Intellego (IHP)
Add to Alerts list

23 December, 2011

Intellego
Interim Results for the 6 months to 30 September 2011

Intellego Holdings plc
('Intellego' or 'the Company')

INTERIM RESULTS FOR THE SIX MONTHS TO 30 SEPTEMBER 2011

The Board of Intellego, the AIM traded eLearning and compliance courseware solutions business, announces its unaudited interim results for the six months to 30 September 2011.

HIGHLIGHTS OF INTERIM RESULTS

* Balance sheet strengthened net assets £88,441 (2010: net liabilities £624,712)
* Revenues £578,940 (2010: £826,444) affected by sale of business unit in April 2010 resulting in a loss £132,469 (2010: profit £63,734)
* New management recruited with the acquisition of PIXELearning Ltd
* Exceptional item resulted in write-back of liabilities £571,403

POST BALANCE SHEET ACTIVITIES

* Two new business wins announced post 30 September 2011
* MOU to acquire majority interest in Digital Learning Marketplace project
* Move to new offices in Central London

Commenting on these results, Chairman Angus Forrest, said: "The financial transition that was started two years ago is progressing well with the balance sheet strengthening by £464,000 since 31 March 2011. We have a new management team that is taking the Company forward with new vision. They have begun to change the business model and are pursuing new initiatives. The benefits have started to become apparent since the period end. Your Board believes the full year results will show a significant improvements in sales."

--END--

For further enquiries please contact:

Intellego Holdings plc Tel: 020 7408 4720
Angus Forrest / Andy Hasoon

Beaumont Cornish Limited Tel: 020 7628 3396
Roland Cornish

Rivington Street Corporate Finance(Broker) Tel: 020 7562 3357
Jon Levinson

Allenby Capital Limited(Broker) Tel: 020 3328 5656
Nick Naylor / Nick Athanas

Leander (Financial PR) Tel: 07795 168 157
Christian Taylor-Wilkinson

Intellego Holdings plc

Unaudited Condensed Consolidated Interim Financial Statements for the period ended 30 September 2011

Chairman's Interim Statement at 30 September 2011

As long-standing shareholders are aware, over the past two years your Company has been going through a financial and business model transition. In the period there have been several significant achievements and post balance sheet the results of work carried out during this period are being demonstrated.

The financial reorganisation was completed with Intellego's liabilities having been reduced by £1.6 million over the past 18 months.

In April Intellego acquired PIXELearning Ltd ("Pixel"), which took us into gamification, the use of serious games as part of the learning process. By playing games, people learn more effectively. This is a high-end product offering us the ability to charge premium prices; research by Gartner indicates that most large corporates will use gamification as part of their learning programmes within two years.

With the acquisition of Pixel, Andy Hasoon joined as a director. He has 20 years' experience of the learning industry and founded "50Lessons", a learning business that was bought by Skillsoft in February 2011. In September Andy was appointed Chief Executive of the enlarged group.

In the period we began reorganising and restructuring the business model, invested significantly in new people and we continue to develop and invest in the business.

We have new partnership agreements in place with Pannone, a leading Manchester based legal firm; and Intuition which is distributing our Zenosis range of pharmaceutical compliance and regulatory courses in North America.

Financial

The results for this six month period have been affected by a combination of exceptional one-off items and sales falling below budget as the business model was being changed.

The balance sheet now shows net assets £88,441 (March 2011 liabilities £375,590). It has strengthened by £464,000 since March and £327,000 of the liabilities are long term which can be settled by issuing shares.

One-off items: The largest of the write-backs is the benefit to the balance sheet as the historic liabilities were written-off; there have been write-downs and write-offs of some of the intangible assets and goodwill. Further, there has been the inclusion of a provision for deferred consideration for the acquisition of Pixel which would be payable in shares.

Over the period we have been transitioning the business model and this impacted the sales, however I am pleased to report that there have been several significant sales wins post balance sheet which are direct benefits from Pixel and the changes made, some of these are described below.

Post balance sheet events

Since 1 October the work that has been going on for the past six months has begun to convert into tangible benefits so we have been able to announce:

Two wins relating directly to our acquisition of Pixel, £167,000 and SGD 205,000, a total of £268,000.

