Interim Report and Accounts

2008

Tolent PLC

Unaudited Interim Results for the six months ended 30 June 2008

Chairman's Statement

Results

As we noted in our Annual General Meeting statement made on 24 June 2008, trading in the first half has been disappointing as a result of the continuing difficult trading conditions in the economy in general and more specifically within the areas of the construction sector in which Tolent operates. Group turnover increased to £85 million compared with the same period to June 2007 (£76 million) but was down on the second half of 2007 (£104 million). This reflects a slowing in the level of enquiries and conversion of these enquiries into firm orders in the first half of the year, along with a number of projects being deferred or cancelled.

The current secured forward workload is £100 million with a number of larger contracts running through to the end of 2009 providing some degree of security for the short term. In addition there are further orders totalling approximately £70 million which are expected to be secured in the near future, with work commencing on site before the end of the year.

Operating profit for the first half of 2008 of £709,000 (2007: £1,173,000) was also down. This result is after making a £750,000 provision against the balance of amounts due from a residential developer, which has been placed, into administration. An accounting adjustment of £197,500 has also been made reducing the operating profit in respect of Echo Buildings as a consequence of having bought out our joint venture partner. This provision will reverse when the remaining properties, most of which are let, are sold.

Net interest receivable increased by £35,000 from £356,000 to £391,000.

Profit before taxation of £1.1million (2007: £1.529 million) was down and earnings per share at 5.8 pence reduced from 8.2 pence per share over the first half of 2007.

Dividend

The Directors have declared a dividend of 4 pence per share (2007: 5 pence), payable on 10 October 2008 to shareholders on the register on 12 September 2008.

The level of interim dividend to be paid is at a higher level than is supported by the results for the period, with dividend cover falling to 1.45 times from around 2 times for the year 31 December 2007. However, taking account of the balance sheet strength and long term prospects the board is keen to maintain the dividend yield.

Liquidity and Capital Resources

The Group had cash and cash equivalents at 30 June 2008 of £10.7 million, slightly down on the £13.2 million at 30 June 2007. This figure fluctuates according to circumstances but as reflected in the interest earned we have had significant credit balances for the whole of the first half of the year. Included in the £10.7 million are deposits of £4.3 million which have been placed in an escrow account and charged as security as part of the bonding for the performance of a certain contract entered into by the Group in the ordinary course of business.

On 4 April 2008, the Group acquired the remaining 50% of Echo Buildings Limited, previously a joint venture for a residential development, for £1. As a result the assets and liabilities of that company are consolidated in the Group balance sheet for the first time and an intercompany loan of £5.9 million through which the Group has funded the Echo Buildings joint venture is netted off. At 30 June 2008, the Group balance sheet includes £8.8 million of property assets held for resale and £2.9 million of bank borrowings, after netting off the intercompany loan. This position compares with £22.1 million of property assets and £17.2 million of bank borrowings at 30 June 2007 and £13.0 million of property assets and £8.3 million of bank borrowings at 31 December 2007. The assets and bank loans will continue to reduce as units are sold.

Shareholders funds stand at £12.6 million having reduced from the £13.2 million at 31 December 2007.

Prospects

As noted above we have a number of larger contracts which will contribute to revenues throughout the remainder of this year and into 2009. This, together with the new orders which we hope to secure in the next few months, will give us the stability to trade through this difficult period for the construction industry and economy in general.

Mike Speakman
20 August 2008

Condensed consolidated interim income statement (unaudited)

	Six months to 30th June 2008 £000s	Six months to 30th June 2007 £000s	Twelve months to 31st December 2007 £000s
Group Revenue	**85,084**	76,167	180,034
Raw materials and consumables	**(5,762)**	(5,253)	(11,642)
Other external charges	**(63,447)**	(57,174)	(137,354)
Group Profit	**15,875**	13,740	31,038
Staff costs	**(12,434)**	(10,428)	(22,563)
Depreciation	**(161)**	(149)	(302)
Other operating charges	**(2,613)**	(1,989)	(3,578)
	667	1,174	4,595
Result from investment property	**0**	0	367
Share of post tax profit/(loss) in joint ventures and associates	**42**	(1)	(204)
Operating Profit	**709**	1,173	4,758
Finance income	**391**	358	799
Finance cost	**0**	(2)	(14)
Profit before taxation	**1,100**	1,529	5,543
Taxation	**(376)**	(512)	(1,719)
Profit after taxation	**724**	1,017	3,824
Basic and diluted earnings per share	**5.8 p**	8.2 p	30.7 p

Condensed consolidated interim balance sheet (unaudited)

