



Solutions that make a difference

Anite

Anite Group plc
Interim Report and Accounts 2005

Anite is an international IT company whose primary business is the provision of business critical solutions based on its deep sector knowledge of the public sector, travel and telecoms markets. These solutions almost always include at their core the supply of Anite owned software products. The Group offers a comprehensive service to its customers, including implementation, systems integration, maintenance and managed services, enabling it to maximise customer satisfaction and financial returns.

Headquartered in the UK, the Group employs around 1,400 staff in ten countries across Europe, America and Asia Pacific.

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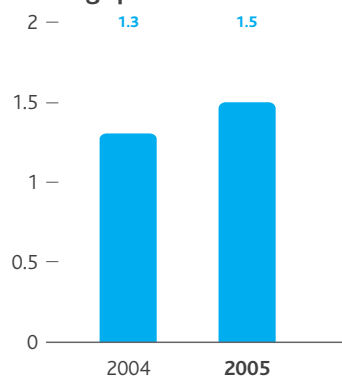
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Results summary	2005 £m	2004 £m
Underlying results under IFRS*		
Ongoing businesses		
Revenue	83.6	80.3
Operating profit	7.2	7.7
Investment income/(finance charges) net	0.5	(0.4)
Underlying profit before tax – <i>before utilisation of contract provisions</i>	7.7	7.3
Utilisation of contract provisions	2.4	3.0
Underlying profit before tax – <i>after utilisation of contract provisions</i>	10.1	10.3
Underlying basic earnings per share – <i>before utilisation of contract provisions</i>	1.5p	1.3p
Underlying basic earnings per share – <i>after utilisation of contract provisions</i>	2.2p	2.2p
Statutory results		
Continuing and discontinued operations		
Revenue	83.6	96.5
Operating profit	9.6	6.6
Profit for the period	9.2	9.7
Basic and diluted earnings per share	2.6p	2.7p

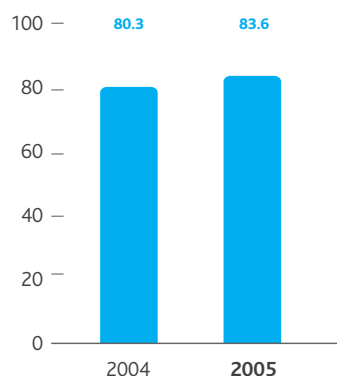
* Ongoing businesses (before impairment of goodwill, disposed and discontinued operations and utilisation of contract provisions). See note 2.2 for details.

Ongoing businesses

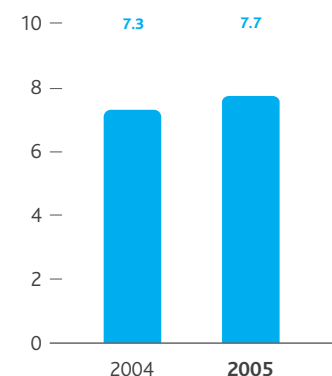
Underlying basic earnings per share¹ Pence



Revenue* £m



Underlying profit before tax* £m



1 Profit before utilisation of contract provisions.

Highlights

- Underlying results* slightly ahead of expectations.
- Continuing investment in development expenditure on new products.
- Good progress on Pericles and State of Victoria (“SoV”) – no additional contract provisions required.
- Net cash and deposits of £25.6m (2004: £11.3m; 30 April 2005: £37.4m).
- After a slow start, improving order momentum in the first half with intake of £71.7m, down 14% compared to strong comparisons last year, giving book-to-bill ratio of 0.9.
- IFRS has had a minimal effect on the underlying operating performance of the Group in this period.
- 7.7m shares bought back at a cost of £5.0m.

* ongoing businesses (before impairment of goodwill, disposed and discontinued operations, and utilisation of contract provisions). See note 2.2 for details.

Revenue analysis – ongoing businesses



Chairman's statement

I am pleased to report continued progress by Anite in the six months ended 31 October 2005. As stated in our AGM trading statement on 4 October 2005, after experiencing a slow start to the year we expected the first-half performance to be weighted to the final weeks of the period. The outcome is better than was anticipated at that time.

This is our first set of results reported under the new IFRS accounting standards. The principal changes relate to goodwill, share-based payments and the capitalisation of certain development costs and have had minimal effect on the underlying operating performance of the Group in this period.

Results

Underlying profit before tax*, pre utilisation of contract provisions, rose to £7.7m (2004: £7.3m). Although ongoing results continue to be affected by the costs relating to the completion of the SoV and Pericles contracts, there has been no increase in the contract provisions. We have been making steady progress with them since we last reported and anticipate further milestones being reached in the second half. As we continue to de-risk these contracts it is more appropriate that we disclose our results on a post-utilisation basis going forward. On this basis, underlying profit before tax*, post utilisation of contract provisions, was £10.1m (2004: £10.3m) with underlying basic earnings per share of 2.2p (2004: 2.2p).

Underlying profit benefited from a net £0.9m improvement in interest (net interest receivable of £0.5m against net interest payable of £0.4m in 2004), but was impacted by a planned increase in research and development expenditure to £5.9m (2004: £4.6m) and the reduction of income from VME, a legacy local government product.

Divisional performance is discussed in more detail in the Chief Executive's operating review.

For continuing operations Group turnover for the period was £83.6m (2004: £82.4m), profit after tax was £7.7m (2004: £5.7m), and basic earnings per share were 2.2p (2004: 1.6p).

Share buy back and dividend policy

Following the Board's decision to buy back shares as a means of enhancing long-term shareholder returns, the Group has bought back and cancelled 7.7m shares since July at a total cost of £5m and at an average price of 64.6p per share. In line with this, a dividend in respect of the period is not being declared.

The introduction of IFRS has not affected the Group's ability to buy back its shares or pay a dividend, and in addition the Company has significant distributable reserves, enhancing its flexibility in this respect.

Balance sheet and cash

Net cash and deposits at 31 October 2005 stood at £25.6m (2004: £11.3m; 30 April 2005: £37.4m). Net cash fell during the period due to normal first-half seasonal operating cash outflow, increased tax payments and the £5m cost of the share buy back programme. The net proceeds of the disposal of Anite Austria of £1.4m were received in July.

The Board

At the AGM in October, we completed our Board succession planning and transformation following the appointment of new Directors over the last two years.

Following the conclusion of the AGM, Alec Daly retired, and I joined as Chairman, the final part of our succession planning. Alec Daly served as Chairman for ten years and on behalf of the Board I would like to recognise and thank him for his commitment and contribution over that long period.

People

On behalf of the Board, I would like to thank all employees for their contribution, hard work and support during the period.

Summary

I am pleased to have taken over the Chair at a time when Anite is in robust health and I look forward to building on the transformational work undertaken by the new management team.

The Board remains optimistic about future prospects.

Clay Brendish *Chairman*

* of ongoing businesses, before goodwill impairment, disposed and discontinued operations

Chief Executive's operating review

Our strategy is to be number one or two in each of our markets as we believe that businesses with strong market positions have demonstrably superior returns.

Strategy

Anite's primary business is the provision of business critical solutions based on its deep sector knowledge of the public sector, travel and telecoms markets. These solutions almost always include at their core the supply of Anite-owned software products. Our strategy is to be number one or two in each of these markets as we believe that businesses with strong market positions have demonstrably superior returns.

We can claim that position in many of our chosen sectors within the public sector, travel and telecoms markets, achieved by virtue of our expertise and experience. We aim to build on these market leading positions by investing in growth opportunities and by building up the critical mass and market position of those businesses.

