



Interim Report
for the six months ended
31 March 2008

Glen Group plc is a provider of integrated telecommunications and IT solutions serving the SME market. The Group provides a wide range of services to its clients, including telecommunications calls and access, mobile solutions, IT integration and hosted broadband voice services. It operates across the UK from its base in Edinburgh.

Contents

- 01 Highlights
- 02 Chairman's Statement
- 03 Business Review
- 05 Consolidated Interim Income Statement – Unaudited
- 06 Consolidated Interim Balance Sheet – Unaudited
- 07 Consolidated Interim Cash Flow Statement – Unaudited
- 08 Consolidated Interim Statement of Changes in Equity – Unaudited
- 09 Notes to the Financial Statements
- 12 Independent Review Report to Glen Group plc
- IBC Directors, Secretary & Advisers

HIGHLIGHTS

- Successful sale of the businesses operated by Eclectic Group Ltd (“Eclectic”) and I G Software Limited (“inGroup”) for a net cash consideration of £2.72m.
- Elimination of all group debt.
- Turnover from the continuing business of £725,695 compares to £415,921 in the equivalent period last year. Half year turnover, including turnover from the discontinued businesses Eclectic and inGroup, of £2,393,186.
- Operating loss excluding discontinued operations reduced from £738,264 in the half year to 31 March 2007 to £428,983 for this half year.
- Changing mix of services has resulted in materially better gross margins. This half year margins of 49.0% were achieved compared to 41.1% in the equivalent period last year, and 23.3% for the whole of 2007.
- Restructuring of Board to focus on pursuing a telecom-centric strategy.

CHAIRMAN'S STATEMENT

For the half year, the Group has incurred an operating loss excluding discontinued operations of £428,983 (2007 half year: £738,264). Not all of the cost reductions implemented last year and in the first half of this year have yet materialised, but the improved trend is evident. The changed mix of services and increased turnover has also delivered a materially better gross profit with the half year yielding £355,866 compared to £170,844 in the equivalent period last year. The half year is better than the gross profit for the whole of 2007. The improvement has been helped by a better margin percentage with this half year at 49.0% compared to the equivalent period last year at 41.1%. We are also now starting to see a downward trend in our overheads.

In the first half, we completed the transformation of the Group into a telecom-centric business. We exited the project IT services sector by selling the two main businesses that operated in this field; we have made major changes to our operating structure; restructured the Board; and have repaid our debt, which amounted to over £800,000, from the net sale proceeds of £2.72m in respect of the assets and the business of the IT project companies, Eclectic Group Limited ("Eclectic") and I G Software Limited ("inGroup") as at 31 December 2007.

The financial results, and their presentation for the half year, reflect the operational changes that have been made to the Group. The results of the businesses sold are again presented as divorced from the operating results for the retained businesses with the former included in a single line on the income statement under discontinued operations. Taken together, Eclectic and inGroup have incurred further operating losses up to the date of their sale. I believe that this disposal was timely and concluded at a fair price, given a weakening market for project based IT services.

As announced on 9 May 2008, I am stepping down from the Board at the end of this month. The size of the retained businesses means that my input will, inevitably, be diluted and, as announced to shareholders on 9 May 2008, Graham J Duncan, the current CEO, will become non-executive Chairman effective 1 June 2008, with Alan Bonner who is currently the MD of Pinnacle Group, our continuing telecom-centric business, taking over Graham's role as Group CEO. As also announced on 9 May 2008, Graham will retain a key responsibility within the Group for AIM matters, finance, and mergers and acquisitions.

Going forward, we now have a strong balance sheet, capital to rebuild the group and a strategy which maximises the skill set of the management team. Although the sale has materially reduced the size of the business, we now have an income stream that is largely of a recurring nature and we will take a measured approach to acquisitions, concentrating on telecom-centric businesses which have recurring revenues.

Eric M Hagman CBE
CHAIRMAN
30 May 2008

BUSINESS REVIEW

The half year has seen the sale of our IT project businesses, the elimination of all group debt and a material reduction in our head count, mainly as a result of the sale of the Eclectic and inGroup businesses which became effective on 31 December 2007.

The results of Eclectic and inGroup up to the date of sale are presented as discontinued operations in the income statement and shown as a single line item. This gives readers a better understanding of the operating results of the continuing businesses.

