



Half Year Results

for the year ending 31 March 2016



Statement by the Chairman, Peter Simmonds

Introduction

During this calendar year, the Company has successfully transitioned itself into a 'data solutions' business with a clear focus on delivering 'best of breed' in data management which is used in solving business issues for our growing number of multinational customers in the key sectors of financial services, retail and airlines who require reliable, safe and secure data intelligence through *Analytics* and *Big Data* which in turn will help them deliver a first class customer experience and service.

The market for *Business Intelligence* and *Analytics* remains one of the fastest growing global software markets with financial organisations being the largest investors in big data solutions. Market research produced by Gartner in 2014 revealed that the market in 2013 was worth \$37.7bn; based on current forecasted growth to 2018, this part of the software market is expected to increase by 9.4% CAGR.

The Group's revenue shows in excess of 70% of it deriving from *Analytics* and this percentage is expected to at least remain at this level in the foreseeable future.

Group's half year trading performance

	Half year 30.9.15	15-months 31.3.15	Half year 30.9.14
Revenue			
-Continuing business (IS Solutions)	£7.04m	£12.29m	£3.88m
-Celebrus Technologies (Celebrus)	£1.43m	£0.55m	-
	£8.47m	£12.84m	£3.88m
Gross profit	£3.96m	£4.7m	£1.24m
<i>GP margin</i>	<i>46.78%</i>	<i>36.37%</i>	<i>31.95%</i>
Underlying pre-tax profit/(loss)	£1.54m	*£1.20m	£(0.35)m
Adjusted fully diluted EPS	3.36p	3.86p	(1.13)p
Dividend	0.50p	0.56p	-
Strong cash generation – net cash position	£2.09m	£(0.09)m	£(0.26)

(* Pre-acquisition costs)

Statement by the Chairman, Peter Simmonds (cont.)

Business income is generated by three streams: *products* i.e. software license sales, *projects*, and *recurring revenue* from its managed and maintenance services offering.

During the period under review, of the £8.47m of income, £4.8m came through *projects*, whilst £2.25m from *recurring income* and £1.45m from product sales. This is a strong performance from IS Solutions and Celebrus reflecting a percentage increase across our business streams over the same time last year of +350%, +12% and +78% respectively.

It is extremely pleasing to report that the continuing IS Solutions business experienced strong underlying demand, growing revenue overall 105.3% to £7.04m over the comparable period with its *Analytics* activities generating £4.60m of that revenue in HY1. Celebrus, acquired at the start of 2015, also added to our *Analytics* business by growing strongly and generating £1.43m of revenue bringing *Analytics* to some 72% of Group turnover. Being part of a larger organisation has helped Celebrus capitalise on its increasing pipeline of opportunities and securing new business. It is encouraging to report that this part of our business has delivered a performance which is 49.3% ahead of the same period last year (i.e. before it became part of our business).

If we look at gross profit contribution from the business streams on the same basis, our *projects* work delivered £2.14m (2014: loss £0.25m), with our *recurring income* and *products* reported £1.12m and £0.71m respectively (2014: £1.36m and £0.13m). Overall, gross profit from the continuing IS Solutions business amounted to £3.23m whilst the Celebrus division reported £0.73m in the period and profit before tax of £1.30m and £0.24m respectively, giving a Return on Sales of 18.5% and 16.8% respectively and an overall ROS of 18.2%, up from 9.31% on the 15-month period ended 31 March 2015.

IS Solutions and Celebrus are both well established and respected brands in the data *Analytics* segment of the IT market. Together, we have successfully opened up a number of cross-selling opportunities and at the same time created a much more balanced business with stronger higher margin license sales and progressively greater project and recurring revenue.

Contract wins

We are pleased to report that during the first half of this financial year our business team secured two additional major contracts with existing and new customers from within the financial services and airlines industries. The two contracts vary in duration and size; in total over the current financial year as a whole they are expected to contribute around £4.00 million in contracted revenue and in excess of £350,000 per annum of recurring revenue in subsequent years. We are confident that due to the nature of our projects and working partnerships our project work will open up further opportunities that will extend both our recurring income and project fee streams over the medium to longer term.