Divisional performance

Divisional performance* was as follows:

£m	Six months to 31 October 2005						
	Revenue	Operating profit/(loss) pre SBP	Share-based payments ("SBP")	Operating profit/(loss)*	Utilisation of provisions	Operating profit/(loss)**	%
Public Sector	33.8	3.6	(0.1)	3.5	–	3.5	10.4
SoV	1.3	(2.0)	–	(2.0)	2.0	–	–
Pericles	1.4	(3.1)	–	(3.1)	0.4	(2.7)	–
Total Public Sector	36.5	(1.5)	(0.1)	(1.6)	2.4	0.8	2.2
Travel	14.6	3.2	(0.1)	3.1	–	3.1	21.2
Telecoms	24.8	6.3	(0.1)	6.2	–	6.2	25.0
International	7.7	0.6	(0.1)	0.5	–	0.5	6.5
	83.6	8.6	(0.4)	8.2	2.4	10.6	12.7

* Ongoing businesses before goodwill impairment, disposed and discontinued operations and utilisation of contract provisions. Also stated before unallocated Group central costs of £1.0m (net of share based payments of £0.2m) and interest receivable of £0.5m.

** After utilisation of contract provisions.

Telecoms

Underlying revenues and profits grew in the first half by 14% and 13% respectively, reflecting a strong order backlog carried over from last year. Order intake was slow to take off due to the later than expected introduction of new products and a slow start to the period, although last year included some one-off hardware sales that distort the comparison. There is a steady technology transition as orders for 2G and 2.5G systems slow, whilst orders covering 3G and 3.5G technology are increasing.

The business continues to benefit from its global reach which has been extended with new sales and support offices in Shanghai, Bangalore and sales presence in Copenhagen. Deliveries of our new platform, based on Anite and Agilent components, started in mid-summer. This platform supports all current 2G, 3G and 3.5G

technologies including HSDPA and HSUPA, and has been very well received by the market. Research and development spending continues to grow across all our products to take advantage of the many market opportunities.

In May, Telecoms moved into its new modern freehold property in Fleet, Hampshire, which enabled us to consolidate all our UK activities into one building and to undertake increased R&D more effectively. The move will provide long-term property cost savings and efficiencies, scope for future expansion, and improved communications within the business.

Availability of our new product, our strong international presence and good order pipeline are expected to result in improving order momentum during the second half.

Public Sector

Orders grew by 14% and revenues by 10% year on year driven by improving demand for software and services that assist local authorities to operate more efficiently and also by further contract wins with police and non-departmental public bodies.

Orders for our new Integrated Children's System for local authorities continue to gain momentum with 27 customers now contracted for the software solution, with phased delivery over the next 12 months.

Underlying profits fell during the period reflecting investment in sales and marketing and research and development, as well as the expected reduction of income from our legacy Council Tax and Benefits product, VME. The core public sector business excluding Pericles and SoV delivered double-digit margins and for the year as a whole Public Sector should benefit from second-half seasonality as in prior years.

Pericles

Progress on Pericles continues in line with our expectations with a further six customers being implemented on the benefits module in the first half.

These implementations, together with new software releases, have been implemented on time with improvements in predictability, stability and performance. As a result no increase in the provision has been necessary.

The next release of the software at the end of the second half will represent another significant milestone in de-risking the Pericles contracts.

State of Victoria

This contract, where completion is due during 2007, continues to make progress.

Testing of stage one of the software is now in the final stages and deployment is planned early in the New Year. The latter phases of the project are also under development with releases scheduled for 2006 and 2007. No increase in the related provision has been made during the period.

Travel

Travel reported stable underlying profits on slightly lower revenues in the period. Orders were lower compared to a very strong order intake in the same period last year. Margins improved this year due to lower hardware sales. Travel saw strong recurring and services revenues from its installed base during the period, as well as growing interest in @com, our new product suite.

As more customers commit to @com, we expect to increase our development expenditure in the second half year, having underspent against plan in the first half.

Since 31 October 2005, Travel has experienced much improved order momentum, with £5.5m worth of orders booked in November alone, including additional orders for @com software modules and services.

International

Although underlying revenues and profits fell overall, Germany continues to be profitable despite difficult market conditions.

Outlook

With our strengthening financial position and well positioned businesses, we are continuing investment in new products to take advantage of growth opportunities.

The first half finished strongly following a slow start to the year. This, combined with the success of our new products, strong prospect pipeline and the continuing de-risking of both Pericles and SoV since we last reported, has increased our confidence and the outlook for the year as a whole is therefore unchanged.

Steve Rowley *Chief Executive*

Consolidated income statement

for the six months ended 31 October 2005

	Notes	Six months ended 31 October 2005 (unaudited) £000	Six months ended 31 October 2004 (unaudited) £000	Year ended 30 April 2005 (audited) £000
Continuing operations				
Revenue – ongoing businesses		83,566	80,347	162,951
Revenue – disposed businesses		–	2,057	2,192
Revenue	2	83,566	82,404	165,143
Cost of sales				
Cost of sales before utilisation of contract provisions		(49,902)	(47,530)	(94,640)
Utilisation of contract provisions		2,419	3,000	5,634
Total cost of sales		(47,483)	(44,530)	(89,006)
Gross profit		36,083	37,874	76,137
Net operating costs				
Goodwill impairment		–	(2,199)	(17,347)
Distribution costs		(5,340)	(5,315)	(10,925)
Administrative expenses		(21,134)	(21,590)	(41,527)
Total net operating costs		(26,474)	(29,104)	(69,799)
Operating profit				
Ongoing businesses – before utilisation of contract provisions and goodwill impairment		7,190	7,714	17,908
Ongoing businesses – utilisation of contract provisions		2,419	3,000	5,634
Ongoing businesses before goodwill impairment		9,609	10,714	23,542
Disposed businesses		–	255	143
Goodwill impairment		–	(2,199)	(17,347)
Continuing operations before profit on disposal of businesses		9,609	8,770	6,338
Profit on disposal of businesses	3(a)	–	–	1,565
Operating profit from continuing operations	2	9,609	8,770	7,903
Investment income		457	–	76
Finance charges		–	(410)	(609)
Profit on ordinary activities from continuing operations before tax		10,066	8,360	7,370
Income tax expense	4	(2,374)	(2,696)	(5,108)
Profit for the period from continuing operations		7,692	5,664	2,262
Discontinued operations				
Profit for the period from discontinued operations	3(b)	1,490	4,032	4,395
Profit for the period		9,182	9,696	6,657
Profit attributable to equity holders of the parent		9,182	9,696	6,657
Continuing and discontinued operations				
Earnings per share				
– basic	5	2.6p	2.7p	1.9p
– diluted		2.6p	2.7p	1.9p
Continuing operations				
Earnings per share				
– basic	5	2.2p	1.6p	0.6p
– diluted		2.2p	1.6p	0.6p

Consolidated balance sheet

as at 31 October 2005

	Notes	Six months ended 31 October 2005 (unaudited) £000	Six months ended 31 October 2004 (unaudited) £000	Year ended 30 April 2005 (audited) £000
Non-current assets				
Goodwill		34,619	49,769	34,619
Other intangible assets		3,427	1,975	2,650
Intangible assets		38,046	51,744	37,269
Property, plant and equipment		12,363	9,583	12,027
Deferred tax assets		2,489	2,803	2,896
		52,898	64,130	52,192
Current assets				
Inventories		4,043	3,350	4,279
Trade and other receivables	6	50,031	45,038	49,577
Current tax assets		331	–	331
Short-term deposits		–	953	–
Cash and cash equivalents		25,598	10,407	37,443
Assets classified as held for sale	3(c)	–	17,102	1,415
		80,003	76,850	93,045
Total assets		132,901	140,980	145,237
Current liabilities				
Trade and other payables	7	(57,998)	(61,739)	(69,564)
Current tax payable		(15,003)	(12,547)	(14,728)
Obligations under finance leases		(50)	(392)	(151)
Provisions	9	(4,246)	(8,330)	(8,247)
Liabilities directly associated with assets classified as held for sale	3(c)	–	(7,231)	(1,464)
		(77,297)	(90,239)	(94,154)
Non-current liabilities				
Other payables	8	(148)	(86)	(268)
Provisions	9	(12,840)	(10,117)	(12,694)
Obligations under finance leases		–	(47)	–
		(12,988)	(10,250)	(12,962)
Total liabilities		(90,285)	(100,489)	(107,116)
Net assets		42,616	40,491	38,121
Equity				
Share capital				
Issued	10	34,773	35,359	35,446
Shares to be issued		–	295	–
		34,773	35,654	35,446
Share premium account		23,611	23,273	23,390
Own shares		(569)	–	–
Merger reserve		6,538	12,605	6,538
Capital redemption reserve		773	–	–
Retained earnings		(22,510)	(31,041)	(27,253)
Total equity		42,616	40,491	38,121

The accompanying notes are an integral part of this consolidated balance sheet.

