

**Embargoed for release at 7.00 am on 26 September 2006**

**Mondas PLC**  
**(“Mondas” or “the Company”)**

**Interim Results for the six month period ended 30 June 2006**

Mondas, the specialist provider of software solutions to the banking & securities and education markets, announces its interim results for the six month period ended 30 June 2006

- 75 per cent. increase in revenue to £2.69 million (2005: £1.54 million)
- Profit after interest payable and before amortisation and restructuring costs, of £35,000 (31 October 2005: loss £605,000)
- All operating divisions now profitable
- Significant new name contracts from:
  - J.M. Finn
  - Panmure Gordon
  - Brewin Dolphin Securities
- Significant increase in sales opportunities resulting in new name sales and new business from the existing user base
- First US customer signed up - Ferris Baker Watts
- 2005 acquisitions now integrated resulting in increased revenues and profits
- Business Systems division delivers more profit in the period than in the year ended 30 April 2005

**Period post July 2006**

- Stronger financial market continues to drive Blue Curve’s growth
- New contracts signed with:
  - One of the largest UK based global investment banks
  - Charles Stanley Securities
  - MDM Bank (Russia)
- Convertible Unsecured Loan Stock ( “CULS” ) renegotiated and additional financing secured
- Significant project for rollout of CAPS to US and Asia from existing customer
- Group continues to trade strongly and is well positioned to achieve full year expectations

**Peter Waller**, Chairman, said:

*“I am delighted with the progress of all businesses within Mondas which resulted in this first half profit. The successes of our recent acquisitions demonstrate our growing ability to create value for shareholders and I am optimistic for our prospects for the remainder of the year.”*

**26 September 2006**

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## **Chairman's Statement**

### **Introduction**

I am pleased to announce the interim results for the six month period ended 30 June 2006. Your company has made significant progress in the period under review. With increasing sales activity across all divisions, we have achieved a profit, after net interest payable and before amortisation and restructuring costs of £35,000, compared with a loss of £605,000 for the comparative period. Our recent acquisitions have been successfully integrated and we have demonstrated their value by achieving higher than anticipated revenues, a reduction in costs and product cross selling opportunities.

### **Financial Results**

The group recorded a profit before amortisation, acquisition integration costs and taxation of £35,000 (2005 loss £605,000). This major improvement was due to all divisions generating profits in line with expectations. After adjusting for amortisation and acquisition costs, our result for the period was a loss of £213,000 (31 October 2005: £1,159,000 loss). Revenues increased by 75 per cent. to £2,690,000 (2005: £1,539,000), of which £626,000 arose from Blue Curve, which was acquired in January 2006. Significant increases were recorded across all revenue categories, with a notable increase in support base revenues arising from both increased sales, and from the acquisitions of Eclipse and Blue Curve. We are pleased to note that Blue Curve has traded ahead of our initial estimates, and additional equity consideration of £388,000 has been accrued against goodwill.

Operating costs excluding goodwill and acquisition integration expenses were £2,478,000. Certain cost reductions were made relating to the integration of central overheads. These savings were reinvested in increased sales and delivery staff. Acquisition integration costs were £67,000, the majority of which arose from provisions arising from the closure of certain premises.

Net interest payable increased slightly to £128,000 (2005: £108,000), arising from the increase of the Convertible Unsecured Loan Stock ("CULS") coupon rate from 8 per cent to 8.75 per cent, which took place on 1 November 2005, and from lower interest receipts from cash balances. Notional interest charges arose from the change in accounting policy described in the notes to the accounts.

On 16 January 2006 the acquisition of Blue Curve was completed. Consideration of £925,000 was paid by the issue of 5,606,060 10p ordinary shares which were issued at 16.5 pence each. On acquisition, and following a provisional fair value review, Blue Curve had net separable liabilities of £5,000 and, on that basis, purchased goodwill (including capitalised contingent consideration) of £1,318,000 arose on acquisition. Goodwill amortisation costs were £178,000 (2005: £472,000) and arose solely from Blue Curve and Eclipse, with the balance of DSR Resource being fully amortised by October 2005.

Cash outflows were reversed, allowing cash balances to increase to £534,000 from £397,000 at 31 December 2005. On 30 August 2006 our balance sheet was strengthened by the changes announced to the CULS, with the redemption date being extended to 31 October 2011, the coupon reduced to 8 per cent. and the conversion price adjusted to 25p. In addition a placing of £1,000,000 nominal of new CULS was completed at par, together with a small placing of 405,250 new ordinary shares at 16p per share, raising £65,000, to provide funds for incremental investment opportunities and working capital.

