



Half Yearly Financial Statement 2011



Statement by the Chairman, Barrie Clark

The Board is pleased to announce a strong first Half-year performance as the Company continues to strengthen its position as a leading Managed Service Provider.

As indicated in my closing remarks contained in the 2011 Outlook statement in our 2010 Accounts, we would see a reduction in Revenue and an increase in gross margins in 2011 through our planned focus on our core areas of *Projects and Managed Services*. Since the beginning of this financial year, we have achieved a 14-point improvement in the gross margin to 43.6% (31 December 2010: 28.9%) and a 20-point increase over the Half-year period in 2010 which is a creditable performance.

Financials

Although we witnessed a reduction in top line revenue from £6.41 million last year to £4.05 million in the period being reported – this has been more than offset by the solid increase in pre-tax profit from £215,000 in 2010 to £310,000, a growth of 44.2%; profit from operations also grew by 43.97% to £334,000 (2010: £232,000). Earnings per share rose by 38% to 1.09p (2010: 0.79p).

Cash flow from operations has again been positive with £143,000 generated in the Half- year (2010: £214,000). In 2010, due to the low interest rates available for deposits, the Board elected to purchase trading investments equivalent to £500,000. Once again, with no improvement in interest rates the Board has continued this policy; at the half year the trading investment is valued at £541,000 and can be converted back to cash within a month. Following our initial investment in Speed-Trap Holdings Limited ('Speed-Trap') of £200,000 in October 2010, the Company invested a further £500,000 during Q1 thereby completing its total investment in this business at £700,000 which left the cash & cash equivalents at £nil by the end of the period being reported upon (HY 2010: £550,000). In July the Company's bank facility of £550,000 was renewed for a further year.

As predicted, large license sales which historically emanate from Government departments reduced in the period from £3.056 million to £496,000. This business is low margin and therefore the lower revenue stream from the de-emphasis of this area of our business has little impact on our overall gross profit return.

The key improvement has come through our *Projects and Managed Services* (recurring revenue stream) business.

Statement by the Chairman, Barrie Clark (cont.)

Projects revenue dipped by 9.6% principally due to the disruption caused by the Japanese Tsunami leading to delays in the project approval process for some of our clients. However, with the higher level of consultancy associated with *web-based analytics* allowing a better day rate coupled with judicious cost control, we have realised an increased gross profit contribution from this area, more than doubling that of the previous year and recording a growth of 101.7% (see 'Segmental analysis' below).

Managed Services, the mainstay of our business which generates our Recurring income, once again performed strongly producing revenue growth of 15.8% with gross profit up by 35.6% and now contributes 72.76% of the total GP (2010: 63.88%).

Dividend

Earnings per share have risen in the period by 38% compared to HY2010 and trading continues to remain positive and encouraging. However, the Board consider that following its investments over the last year and at this stage of our strategic growth plans for the overall business, the focus is to grow the business for the long term benefit of all stakeholders.

An interim dividend of 0.40 pence (2010: 0.36p), up 11.1% over the comparable HY will be paid on 14 October 2011 to qualifying shareholders on the Register at the close of business on 30 September 2011.

Outlook

Despite the general economic outlook the Company has a strong order book and the delays in project work experienced in the first Half-year have now been resolved.

Following this solid first half performance both in terms of trading and profitability, coupled with the on-going strength of activity in *web-based analytics*, the Board remain confident of achieving market expectations for the full year ending December 2011.

The Directors look forward to updating shareholders on its progress at the end of the year.

On behalf of the Board



Barrie Clark, Chairman.
7 September 2011

Consolidated income statement for the six months ended 30 June 2011

	6 months ended 30 June		Year ended 31 December
	2011 £'000	2010 £'000	2010 £'000
Continuing operations			
Revenue	4,054	6,409	10,981
Cost of sales	(2,288)	(4,925)	(7,806)
Gross profit	1,766	1,484	3,175
Distribution costs	(1,062)	(907)	(1,825)
Administration expenses	(396)	(396)	(760)
Other operating income	26	51	88
Profit from operations	334	232	678
Investment revenues	3	3	5
Finance costs	(19)	(20)	(40)
Other gains and losses	(8)	-	41
Profit before tax	310	215	684
Tax	(40)	(20)	(65)
Profit attributable to equity holders of the parent/ total comprehensive income for the period	270	195	619
Earnings per share			
Basic	1.09 p	0.79 p	2.51 p
Diluted	1.06 p	0.78 p	2.46 p

Consolidated statement of changes in equity for the six months ended 30 June 2011

	6 months ended 30 June		Year ended 31 December
	2011 £'000	2010 £'000	2010 £'000
Purchase of own shares	-	-	(13)
Sale of own shares	-	-	10
Share-based payments	3	8	15
Total expense recognised directly in equity	3	8	12
Profit for the period	270	195	619
Dividends paid	(196)	(190)	(279)
Change in shareholders' equity for the period	77	13	352
Shareholders' equity at start of period	3,894	3,542	3,542
Shareholders' equity at end of period	3,971	3,555	3,894