Consolidated statement of changes in equity

for the six months ended 31 October 2005

	Share capital £000	Share premium account £000	Own shares £000	Merger reserve £000	Capital redemption reserve £000	Retained earnings £000
Balance at 1 May 2005	35,446	23,390	–	6,538	–	(27,253)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	72
Net income recognised directly in equity	–	–	–	–	–	72
Profit for the period	–	–	–	–	–	9,182
Total recognised income and expense for the period	–	–	–	–	–	9,254
Issue of share capital	100	221	–	–	–	–
Purchase of own shares	–	–	(569)	–	–	–
Share buy back	(773)	–	–	–	773	(5,026)
Recognition of share-based payments	–	–	–	–	–	515
Balance at 31 October 2005	34,773	23,611	(569)	6,538	773	(22,510)

Consolidated cash flow statement

for the six months ended 31 October 2005

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Net profit after tax			
– continuing	7,692	5,664	2,262
– discontinued	1,490	4,032	4,395
	9,182	9,696	6,657
Adjustments for:			
Income tax expense	2,374	2,756	5,220
Profit on disposal of discontinued operations	(1,490)	(6,209)	(5,540)
Profit on disposal of businesses	–	–	(1,565)
(Investment income)/finance charges	(457)	400	517
Depreciation	2,354	2,146	4,062
Amortisation of intangible assets	897	535	1,212
Goodwill impairment	–	5,510	20,658
(Profit)/loss on disposal of fixed assets	(91)	(23)	28
Share-based payment expense	596	412	872
Decrease in provisions	(3,093)	(3,070)	(2,687)
Operating cash flows before movements in working capital	10,272	12,153	29,434
(Increase)/decrease in inventories	(164)	526	(878)
(Increase)/decrease in receivables	(409)	1,158	(3,179)
(Decrease)/increase in payables	(13,345)	(12,179)	331
Cash (used in)/generated from operations	(3,646)	1,658	25,708
Interest received	381	61	51
Interest paid	–	(362)	(443)
Interest element of finance lease rental payments	(7)	(33)	(66)
Taxation (paid)/refunded	(1,777)	403	(185)
Net cash (used in)/generated from operating activities	(5,049)	1,727	25,065
Cash flow from investing activities			
Sale of subsidiary undertakings (net of cash disposed)	1,381	7,042	19,372
Disposal of fixed asset investment	–	170	170
Proceeds from previously closed businesses	31	–	216
Deferred consideration paid	–	(1,037)	(1,061)
Purchase of tangible fixed assets	(2,020)	(4,398)	(9,219)
Purchase of software licences	(200)	(17)	(162)
Expenditure on capitalised product development	(1,469)	(736)	(1,943)
Proceeds on disposal of property, plant and equipment	87	2	31
Net cash (used in)/generated from investing activities	(2,190)	1,026	7,404
Cash flow from financing activities			
Decrease in short-term deposits	–	142	1,095
Issue of ordinary share capital	321	110	238
Share buy back	(5,019)	–	–
Capital element of finance lease rental payments	(105)	(476)	(783)
Redemption of vendor loan note instruments	(28)	(3,299)	(6,838)
Net cash used in financing activities	(4,831)	(3,523)	(6,288)
Net (decrease)/increase in cash and cash equivalents	(12,070)	(770)	26,181
Effect of exchange rate changes	225	(176)	(91)
Cash and cash equivalents at 1 May	37,443	11,353	11,353
Cash and cash equivalents at 31 October and 30 April	25,598	10,407	37,443

Notes to the accounts

1 Basis of preparation and accounting policies

The transition date for the application of IFRS for the Group was 1 May 2004. The Group will adopt IFRS for the first time in its consolidated financial statements for the year ended 30 April 2006, which will include comparative financial information for the year ended 30 April 2005. IFRS 1 requires that an entity develops accounting policies based on its standards effective at the reporting date of its first IFRS financial statements.

In accordance with the Listing Rules of the UKLA this Interim Report for the six-month period ended 31 October 2005, including comparative information for the six-month period ended 31 October 2004 and for the year ended 30 April 2005, has been prepared on a basis consistent with its anticipated 2006 IFRS accounting policies, except for IAS 32/39 where UK GAAP was adopted in the comparative period. The accounting policies adopted assume that all existing standards in issue from the IASB will be fully endorsed by the EU. These are subject to ongoing amendment by the IASB and subsequent endorsement by the EU and therefore subject to possible change.

A full description of the Company's anticipated IFRS accounting policies, has been published on the Anite Corporate website (www.anite.com). A reconciliation and explanation of the effect of the transition from UK GAAP to IFRS for the six months ended 31 October 2004 and year ended 30 April 2005 are provided on pages 18 to 27 in addition to the disclosures required by IFRS 1.

The financial information contained in this Interim Report does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. No statutory accounts for the period have been delivered to the Registrar of Companies. The financial information contained in this Interim Report has been reviewed by the auditors but not audited.

The figures for the year ended 30 April 2005 are based upon the Group's audited accounts prepared under UK GAAP at that date and adjusted under IFRS. The statutory accounts for the year ended 30 April 2005 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement under Section 237(2) or 237(3) of the Companies Act 1985.

2 Segmental information

2.1 Business segments

At 31 October 2005, the Group is organised into four business segments: Public Sector, Travel, Telecoms and International Consultancy. These four business segments are the Group's primary reporting format for segment information.

Part of the International Consultancy operation was sold in the previous year. Details are as disclosed in note 3.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise several income-earning assets and revenue, interest-bearing loans, corporate assets and liabilities and expenses.

Segment information under the primary reporting format is as disclosed in the table below:

	Public Sector		Travel		Telecoms		International Consultancy		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Revenue										
– ongoing businesses	36,598	33,111	15,228	16,779	24,830	21,786	8,119	9,948	84,775	81,624
– disposed businesses	–	823	–	–	–	1,234	–	–	–	2,057
Inter-segment revenue ¹	(75)	–	(674)	(746)	–	–	(460)	(531)	(1,209)	(1,277)
Revenue – continuing operations	36,523	33,934	14,554	16,033	24,830	23,020	7,659	9,417	83,566	82,404
Revenue – discontinued operations	–	–	–	–	–	–	–	14,068	–	14,068
Total revenue	36,523	33,934	14,554	16,033	24,830	23,020	7,659	23,485	83,566	96,472
Segment profit										
– ongoing businesses	801	3,006	3,083	2,983	6,210	5,494	525	796	10,619	12,279
– disposed businesses	–	92	–	–	–	163	–	–	–	255
– continuing operations	801	3,098	3,083	2,983	6,210	5,657	525	796	10,619	12,534
Unallocated corporate costs (after recharges)									(1,010)	(1,565)
Operating profit for continuing operations before goodwill impairment									9,609	10,969
– Goodwill impairment	–	(2,199)	–	–	–	–	–	–	–	(2,199)
Operating profit – continuing operations	801	899	3,083	2,983	6,210	5,657	525	796		
Operating loss from discontinued operations (note 3(b))	–	–	–	–	–	–	–	(2,127)	–	(2,127)
Operating profit/(loss)	801	899	3,083	2,983	6,210	5,657	525	(1,331)		
Total operating profit									9,609	6,643
Profit on disposal of businesses										
– discontinued operations (note 3(b))									1,490	6,209
Investment income/(finance charges)										
– continuing									457	(410)
– discontinued (note 3(b))									–	10
Profit on ordinary activities before tax									11,556	12,452
Taxation – continuing (note 4)									(2,374)	(2,696)
Taxation – discontinued (note 3(b))									–	(60)
Profit for the period									9,182	9,696

¹ Inter-segment revenues are charged at prevailing market rates.