1) Turnover

Turnover of the continuing businesses for the half year was £725,695 compared to £415,921 in the equivalent period last year, a rise of nearly 75%, due to the acquisition of Pinnacle Group Limited in June 2007 and a turnover reduction in the other SME focussed businesses as effort was moved from IT services to telecom-centric services. The half-year turnover also compares favourably with turnover for the whole of the previous year which was £1,014,870.

Had the turnover from Eclectic and inGroup for the period up to 31 December 2007 been included, the half year turnover would have been £2,393,186. The difference from the published turnover of £725,695 is netted against relevant costs and shown as discontinued operations.

2) Gross Margins

The overall gross profit of the continuing businesses for the half year was £355,866 (2007 first half: £170,844 and 2007 full year: £236,959). Our gross margins have materially improved with the changing mix of services. For the half year we returned a gross margin percentage of 49.0% which compares against the half year last year of 41.1% and against just 23.3% for the whole of 2007. The maintenance of our margins is an important objective and monitoring margin on a monthly basis is a key performance indicator of the Board.

3) Exceptional Costs

Other than the amortisation of intangibles, which is a requirement of IFRS accounting and which has impacted the half year results by £81,711, the half year has been free of exceptional costs resulting from the continuing business.

4) Operating Loss

In the half year we have incurred an operating loss of £428,983 excluding discontinued operations (2006 half year: £738,264). Our half year operating loss includes amortisation of intangible assets of £81,711, as required under IFRS. The overheads of the business, compared against the full year, are now beginning to reduce and we expect further reductions to come through in the second half, given the many changes that we have made to the business.

5) Financing

The sale of Eclectic and inGroup was structured as a sale of the assets and undertakings of the two companies (including a transfer of the employees to the purchaser), and not a sale of the share capital of these entities. This had several advantages, not the least of which was speed, but it has left us with the legacy of the businesses to wind down. From a practical point of view, we have taken steps to in-gather all the receivables of the businesses at 31 December 2007 (the effective sale date) and pay down all the creditors.

BUSINESS REVIEW (CONTINUED)

We received two payments from the purchaser: one of £2.25m in early January 2008 and the balance of a net £0.47m during March 2008. The total, £2.72m, has been applied to pay the costs of the transaction; pay an agreed bonus of £0.25m to certain members of the management team of Eclectic, as approved by shareholders on 4 January 2008 as a related party transaction; and pay down all group debt, approximating to £0.8m. We expected the receivables of the businesses to broadly match the payables and this has proved to be correct. As at 31 March 2008, the group had £1,092,107 of net cash in hand and group trade and other receivables stood at £727,275 of which £393,960 remained on the balance sheets of Eclectic and inGroup. We are actively seeking to recover the Eclectic and inGroup debt, in some cases in conjunction with the purchaser.

Although this transaction has materially reduced the size of our business, it has left the Group with net cash and no debt which, in the opinion of the directors, gives us some strength in the current economic climate.

We have made significant changes to the business in the first half and it is our intention to organically grow the telecom-centric business going forward, as this business is underpinned by recurring revenues which are more stable than the project based revenues of the businesses that we have recently sold. We do not rule out acquisitions in the telecom space provided that we can acquire at acceptable prices and see a way of extracting costs from the acquired business to the advantage of our shareholders.

Graham J Duncan MA CA
CHIEF EXECUTIVE
30 May 2008

CONSOLIDATED INTERIM INCOME STATEMENT – UNAUDITED

for the six months ended 31 March 2008

	Note	6 months to 31 March 2008 £	6 months to 31 March 2007 £	12 months to 30 September 2007 £
Revenue	2	725,695	415,921	1,014,870
Cost of sales		(369,829)	(245,077)	(777,911)
Gross profit		355,866	170,844	236,959
Administrative expenses		(703,138)	(662,230)	(1,445,020)
Operating loss before amortisation, impairment of goodwill and exceptional cost		(347,272)	(491,386)	(1,208,061)
Amortisation of intangibles		(81,711)	(10,000)	(65,741)
Impairment of goodwill		–	–	(994,111)
Exceptional cost of fundamental reorganisation		–	(236,878)	(305,415)
Operating loss		(428,983)	(738,264)	(2,573,328)
Interest receivable		1,628	500	2,771
Interest payable		(3,333)	(5,599)	(12,600)
Finance costs		(1,705)	(5,099)	(9,829)
Loss before tax	3	(430,688)	(743,363)	(2,583,157)
Taxation		–	–	(439)
Loss for the period from continuing operations		(430,688)	(743,363)	(2,583,596)
Discontinued operations (Loss) / profit for the period from discontinued operations	3	(433,040)	145,620	(421,781)
Loss for the period	3	(863,728)	(597,743)	(3,005,377)
Loss per share				
– basic and fully diluted – continuing	4	(0.03)	(0.19)	(0.46)
– basic and fully diluted – discontinued	4	(0.04)	0.03	(0.07)
– basic and fully diluted – total	4	(0.07)	(0.16)	(0.53)