Debtors increased to £1,308,000 (2005: £952,000). This increase arose from an increase in sales volumes at the end of the respective periods, and a change in the timings of certain prepayments. Days sales outstanding, based on average billings for the final month of the period were 33 (2005: 34). Accruals and deferred revenue decreased, due to a change in the relative timing of certain

significant support renewals and payments made against cash consideration for the acquisition of Eclipse.

#### **Financial Markets Division Review**

Positive trading conditions in financial markets have resulted in increased opportunities for your company. During the period, we have won significant new contracts for our key products with Brewin Dolphin, Panmure Gordon and JM Finn. We have also added our first US customer, Ferris Baker Watts with our Blue Curve product. This momentum has continued into the second half with recent sales to Charles Stanley and MDM Bank (a Russian investment bank). These follow on from our contract win from a global investment bank announced in July. Our existing users, including Evolution Group plc, Credit Suisse and Investec continue to extend the use of our solutions, through licences and additional projects. Such a key additional project is the global roll out of our CAPS product to the US and Asia.

We have experienced an increase of confidence in our banking and securities customers as they seek to reduce their exposure to operational risk. This has increased the size and quality of our sales pipeline and appears to have reduced the sales cycles in some areas. In order to meet this increase in demand we have expanded our sales force, and invested in additional professional services staff.

#### **Business Systems Division Review**

Divisional sales have increased compared to 2005, with profits for the six month period being greater than those for the twelve month period ended 30 April 2005. In the period we signed four new college users, Norwich School of Art & Design, Stroud College of Gloucestershire, Oaklands College and Peterborough College of Adult Education. In addition, through our partnership with Pearson plc, we also contracted with 11 new schools and city academies. Demand was strong from the existing user base, particularly for additional modules developed for the Eclipse system, which was acquired at the end of 2005. Support revenues are now approximately £1.4m with a low level of attrition. We have opened a small office in Birmingham which will become the centre for our learner management solutions.

#### **Outlook**

A noticeable increase in sales activity and the reduction of sales cycles in some areas of financial markets coupled with a solid performance from the Business Systems Division gives the board increasing confidence in our ability to show the potential of the business. We have demonstrated our ability to acquire businesses and to integrate them, resulting in a significant improvement in their trading performance. We are encouraged by the sale of Blue Curve to our first US customer and have increasing global opportunities for both CAPS and Blue Curve products. We expect to rollout CAPS to our largest customer in both the US and Asia later in the second half.

Our overall visibility of business has improved significantly and the committed order book has strengthened throughout the year. Full year results will depend upon the timely delivery of projects and the successful closure of identified business. However, the board believes that the company will trade in line with market expectations and the directors view the future with optimism.

**Peter Waller**

Chairman

26 September 2006

**INTERIM CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**For the six months ending 30 June 2006**

	Six months ended 30 June 2006	Six months ended 30 June 2006	Six months ended 30 June 2006	Six months ended 31 October 2005	8 months ended 31 December 2005
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
	Acquisitions	Continuing Operations	Total	Total	Total
	£	£	£	£	£
<b>Turnover</b>	625,965	2,064,318	2,690,283	1,538,960	2,091,456
Cost of sales	(10,000)	(38,795)	(48,795)	(82,295)	(90,949)
<b>Gross profit</b>	615,965	2,025,523	2,641,488	1,456,665	2,000,507
Amortisation of Goodwill	(124,922)	(53,118)	(178,040)	(472,691)	(494,826)
Non Goodwill administration costs	(429,324)	(2,049,082)	(2,478,406)	(1,954,078)	(2,622,062)
Restructuring charge	(51,121)	(15,649)	(66,770)	(67,856)	(90,070)
<b>Total administrative expenses</b>	(605,367)	(2,117,849)	(2,723,216)	(2,494,625)	(3,206,958)
<b>Operating profit / (loss)</b>	10,598	(92,326)	(81,728)	(1,037,960)	(1,206,451)
Net interest payable			(128,250)	(107,883)	(150,700)
Amortisation of Convertible Loan Stock issue costs charged to net interest			-	(13,900)	-
Notional CULS interest			(41,565)	-	(89,428)
Net Interest			(169,815)	(121,783)	(240,128)
<b>Profit / (loss) after interest payable, before amortisation of goodwill and restructuring.</b>			34,832	(605,296)	(772,255)
<b>Loss on ordinary activities before taxation</b>			(251,543)	(1,159,743)	(1,446,579)
Taxation on loss on ordinary activities			38,240	-	-
<b>Loss for the period</b>			(213,303)	(1,159,743)	(1,446,579)
<b>Basic and diluted loss per share</b>			(0.5p)	(4.4p)	(5.4p)

