



Intellego Holdings plc

Interim Report

For the six months ended 30 September 2005

1 November 2005

INTELLEGO HOLDINGS PLC
(“Intellego” or “the Company”)

Interim results
for the half-year to 30 September 2005

The Board of Intellego, the AIM listed training and support services business, specialising in the provision of rapid e-Learning solutions, is pleased to announce organic sales growth of 80% in its unaudited interim results for the half-year to 30 September 2005.

HIGHLIGHTS

- ❑ Sales up by over 80% to £313,859 (six months to 2 October 2004, £172,926).
- ❑ Gross profit up to £227,541 (2004: £118,316) representing 92% growth.
- ❑ Loss before tax £179,915 (2004: loss £69,547) in line with budget.
- ❑ Significant new customer wins including: Norwich Union and two NHS Trusts.
- ❑ Quality of margin at top end of Board's expectations, reflecting continuing shift to a services based business increasing the value added and value per sale.
- ❑ Acquisition of Modinex Limited, to enable the Group to broaden its offering with a world class product delivered as a turnkey solution for the SAP training market.
- ❑ Discussions in hand to expand commercial relationship and secure improved terms with key suppliers.
- ❑ Outlook - the second half has started well with continuation of the growth in sales achieved in the first half

Commenting on today's results, Mike Couzens, Chairman of Intellego Holdings plc, said: *“The Company's strong performance in the six months to 30 September 2005 demonstrates our capability to maintain sales growth on a larger base of revenue. We are enjoying this growth as a consequence of new partnerships, high-profile customer wins and repeat sales from existing customers.*

The operating loss incurred is in line with our budget and reflects the investments that we are making in expanding our sales-force and our technical services delivery capability.”

CHAIRMAN'S STATEMENT

The Company's strong performance in the six months to 30 September 2005 demonstrates our capability to maintain organic sales growth on a larger base of revenue. Turnover in the period, supported by a series of significant new customer wins, rose by over 80% to £313,859 (six months to 2 October 2004, £172,926).

Gross profit increased by over 92% to £227,541 (2004: £118,316). The value and quality of our gross margin was exceptional at 72.5% (2004: 68%). This was achieved with an increase in the proportion of technical services delivered with products, which in the period was 54% (2004: 30%). Notably, Intellego secured two important content development contracts; firstly with DHL in the United Kingdom and Switzerland, (who are existing users of the XStream "Rapid" e-learning authoring tools) and secondly, Davis Langdon and Seah International, a world leading firm of chartered quantity surveyors, construction cost consultants and project managers.

The Company incurred pre-tax losses in the period of £179,915 (six months to 2 October 2004, pre tax loss £69,547), in line with the Board's expectations and budget at this stage in the development of the Company.

Product update and new client wins

The Company has now secured over 100 customers, the majority of which are large corporate or government organisations, in: transport and distribution; telecommunications; local government; higher education; financial services and the travel & leisure sectors. New customers secured include; Norwich Union, Cap Gemini and two NHS Trusts.

Our focus remains on providing quality solutions which enable organisations to address the development of customised workforce training materials for complex enterprise software applications, such as those provided by Oracle, SAP and Siebel. The Board believes that this market will present higher barriers to entry for competition versus more general purpose business skill subject areas.

The Board is also seeing a significant rise in the level of interest in the deployment of Learning Management Systems ("LMS"). In the period we have sold six such systems, ranging from entry level solutions for the NSPCC and others, through to our contracts with OKI (a market leader in the global colour printer market) and Berwin Leighton Paisner solicitors (named law firm of the year in 2004 by the Lawyer Magazine) for highly specified enterprise solutions. The Board believes that the LMS is now recognised as the key enabling technology behind e-learning adoption, as it provides not only the administrative and content management back-bone, but more importantly the framework for reporting on workforce competency and return on investment calculations. In the period under review, the Company secured 17% of its revenue from LMS licence sales, compared with 2% in the six months ended 2 October 2004.

Entry into SAP Training Market

On 29 June 2005, Intellego announced its entry into the SAP training market in the UK having signed a partnership agreement with the German based Team Training Net GmbH (TTN).

At the core of this partnership with the Berlin based SAP training solutions provider is an agreement that grants Intellego exclusive distribution rights in the United Kingdom and Republic of Ireland to TTN's business systems training and process documentation authoring software for two years effective 1 July 2005.