CONSOLIDATED INTERIM BALANCE SHEET – UNAUDITED

as at 31 March 2008

Note	31 March 2008 £	31 March 2007 £	30 September 2007 £
Assets			
Non-current assets			
Goodwill	–	3,564,504	–
Intangible assets	669,657	90,000	751,368
Property, plant and equipment	83,524	139,072	105,132
Total non-current assets	753,181	3,793,576	856,500
Current assets			
Inventories	3,344	46,475	22,524
Trade and other receivables	727,275	1,703,122	1,729,599
Cash and cash equivalents	1,116,749	111,022	157,361
Total current assets	1,847,368	1,860,619	1,909,484
Assets included in disposal groups	–	–	2,749,005
Total assets	2,600,549	5,654,195	5,514,989
Liabilities			
Short term borrowings	(27,042)	(658,925)	(587,308)
Trade and other payables	(357,096)	(543,912)	(1,234,194)
Other taxes and social security costs	(31,144)	(187,606)	(442,776)
Accruals and other payables	(232,193)	(948,064)	(384,987)
Total current liabilities	(647,475)	(2,338,507)	(2,649,265)
Non-current liabilities			
Long term borrowings	(16,233)	(85,235)	(65,155)
Total liabilities	(663,708)	(2,423,742)	(2,714,420)
Net assets	1,936,841	3,230,453	2,800,569
Equity attributable to equity holders of the parent			
Share capital	4,807,680	4,115,089	4,807,680
Share premium account	3,207,593	1,262,434	3,207,593
Other reserve	16,544	29,635	16,544
Fair value adjustment	(1,064,130)	(417,221)	(1,064,130)
Profit and loss reserve	5 (5,030,846)	(1,759,484)	(4,167,118)
Total equity	1,936,841	3,230,453	2,800,569

CONSOLIDATED INTERIM CASH FLOW STATEMENT – UNAUDITED

for the six months ended 31 March 2008

	6 months to 31 March 2008 £	6 months to 31 March 2007 £	12 months to 30 September 2007 £
Cash flows from operating activities			
Operating loss (including discontinued operations)	(859,204)	(565,350)	(2,491,961)
Adjustments for:			
Depreciation	39,312	54,744	93,778
Amortisation	81,711	–	65,741
Impairment of goodwill	–	–	994,110
Release of negative goodwill	–	–	(9,557)
Other non-cash items	–	9,607	(3,484)
Payment of corporation tax	–	–	(8,712)
Decrease / (increase) in inventories	19,180	(19,723)	11,228
Decrease / (increase) in trade and other receivables	1,002,324	(131,651)	331,844
(Decrease) / increase in trade payables, accruals and other creditors	(1,458,591)	324,942	70,872
Net cash flow from operating activities	(1,175,268)	(327,431)	(946,141)
Cash flows from investing activities			
Purchase of property, plant and equipment	(11,550)	(71,149)	(135,220)
Sale of property, plant and equipment	58,464	–	–
Disposal of subsidiary company	2,684,387		
Acquisition of subsidiaries, net of cash acquired	–	(1,762)	25,292
Net cash used in investing activities	2,731,301	(72,911)	(109,928)
Cash flows from financing activities			
Interest paid less interest received	(4,525)	(32,393)	(62,195)
Issue of shares	–	500,000	1,380,000
Receipt of bank finance	–	15,000	–
Repayment of borrowing	(98,603)	(22,019)	(28,716)
Repayment of former director's loan	–	(25,000)	–
Former subsidiary director's loan notes less repayments	–	–	(50,000)
Receipt from finance leases less repayment	(11,341)	13,223	34,695
Expenses paid in connection with share issue	–	(47,625)	(91,625)
Net cash used in financing activities	(114,469)	401,186	1,182,159
Net increase in cash	1,441,564	844	126,090
Cash and cash equivalents at beginning of period	(349,457)	(475,547)	(475,547)
Cash and cash equivalents at end of period	1,092,107	(474,703)	(349,457)
Analysis of changes in net debt			
Cash and cash equivalents comprise:			
Cash and cash equivalents	1,116,749	111,022	157,361
Bank overdrafts	(24,642)	(585,725)	(506,818)
	1,092,107	(474,703)	(349,457)