Notes to the accounts continued

2 Segmental information continued

2.2 Ongoing businesses before goodwill impairment

	Public Sector		Travel		Telecoms		International Consultancy		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Revenue on ongoing businesses	36,523	33,111	14,554	16,033	24,830	21,786	7,659	9,417	83,566	80,347
Underlying operating profit ¹										
– before utilisation of provisions and share-based payments	(1,489)	114	3,193	3,066	6,325	5,571	554	824	8,583	9,575
Share-based payments	(129)	(108)	(110)	(83)	(115)	(77)	(29)	(28)	(383)	(296)
Contract provisions utilised ²	2,419	3,000	–	–	–	–	–	–	2,419	3,000
Underlying operating profit ¹	801	3,006	3,083	2,983	6,210	5,494	525	796	10,619	12,279
Unallocated corporate costs									(797)	(1,449)
Share-based payments									(213)	(116)
Underlying operating profit									9,609	10,714
Investment income/(finance charges)									457	(410)
Underlying profit before taxation ¹									10,066	10,304
Underlying profit before taxation ¹										
– before utilisation of contract provisions									7,647	7,304
– contract provisions utilised									2,419	3,000
– after utilisation of contract provisions									10,066	10,304

2.3 Additional analysis of Public Sector ongoing businesses

	Public Sector (Excluding Pericles and SoV)		Pericles development		State of Victoria		Total	
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000
Revenue on ongoing businesses	33,822	30,686	1,418	1,338	1,283	1,087	36,523	33,111
Operating profit ² – before utilisation of provisions and share-based payments	3,615	5,706	(3,141)	(4,112)	(1,963)	(1,480)	(1,489)	114
Share-based payments	(129)	(108)	–	–	–	–	(129)	(108)
Contract provisions utilised ²	–	–	456	1,473	1,963	1,527	2,419	3,000
Total operating profit/(loss) ¹	3,486	5,598	(2,685)	(2,639)	–	47	801	3,006

2.4 Additional analysis of revenue on ongoing businesses

	2005 £000	2004 £000
IT Consultancy	4,357	7,554
Own product software licences	14,839	13,435
Bespoke services, systems integration and implementation of software products	21,076	19,230
Managed services (includes software maintenance and support)	27,139	24,581
Originating from third party	16,155	15,547
	83,566	80,347

This additional information has been given to give a clearer understanding of the results of the core ongoing businesses.

1 Ongoing businesses before goodwill impairment.

2 Contract provisions relate to the utilisation of the contract provisions made for the State of Victoria and Pericles contracts.

3 Disposed businesses/discontinued operations

a) Disposed businesses

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Profit on sale of business and assets of:			
Telecoms Billing business (Anite Calculus Limited)	–	–	742
Transport division (Anite Public Sector Limited)	–	–	823
	–	–	1,565

In the opinion of the Directors, the disposed businesses do not meet the criteria to be classified as discontinued operations under IFRS 5 “Non-current assets held for sale and discontinued operations” as they do not represent a separate major line of business within the Group.

b) Discontinued operations

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Loss after tax for the period from discontinued operations			
Revenue	–	14,068	24,260
Cost of sales	–	(10,450)	(18,096)
Gross profit	–	3,618	6,164
Goodwill impairment	–	(3,311)	(3,311)
Operating expenses	–	(2,434)	(3,902)
Operating loss before interest	–	(2,127)	(1,049)
Investment income	–	10	16
Loss before tax	–	(2,117)	(1,033)
Attributable tax expenses	–	(60)	(112)
Loss after tax	–	(2,177)	(1,145)
Profit on sale of discontinued operations			
Profit on disposal of Anite Austria	1,490	–	–
Profit on disposal of Anite Systems GmbH	–	6,209	6,187
Loss on disposal of Datavance Informatique SAS	–	–	(479)
Loss on disposal of French Space Business (Delta Partners SAS)	–	–	(168)
Net profit before tax on sale of discontinued operations	1,490	6,209	5,540
Attributable tax expenses	–	–	–
Net profit after tax on sale of discontinued operations	1,490	6,209	5,540
Total	1,490	4,032	4,395

Notes to the accounts continued

3 Disposed businesses/discontinued operations continued

c) Assets/(liabilities) classified as held for sale

On 29 June 2004, the Directors resolved to dispose of some of the non-core businesses within the International Consultancy division. The assets and liabilities of Anite Austria and Datavance Informatique SAS which were expected to be, and were, sold within 12 months, have been classified as a disposal group held for sale and are presented separately in the balance sheet at 31 October 2004 and 30 April 2005 (Anite Austria only). The results of these businesses are included in the International Consultancy division as discontinued operations for segment reporting purposes (see note 2).

The Directors also resolved to dispose other non-core businesses, which included the assets and liabilities of Anite Calculus Limited – telecoms billing business (Telecoms division) and Transport (Public Sector division) prior to 1 May 2004. The assets and liabilities of both businesses which were expected to be, and were, sold within 12 months, have been classified as a disposal group held for sale and are presented separately in the balance sheet at 1 May 2004 and 31 October 2004. The results of these businesses are included in Telecoms and Public Sector divisions as disposed businesses for segment reporting purposes for the period (see note 2). The telecoms billing and Transport businesses were subsequently sold on 12 November 2004 and 3 December 2004, respectively.

The major classes of assets and liabilities of these disposed and discontinued businesses classified as held for sale are as follows:

	31 October 2005 £000	31 October 2004 £000	30 April 2005 £000
Goodwill	–	8,245	556
Property, plant and equipment	–	332	105
Trade and other receivables	–	8,525	754
Total assets classified as held for sale	–	17,102	1,415
Trade and other payables, and total for liabilities associated with assets classified as held for sale	–	(7,231)	(1,464)
Net assets/(liabilities)	–	9,871	(49)

4 Income tax expense

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Current tax			
UK corporation tax	1,118	1,780	4,073
Foreign tax	1,021	421	709
	2,139	2,201	4,782
Adjustments in respect of prior years			
– UK corporation tax	(91)	–	(228)
– foreign tax	–	–	24
	(91)	–	(204)
Total current tax expense	2,048	2,201	4,578
Deferred tax			
UK	326	192	(79)
Foreign	–	303	609
Total deferred tax expense	326	495	530
Total income tax expense	2,374	2,696	5,108

In addition to the income tax expense above, there was a corporation tax charge of £nil (October 2004: £60,000; April 2005: £112,000) on the profit from discontinued operations (see note 3(b) above).

No tax arose on the profit on sale of discontinued operations.

Corporation tax for the interim period is charged at 23.6% (2004: 25.5%), representing the best estimate of the weighted average annual corporation tax rate expected for the full year on the profit (before goodwill impairment) on continuing operations.