Acquisition of Modinex Limited (now renamed Intellego TTS)

On 1 July 2005 the Company announced that it had acquired Modinex Limited (now renamed Intellego TTS) in order to provide a more complete service-based solution for training in the SAP arena. The consideration for the acquisition comprises the issue of up to 4,900,000 Ordinary shares at 5.38p per share being the market value of the shares at the date of acquisition. The number of shares to be issued will be determined according to the achievement of certain performance targets. The Board simultaneously reported that HB Corporate had placed 2,100,000 Ordinary Shares of 0.5p at 5p raising £98,900 net of expenses, the funds raised providing additional working capital for the enlarged Intellego business.

Intellego wins St Mary's NHS Trust, Kingston Hospital NHS Trust and Xerox accounts

In September and October, Intellego announced important new customer wins with St Mary's NHS Trust and Kingston Hospital NHS Trusts respectively. Intellego has provided both NHS Trusts with an e-Learning solution based upon the XStream programming-free technologies which will enable IT Training staff at both hospitals to develop internally e-Learning programmes for a number of their operational software systems including the patient administration system.

Additionally, during September, Intellego announced an important new customer win with Xerox, where Intellego has provided an e-Learning solution to enable Xerox to develop workforce training programmes for their SAP operational software systems both in the UK and in other selected European countries.

The Board is proud to add Xerox, St Mary's NHS Trust and Kingston Hospital NHS Trust, to Intellego's existing blue-chip customer base.

Strengthening the team

In the period, the team was strengthened with the non-board appointments of two highly experienced sales executives from the e-learning industry, both of whom have, in the period, secured new customers for the Company

Additionally, to prospect for new opportunities, the Company has established a telesales operation comprising both employed and outsourced telesales resource. This team is operating in conjunction with an outsourced telesales team, in order to support the Company's ambitions for rapidly growing revenue lines.

The Board has also recruited additional technical personnel to ensure that our customers are well trained in the use of our technologies and supported to a high standard. The Board believes that high calibre technical services will increase customer satisfaction and ultimately ensure repeat business.

Post Balance Sheet Events

In October the Board commenced discussions with NetDimensions Limited of Hong Kong (an existing supplier to the Company) with a view to securing improved commercial terms and expanding of the scope of its relationship to include direct and indirect sales of the NetDimensions LMS. As already noted the Company has, in the period under review, seen significant growth in its sales of LMS technologies and expects a continuation of this demand. Net Dimensions has numerous prestigious customers such as: HSBC; ABN Amro; ING and Cathay Pacific Airways. The Board is pleased to report that these discussions have positive momentum and a further announcement can be expected shortly.

To enable the Company to fully exploit the potential of the proposed enhanced relationship with NetDimensions the Board is considering a placing of Ordinary Shares to provide increased working capital for the enlarged business.

Outlook

Historically, we have seen that our turnover is weighted 35/65 towards the second half of the financial year, (October to March). We anticipate that this pattern will at least be reflected in the current financial year as we see incremental growth from Intellego TTS (our SAP training division), which has, since joining the Group in July this year generated a significant pipeline of new business opportunities. We are maintaining tight control on the operating cost base of the business and this is not expected to increase significantly in the second half of the financial year. Overall therefore, the Board expects that the improvement will be continued into the second half.

In summary, the Company has strong sales pipeline in both its Intellego Systems and Intellego TTS divisions with over 70 new qualified prospects, this bodes well for the future. As stated at admission, it remains our intention to scale the business through selective acquisitions at the appropriate juncture.

Summarised unaudited consolidated profit & loss account for Intellego Holdings Plc for the six months to 30th September 2005

	Notes	Six months ended 30-Sep-05 £	Six months ended 02-Oct-04 £	Audited Year ended 31-Mar-05 £
Turnover		313,859	172,926	517,812
Cost of Sales		(86,318)	(54,610)	(176,345)
Gross margin		227,541	118,316	341,467
Sales and Administrative Expenses		(397,758)	(179,378)	(506,996)
Operating Loss		(170,217)	(61,062)	(165,529)
Interest receivable		277	90	834
Interest payable		(9,975)	(8,575)	(11,589)
Loss on ordinary activities before taxation		(179,915)	(69,547)	(176,284)
Tax on loss on ordinary activities		-	-	-
Loss on ordinary activities after taxation		(179,915)	(69,547)	(176,284)
Loss per share	1	<u>(0.47)p</u>	<u>(0.35)p</u>	<u>(0.84p)</u>

All operations are continuing.