The Company has entered into a MOU to make an initial investment of £160,000 for a majority interest in the Digital Learning Marketplace ("DLM"); this is the single biggest initiative that your company has undertaken and has the potential to change the way learning is created and distributed worldwide. The total value of the consortium's commitments to the DLM is £1,500,000, with half the finance being provided by a Technology Strategy Board grant of £750,000. The DLM is being built as a revolutionary new learning platform designed to allow Corporations, SME businesses, and professionals to access their day-to-day and future learning requirements with the goal of helping them improve their business performance.

The Directors believe that the DLM will be the first source of truly personalised learning, giving users the ability to create their own focused courses in affordable blocks, built from materials supplied by a diverse range of providers. It will enable the owners of learning content to trade and monetise their learning assets.

In December, the Company moved from offices in Teddington, where the lease is due to expire at the end of the year, to Central London where we have been able to secure excellent premises at a very favourable rate. The new premises are more central, twice the size and offer better scope to meet clients and others, whilst the total cost is similar.

We are holding a number of shareholder events in the next quarter to demonstrate in greater detail what we are doing for our customers and where we are driving the business.

Outlook

The developments referred to earlier are beginning to result in both more business wins and higher revenues month-on-month. We continue to invest in both sales resource and new products, which we are confident will grow the business for the balance of the year and into the future.

Condensed consolidated interim statement of comprehensive income for the six months ended 30 September 2011

	Note	**Unaudited Six months to 30 September 2011**	Unaudited Six months to 30 September 2010	Audited Year to 31 March 2011
		£	£	£
Continuing operations				
Revenue		**578,940**	826,444	1,598,245
Sale of distribution rights		**-**	176,000	407,838
		578,940	1,002,444	2,006,083
Cost of sales		**(272,714)**	(233,533)	(574,062)
Gross profit		**306,226**	768,911	1,432,021
Operating charges before depreciation and amortisation and exceptional items		**(869,905)**	(706,113)	(1,485,671)
Exceptional items	**4**	**571,403**	100,215	386,519
EBITDA after exceptional items		**7,724**	163,013	332,869
Depreciation and amortisation		**(140,161)**	(88,729)	(176,193)
Operating (loss)/ profit		**(132,437)**	74,284	156,676
Finance income		**-**	-	-
Finance cost		**(32)**	(10,550)	(10,800)
(Loss) / profit before tax expense		**(132,469)**	63,734	145,876
Tax expense		**-**	-	-
(Loss) / profit for the period attributable to equity holders of the company		**(132,469)**	63,734	145,876
Other comprehensive income / (expense)		**-**	-	-
Total comprehensive (expense)/ income attributable to equity holders of the company		**(132,469)**	63,734	145,876
(Loss)/earnings per share attributable to the equity holders of the company during the period				
Basic and diluted (loss)/ earnings per share	**6**	**(0.03)p**	0.02p	0.05p

Condensed consolidated interim statement of financial position

	Unaudited 30 September 2011 £	Unaudited 30 September 2010 £	Audited 31 March 2011 £
ASSETS			
Non-current assets			
Property, plant and equipment	**3,133**	28,022	1,803
Goodwill	**663,389**	206,289	206,289
Other intangible assets	**318,499**	177,157	142,920
	985,021	411,468	351,012
Current assets			
Inventory	**5,740**	12,000	7,589
Trade and other receivables	**183,683**	310,100	347,553
Cash and cash equivalents	**30,608**	5,226	38,943
	220,031	327,788	394,085
Total assets	**1,205,052**	738,794	745,097
LIABILITIES			
Non-Current liabilities			
Trade and other payables	**327,482**	275,773	220,000
Long-term borrowings	**-**	111,650	91,350
	327,482	387,423	311,350
Current liabilities			
Trade and other payables	**446,923**	315,690	621,552
Short-term borrowings	-	43,086	40,600
	446,923	358,776	662,152
Deferred income and other provisions	**342,206**	617,307	147,185
	789,129	976,083	809,337
Total liabilities	**1,116,611**	1,363,506	1,120,687
Net assets / (liabilities)	**88,441**	(624,712)	(375,590)
EQUITY			
Share capital	**1,039,134**	879,934	924,134
Share premium	**2,133,911**	1,679,631	1,802,411
Shares to be issued	**10,000**	-	-
Merger reserve	**171,000**	31,000	31,000
Profit and loss account	**(3,265,604)**	(3,215,277)	(3,133,135)
Total equity	**88,441**	(624,712)	(375,590)

