



INTERIM RESULTS FOR THE 6 MONTHS
ENDING 31ST JANUARY 2005

 **Meriden**
Group Plc

The innovative business services group

www.meriden-group.co.uk

Meriden Group Plc Interim results for the 6 months ended 31 January 2005

Strategic Highlights

- Existing Divisions continuing to perform well
- Exciting New Employee Benefits Division (EBD) launched
- Major blue chip contract wins for EBD already announced
- Further major contract wins expected for EBD
- The company is poised for a period of very dramatic growth
- Dividend level maintained

Financial Highlights

- Cost of establishing the EBD absorbed in this period
- Profit before taxation of £219,555 (2004 : £315,057)
- Interim dividend of £29,000 (2004 : £29,000)
- Earnings per share of 0.052 pence (2004 : 0.078 pence)

Commenting, Russell Stevens, Chief Executive said:

'Our existing divisions have continued to grow during the period under review, and our new Employee Benefits division has now established itself and has announced some major blue chip account wins with more announcements to follow. As a result the group is poised for a period of very dramatic and sustained growth and we look forward to the future with a great deal of confidence.'

I am pleased to present my Chairman's report for Meriden Group Plc for the six months ended 31 January 2005.

The Group has performed satisfactorily during this period, delivering a pre-tax profit of £219,555 (2004: £315,057) on a turnover of £4,400,692 (2004: £3,009,035). All existing divisions have grown steadily and are anticipated to continue to do so.

In my year end report I made reference to the establishing of the groups new Employee Benefits Division (EBD) and since this time we have secured our first major blue chip account wins and more announcements are due to follow. This division specialises in the delivering of a consultancy lead service to large corporations aimed at setting up a tax efficient payroll based deferred computer purchase agreement under the Government's Home Computer Initiative (HCI), and then dealing with the implementation and supply of the IT equipment. As a result this division is set to become our largest contributor in 2005/06 of both turnover and earnings, and as HCI schemes are typically run on an annual basis it also represents a recurrent income stream from blue chip sources.

The lead time with HCI schemes can be up to twelve months due to the timescale in agreeing scheme rules with employers and obtaining scheme approval with the Inland Revenue, and then designing and printing brochures, implementing the delivery and providing follow up support. During this time a great deal of overhead is consumed.

The costs of setting up this division and the initial costs in preparing our first major schemes have been incurred in this period. Therefore, unfortunately these costs have depressed earnings and will continue to do so in the full year results. However very significant revenues and earnings will flow in 2005/06 and beyond, and the short term effects in the 2004/05 financial year are a small price to pay for the benefits that will follow.

As the group is about to undertake a period of very dramatic growth over the next few years the directors have decided that the management team needs to be strengthened at all levels. In particular a candidate has been recruited for the position of group finance director, who will join the group next month, and whose appointment to the board will be finalised in the autumn after a six month probationary period.

Whilst all our trading divisions are likely to deliver growth over the coming years, there is no doubt that the growth from the Employee Benefits Division will be the most dramatic, such that this is likely to become by far the largest source of revenue and earnings for the group. As a result the group will evolve to have a predominantly IT focus, and the board do not therefore rule out the possibility of divesting certain activities over the coming years in order to release capital for the expansion of these core activities.

Finally, although earnings will be depressed in the current year, the directors have every confidence in the future earnings growth of the group and as a result they are again recommending an interim dividend of 0.01p per share equivalent to that paid in the interim stage last year and we anticipate maintaining the level of dividend for the full year.