	30th June 2008	30th June 2007 (restated)	31st December 2007
	£000s	£000s	£000s
Assets			
Non-Current Assets			
Property, plant and equipment	**4,425**	3,435	4,356
Investment properties	**6,755**	6,388	6,755
Investments in associates and joint ventures	**919**	1,070	877
Investments - available for sale	**10**	10	10
Trade and other receivables	**519**	640	1,159
	12,628	11,543	13,157
Current assets			
Amounts recoverable on contracts	**19,142**	15,564	10,323
Trade and other receivables	**16,745**	24,040	25,284
Cash and cash equivalents	**10,746**	13,206	20,188
	46,633	52,810	55,795
Total assets	**59,261**	64,353	68,952
Liabilities			
Non-current liabilities			
Provisions	**100**	840	840
Deferred tax liabilities	**794**	897	822
	894	1,737	1,662
Current liabilities			
Trade and other payables	**41,609**	51,015	53,170
Provisions	**747**	0	0
Borrowings	**2,912**	0	0
Current tax payable	**453**	554	889
	45,721	51,569	54,059
Total liabilities	**46,615**	53,306	55,721
Net Assets	**12,646**	11,047	13,231
Equity			
Share capital	**1,283**	1,283	1,283
Other reserve	**(256)**	(256)	(256)
Profit and loss account	**11,619**	10,020	12,204
Total Equity	**12,646**	11,047	13,231

Condensed consolidated interim statement of changes in equity (unaudited)

	Share Capital £000s	Other Reserve £000s	Profit and Loss Account £000s	Total Equity £000s
Balance at 1 January 2007	1,283	(256)	10,462	11,489
Profit after taxation for the period	0	0	1,017	1,017
Dividends	0	0	(1,459)	(1,459)
Balance at 30 June 2007	1,283	(256)	10,020	11,047
Balance at 1 July 2007	1,283	(256)	10,020	11,047
Profit after taxation for the period	0	0	2,807	2,807
Dividends	0	0	(623)	(623)
Balance at 31 December 2007	1,283	(256)	12,204	13,231
Balance at 1 January 2008	1,283	(256)	12,204	13,231
Profit after taxation for the period	0	0	724	724
Dividends	0	0	(1,309)	(1,309)
Balance at 30 June 2008	1,283	(256)	11,619	12,646

Condensed consolidated interim cash flow statement (unaudited)

	Six months to 30th June 2008 £000s	Six months to 30th June 2007 £000s	Twelve months to 31st December 2007 £000s
Cash flows from operating activities			
Profit after taxation	**724**	1,017	3,824
Depreciation on property, plant and equipment	**161**	149	302
Valuation increases in investment properties	**0**	0	(367)
Taxation expense recognised in income statement	**376**	512	1,719
Finance income and cost	**(391)**	(356)	(785)
Decrease/(increase) in trade and other receivables	**4,348**	(3,017)	(5,271)
Decrease/(Increase) in amounts recoverable on contracts	**1,884**	(6,899)	(1,658)
(Decrease)/Increase in trade and other payables	**(11,864)**	4,363	7,977
Increase in provisions	**7**	0	490
Share of (profit)/loss after tax from joint ventures and associates	**(42)**	1	204
Cash generated from operations	**(4,797)**	(4,230)	6,435
Finance cost paid	**0**	(2)	(14)
Tax paid	**(840)**	(867)	(1,813)
Net cash from operating activities	**(5,637)**	(5,099)	4,608
Cash flows from investing activities			
Purchase of property, plant and equipment	**(230)**	(47)	(1,121)
Purchase of investments - available for sale	**0**	(10)	(10)
Increase in investment in joint venture and associates	**0**	(631)	(641)
Cash on acquisition	**329**	0	0
Interest received	**391**	358	799
Net cash raised/(used) in investing activities	**490**	(330)	(973)
Cash flows from financing activities			
Repayment of borrowings	**(2,986)**	0	0
Dividends paid	**(1,309)**	0	(2,082)
Net cash used in financing activities	**(4,295)**	0	(2,082)
Net (decrease)/increase in cash and cash equivalents	**(9,442)**	(5,429)	1,553
Cash and cash equivalents at beginning of period	**20,188**	18,635	18,635
Cash and cash equivalents at end of period	**10,746**	13,206	20,188

Notes

1. General information

The financial information set out in this condensed interim report for the six months ended 30th June 2008 and the comparative figures for the six months ended 30th June 2007 are unaudited. This financial information does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The Group's statutory financial statements for the year ended 31st December 2007, prepared under International Financial Reporting Standards (IFRS), received an unqualified audit report, did not contain statements under section 237(2) or (3) of the Companies Act 1985 and have been filed with the Registrar of Companies.