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY – UNAUDITED

for the six months to 31 March 2008

	Share capital £	Share premium £	Shares to be issued £	Other reserve £	Fair value £	Retained earnings £	Total £
At 1 October 2006	3,276,831	860,817	787,500	20,028	(417,221)	(1,161,741)	3,366,214
Loss for the year	–	–	–	–	–	(3,005,377)	(3,005,377)
Recognised directly in equity							
Share issue	1,530,849	–	–	–	(646,909)	–	883,940
Shares to be issued as part of acquisition	–	–	(787,500)	–	–	–	(787,500)
Premium on share issue	–	2,438,401	–	–	–	–	2,438,401
Share based payments	–	–	–	8,272	–	–	8,272
Lapse of share options	–	–	–	(11,756)	–	–	(11,756)
Expenses incurred on share issue	–	(91,625)	–	–	–	–	(91,625)
Net change directly in equity	1,530,849	2,346,776	(787,500)	(3,484)	(646,909)	–	2,439,732
Total movements	1,530,849	2,346,776	(787,500)	(3,484)	(646,909)	(3,005,377)	(565,645)
Equity at 30 September 2007	4,807,680	3,207,593	–	16,544	(1,064,130)	(4,167,118)	2,800,569
At 1 October 2007	4,807,680	3,207,593	–	16,544	(1,064,130)	(4,167,118)	2,800,569
Loss for the period	–	–	–	–	–	(863,728)	(863,728)
Equity at 31 March 2008	4,807,680	3,207,593	–	16,544	(1,064,130)	(5,030,846)	1,936,841

NOTES TO THE FINANCIAL STATEMENTS

for the six months ended 31 March 2008

1. Basis of preparation

This interim financial information has been prepared in accordance with the Company's accounting policies as disclosed in the financial statements for the year ended 30 September 2007. The interim statements were approved by the Board of Directors on 30 May 2008.

2. Analysis of revenue

	6 months to 31 March 2008 £	6 months to 31 March 2007 £	12 months to 30 September 2007 £
By business sector			
Mobile services	117,993	149,011	221,939
IT	83,773	266,910	423,503
Other communication services	523,929	–	369,428
Continuing operations	725,695	415,921	1,014,870
IT – discontinued operations	1,667,491	2,508,898	5,670,935
Total revenue	2,393,186	2,924,819	6,685,805
By destination			
United Kingdom	2,393,186	2,924,819	6,685,805
Total revenue	2,393,186	2,924,819	6,685,805
By origin			
Glen Communications – continuing operations	142,581	415,921	638,077
Pinnacle – continuing operations	583,114	–	376,793
Eclectic and IG – discontinued operations	1,667,491	2,508,898	5,670,935
Total revenue	2,393,186	2,924,819	6,685,805