Derek Hall
29 April 2005

Consolidated Profit and Loss Account for the 6 months ended 31 January 2005

| | Note | 6 months ended 31 January 2005 (unaudited) £ | 6 months ended 31 January 2004 (unaudited) £ | Year ended 31 July 2004 (audited) £ |
|--|------|---|---|--|
| Turnover - continuing | | 4,400,692 | 3,009,035 | 4,551,704 |
| Turnover - acquisitions | | - | - | 2,961,809 |
| Total turnover | | 4,400,692 | 3,009,035 | 7,513,513 |
| Cost of sales - continuing | | (3,317,327) | (2,304,738) | (3,355,974) |
| Cost of sales - acquisitions | | - | - | (2,299,593) |
| Total cost of sales | | (3,317,327) | (2,304,738) | (5,655,567) |
| Gross profit - continuing | | 1,083,365 | 704,297 | 1,195,730 |
| Gross profit - acquisitions | | - | - | 662,216 |
| Total gross profit | | 1,083,365 | 704,297 | 1,857,946 |
| Administrative expenses - continuing | | (867,507) | (395,997) | (561,000) |
| Administrative expenses - exceptional | | - | - | (110,535) |
| Administrative expenses - acquisitions | | - | - | (629,713) |
| Total administrative expenses | | (867,507) | (395,997) | (1,301,248) |
| Operating profit - continuing | | 215,858 | 308,300 | 524,195 |
| Operating profit - acquisitions | | - | - | 32,503 |
| Total operating profit | | 215,858 | 308,300 | 556,698 |
| Interest receivable | | 5,093 | 6,757 | 14,815 |
| Interest payable | | (1,396) | - | (1,816) |
| Profit on ordinary activities before taxation | | 219,555 | 315,057 | 569,697 |
| Taxation | | (70,000) | (88,431) | (189,754) |
| Profit for the financial period | | 149,555 | 226,626 | 379,943 |
| Dividends | | (29,000) | (29,000) | (66,700) |
| Retained profits | | 120,555 | 197,626 | 313,243 |
| Basic earnings per share (pence) | 3 | 0.052 | 0.078 | 0.131 |
| Dividend per share (pence) | | 0.010 | 0.010 | 0.023 |

The company has no recognised gains or losses other than the profit for the period, which has been derived from continuing operations.

profit and loss

Consolidated Balance Sheet as at 31 January 2005

| | Note | As at 31 January 2005 (unaudited) £ | As at 31 January 2004 (unaudited) £ | As at 31 July 2004 (audited) £ |
|--|------|--|--|---|
| Fixed assets | | | | |
| Tangible assets | | 1,173,632 | 202,511 | 214,447 |
| Fixed asset investments | | <u>177,853</u> | <u>177,902</u> | <u>177,853</u> |
| | | 1,351,485 | 380,413 | 392,300 |
| Current assets | | | | |
| Stocks and work in progress | | 273,721 | 249,769 | 263,032 |
| Debtors | | 4,380,292 | 2,821,863 | 4,533,946 |
| Cash at bank and in hand | | <u>241,125</u> | <u>852,164</u> | <u>285,152</u> |
| | | 4,895,138 | 3,923,796 | 5,082,130 |
| Current liabilities falling due within one year | | <u>(3,404,967)</u> | <u>(2,416,561)</u> | <u>(3,524,209)</u> |
| Net current assets | | 1,490,171 | 1,507,235 | 1,557,921 |
| Total assets less current liabilities | | 2,841,656 | 1,887,648 | 1,950,221 |
| Creditors: Amounts falling due after one year | | (770,880) | - | - |
| Provisions for liabilities and charges | | <u>(5,977)</u> | <u>(59,021)</u> | <u>(5,977)</u> |
| Net assets | | <u>2,064,799</u> | <u>1,828,627</u> | <u>1,944,244</u> |
| Capital and reserves | | | | |
| Called up share capital | | 290,000 | 290,000 | 290,000 |
| Share premium | | 523,355 | 523,355 | 523,355 |
| Profit and loss account | | <u>1,251,444</u> | <u>1,015,272</u> | <u>1,130,889</u> |
| Equity shareholders' funds | 4 | <u>2,064,799</u> | <u>1,828,627</u> | <u>1,944,244</u> |