5 Earnings per share

The calculations of profit and underlying earnings per share are based on the following profit and underlying profit and number of shares:

	Six months ended 31 October 2005 pence per share	Six months ended 31 October 2004 pence per share	Year ended 30 April 2005 pence per share	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Profit for the period – basic and diluted	2.6	2.7	1.9	9,182	9,696	6,657
Adjustment:						
Profit for the period from discontinued operations	(0.4)	(1.1)	(1.3)	(1,490)	(4,032)	(4,395)
Profit for the period on continuing operations – basic and diluted	2.2	1.6	0.6	7,692	5,664	2,262
Reconciliation to underlying earnings:						
– operating profit from disposed businesses	–	–	–	–	(255)	(143)
– goodwill impairment	–	0.6	4.9	–	2,199	17,347
– profit on disposal of businesses	–	–	(0.4)	–	–	(1,565)
– tax charge on the results of discontinued businesses	–	–	–	–	60	49
Underlying earnings – profit for the period on ongoing businesses before goodwill impairment, disposed businesses and discontinued operations	2.2	2.2	5.1	7,692	7,668	17,950
– ongoing businesses – utilisation of contract provisions (net of tax)	(0.7)	(0.9)	(1.4)	(2,282)	(3,000)	(4,991)
Underlying earnings (as above) before utilisation of contract provisions	1.5	1.3	3.7	5,410	4,668	12,959
Number of shares (000)						
Weighted average number of shares in issue used to calculate basic earnings per share				351,768	352,554	353,046
Effect of dilutive ordinary shares						
– SAYE and share option schemes				6,115	5,383	5,122
– contingent consideration				–	234	–
Number of shares used to calculate diluted earnings per share				357,883	358,171	358,168
Underlying earnings per share based on ongoing businesses excluding goodwill impairment						
a) Before utilisation of contract provisions						
– basic	1.5p	1.3p	3.7p			
– diluted	1.5p	1.3p	3.6p			
b) After utilisation of contract provisions						
– basic	2.2p	2.2p	5.1p			
– diluted	2.2p	2.1p	5.0p			

Underlying earnings per share on ongoing businesses excluding goodwill impairment, disposed businesses and discontinued operations have been included as the Directors consider that this figure provides a meaningful measure of the ongoing businesses.

Notes to the accounts continued

6 Trade and other receivables

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Trade debtors	33,118	33,011	34,540
Less: provision for impairment of trade debtors	(831)	(1,226)	(840)
Trade debtors	32,287	31,785	33,700
Other debtors	1,520	1,053	1,784
Prepayments	5,779	5,461	6,050
Accrued income	10,445	6,739	8,043
	50,031	45,038	49,577

7 Trade and other payables

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Vendor loan notes	932	3,616	77
Trade creditors	9,597	10,419	12,203
Other taxes and social security	3,180	5,166	5,919
Other creditors	3,170	2,240	3,426
Payments received on account	4,769	1,656	6,304
Accruals	18,666	16,811	18,720
Deferred income	17,684	21,831	22,915
	57,998	61,739	69,564

8 Non-current liabilities – other payables

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Other payables	148	86	268

9 Provisions for liabilities and charges

	Deferred consideration £000	Warranties £000	Surplus property £000	Onerous contract provisions £000	Other provisions £000	Total £000
At 1 May 2005	1,024	5,675	5,225	7,592	1,425	20,941
Reclassification to creditors	(883)	–	–	–	–	(883)
Release of provision credited to income statement	–	–	–	–	(273)	(273)
Established during the period	–	–	131	–	21	152
Utilised during the period	–	–	(275)	(2,419)	(470)	(3,164)
Unwinding of discounting	–	–	119	–	–	119
Foreign exchange adjustment	–	19	1	161	13	194
At 31 October 2005	141	5,694	5,201	5,334	716	17,086

	Six months ended 31 October 2005 £000	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Analysed as:			
Current liabilities	4,246	8,330	8,247
Non-current liabilities	12,840	10,117	12,694
	17,086	18,447	20,941

10 Share capital issued

	Ordinary shares of 10p each		Deferred redeemable shares of £1 each		Total £000
	Number	£000	Number	£000	
Allotted, issued and fully paid:					
At 1 May 2005	353,956,998	35,396	50,000	50	35,446
Issued during the period	1,001,567	100	–	–	100
Cancelled during the period	(7,733,332)	(773)	–	–	(773)
At 31 October 2005	347,225,233	34,723	50,000	50	34,773

The shares cancelled during the period were acquired at an average price of 64.6p per share, as part of the Group's share buy back programme.

Restatement of financial information under International Financial Reporting Standards (“IFRS”)

Anite Group plc reported under UK GAAP in its previously published interim financial statements for the six months ended 31 October 2004 and financial statements for the year end 30 April 2005. The following reconciliations, after the application of its anticipated IFRS accounting policies (which have been published on the Anite Corporate website (www.anite.com)) have been prepared and are set out on pages 19 to 27.

- 1 Reconciliation summary of profit and equity under UK GAAP to IFRS.
- 2 Reconciliation of balance sheet at 1 May 2004 (date of transition to IFRS).
- 3 Reconciliation of balance sheet at 31 October 2004.
- 4 Reconciliation of profit for the six months ended 31 October 2004.
- 5 Reconciliation of balance sheet at 30 April 2005.
- 6 Reconciliation of profit for the year ended 30 April 2005.
- 7 Explanatory notes on the impact of the transition to IFRS.

IFRS 1 “First-time adoption of International Financial Reporting Standards”, allows a number of transitional provisions, primarily exemptions and exceptions, when applying IFRS for the first time. The Group has elected to use the following transitional provisions:

- 1 Business combinations: Business combinations prior to 1 May 2004 (date of transition) have not been restated on an IFRS basis.
- 2 Share-based payments: IFRS 2 “Share-based payment” has been applied to all share options granted after 7 November 2002 that were still unvested as of 1 January 2005.
- 3 Financial instruments: Financial instruments for the six months ended 31 October 2004 and year ended 30 April 2005 have not been accounted for under IAS 32 and 39 and therefore have been accounted for under UK GAAP.
- 4 Exchange differences arising on consolidation: The Group has elected to deem the cumulative exchange difference arising on consolidation of the net investments in subsidiaries at 1 May 2004 (date of transition) to be nil.
- 5 Assets held for sale and discontinued operations: Companies with an adoption date before 1 January 2006 should not restate comparatives for non-current assets that met the criteria to be classified as held for sale at an earlier date. However, if the information required by IFRS 5 “Non-current assets held for sale and discontinued operations” was obtained at the time that the criteria were met, earlier application is permitted. The Group has elected to apply this standard from 1 May 2004 (date of transition).

1 Reconciliation summary of profit and equity under UK GAAP to IFRS

The tables below summarise the effects of adoption of IFRS on profit for the period and shareholders' equity:

Notes (a) to (f) in 7 below explain the impact of IFRS adoption has on the comparative information as at and for the six months ended 31 October 2004 and the year ended 30 April 2005.

	Notes	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000	Six months ended 31 October 2004 Basic EPS	Year ended 30 April 2005 Basic EPS
Reconciliation of profit for the period					
Profit after tax under UK GAAP		6,861	1,755	1.9p	0.5p
IFRS adjustments:					
Goodwill amortisation and impairment	(a)	2,894	4,962	0.8p	1.3p
Capitalised development costs	(b)	387	1,068	0.1p	0.3p
Share-based payments	(c)	(412)	(872)	(0.1p)	(0.2p)
Holiday pay	(c)	44	(101)	–	–
Deferred taxation	(d)	(78)	(155)	–	–
		2,835	4,902	0.8p	1.4p
Profit after tax under IFRS		9,696	6,657	2.7p	1.9p

	Notes	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000	1 May 2004 (date of transition) £000
Reconciliation of equity				
Equity under UK GAAP		35,492	30,467	28,311
IFRS adjustments:				
Goodwill amortisation and impairment	(a)	2,894	4,962	–
Capitalised development costs	(b)	1,513	2,194	1,126
Share-based payments – charged to income statement	(c)	(412)	(872)	(433)
Share-based payments – credited to retained earnings	(c)	412	872	433
Holiday pay	(c)	(700)	(845)	(744)
Deferred taxation	(d)	1,292	1,343	1,348
Transfer from merger reserve	(a)	(33)	(1,585)	–
IFRS adjustments on retained earnings		4,966	6,069	1,730
IFRS adjustments on merger reserve	(a)	33	1,585	–
		4,999	7,654	1,730
Equity under IFRS		40,491	38,121	30,041

The UK GAAP numbers have been reclassified to conform to the new IFRS format, see notes (a) to (f) on pages 25 to 27 for explanation of the transition to IFRS.