**CONSOLIDATED INTERIM BALANCE SHEET**  
**At 30 June 2006**

	<b>30 June 2006 (unaudited) £</b>	<b>31 October 2005 (unaudited) £</b>	<b>31 December 2005 (audited) £</b>
<b>Fixed assets</b>			
Intangible assets	1,693,849	518,039	509,102
Tangible assets	96,805	123,503	109,577
	<u>1,790,654</u>	<u>641,542</u>	<u>618,679</u>
<b>Current assets</b>			
Debtors	1,308,029	952,466	840,911
Cash at bank and in hand	534,280	660,386	397,405
	<u>1,842,309</u>	<u>1,612,852</u>	<u>1,238,316</u>
<b>Creditors: Amounts falling due within one year</b>	(937,917)	(377,810)	(392,081)
	<u>904,392</u>	<u>1,235,042</u>	<u>846,235</u>
<b>Net current assets</b>	904,392	1,235,042	846,235
<b>Total assets less current liabilities</b>	2,695,046	1,876,584	1,464,914
<b>Creditors: Amounts falling due in more than one year</b>			
Convertible 8.75 per cent. Unsecured loan stock 2007	(2,864,633)	(2,959,908)	(2,823,067)
Accruals and deferred income	(1,295,439)	(1,721,887)	(1,392,196)
<b>Net (liabilities)</b>	<u>(1,465,026)</u>	<u>(2,805,211)</u>	<u>(2,750,349)</u>
<b>Capital and reserves</b>			
Contingent equity consideration	388,000	-	-
Called up share capital	3,644,250	2,822,775	2,822,775
Share premium account	6,717,498	6,428,346	6,428,347
Profit and loss account	(12,214,774)	(12,056,332)	(12,001,471)
<b>Equity shareholders' deficit</b>	<u>(1,465,026)</u>	<u>(2,805,211)</u>	<u>(2,750,349)</u>

**INTERIM CONSOLIDATED CASH FLOW STATEMENT**  
**For the six months ended 30 June 2006**

	<b>Six months ended 30 June 2006 £</b>	<b>Six months ended 31 October 2005 £</b>	<b>Eight months ended 31 December 2005 £</b>
<b>Net cash outflow from operating activities</b>	(14,405)	(81,569)	(381,850)
Returns on investments and servicing of finance	(129,329)	(107,884)	(150,700)
Taxation	38,240	-	-
Net Capital expenditure	(16,879)	(13,660)	(10,610)
Acquisition of subsidiary	73,619	(159,550)	(159,550)
Cash outflow before use of liquid resources and financing	(48,754)	(362,663)	(702,710)
Management of liquid resources	(16,721)	(38,907)	94,249
<b>Financing</b>			
Issue of ordinary capital including premium net of costs	185,629	69,250	69,250
Increase/(decrease) in cash	120,154	(401,570)	(608,461)

**Notes to the interim results**

**1. Interim Report**

This interim report was approved by the Board on 25 September 2006. It has been prepared using accounting policies that are consistent with those adopted in the statutory accounts for the eight month period ended 31 December 2005.

The figures for the eight month period ended 31 December 2005 were derived from the statutory accounts for that period. The statutory accounts for the eight month period to 31 December 2005 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain statements under s273(2) or (3) of the Companies Act 1985

The accounts have been prepared on a going concern basis as the Directors believe that the current sales prospects combined with existing working capital resources should ensure that Mondas has adequate working capital to service its existing business for the foreseeable future.

**2. Change in accounting policy**

Financial Reporting Standard (FRS) 25 Financial Instruments: Disclosure and Presentation requires a company to recognise separately the components of a financial instrument that a) creates a financial liability of the entity and b) grants an option to the holder of the instrument to convert it into an equity instrument of the entity. As a result of this the company's CULS were restated for the eight month period ended 31 December 2005. The liability element of the CULS has been calculated based upon future cash flows discounted at an interest rate that would have been payable on a loan without a conversion option. The impact of this instrument is that non cash interest and loan amortisation costs for that period have been increased by £78,138 and net assets and shareholders' funds at 31 December 2005 increased by £263,588.

The six month period ended 31 October 2005 comparatives have not been restated as advantage has been taken of the exemption granted under FRS 25, and were prepared under the group's previous accounting policy with the CULS accounted for in accordance with FRS 4

Had the prior period comparatives been restated it would have resulted in a lower CULS balance in the balance sheet, an improved retained loss position and a higher interest charge in the profit and loss account.