Consolidated Cash Flow Statement for the 6 months ended 31 January 2005

| | Note | 6 months ended 31 January 2005 (unaudited) £ | 6 months ended 31 January 2004 (unaudited) £ | Year ended 31 July 2004 (audited) £ |
|--|------|--|--|--|
| Net cash inflow/(outflow) from operating activities | 5 | 74,881 | 77,985 | (931,841) |
| Return on investments | | | | |
| Interest received | | 5,093 | 6,757 | 14,815 |
| Interest payable | | (1,396) | - | (1,816) |
| Net cash inflow from returns on investment and servicing of finance | | <u>3,697</u> | <u>6,757</u> | <u>12,999</u> |
| Tax paid | | (80,702) | - | (200,000) |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible fixed assets | | (1,006,168) | (467) | (70,940) |
| Receipt from disposal of intangible fixed assets | | - | - | 49 |
| Receipts from the sale of tangible fixed assets | | - | - | 9,214 |
| Net cash (outflow) from capital expenditure and financial investments | | <u>(1,006,168)</u> | <u>(467)</u> | <u>(61,677)</u> |
| Dividend paid | | (58) | (37,700) | (66,597) |
| Net cash (outflow)/inflow before financing | | <u>(1,008,350)</u> | <u>46,575</u> | <u>(1,247,116)</u> |
| Financing | | | | |
| Debt due within one year | | 206,318 | - | 713,804 |
| Debt due after one year | | 770,880 | - | - |
| Net cash inflow from financing | | <u>977,198</u> | <u>-</u> | <u>713,804</u> |
| (Decrease)/Increase in cash | 6 | <u>(31,152)</u> | <u>46,575</u> | <u>(533,312)</u> |

cash flow

Notes to the Interim Results for the 6 months ended 31 January 2005

1 Basis of preparation

The interim report does not represent statutory accounts within the meaning of section 240 Companies Act 1985. Comparative figures for the year ended 31 July 2004 are an abridged version of the Group's full accounts which carries an unqualified audit report and have been delivered to the Registrar. The interim report has not been audited or reviewed but was approved by the Board on 29 April 2005.

2 Basis of consolidation

The Consolidated Profit and Loss Account, Balance Sheet and Cash Flow Statement consolidate those of the Company and its subsidiary undertakings as at 31 January 2005. Intra-group transactions have been eliminated in full.

3 Basic earnings per share

The calculation of the basic earnings per share is based on the profit on ordinary activities after taxation and on the weighted average number of shares in issue during the period. The profit and weighted average number of shares used in the calculations are set out below:

| | Profit £ | Weighted average number of shares | Basic Earnings per share (pence) |
|--------------------------------|----------------|--|---|
| 6 months ended 31 January 2005 | 149,555 | 290,000,000 | 0.052 |
| 6 months ended 31 January 2004 | 226,626 | 290,000,000 | 0.078 |
| Year ended 31 July 2004 | <u>379,943</u> | <u>290,000,000</u> | <u>0.131</u> |

4 Reconciliation of movements in shareholders' funds

| | 6 months ended 31 January 2005 (unaudited) £ | 6 months ended 31 January 2004 (unaudited) £ | Year ended 31 July 2004 (audited) £ |
|--|---|---|--|
| Profit on ordinary activities after taxation | 149,555 | 226,626 | 379,943 |
| Dividend | <u>(29,000)</u> | <u>(29,000)</u> | <u>(66,700)</u> |
| Net addition to shareholders' funds | 120,555 | 197,626 | 313,243 |
| Opening shareholders' funds | <u>1,944,244</u> | <u>1,631,001</u> | <u>1,631,001</u> |
| Closing shareholders' funds | <u>2,064,799</u> | <u>1,828,627</u> | <u>1,944,244</u> |

Notes to the Interim Results for the 6 months ended 31 January 2005

5 Reconciliation of operating profit with net cash flow from operating activities

| | 6 months ended 31 January 2005 (unaudited) £ | 6 months ended 31 January 2004 (unaudited) £ | Year ended 31 July 2004 (audited) £ |
|---|---|---|--|
| Operating profit | 215,858 | 308,300 | 556,698 |
| Depreciation | 46,983 | 49,254 | 98,577 |
| (Increase) in stocks and work in progress | (10,689) | (213,349) | (226,612) |
| Decrease/(Increase) in debtors | 153,654 | 585,774 | (1,126,309) |
| (Decrease)/Increase in creditors | <u>(330,925)</u> | <u>(651,994)</u> | <u>(234,195)</u> |
| Net cash inflow from operating activities | <u>74,881</u> | <u>77,985</u> | <u>(931,841)</u> |

6 Analysis of changes in net funds

| | As at 1 August 2004 £ | Cash flow in period £ | 31 January 2005 £ |
|--------------------------|-----------------------------|-----------------------------|-------------------------|
| Cash at bank and in hand | 285,152 | (44,027) | 241,125 |
| Bank overdraft | (12,875) | <u>12,875</u> | - |
| | | (31,152) | |
| Debt due within one year | (713,804) | (206,318) | (920,122) |
| Debt due after one year | - | <u>(770,880)</u> | <u>(770,880)</u> |
| | <u>(441,527)</u> | <u>(1,008,350)</u> | <u>(1,449,877)</u> |

7 Interim Dividend

The interim dividend of 0.010 pence per share will be available to shareholders on the register at the close of business on 13 May 2005 ('the Record Date') and will be paid on 24 June 2005.