2. Basis of preparation

These June 2008 condensed consolidated interim financial statements of Tolent PLC are for the six months ended 30 June 2008. They have been prepared taking into account the requirements of IAS 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007, which have been prepared in accordance with IFRS.

The accounting policies applied are largely consistent with those of the annual financial statements for the year ended 31st December 2007, as described in those financial statements. The only exception relates to the taxation policy where for the purpose of the interims the tax charge on the underlying business performance is calculated by reference to the estimated effective rate for the full year.

The June 2007 balance sheet has been adjusted for changes to the equity position in relation to deferred taxation and the re-disclosure of provisions which were made in the December 2007 financial statements.

3. Segmental analysis

The Group's primary reporting format is business segment and its secondary is geographical segment by origin of revenue. All revenue originates from the United Kingdom and is analysed below.

The Group currently reports its primary segment information as follows:

- Construction and building operations;
- Property operations, inclusive of property investment; and
- Group overheads and other, comprising central services, head office administration and other 'not for profit' activities.

	Six months to 30th June 2008	Six months to 30th June 2007	Twelve months to 31st December 2007
	£000s	£000s	£000s
Revenue			
Construction and building activities	81,648	75,969	179,627
Property Operations	3,635	363	719
Group overheads and other	49	69	117
	85,332	76,401	180,463
Inter-segment sales/eliminations	(248)	(234)	(429)
	85,084	76,167	180,034
Result			
Construction and building activities	441	1,006	4,309
Property Operations	277	189	370
Group overheads and other	(51)	(21)	(84)
Segment result	667	1,174	4,595
Result from investment property – property operations	0	0	367
Share of post tax profit/(loss) in joint ventures and associates - property operations	42	(1)	(204)
Finance income	391	358	799
Finance cost	0	(2)	(14)
Profit before taxation	1,100	1,529	5,543

3. Segmental analysis cont.

Assets/(liabilities)

Construction and building activities	10,526	8,968	10,256
Property Operations	5,309	4,989	5,209
Group overheads and other	(3,189)	(2,910)	(2,234)
	12,646	11,047	13,231

4. Earnings per share

Earnings per share, which is both basic and diluted, is calculated on the basis of profit for the period after tax, divided by 12,467,626 (June and December 2007 - 12,467,626) fully paid ordinary shares, being the weighted average number of ordinary shares in issue in the period, after adjusting for own shares held by the Employee Share Ownership Plan of 365,000 (June and December 2007 - 365,000). There are no options or potential ordinary shares in issue.

5. Dividends

During the first six months of 2008 the proposed dividend of £1,309,000, representing 10.5 pence per ordinary share (2007 £1,459,000 at 11.7 pence per ordinary share) was approved for payment at the Annual General Meeting on 24 June 2008.

6. Acquisition in the period

As noted in the Chairman's statement Tolent Construction Limited purchased the remaining 50% of the ordinary share capital of Echo Buildings Limited from Glenrose Developments (Hebburn) Limited on 4 April 2008. The consideration paid was £1. Echo Buildings is now a wholly owned subsidiary of the Tolent Plc Group. The amounts recognised for each class of the acquired's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows:

	£000s
Assets	
Current assets	
Amounts recoverable on contracts	10,703
Trade and other receivables	156
Cash and cash equivalents	329
Total assets	11,188
Liabilities	
Non-current liabilities	
Amounts owed to joint ventures	(4,987)
Current liabilities	
Trade and other payables	(303)
Borrowings	(5,898)
	(6,201)
Total liabilities	(11,188)
Net Assets	0
Consideration	0
Goodwill	0

From the date of acquisition (4 April 2008) to 30 June 2008, the contribution of Echo Buildings Limited to the Group results was a loss of £8,657. The result of the company for the period 1 January 2008 to the date of acquisition was a profit of £35,614 and as the company was a joint venture of the Group for this period, 50% of this profit has been included in the Group's results.

Dealings permitted on Alternative Investment Market (AIM) of the London Stock Exchange.

Directors and Company Secretary

M.R. Speakman – Non Executive Chairman
J.G. Wood – Chief Executive
T. Phillipson – Operations Director
A. D. Clark - Financial Director and Company Secretary
P. K. Hems - Non Executive Director

Registered Office

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Nominated Adviser and Broker

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Solicitors to the Company

Dickinson Dees - Newcastle

Banker

National Westminster Bank Plc, Sheffield

Auditors

Grant Thornton UK LLP, Sheffield

Interim results will be circulated to shareholders and copies of the announcement will be available from the Company's registered office. Registered in England and Wales, Company number 3819314.