Statement by the Chairman, Peter Simmonds (cont.)

Investment and our people

We place great importance on the training, developing, progression and succession of our people at both front line, back office and across the operational management teams as a whole. Over the last year, we have been reviewing and refining our future plans and requirements to ensure that we can continue to drive performance and the further development of our commercial business.

On behalf of the Board and stakeholders we thank each colleague for their ongoing hard work and determination that has assisted in us delivering such a solid first half performance. As we look to the future with an invigorated confidence we will be investing further in our business and its people.

Within the UK, IS Solutions is expanding its direct sales team so we are able to market and sell the collective portfolio to a broader customer base. Within the US, to support our marketing and sales drive in that territory, we have employed locally based personnel ahead of the opening of a US office. This operation is expected to be fully operational by the end of the financial year; it will provide real time customer service and pre-sales support to our existing substantial US business and a foundation for future growth. As we indicated in our trading update released in September, combining these recent initiatives with current opportunities from both new and existing customers, means as a business and team members, we all have an exciting future to look forward to.

Dividend policy

Based on our confidence in the overall performance and underpinning the prospects of the business, we are pleased to declare an interim dividend of 0.50p per share. This will be paid on Wednesday, 6 January 2016 to shareholders on the register on Friday, 4 December 2015. The shares will become ex-dividend on 3 December 2015. As we indicated in our September trading update, we are committed to a progressive dividend policy and rewarding our stakeholders whilst also balancing our investments for future growth.

Outlook & Trading

"Our business is driven one hundred percent by data – **It's all about the data.**"

Currently with over 70% of our ongoing business coming from our *Analytics* capability, we are in a very good situation to build on our current market position within the data solutions arena and to exploit the growing global opportunity within this segment, utilising our extensive technical know-how and skills base.

At this stage of the year, we are pleased to report that trading for both the continuing IS Solutions business and Celebrus continues to remain strong. Since the start of HY2 we have already added two new customer projects, one with a new retail customer and the other with an existing financial

Statement by the Chairman, Peter Simmonds (cont.)

services customer where we are entering the second phase. These will add £150,000 of recurring revenue in this second half. In addition, we have a number of other exciting opportunities in the pipeline with the potential to convert before the end of the financial period.

Overall, the Board remains very encouraged and expects the Company to deliver results comfortably in line with current market expectations for the year ending 31 March 2016.

We will keep shareholders updated with our progress.

A handwritten signature in black ink, appearing to read 'PS' followed by a stylized flourish.

Peter Simmonds, Chairman.

24 November 2015

Consolidated statement of comprehensive income for the six months ended 30 September 2015

	Six months ended 30 September		15-month period ended 31 March
	(unaudited)		(audited)
	2015 £'000	2014 £'000	2015 £'000
Continuing operations			
Revenue	8,470	3,879	12,839
Cost of sales	(4,508)	(2,640)	(8,170)
Gross profit	3,962	1,239	4,669
Distribution costs	(1,313)	(1,043)	(2,451)
Administration expenses	(1,102)	(544)	(1,557)
Other operating income	22	7	25
Profit/(loss) from operations	1,569	(341)	686
Investment income	-	-	4
Finance costs	(32)	(9)	(38)
Profit/(loss) before tax	1,537	(350)	652
Tax	(289)	63	(120)
Profit/(loss) for the period	1,248	(287)	532
Other comprehensive income			
Gains on property revaluation	-	-	57
Total comprehensive income for the period attributable to equity holders of the parent	1,248	(287)	589
Earnings/(loss) per share			
Basic	3.51 p	(1.13)p	1.99 p
Diluted	3.36 p	(1.13)p	1.92 p

Consolidated statement of changes in equity for the for the six months ended 30 September 2015

	Six months ended 30 September		15-month period ended 31 March
	(unaudited)		(audited)
	2015 £'000	2014 £'000	2015 £'000
Profit/(loss) for the period	1,248	(287)	532
Items that will be reclassified to profit and loss			
Gains on property revaluation	-	-	57
Total comprehensive income	1,248	(287)	589
Transactions with owners			
Purchase of own shares	-	(86)	(154)
Sale of own shares	3	-	26
Share-based payments	1	(4)	4
Issue of share capital	572	-	4,876
Contingent shares	(606)	-	1,289
Deferred tax on outstanding share options	30	-	91
Dividends paid	(198)	(285)	(285)
Total transactions with owners	(198)	(375)	5,847
Change in shareholders' equity for the period	1,050	(662)	6,436
Shareholders' equity at start of period	11,863	5,196	5,427
Shareholders' equity at end of period	12,913	4,534	11,863