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 31 March 2008

3. Analysis of losses

	6 months to 31 March 2008 £	6 months to 31 March 2007 £	12 months to 30 September 2007 £
By business sector			
Mobile services			
Loss from operations before exceptional items	(30,859)	(497,702)	(578,964)
Reorganisation costs	–	–	(278,843)
Impairment of goodwill	–	–	(935,314)
Loss from operations after exceptional items	(30,859)	(497,702)	(1,793,121)
IT			
Loss from operations before exceptional items	(19,815)	(11,947)	(124,927)
Reorganisation costs	–	–	(12,184)
Amortisation	(10,000)	(10,000)	(20,000)
Impairment of goodwill	–	–	(58,796)
Loss from operations after exceptional items	(29,815)	(21,947)	(215,907)
Other communication services			
Profit from operations before exceptional items	6,200	–	49,636
Reorganisation costs	–	–	(14,388)
Amortisation	(71,711)	–	(45,741)
Loss from operations after exceptional items	(65,511)	–	(10,493)
Head office	(304,503)	(223,714)	(564,075)
Continuing operations	(430,688)	(743,363)	(2,583,596)
IT – discontinued operations	(433,040)	145,620	(421,781)
Total losses	(863,728)	(597,743)	(3,005,377)
By destination			
United Kingdom	(863,728)	(597,743)	(3,005,377)
Total losses	(863,728)	(597,743)	(3,005,377)
By origin			
Glen Group – continuing operations	(304,503)	(223,714)	(564,075)
Glen Communications – continuing operations	(60,674)	(519,649)	(2,009,028)
Pinnacle – continuing operations	(65,511)	–	(10,493)
Total losses	(430,688)	(743,363)	(2,583,596)
Eclectic and IG – discontinued operations	(433,040)	145,620	(421,781)
Total losses	(863,728)	(597,743)	(3,005,377)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the six months ended 31 March 2008

4. Loss per share

	6 months to 31 March 2008 £	6 months to 31 March 2007 £	12 months to 30 September 2007 £
Basic and fully diluted	(0.07)	(0.16)	(0.53)
Loss for the period attributable to shareholders: Losses basic and fully diluted	(863,728)	(597,743)	(3,005,377)
Weighted average number of shares in issue:			
Basic and fully diluted	1,194,099,804	364,595,986	567,346,340

5. Profit and loss reserve

	6 months to 31 March 2008 £	6 months to 31 March 2007 £	12 months to 30 September 2007 £
Opening deficit	(4,167,118)	(1,161,741)	(1,161,741)
Loss for the period	(863,728)	(597,743)	(3,005,377)
Closing deficit	(5,030,846)	(1,759,484)	(4,167,118)

6. Statutory accounts

These financial statements do not constitute statutory accounts. Although the information has been reviewed by the auditors, it is unaudited. The statutory accounts for the year ended 30 September 2007, contained an unqualified audit report and are filed with the Registrar of Companies.

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 which comprises the consolidated interim income statement, consolidated interim balance sheet, consolidated interim cash flow statement, consolidated interim statement of changes in equity, accounting policies and the related notes. We have read the other information contained in the half yearly financial statements which comprise only the highlights, Chairman's Statement and Business Review and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, 'Review of Interim Financial Information performed by the Independent Auditor of the Entity'. Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a 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 conclusion we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting,' as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

GRANT THORNTON UK LLP

AUDITOR

EDINBURGH

30 May 2008

DIRECTORS, SECRETARY AND ADVISERS

Directors

Eric M Hagman CBE, Non-Executive Chairman
Graham J Duncan, Chief Executive Officer
David D Hewitt, Non-Executive Director

Company Secretary

Peterkins
Solicitors
100 Union Street
Aberdeen AB10 1QR

Registered Office

8-10 New Fetter Lane
London EC4A 1RS

Nominated Adviser

Seymour Pierce Limited
20 Old Bailey
London EC4M 7EN

Broker

Dowgate Capital Stockbrokers Limited
Talisman House
Jubilee Walk
Three Bridges
Crawley RH10 1LQ

Solicitors

Neil C Hunter
100 Union Street
Aberdeen AB10 1QR

Charles Russell LLP
8-10 New Fetter Lane
London EC4A 1RS

Auditors and Reporting Accountants

Grant Thornton UK LLP
1-4 Atholl Crescent
Edinburgh EH3 8LQ

Bankers

The Royal Bank of Scotland plc
Commercial Centre
100 West George Street
Glasgow G2 1PP

Bank of Scotland
47 High Street
Dalkeith
Midlothian EH22 1JA

Financial PR

Halogen Communications
4 Queen Street
Edinburgh EH2 1JE

Investor Relations

Pelham PR
No 1 Cornhill
London EC3V 3ND

Registrars

Computershare Investor Services plc
The Pavilions
Bridgwater Road
Bristol BS13 8AE

Company Number

05259846



Glen Group plc
Glen House, 6 Straiton View
Straiton Business Parc
Edinburgh EH20 9QZ

T. 0845 119 2100
F. 0845 119 2101
www.glengroup.co.uk