Restatement of financial information under IFRS continued

2 Reconciliation of balance sheet at 1 May 2004 (date of transition to IFRS)

	UK GAAP £000	IFRS impact on retained earnings (a),(c),(d) £000	Held for sale (f) £000	Reclassification (b) £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets						
Goodwill	63,523	–	–	–	–	63,523
Other intangible assets	52	1,126	–	579	1,705	1,757
Property, plant and equipment	7,741	–	(72)	(579)	(651)	7,090
Investments	1	–	–	–	–	1
Deferred tax assets	1,928	1,348	–	–	1,348	3,276
	73,245	2,474	(72)	–	2,402	75,647
Current assets						
Inventories	4,111	–	–	–	–	4,111
Current asset investments	170	–	–	–	–	170
Trade and other receivables	55,801	–	(972)	–	(972)	54,829
Short-term deposits	1,095	–	–	–	–	1,095
Cash and cash equivalents	11,353	–	(6)	–	(6)	11,347
Assets classified as held for sale	–	–	1,050	–	1,050	1,050
	72,530	–	72	–	72	72,602
Total assets	145,775	2,474	–	–	2,474	148,249
Current liabilities						
Trade and other payables	(83,410)	(744)	1,089	–	345	(83,065)
Current tax payable	(9,997)	–	–	–	–	(9,997)
Obligations under finance leases	(696)	–	–	–	–	(696)
Liabilities directly associated with assets classified as held for sale	–	–	(1,339)	–	(1,339)	(1,339)
	(94,103)	(744)	(250)	–	(994)	(95,097)
Non-current liabilities						
Other payables	(471)	–	–	–	–	(471)
Provisions	(22,680)	–	250	–	250	(22,430)
Obligations under finance leases	(210)	–	–	–	–	(210)
	(23,361)	–	250	–	250	(23,111)
Total liabilities	(117,464)	(744)	–	–	(744)	(118,208)
Net assets	28,311	1,730	–	–	1,730	30,041
Equity						
Share capital	35,239	–	–	–	–	35,239
Share premium account	22,856	–	–	–	–	22,856
Merger reserve	14,227	–	–	–	–	14,227
Shares to be issued	800	–	–	–	–	800
Retained earnings	(44,811)	1,730	–	–	1,730	(43,081)
Total equity	28,311	1,730	–	–	1,730	30,041

The UK GAAP numbers have been reclassified to conform to the new IFRS format, see notes (a) to (f) on pages 25 to 27 for explanation of the transition to IFRS.

3 Reconciliation of balance sheet at 31 October 2004

	UK GAAP £000	IFRS impact on retained earnings (a),(c),(d) £000	Held for sale (f) £000	Reclassification (a),(b) £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets						
Goodwill	55,120	2,894	(8,245)	–	(5,351)	49,769
Other intangible assets	21	1,513	–	441	1,954	1,975
Property, plant and equipment	10,356	–	(332)	(441)	(773)	9,583
Deferred tax assets	1,511	1,292	–	–	1,292	2,803
	67,008	5,699	(8,577)	–	(2,878)	64,130
Current assets						
Inventories	3,350	–	–	–	–	3,350
Trade and other receivables	53,563	–	(8,525)	–	(8,525)	45,038
Short-term deposits	953	–	–	–	–	953
Cash and cash equivalents	10,407	–	–	–	–	10,407
Assets classified as held for sale	–	–	17,102	–	17,102	17,102
	68,273	–	8,577	–	8,577	76,850
Total assets	135,281	5,699	–	–	5,699	140,980
Current liabilities						
Trade and other payables	(67,628)	(700)	6,589	–	5,889	(61,739)
Current tax payable	(12,628)	–	81	–	81	(12,547)
Obligations under finance leases	(392)	–	–	–	–	(392)
Provisions	–	–	(28)	(8,302)	(8,330)	(8,330)
Liabilities directly associated with assets classified as held for sale	–	–	(7,231)	–	(7,231)	(7,231)
	(80,648)	(700)	(589)	(8,302)	(9,591)	(90,239)
Non-current liabilities						
Other payables	(86)	–	–	–	–	(86)
Provisions	(18,988)	–	569	8,302	8,871	(10,117)
Obligations under finance leases	(67)	–	20	–	20	(47)
	(19,141)	–	589	8,302	8,891	(10,250)
Total liabilities	(99,789)	(700)	–	–	(700)	(100,489)
Net assets	35,492	4,999	–	–	4,999	40,491
Equity						
Share capital	35,359	–	–	–	–	35,359
Share premium account	23,273	–	–	–	–	23,273
Merger reserve	12,572	–	–	33	33	12,605
Shares to be issued	295	–	–	–	–	295
Retained earnings	(36,007)	4,999	–	(33)	4,966 ¹	(31,041)
Total equity	35,492	4,999	–	–	4,999	40,491

1 Analysis of impact of IFRS on retained earnings

At 1 May 2004 (date of transition to IFRS)	1,730
Retained profit for the six months to 31 October 2004	2,835
Share-based payments – credited to retained earnings	412
Deferred tax – credited to retained earnings	22
Transfer from merger reserve	(33)
At 31 October 2004	4,966

The UK GAAP numbers have been reclassified to conform to the new IFRS format, see notes (a) to (f) on pages 25 to 27 for explanation of the transition to IFRS.

Restatement of financial information under IFRS continued

4 Reconciliation of profit for the six months ended 31 October 2004

	UK GAAP £000	Reclassification under UK GAAP† £000	IFRS impact on retained earnings (a),(c),(d) £000	IFRS reclassification of discontinued operations (f) £000	Effect of transition to IFRS £000	IFRS £000
Revenue	96,472	–	–	(14,068)	(14,068)	82,404
Cost of sales before utilisation of contract provisions	(61,122)	3,094	48 ¹	10,450	10,498	(47,530)
Utilisation of contract provisions	3,000	–	–	–	–	3,000
Cost of sales	(58,122)	3,094	48	10,450	10,498	(44,530)
Gross profit	38,350	3,094	48	(3,618)	(3,570)	37,874
Goodwill amortisation	(8,404)	–	8,404	–	8,404	–
Goodwill impairment	–	–	(2,199)	–	(2,199)	(2,199)
Other operating expenses	(26,216)	(3,094)	(29) ²	2,434	2,405	(26,905)
Profit on disposal of businesses	6,209	–	–	(6,209)	(6,209)	–
Operating profit	9,939	–	6,224	(7,393)	(1,169)	8,770
Finance costs – net	(400)	–	–	(10)	(10)	(410)
Income tax expense	(2,678)	–	(78)	60	(18)	(2,696)
Profit for the period from continuing operations	6,861	–	6,146	(7,343)	(1,197)	5,664
Profit for the period from discontinued operations	–	–	(3,311) ³	7,343	4,032	4,032
Profit for the period	6,861	–	2,835	–	2,835	9,696

† The UK GAAP figures for cost of sales and operating costs have been restated following a review of the classification of underlying data.

Analysis of impact of IFRS on profit for the period

1 Cost of sales before utilisation of contract provisions	
Holiday pay	48
2 Other operating expenses	
Holiday pay	(4)
Share-based payments	(412)
Capitalised development costs	387
	(29)
3 Profit for the period from discontinued operations	
Goodwill impairment	(3,311)

The UK GAAP numbers have been reclassified to conform to the new IFRS format, see notes (a) to (f) on pages 25 to 27 for explanation of the transition to IFRS.