Consolidated balance sheet at 30 September 2015

	At 30 September		At 31 March
	2015 £'000	2014 £'000	2015 £'000
Non-current assets			
Goodwill	8,696	1,018	8,696
Other tangible assets	1,882	24	2,014
Property, plant and equipment	2,382	2,393	2,414
Investments	-	847	-
Deferred tax assets	728	7	698
	13,688	4,289	13,822
Current assets			
Trade and other receivables	2,702	2,718	4,823
Cash and cash equivalents	2,090	29	95
	4,792	2,747	4,918
Total assets	18,480	7,036	18,740
Current liabilities			
Trade and other payables	(3,089)	(1,635)	(4,427)
Tax liabilities	(294)	19	(59)
Borrowings	(403)	(460)	(454)
	(3,786)	(2,076)	(4,940)
Non-current liabilities			
Borrowings	(1,381)	(426)	(1,537)
Deferred tax liabilities	(400)	-	(400)
	(1,781)	(426)	(1,937)
Total liabilities	(5,567)	(2,502)	(6,877)
Net assets	12,913	4,534	11,863
Equity			
Share capital	732	509	708
Share premium account	7,118	1,893	6,570
Revaluation reserve	228	171	228
Own shares	(76)	(99)	(80)
Equity reserve	803	-	1,380
Retained earnings	4,108	2,060	3,057
Attributable to equity holders of the parent	12,913	4,534	11,863
Total equity	12,913	4,534	11,863

Consolidated cash flow statement for the six months ended 30 September 2015

	Six months ended 30 September		15-month period ended 31 March
	2015 £'000	2014 £'000	2015 £'000
Operating activities			
Profit/(loss) from operations	1,569	(341)	686
Adjustments for:			
Depreciation of property, plant and equipment	54	54	228
Amortisation of intangible assets	155	44	24
Share-based payments	1	(4)	4
Operating cash flows before movements in working capital	1,779	(247)	942
Decrease/(increase) in receivables	2,121	107	(924)
(Decrease)/increase in payables	(1,338)	(117)	(87)
Cash generated by/(used in) operations	2,562	(257)	(69)
Income taxes paid	(54)	(19)	(139)
Net cash from/(used in) operating activities	2,508	(276)	(208)
Investing activities			
Interest received	-	-	4
Interest paid	(32)	(9)	(38)
Purchase of property, plant and equipment	(45)	(147)	(171)
Acquisition of subsidiary	-	-	(1,369)
Net cash used in investing activities	(77)	(156)	(1,574)
Financing activities			
Issue of new share capital	-	-	(37)
Equity reserve	(35)	-	-
Dividends paid	(198)	(285)	(285)
New borrowings	-	-	2,000
Repayment of borrowings	(207)	(69)	(212)
Purchase of own shares (net)	4	(85)	(128)
Net cash (used in)/from financing activities	(436)	(439)	1,338
Net movement in cash and cash equivalents	1,995	(871)	(444)
Cash and cash equivalents at start of period	95	607	539
Cash and cash equivalents at end of period	2,090	(264)	95

Notes to the interim financial statements

1. Basis of preparation

The interim financial information for the six months ended 30 September 2015 and comparative interim figures for 2014 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and have neither been audited nor reviewed by the Group's auditors. The financial information for the 15-month period ended 31 March 2015 has been extracted from the statutory accounts for that period which have been filed with the Registrar of Companies and which contain an unmodified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006

The interim financial information has been prepared on the basis of the accounting policies and on a consistent basis with the latest published annual accounts. Those financial statements were prepared in accordance with International Financial Reporting Standards, incorporating International Accounting Standards (IAS's) and Interpretations (collectively IFRS).