8. Enquiries

Russell Stevens
Chief Executive

07860 562621
russell@meriden-group.co.uk

Ewan Leggat
Seymour Pierce Limited

020 7107 8000
ewanleggat@seymourpierce.com

Notes to the Interim Results
for the 6 months ended 31 January 2005

9. Shareholder Information

Registered Office

Meriden House
6 Great Cornbow
Halesowen
West Midlands
B63 3AB

Officers

Derek Gordon Hall (Non-Executive Chairman)
Russell Warren Stevens (Chief Executive)
James Nicholas Brinton (Secretary)

Registered Number

4160983

Website

www.meriden-group.co.uk

Contact

Telephone: 0121 504 0992
Facsimile: 0121 504 0981
E-mail: info@meriden-group.co.uk

Listing

London Stock Exchange AIM
Ordinary Shares
Symbol MRD

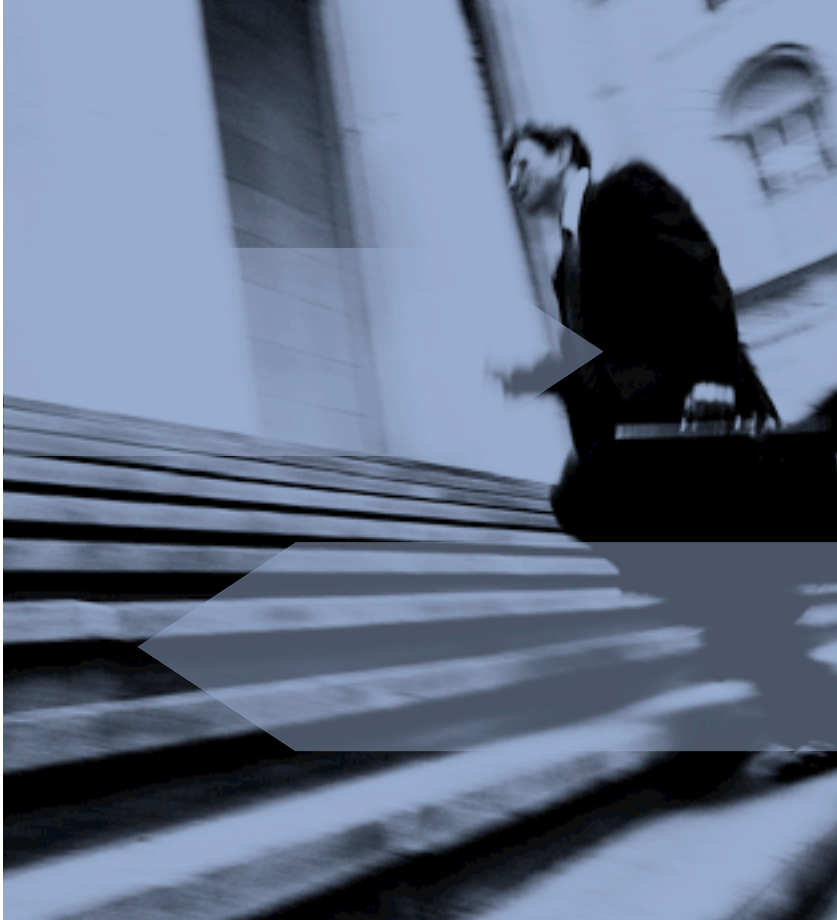
10. Advisors

Auditors

PKF
New Guild House
45 Great Charles Street
Queensway
Birmingham
United Kingdom
B3 2LX

Bankers

Bank of Scotland Plc
55 Temple Row
Birmingham
B2 5LS



Contacts

Investor relations and enquiries

James Brinton – james.brinton@meriden-group.co.uk

Meriden Group plc

Meriden House

6 Great Cornbow

Halesowen

West Midlands B63 3AB

E-mail: info@meriden-group.co.uk

Telephone: 0121 504 0992

Facsimile: 0121 504 0981

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