5 Reconciliation of balance sheet at 30 April 2005

	UK GAAP £000	IFRS impact on retained earnings (a),(c),(d) £000	Held for sale (a),(f) £000	Reclassification (a),(b) £000	Effect of transition to IFRS £000	IFRS £000
Non-current assets						
Goodwill	30,213	4,962	(556)	–	4,406	34,619
Intangible assets	34	2,194	–	422	2,616	2,650
Property, plant and equipment	12,554	–	(105)	(422)	(527)	12,027
Deferred tax assets	1,553	1,343	–	–	1,343	2,896
	44,354	8,499	(661)	–	7,838	52,192
Current assets						
Inventories	4,279	–	–	–	–	4,279
Trade and other receivables	50,331	–	(754)	–	(754)	49,577
Current tax assets	331	–	–	–	–	331
Cash and cash equivalents	37,443	–	–	–	–	37,443
Assets classified as held for sale	–	–	1,415	–	1,415	1,415
	92,384	–	661	–	661	93,045
Total assets	136,738	8,499	–	–	8,499	145,237
Current liabilities						
Trade and other payables	(69,877)	(845)	1,158	–	313	(69,564)
Current tax payable	(14,801)	–	73	–	73	(14,728)
Obligations under finance leases	(151)	–	–	–	–	(151)
Provisions	–	–	–	(8,247)	(8,247)	(8,247)
Liabilities directly associated with assets classified as held for sale	–	–	(1,464)	–	(1,464)	(1,464)
	(84,829)	(845)	(233)	(8,247)	(9,325)	(94,154)
Non-current liabilities						
Other payables	(268)	–	–	–	–	(268)
Provisions	(21,174)	–	233	8,247	8,480	(12,694)
	(21,442)	–	233	8,247	8,480	(12,962)
Total liabilities	(106,271)	(845)	–	–	(845)	(107,116)
Net assets	30,467	7,654	–	–	7,654	38,121
Equity						
Share capital	35,446	–	–	–	–	35,446
Share premium account	23,390	–	–	–	–	23,390
Merger reserve	4,953	–	–	1,585	1,585	6,538
Retained earnings	(33,322)	7,654	–	(1,585)	6,069 ¹	(27,253)
Total equity	30,467	7,654	–	–	7,654	38,121

1 Analysis of impact of IFRS on retained earnings

At 1 May 2004 (date of transition to IFRS)	1,730
Retained profit for the year ended 30 April 2005	4,902
Share-based payments – credited to retained earnings	872
Deferred tax – credited to retained earnings	150
Transfer from merger reserve	(1,585)
At 30 April 2005	6,069

The UK GAAP numbers have been reclassified to conform to the new IFRS format, see notes (a) to (f) on pages 25 to 27 for explanation of the transition to IFRS.

Restatement of financial information under IFRS continued

6 Reconciliation of profit for the year ended 30 April 2005

	UK GAAP £000	Reclassification under UK GAAP† £000	IFRS impact on retained earnings (a),(c),(d) £000	IFRS reclassification of discontinued operations (f) £000	Effect of transition to IFRS £000	IFRS £000
Revenue	189,403	–	–	(24,260)	(24,260)	165,143
Cost of sales before utilisation of contract provisions	(112,918)	212	(30) ¹	18,096	18,066	(94,640)
Utilisation of contract provisions	5,634	–	–	–	–	5,634
Cost of sales	(107,284)	212	(30)	18,096	18,066	(89,006)
Gross profit	82,119	212	(30)	(6,164)	(6,194)	76,137
Goodwill amortisation	(14,214)	–	14,214	–	14,214	–
Goodwill impairment	(11,151)	–	(6,196)	–	(6,196)	(17,347)
Other operating expenses	(56,267)	(212)	125 ²	3,902	4,027	(52,452)
Profit on disposal of businesses	6,850	–	–	(5,285)	(5,285)	1,565
Operating profit	7,337	–	8,113	(7,547)	566	7,903
Finance costs – net	(517)	–	–	(16)	(16)	(533)
Income tax expense	(5,065)	–	(155)	112	(43)	(5,108)
Profit for the year from continuing operations	1,755	–	7,958	(7,451)	507	2,262
Profit for the year from discontinued operations	–	–	(3,056) ³	7,451	4,395	4,395
Profit for the year	1,755	–	4,902	–	4,902	6,657

† The UK GAAP figures for cost of sales and operating costs have been restated following a review of the classification of underlying data.

Analysis of impact of IFRS on profit for the year

1 Cost of sales before utilisation of contract provisions	
Holiday pay	(30)
2 Other operating expenses	
Holiday pay	(71)
Share-based payments	(872)
Capitalised development costs	1,068
	125
3 Profit from discontinued operations	
Goodwill impairment	(3,056)

The UK GAAP numbers have been reclassified to conform to the new IFRS format, see notes (a) to (f) on pages 25 to 27 for explanation of the transition to IFRS.

7 Explanatory notes on the impact of the transition to IFRS

The principal differences between UK GAAP and IFRS are as follows:

a) Goodwill

Under UK GAAP

The Group has written off any goodwill arising on the acquisition of subsidiary undertakings and businesses prior to 1 January 1998 to reserves in accordance with the accounting standard then in force. Subsequent to that date, such goodwill is capitalised and written off on a straight-line basis over its useful economic life, generally estimated to be about ten years. Provision is made for any impairment.

Under IFRS

The Group has applied the business combination exemption under IFRS 1 not to restate business combinations recognised before the date of transition (1 May 2004). As a result, under IFRS the net book value of goodwill at 30 April 2004 is treated as the deemed cost. This balance is no longer subject to amortisation but impairment testing on an annual basis, or more frequently when there is an indication that impairment is required.

IFRS 3 "Business combinations" also established that an entity, which has previously written off goodwill directly to equity, will not recognise that goodwill in the income statement when it disposes of all or part of the business to which that goodwill relates.

Impact of IFRS

The effect of adopting IFRS was to reverse the goodwill amortisation charged under UK GAAP partly offset by an increase in impairment losses, following an impairment review.

	Six months ended 31 October 2004 £000	Year ended 30 April 2005 £000
Reversal of goodwill amortisation	8,404	14,214
Increase in impairment losses	(2,199)	(6,196)
Increase in impairment losses on discontinued operations	(3,311)	(3,056)
Net release to income statement	2,894	4,962

The impact of these goodwill adjustments is a lower utilisation of merger reserve of £33,000 and £1,585,000 for the six months to 31 October 2004 and year to 30 April 2005, respectively. These adjustments are shown in the "reclassification" column in the balance sheet.

b) Other intangible assets

i) Development costs

Under UK GAAP

The Group expensed all its development expenditure to the income statement as incurred.

Under IFRS

IAS 38 "Intangible assets" requires that development costs for internally generated intangible assets are capitalised when certain criteria, as set out in the standard, are met. Development costs are capitalised from the point at which the criteria are met up to the point at which the product is in use. Once the product is in use, the capitalised development costs are amortised on a straight-line basis over their expected useful life, typically a period of up to three years.

Impact of IFRS

The effect of adopting IFRS is an increase in intangible assets and profit, following capitalisation of development costs previously expensed under UK GAAP.

	Six months ended 31 October 2004		Year ended 30 April 2005	
	£000	£000	£000	£000
Intangible assets adjustment at 1 May 2004 (date of transition to IFRS)		1,126		1,126
Capitalised development cost	736		1,943	
Amortisation of capitalised development cost during the period	(349)		(875)	
Net decrease in operating expenses in the income statement		387		1,068
Intangible assets adjustment at 31 October 2004 and 30 April 2005		1,513		2,194

Restatement of financial information under IFRS continued

7 Explanatory notes on the impact of the transition to IFRS continued

ii) Software licences

Under UK GAAP

Software licences were capitalised as property, plant and equipment as part of computer equipment and depreciated over the useful economic life.

Under IFRS

IAS 38 requires that software licences, which are not an integral part of the related hardware, are capitalised as an intangible asset and amortised over the useful economic life.