There are no recognised gains and losses other than the losses disclosed above

Summarised unaudited consolidated balance sheet for Intellego Holdings Plc as at 30 September 2005

	30-Sep-05	02-Oct-04	Audited 31-Mar-05
	£	£	£
Fixed assets			
Investments	279,205	-	-
Intangible fixed assets	19,195	25,075	22,125
Tangible fixed assets	81,022	23,157	64,946
	379,422	48,232	87,071
Current Assets			
Stocks	5,500	2,998	3,996
Debtors	530,874	196,740	425,700
Cash at bank and in hand	5,471	4,692	200,477
	541,845	204,430	630,173
Creditors: amounts falling due within one year	(356,755)	(250,561)	(331,731)
Net current assets / (liabilities)	185,090	(46,131)	298,442
Total assets less current liabilities	564,512	2,101	385,513
Creditors: amounts falling due after more than one year	(31,274)	(38,476)	(34,879)
Net assets / (liabilities)	533,238	(36,375)	350,634
Capital and Reserves			
Called up share capital	196,000	100,000	185,000
Share premium	496,645	-	408,746
Shares to be issued	263,620	-	-
Profit and loss account	(423,027)	(136,375)	(243,112)
Shareholders' funds	533,238	(36,375)	350,634

Summarised unaudited consolidated cash flow statement for Intellego Holdings Plc as at 30 September 2005

	Notes	Six months ended 30-Sep-05 £	Six months ended 02-Oct-04 £	Audited year ended 31-Mar-05 £
Net cash outflow from operating activities	2	(194,636)	(2,003)	(247,743)
Returns on investments and servicing of finance				
Interest received		277	90	834
Interest paid		(9,975)	(8,575)	(11,589)
Net cash outflow from investments and servicing of finance		<u>(9,698)</u>	<u>(8,485)</u>	<u>(10,755)</u>
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(23,460)	-	(45,698)
Purchase of investments		(15,585)	-	-
		<u>(39,045)</u>	<u>-</u>	<u>(45,698)</u>
Net cash flow before financing		<u>(243,379)</u>	<u>(10,488)</u>	<u>(304,196)</u>
Financing				
Issue of shares		98,900	15,000	508,747
Principal repayments of loans		(5,303)	(5,093)	(9,929)
Net cash inflow from financing		<u>93,597</u>	<u>9,907</u>	<u>498,818</u>
(Decrease)/increase in cash in the period	3	<u>(149,782)</u>	<u>(581)</u>	<u>194,622</u>

Notes to the unaudited consolidated interim results

1. Loss per share

The loss per share is calculated by reference to the capital structure that existed following the acquisition of Intellego Systems Limited by Intellego Holdings Plc on 17 December 2004:

	Six months ended 30-Sep-05	Six months ended 02-Oct-04	Audited year ended 31-Mar-05
Loss per share	<u>(0.47)p</u>	<u>(0.35)p</u>	<u>(0.84)p</u>

There is no material difference between basic and fully diluted loss per share.

The calculation of loss per share is based on the loss on ordinary activities for the period ending 30 September 2005 and 38,118,032 shares, being the weighted average number of shares in issue during the period to 30 September 2005.

2. Net cash flow from operating activities

	Six months ended 30-Sep-05 £	Six months ended 02-Oct-04 £	Audited year ended 31-Mar-05 £
Operating loss	(170,217)	(61,062)	(165,529)
Amortisation of intangible fixed assets	3,130	2,950	5,900
Depreciation of tangible fixed assets	7,184	3,301	7,209
Decrease/(increase) in stocks	(1,504)	502	(496)
Increase in debtors	(105,174)	(17,626)	(246,586)
Increase in creditors	71,945	69,932	151,759
Net cash outflow from operating activities	(194,636)	(2,003)	(247,743)

3. Reconciliation of net cash flow to movement in (net debt) / funds

	Six months ended 30-Sep-05 £	Six months ended 02-Oct-04 £	Audited year ended 31-Mar-05 £
(Decrease)/increase in cash in the period	(149,782)	(581)	194,622
Cash outflow from decrease in debt and lease financing	5,303	5,093	9,929
Movement in net debt in the period	(144,479)	4,512	204,551
Net debt / (Funds) at start of period	111,464	(93,087)	(93,087)
Net debt / (Funds) at end of period	(33,015)	(88,575)	111,464

4. Basis of Preparation

The accounting policies and presentation of figures in this preliminary announcement have been prepared on the same basis as set out in the consolidated financial statements for the year ended 31 March 2005.

The financial information set out in the announcement does not constitute the company's statutory accounts within the meaning of section 240 of the Companies Act 1985.

The financial information for the year ended 31 March 2005 is derived from the statutory accounts which have been delivered to the Registrar of Companies and on which the auditors gave an unqualified opinion.

The comparative accounts for the six months to 2 October 2004 are derived from the unaudited results of Intellego Systems Limited as an individual company, prior to the acquisition of that company by Intellego Holdings Plc.

5. Date of approval

This interim statement was approved by the directors of Intellego Holdings Plc on 1 November 2005.

6. Availability of Information

A copy of this statement is available from the Company's place of business:

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Company number	5212388
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