	**(555)**	(523)	(555)
Bank loan	**(1,300)**	–	–
Accruals and deferred income	**(5,060)**	(3,268)	(3,619)
Provisions	**–**	(343)	(680)
Total current liabilities	**(12,559)**	**(9,324)**	**(10,419)**
Non-current liability – deferred tax	**(1,320)**	–	–
Total liabilities	**(13,879)**	**(9,324)**	**(10,419)**
TOTAL NET ASSETS	**13,476**	**7,573**	**8,276**
Capital and reserves attributable to equity holders of the parent			
Called up share capital	**1,473**	1,304	1,305
Shares to be issued	**–**	19	–
Share premium account	**1,886**	1,503	1,508
Merger reserve	**4,075**	1,264	903
Treasury share reserve	**–**	(493)	(629)
EBT share reserve	**(10)**	(10)	(10)
Translation reserve	**64**	–	51
Capital redemption reserve	**124**	124	124
Profit and loss account	**5,864**	3,862	5,024
TOTAL EQUITY	**13,476**	**7,573**	**8,276**

Consolidated Cash Flow Statement

	Unaudited 6 months to 30 June 2008 £'000	Unaudited 6 months to 30 June 2007 £'000	Audited full year to 31 December 2007 £'000
Profit for the financial period	**1,097**	**1,061**	**2,374**
Tax expense	**467**	445	1,019
Interest receivable	**(31)**	(31)	(54)
Interest payable	**68**	–	7
Share-based charges	**159**	118	231
Depreciation charges	**139**	111	253
Profit on sale of property, plant and equipment	**–**	–	(11)
Amortisation of intangibles	**115**	–	29
Currency translation differences	**13**	–	51
Operating profit before changes in working capital and provisions	**2,027**	**1,704**	**3,899**
Increase in inventories	**(10)**	(15)	(40)
Decrease/(increase) in trade and other receivables	**2,571**	(694)	(2,455)
(Decrease)/increase in trade and other payables and provisions	**(1,634)**	(42)	684
Cash generated from operations	**2,954**	**953**	**2,088**
Taxation	**(600)**	(292)	(868)
Net cash generated from operating activities	**2,354**	**661**	**1,220**
Cash flows from investing activities			
Purchase of property, plant and equipment	**(87)**	(145)	(204)
Proceeds on disposal of fixed assets	**–**	–	27
Purchase of other intangible assets	**(123)**	(32)	(177)
Deferred consideration paid	**(680)**	(1,273)	(1,578)
Acquisition of subsidiary	**(4,274)**	–	–
Loan repaid net of cash acquired on acquisition of subsidiary	**(1,067)**	–	–
Net cash used in investing activities	**(6,231)**	**(1,450)**	**(1,932)**
Cash flows from financing activities			
Interest received	**31**	31	54
Interest paid	**(68)**	–	(7)
Bank loan received	**1,300**	–	–
Dividends paid to equity shareholders	**(416)**	(353)	(577)
Proceeds from exercise of share options	**311**	27	33
Purchase of ordinary shares for treasury and cancellation	**-**	(259)	(395)
Proceeds from sale of ordinary shares from treasury	**721**	-	-
Net cash generated from/(used in) financing activities	**1,879**	**(554)**	**(892)**
Net decrease in cash and cash equivalents	**(1,998)**	(1,343)	(1,604)
Cash and cash equivalents at start of period	**2,545**	4,149	4,149
Cash and cash equivalents at end of period	**547**	**2,806**	**2,545**

Consolidated Statement of Changes in Shareholders' Equity

	Unaudited 6 months to 30 June 2008 £'000	Unaudited 6 months to 30 June 2007 £'000	Audited full year to 31 December 2007 £'000
Total recognised income and expense	**1,110**	1,102	2,428
Shares issued on acquisition of subsidiary	**3,315**	–	–
Ordinary shares purchased into treasury	**–**	(259)	(395)
Ordinary shares sold from treasury	**721**	–	–
Exercise of share options	**311**	27	31
Credit in respect of share-based charges	**159**	118	231
Deferred consideration	**–**	–	(380)
Dividends paid	**(416)**	(353)	(577)
Net increase in shareholders' equity	**5,200**	**635**	**1,338**
Opening shareholders equity	**8,276**	6,938	6,938
Closing shareholders' equity	**13,476**	**7,573**	**8,276**

Consolidated Statement of Recognised Income and Expense

	Unaudited 6 months to 30 June 2008 £'000	Unaudited 6 months to 30 June 2007 £'000	Audited full year to 31 December 2007 £'000
Equity element of deferred tax on share-based charges	**–**	41	3
Currency translation gains	**13**	–	51
Net income recognised directly in equity	**13**	41	54
Profit for the period	**1,097**	1,061	2,374
Total recognised income and expense for the period	**1,110**	**1,102**	**2,428**

Notes to the Interim Results for the six months ended 30 June 2008

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 2008 were authorised for issue in accordance with a resolution of the directors on 8 September 2008.

2. Basis of preparation and accounting policies

The interim results for the six months ended 30 June 2008 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 2008 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ended 31 December 2007. The financial information for the six months ended 30 June 2008 and 30 June 2007 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2007 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 237(2)-(3) of the Companies Act 1985.

3. 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 13,669,000 (June 2007: 12,725,000 and December 2007: 12,781,000). 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 and dilutive shares for the period of 13,984,000 (June 2007: 13,081,000 and December 2007: 13,166,000).

Notes to the Interim Results for the six months ended 30 June 2008

4. Dividends paid and proposed

The interim dividend of 1.90p (2007: 1.75p) per share (not recognised as a liability at 30 June 2008) will be payable on 17 October 2008 to ordinary shareholders on the register at the close of business on 19 September 2008. The dividend disclosed in the cash flow statement represents the final ordinary dividend of 3.25p (2007: 2.75p) per share as proposed in the 31 December 2007 financial statements and approved at the Group's AGM (not recognised as a liability at 31 December 2007). The Company has declared and paid dividends of £416,000 (2007: £353,000) in the period.

5. Purchase of subsidiary undertaking

On 2 April 2008 the Group acquired the entire share capital of TfB Group Limited, a leading provider of practice management solutions to law firms. The total consideration, including expenses, was £7,589,000.

Details of the provisional fair value of the assets acquired are set out below. The fair value exercise will be finalised for the full year financial statements.

	Book values £'000	**Fair value adjustments £'000**	**Fair value £'000**
Goodwill	1,115	(1,115)	–
Intangible assets	–	4,800	4,800
Deferred tax asset	29	–	29
Property, plant and equipment	85	–	85
Inventories	14	–	14
Trade and other receivables	1,294	(83)	1,211
Cash at bank	533	–	533
Current liabilities	(3,299)	26	(3,273)
Loan	(1,600)	–	(1,600)
Deferred tax liability	–	(1,344)	(1,344)
Net (liabilities)/assets	**(1,829)**	**2,284**	**445**
Goodwill arising on acquisition			7,134
			7,589
Discharged by			
Cash			4,274
Shares			3,315
			7,589

The contribution from TfB Group Limited to the Group's profit before amortisation, interest and tax for the six months to 30 June 2008 was £458,000 on revenues of £1,431,000.

Notes to the Interim Results for the six months ended 30 June 2008

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, Africa House, 64–78 Kingsway, London, WC2B 6AH or by visiting our website at www.tikit.com.

Tikit
Africa House, 64-78 Kingsway,
London WC2B 6AH

T: +44 (0) 20 7400 3737
F: +44 (0) 20 7400 3738

www.tikit.com
Stock code: TIK