### **3. Dividend**

The directors do not recommend paying a dividend for the six months ended 30 June 2006

### **4. Loss per share**

Basic and Diluted loss per share for the 6 month period is based on a weighted average number of shares outstanding throughout the six months ended 30 June 2006 of 35,757,937 (2005: 26,286,763) and loss after taxation of the £213,303 (2005: £1,159,743). The CULS and share options were non-dilutive for both periods and thus the diluted loss per share is the same as the basic amount.

### **5. Contingent Equity Consideration**

The consideration for the acquisition of Blue Curve announced in November 2005, and completed on 16 January 2006 includes an element of deferred consideration which is payable as set out below.

Additional consideration of up to £2,075,000 is payable based on Blue Curve's revenues for the year ending 31 December 2006, after deducting for any shortfall adjustment, at the rate of twice the excess above a minimum revenue of £1.15 million. The shortfall adjustment is defined as 1.5 times the amount by which Blue Curve's revenues for the year ending 31 December 2005 fall below £925,000. The deferred consideration is payable by the issue of up to a further 12,205,882 new Mondas ordinary shares, issued at the higher of 17p per share and a discount of 10 per cent. to the mid market price of a Mondas ordinary share on the date of the announcement of preliminary results for the year ending 31 December 2006.

The Board has estimated the current value of this additional consideration as £388,000 which has been accounted for as an adjustment to goodwill arising on acquisition, and as a potential equity reserve. The value of this consideration will be determined post the audit for the year ended 31 December 2006.

### **7. Tax on loss on ordinary activities**

The amount represents a tax refund regarding Research and Development tax credits received during the period.

## 8. Reconciliation of net cash flow to movement in net debt

	Six months ended 30 June 2006 £	Six months ended 31 October 2005 £	Eight months ended 31 December 2005 £
Opening net debt – as previously stated	(2,425,662)	(1,920,720)	(1,920,720)
FRS 25 Restatement	-	-	217,946
Opening net debt	(2,425,662)	(1,920,720)	(1,702,774)
Change in cash	120,154	(409,385)	(539,211)
Cash outflow from increase/(decrease) in liquid resources	16,721	38,907	(94,249)
Change in net debt from cash flows	136,875	(370,478)	(633,460)
Amortisation of CULS	-	(13,900)	-
Notional CULS interest	(41,565)	-	(89,428)
Closing net debt	(2,330,352)	(2,291,198)	(2,425,662)

## 9. Reconciliation of movements in shareholders funds

	Six months ended 30 June 2006 £	Six months ended 31 October 2005 £	Eight months ended 31 December 2005 £
Loss for the financial period	(213,303)	(1,159,743)	(1,446,579)
Issue of ordinary shares at par	821,475	208,611	208,611
Contingent equity consideration	388,000	-	-
Premium on new share issued (net of expenses)	289,152	147,638	147,639
Net addition/(reduction) to shareholders' funds	1,285,324	(803,494)	(1,090,329)
Opening shareholders deficit			
:- as previously stated	(2,750,350)	(2,001,717)	(2,001,717)
FRS 25 restatement	-	-	341,696
Opening shareholders' deficit after restatement	(2,750,350)	(2,001,717)	(1,660,021)
Closing shareholders deficit	(1,465,026)	(2,805,211)	(2,750,350)

## **10. Post Balance Sheet Events**

On 30 August 2006 an extraordinary general meeting of the company and the CULS holders approved certain variations to the CULS. Key changes are summarised below:

1. the amendment of the redemption date of the CULS from 31 October 2007 to 31 October 2011;
2. the amendment, with effect from, but not including, 31 August 2006, of the rate of the interest from 8.75 per cent. to 8 per cent.;
3. the enhancement of the conversion rights from two ordinary shares for every £1 nominal of CULS to four ordinary shares for every £1 nominal of CULS and the inclusion of appropriate adjustments to the conversion rights in the event of a bonus issue or rights issue.

The Company raised £1,000,000 (before expenses) by the issue of the additional CULS at a price of 100p per £1 nominal. Additionally, the company placed 406,250 new 10 pence ordinary shares at 16p per share, raising £65,000 for the Company before expenses. These were issued to certain subscribers of additional CULS to enable their subscriptions to qualify under the Venture Capital Trust Scheme.

## **11. Sundry Information**

This interim statement was approved by the Board on 25 September 2006. Copies of the interim report are being sent to all shareholders of the Company and are available to the public from the Company's registered office: 17-29 Sun Street, London EC2M 2PT and the offices of John East & Partners Limited, Crystal Gate, 28-30 Worship Street, London EC2A 2AH.