Impact of IFRS

The impact of this change was to reclassify such software licences which do not form the integral part of the hardware, such as the operating system, from property, plant and equipment to intangible assets. The related depreciation was reclassified to amortisation expense in the income statement. The net impact on the income statement is £nil in both periods.

c) Employee benefits

i) Holiday pay

Under UK GAAP

The Group was not required to accrue for holiday entitlements at the balance sheet date.

Under IFRS

IAS 19 "Employee benefits" requires a liability or an asset to be recorded for all employees' accrued holiday entitlements at each balance sheet date.

Impact of IFRS

The impact on the Group is as follows:

	Six months ended 31 October 2004		Year ended 30 April 2005	
	£000	£000	£000	£000
Accrual adjustment at 1 May 2004 (date of transition to IFRS)		(744)		(744)
Cost of sales before utilisation of contract provisions	48		(30)	
Other operating expenses	(4)		(71)	
Net decrease/(increase) in expense in the income statement		44		(101)
Accrual adjustment at 31 October 2004 and 30 April 2005		(700)		(845)

ii) Share-based payments

The Group operates several equity-settled share-based incentive plans for its employees, which typically include the rights to share options.

Under UK GAAP

A charge is required when a share option has an intrinsic value on the date of grant, ie. the market rate at date of grant exceeds the exercise price of the award. However, the Group has taken advantage of the exemption given in UITF Abstract 17 "Employee share schemes" from recognising a charge in the income statement for the discount on its approved SAYE options. All other options are issued at market rate at date of grant. For both the period to 31 October 2004 and year to 30 April 2005, no charge was recorded.

Under IFRS

Under IFRS 2, a charge is required for all share-based payments including approved SAYE options. The charge in the income statement is based on the fair value of the options at grant date. This fair value amount is spread over the performance period of the award which is from the date of grant to the date when the options can be exercised, which is typically between three and five years. This is based on the assumption that employees will exercise the share options as soon as the options vest.

The fair value of the SAYE scheme and executive option scheme is measured by using the Black-Scholes and a stochastic model, respectively. These models involve some or all of these six variables: exercise price of the options, share price at date of grant, assumptions about the expected life, expected volatility of the share price, risk-free interest rate and expected dividend yield. The fair value calculation excludes the impact of any non-market vesting conditions (such as profit targets). However, the market vesting conditions such as TSR targets are factored in the calculation.

Impact of IFRS

The impact of adopting IFRS 2 is a share-based payment of £412,000 and £872,000 charged to operating expenses in the income statement for the six months to 31 October 2004 and year to 30 April 2005, respectively. The corresponding entry is shown as a movement in the retained earnings. The net impact on the retained earnings is £nil for both periods.

7 Explanatory notes on the impact of the transition to IFRS continued

d) Taxation

Under UK GAAP

Deferred tax was recognised in respect of all timing differences, with a few exceptions that have originated but not reversed at the balance sheet date. Timing differences arise when the profit or loss is recognised in a different period in the tax computation from that in the financial statements.

Under IFRS

The Group is required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than accounting for the effects of timing and permanent differences between taxable and accounting profit.

Impact of IFRS

- 1 Presentational changes include classifying deferred tax liabilities and assets as non-current and reporting them separately on the face of the balance sheet.
- 2 Deferred tax is recognised on the estimated future tax deduction arising in relation to the exercise of UK employee share options and adjustments to qualifying goodwill, holiday pay liabilities and capitalised development costs and the related amortisation, following the different accounting treatment of these items under IFRS.

	Six months ended 31 October 2004		Year ended 30 April 2005	
	£000	£000	£000	£000
Deferred tax debtor adjustment at 1 May 2004 (date of transition to IFRS)		1,348		1,348
Income statement for the period	(78)		(155)	
Retained earnings – associated with share-based payment	22		150	
Net deferred tax charged		(56)		(5)
Deferred tax debtor adjustment at 31 October 2004 and 30 April 2005		1,292		1,343

e) Cash flow statement

Under UK GAAP

FRS 1 required the movement of cash (defined as cash in hand and deposits repayable on demand, less overdrafts) to be reported in the cash flow statement.

The cash flow statement was reported under nine sections.

Under IFRS

The cash flows reported under IAS 7 relate to movements in cash and cash equivalents (defined as cash in hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash and subject to insignificant risk of changes in value).

The cash flow statement is reported under three sections: operating, investing and financing.

Impact of IFRS

The Group does not have any short-term deposits with a maturity of less than three months and therefore the underlying movements in cash and cash equivalents will be equal to the movement of cash under UK GAAP. Reclassification will be required following the different accounting treatment of capitalised development costs and the related amortisation.

The cash flow statement in the Interim Report has been presented in accordance with the requirements under IFRS.

f) Held for sale

Under UK GAAP

There is no equivalent UK standard on the classification, measurement and presentation of non-current assets held for sale.

Under IFRS

Assets classified as held for sale and the assets in a disposal group that is classified as held for sale, are presented separately from other assets in the balance sheet. The liabilities of a disposal group classified as held for sale should be presented separately from other liabilities.

An asset held for sale, or included within a disposal group that is held for sale, is not depreciated under IFRS 5.

Impact of IFRS

The impact of this IFRS at 30 April 2005 is the separate disclosure of assets and liabilities on the balance sheet of Anite Austria.

The impact of this IFRS at 31 October 2004 is the separate disclosure of assets and liabilities on the balance sheet of Anite Austria and Datavance Informatique SAS (both reported within the International Consultancy division), Transport business (Public Sector division) and Calculus business (Telecoms division).

Independent review report to Anite Group plc

Introduction

We have been instructed by the Company to review the financial information for the six months ended 31 October 2005 which comprises the consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and related notes 1 to 10. 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 presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the Interim Report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. The accounting policies are consistent with those that the Directors intend to use in the annual financial statements. There is, however, a possibility that the Directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with IFRSs as adopted for use in the EU.

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 presentation 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 International Standards on Auditing (UK and Ireland) 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 six months ended 31 October 2005.

Deloitte & Touche LLP

Chartered Accountants

London

7 December 2005

Shareholder information

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Registered number

Anite Group plc's registered number is 1798114

Shareholder enquiries

Lloyds TSB Registrars maintain the Company's register of members. If any of your details change, or if you have any queries regarding your shareholding, please contact the registrars at:

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Lloyds TSB Registrars also offer a range of shareholder information on line at www.shareview.co.uk.

Share dealing service

Shareview Dealing, a telephone and internet share dealing service, is provided through Lloyds TSB Registrars and is a convenient way to sell your Anite Group plc shares or add to your holding. Commission is 0.5% with a minimum charge of £20 for telephone dealing and £17.50 for internet dealing. For telephone dealing call +44 (0) 870 850 0852 between 8.30am and 4.30pm, Monday to Friday, and for internet dealing log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate.

Anite Corporate Individual Savings Account (ISA)

A single company ISA is now available to Anite Group plc shareholders through Lloyds TSB Registrars. For further details or to obtain a brochure please contact the ISA helpline on +44 (0) 870 24 24 244.

Multiple accounts on the shareholder register

If you have received two or more copies of this document, it may be because there is more than one account in your name on the shareholder register. This may be caused by either your name or your address appearing on each account in a slightly different way. For security reasons, the registrars will not amalgamate the accounts without your written consent, so if you would like any multiple accounts combined into one account, please write to Lloyds TSB Registrars at the above address.

ShareGift

ShareGift is a charity share donation scheme for shareholders, administered by the Orr Mackintosh Foundation. It is especially for those who may wish to dispose of a small parcel of shares, the value of which makes it uneconomical to sell on a commission basis. Further information can be obtained at www.sharegift.org or from Lloyds TSB Registrars.

Financial calendar

Financial year end: 30 April 2006
Preliminary announcement of 2005/6 results: early July 2006
Annual General Meeting: 3 October 2006

Cheryl Coutts *Company Secretary*

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