2. Business and geographical segments

The Group has one reportable business segment. The information presented to the Managing Director for the purpose of resource allocation and assessment of segment performance is focused on the type of product sold, as shown below. No allocation of other income and costs to these categories is made because the Directors consider that any such allocation would be arbitrary, as would be any allocation of assets and liabilities.

Continuing operations including Celebrus Technologies interim period ended 30 September 2015

	Product	Project work	Recurring revenues	Total
	£'000	£'000	£'000	£'000
External sales	1,448	4,768	2,444	8,660
Adjustment for agency basis	-	-	(190)	(190)
Reported revenue	1,448	4,768	2,254	8,470
Segment result (gross profit)	709	2,137	1,116	3,962
Other operating costs and income				(2,393)
Investing and financing activities				(32)
Profit before tax				1,537

Notes to the interim financial statements (cont.)

Continuing operations interim period ended 30 September 2014

	Product	Project work	Recurring revenues	Total
	£'000	£'000	£'000	£'000
External sales	813	1,060	2,271	4,144
Adjustment for agency basis	-	-	(265)	(265)
Reported revenue	813	1,060	2,006	3,879
Segment result (gross profit)	127	(252)	1,364	1,239
Other operating costs and income				(1,580)
Investing and financing activities				(9)
(Lost) before tax				(350)

Continuing operations interim 15-month period ended 31 March 2015

	Product	Project work	Recurring revenues	Total
	£'000	£'000	£'000	£'000
External sales	1,927	6,146	6,048	14,121
Adjustment for agency basis	-	-	(1,282)	(1,282)
Reported revenue	1,927	6,146	4,766	12,839
Segment result (gross profit)	537	1,566	2,566	4,669
Other operating costs and income				(3,983)
Investing and financing activities				(34)
Profit before tax				652

Geographical segments

The Group operates entirely within the UK.

Notes to the interim financial statements (cont.)

The table underneath details the 2015 Interim figures for Continuing Operations and the Celebrus Technologies business separately.

Continuing operations including Celebrus Technologies interim period ended 30 September 2015

	Continuing Operations	Celebrus Technologies	Total
	£'000	£'000	£'000
External sales	7,237	1,423	8,660
Adjustment for agency basis	(190)	-	(190)
Reported revenue	7,047	1,423	8,470
Segment result (gross profit)	3,229	733	3,962
Other operating costs and income	(1,902)	(491)	(2,393)
Investing and financing activities	(32)		(32)
Profit before tax	1,295	242	1,537

3. Earnings per share

	Six months ended 30 September	15-month period ended 31 March	
	2015	2014	2015
Earnings attributable to equity holders of the parent	£1,248,000	£(287,000)	£532,000
Weighted average of ordinary shares in issue	35,657,048	25,436,791	26,784,110
Weighted average of own shares	(101,161)	(118,720)	(111,542)
Weighted average for calculating basic EPS	35,555,887	25,318,071	26,672,568
Effective dilutive share options	1,590,683	-	1,065,704
Weighted average for calculating diluted EPS	37,146,570	25,318,071	27,738,272

The weighted average number of ordinary shares used for the purpose of calculating the diluted loss per share for the six months ended 30 September 2014 is the same as that used for calculating the basic loss per share. This is because the exercise of share options would have the effect of reducing loss per share and is therefore not dilutive under the terms of IAS33 "Earnings per share".

Notes to the interim financial statements (cont.)

4. Dividends

	Six months ended 30 September	15-month period ended 31 March	
	2015	2014	2015
Amounts recognised as distributions to equity holders			
Final dividend for the year ended 31/12/2013 of 1.12p (2012: 1.00p)	-	285	285
Final dividend for the period ended 31/03/2015 of 0.56p	198	-	-
	198	285	285

No interim dividend was paid for the period ended 31 March 2015.

An interim dividend of 0.50p per share will be paid on Wednesday, 6 January 2016 to shareholders on the register at the close of business on Friday, 4 December 2015. The shares will become ex-dividend on 3 December 2015.

5. Current liabilities – borrowings

	Six months ended 30 September	15-month period ended 31 March	
	2015	2014	2015
Bank loans and mortgage	403	167	454
Bank mortgage	-	293	-

IS Solutions Information

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