Condensed consolidated interim statement of changes in equity (unaudited)

	Share capital £	Share premium £	Shares to be issued £	Merger Reserve £	Profit and loss reserve £	Total equity £
Balance at 1 April 2010	853,017	1,545,048	-	31,000	(3,279,011)	(849,946)
Shares issued	26,917	134,583	-	-	-	161,500
Profit for the period	-	-	-	-	63,734	63,734
Balance at 30 September 2010	879,934	1,679,631	-	31,000	(3,215,277)	(624,712)
Balance at 1 October 2010	879,934	1,679,631	-	31,000	(3,215,277)	(624,712)
Shares issued	44,200	122,780	-	-		166,980
Profit for the period	-	-	-	-	82,142	82,142
Balance at 31 March 2011	924,134	1,802,411	-	31,000	(3,133,135)	(375,590)
Balance at 1 April 2011	924,134	1,802,411	-	31,000	(3,133,135)	(375,590)
Shares issued	115,000	471,500	-	-	-	586,500
Shares to be issued	-	-	10,000	-	-	10,000
Loss for the period	-	-	-	-	(132,469)	(132,469)
Balance at 30 September 2011	1,039,134	2,273,911	10,000	31,000	(3,265,604)	85,441

Condensed consolidated interim statement of cash flow

	Note	**Unaudited Six months to 30 September 2011 £**	Unaudited Six months to 30 September 2010 £	Audited Year to 31 March 2011 £
Cash flows from operating activities				
(Loss)/ profit after taxation		**(132,469)**	63,734	145,876
Adjustments for:				
Depreciation		**818**	23,577	49,796
Amortisation		**139,343**	65,152	126,397
Finance income		**-**	-	-
Interest expense		**32**	10,550	10,800
Decrease in trade and other receivables		**165,475**	278,756	241,303
Decrease in inventories		**1,849**	-	4,411
(Decrease) in trade and other payables and deferred income and other provisions		**(599,024)**	(469,357)	(689,390)
Cash used in operations		**(423,976)**	(27,588)	(110,807)
Interest paid		**(32)**	(10,550)	(10,800)
Net cash (used in)/generated from operating activities		**(424,008)**	(38,138)	(121,607)
Cash flows from investing activities				
Investment in tangible assets		**(1,596)**	-	-
Investment in intangible assets		**(20,191)**	(43,492)	(70,500)
Cash acquired with business		**960**		
Interest received		**-**	-	-
Net cash used in investing activities		**(20,827)**	(81,630)	(70,500)
Cash flows from financing activities				
Proceeds from issue of share capital		**426,500**	161,500	328,480
Shares to be issued		**10,000**	-	-
Net movement of long-term bank loan		**-**	(23,845)	(46,631)
Net cash generated from financing activities		**436,500**	137,655	281,849
Net increase / (decrease) in cash and cash equivalents		**(8,335)**	56,025	89,742
Cash and cash equivalents at beginning of period		**38,943**	(50,799)	(50,799)
Cash and cash equivalents at end of period		**30,608**	5,226	38,943

Notes to the condensed consolidated interim financial statements

1 General information

The financial information set out in this condensed interim report for the six months ended 30 September 2011 and the comparative figures for the six months ended 30 September 2010 are unaudited. The financial information for the year ended 31 March 2011 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2011, prepared under International Financial Reporting Standards (IFRS), received an unmodified audit report, did not contain statements under section 498(2) or section 498(3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

2 Basis of preparation

These September 2011 condensed consolidated interim financial statements of Intellego Holdings plc are for the six months ended 30 September 2011. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group prepared under IFRS for the year ended 31 March 2011.

The accounting policies applied are largely consistent with those of the annual financial statements for the year ended 31 March 2011, as described in those financial statements. The only exception relates to the taxation policy. For the purpose of the interims the tax charge on the underlying business performance is calculated by reference to the estimated effective rate for the full year.

3 Segment analysis

The accounting policy for identifying segments is based on internal management reporting information that is regularly reviewed by the chief operating decision maker.
Intellego operates three main business segments Distribution, Services and Publishing. The activity undertaken by the Distribution segment is the resale of software developed by third parties. The Services segment includes consulting, customisation, the development of content and the integration of e-learning systems. Maintenance of these systems is undertaken by the Distribution segment. The Publishing segment includes the sale of internally generated content and products. The revenues and net result generated by each of Intellego Holdings plc's business segments are summarised as follows:

6 months to 30 September 2011

	Distribution	Services	Publishing	Group
	£	£	£	£
Revenue	83,478	356,322	139,140	578,940
Loss for the period	42,891	(166,503)	(8,857)	(132,469)

6 months to 30 September 2010

	Distribution	Services	Publishing	Group
Revenue and sale of distribution rights	426,312	291,646	284,486	1,002,444
Profit for the period	27,104	18,543	18,087	63,734

Year to 31 March 2011

	Distribution	Services	Publishing	Group
Revenue and sale of distribution rights	1,150,619	626,650	228,817	2,006,083
Profit/(Loss) for the period	(47,814)	91,656	102,034	145,876

4 Exceptional items

Both Intellego Holdings Plc and Intellego Group Ltd entered into CVAs with their creditors in June 2010 and July 2010 respectively. Payments under the CVA were required to be made for six months for Intellego Holdings Plc and for sixty months for Intellego Group Ltd. Intellego Holdings Plc paid all its contributions under the CVA through to December 2010 and its CVA was recorded as completed on 6 June 2011. This resulted in a release of liabilities not payable to the consolidated statement of comprehensive income for the year ended 31 March 2011 of £386,519.

On 23 June 2011 the directors decided that the continuation of the CVA for Intellego Group Ltd was no longer viable and the Supervisor of the CVA was asked to wind up Intellego Group Ltd. This resulted in a release of liabilities not payable to the consolidated statement of comprehensive income for the six months ended 30 September 2011 of £571,403.

5 Acquisition

On 30 April 2011 Intellego Holdings Plc acquired 100% of the equity instruments of Pixelearning Limited. The acquisition of Pixelearning Limited was made as part of the strategy of developing Gaming expertise.

The initial consideration was £160,000, satisfied by the issue of 40,000,000 new ordinary shares at a price of 0.4 pence per share with further issues dependent on performance for the years ending 28 February 2012 and 2013. The fair value of this contingent consideration has been estimated at £440,000 and this has been reflected in financial liabilities. The contingent consideration will be satisfied by the issue of new Ordinary Shares.

The allocation of the purchase price to the assets and liabilities of Pixelearning Limited was completed in May 2011. The amounts recognised for each class of the acquiree's assets, liabilities and contingent liabilities recognised at the acquisition date are as follows;

	Pre-acquisition carrying amount	Adjustment to fair value	Recognised at acquisition date
	£	£	£
Non Current assets			
Intangible assets	36,252	258,480	294,732
Property, plant and equipment	552	-	552
	36,804	258,480	295,284
Current assets			
Trade and other receivables	1,605	-	1,605
Cash at bank and in hand	960	-	960
Total assets	33,369	258,480	297,849
Current liabilities			
Trade creditors	33,822	-	33,822
Other creditors	121,127	-	121,127
Total liabilities	154,949	-	154,949
Net identifiable assets and liabilities	**(121,580)**	**258,480**	**142,900**
Consideration			**600,000**
Goodwill			**457,100**

Goodwill

No major line of business will be disposed of as a result of the combination. On acquisition £258,480 has been recognised as intangible assets representing the value attributed to Pixelearning Limited's "Learning Beans" suite of proprietary development tools. Deferred tax arising on the intangibles acquired of £65,000 has been offset by an equivalent deferred tax asset in respect of losses and therefore neither the liability nor the asset have been separately provided.

The goodwill represents synergies arising as part of combining the acquired business with the existing business as well as other intangibles which cannot be allocated separately, notably the expertise of the work force acquired.

Pixelearning Limited contributed £(55,509) to the consolidated loss for the five months from 1 May to the balance sheet date. If Pixelearning Limited had been acquired on 1 April 2011 revenue of the Group for the six months ended 30 September 2011 would have been £600,169.

6 Earnings per share

The calculation of basic (loss)/earnings per share is based on a (loss)/profit before tax expense for the period of £(132,469) (profits 31 March 2011: £145,876, 30 September 2010: £63,734) and on 470,512,616 ordinary shares (31 March 2011: 294,649,148, 30 September 2010: 263,546,682), being the weighted average number of ordinary shares in issue during the year.

The (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted (loss)/earnings per share are identical to those used for the basic (loss)/earnings per share.