Consolidated balance sheet as at 30 June 2011

	At 30 June		At 31 December
	2011 £'000	2010 £'000	2010 £'000
Non-current assets			
Goodwill	1,118	1,147	1,118
Property, plant and equipment	2,317	2,318	2,300
Other intangible assets	700	-	200
Deferred tax assets	24	64	47
Derivative financial instruments	10	18	18
	4,169	3,547	3,683
Current assets			
Investments	541	500	541
Trade and other receivables	2,445	1,610	2,229
Cash and cash equivalents	-	550	574
	2,986	2,660	3,344
Total assets	7,155	6,207	7,027
Current liabilities			
Trade and other payables	(1,628)	(1,141)	(1,667)
Tax liabilities	(73)	(29)	(56)
Borrowings	(295)	(143)	(147)
	(1,996)	(1,313)	(1,870)
Non-current liabilities			
Borrowings	(1,188)	(1,339)	(1,263)
	(1,188)	(1,339)	(1,263)
Total liabilities	(3,184)	(2,652)	(3,133)
Net assets	3,971	3,555	3,894
Equity			
Share capital	496	496	496
Share premium account	1,786	1,786	1,786
Own shares	(12)	(17)	(12)
Retained earnings	1,701	1,290	1,624
Attributable to equity holders of the parent	3,971	3,555	3,894

Consolidated cash flow statement for the six months ended 30 June 2011

	6 months ended 30 June		Year ended 31 December
	2011 £'000	2010 £'000	2010 £'000
Operating activities			
Profit from operations	334	232	678
Adjustments for:			
Depreciation of property, plant and equipment	62	66	108
Gain on disposal of property, plant and equipment	(1)	-	-
Amortisation of intangible assets	-	30	30
Impairment of goodwill	-	-	29
Share-based payments	3	8	15
Operating cash flows before movements in working capital	398	336	860
(Increase)/decrease in debtors	(216)	756	137
Decrease in creditors	(39)	(878)	(352)
Cash generated by operations	143	214	645
Income taxes paid	-	(35)	(36)
Net cash from operating activities	143	179	609
Investing activities			
Interest received	3	3	5
Interest paid	(19)	(20)	(40)
Purchase of non-current investments	(500)	-	(200)
Purchase of current investments	-	(500)	(500)
Purchase of property, plant & equipment	(87)	(94)	(118)
Proceeds on disposal of property, plant & equipment	9	-	-
Net cash used in investing activities	(594)	(611)	(853)
Financing activities			
Dividends paid	(196)	(190)	(279)
Repayment of borrowings	(73)	(71)	(143)
Purchase of own shares (net)	-	-	(3)
Net cash used in financing activities	(269)	(261)	(425)
Net movement in cash and cash equivalents	(720)	(693)	(669)
Cash and cash equivalents at start of year	574	1,243	1,243
Cash and cash equivalents at end of period	(146)	550	574

Notes to the interim financial statements

1. Basis of preparation

The interim financial information for the six months ended 30 June 2011 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has not been audited by the Group's auditors. The financial information for the year ended 31 December 2010 has been extracted from the statutory accounts for that year which have been filed with the Registrar of Companies and which contain an unqualified audit report 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 Chief Executive 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 2011	License sales	Project work	Recurring revenues	Total £'000
External sales	496	1,155	3,314	4,965
Adjustment for agency basis	-	-	(911)	(911)
Reported revenue	496	1,155	2,403	4,054
Segment result (gross profit)	134	347	1,285	1,766
Other operating costs and income				(1,432)
Investing and financing activities				(24)
Profit before tax				310

Continuing operations 2010	License sales	Project work	Recurring revenues	Total £'000
External sales	3,652	1,278	2,359	7,289
Adjustment for agency basis	(596)	-	(284)	(880)
Reported revenue	3,056	1,278	2,075	6,409
Segment result (gross profit)	364	172	948	1,484
Other operating costs and income				(1,252)
Investing and financing activities				(17)
Profit before tax				215

Geographical segments

The Group operates entirely within the UK.

Notes to the interim financial statements (cont.)

3. Earnings per share

	6 months ended		Year ended
	30/06/2011	30/06/2010	31/12/2010
Earnings attributable to equity holders of the parent	£270,000	£195,000	£619,000
Weighted average of ordinary shares in issue	24,793,190	24,793,190	24,793,190
Weighted average of own shares	(41,654)	(78,677)	(137,962)
Weighted average for calculating basic EPS	24,751,536	24,714,513	24,655,228
Effective dilutive share options	600,893	182,655	516,795
Weighted average for calculating diluted EPS	25,352,429	24,897,168	25,172,023

4. Dividends

	6 months ended		Year ended
	30/06/2011	30/06/2010	31/12/2010
Amounts recognised as distributions to equity holders	£'000s	£'000s	£'000s
Interim dividend for the year ended 31/12/2010 of .36p	-	-	89
Final dividend for the year ended 31/12/2010 of .77p (2009: .77p)	196	190	190
	196	190	279
An interim dividend of 0.40p per share will be paid on 14 October 2011 to shareholders on the register at the close of business on 30 September 2011.	196		

4. Current liabilities – borrowings

	6 months ended		Year ended
	30/06/2011	30/06/2010	31/12/2010
	£'000s	£'000s	£'000s
Bank mortgage	149	143	147
Bank overdraft	146	-	-
	295	143	147

IS Solutions Information

UK Registered office (and principal place of business)

Windmill House

91-93, Windmill Road

Sunbury-on-Thames

Middlesex

TW16 7EF

Tel: +44 (0)1932 893333

Fax: +44 (0)1932 893433

E-mail: moreinfo@issolutions.co.uk

Web: www.issolutions.co.uk

Company Registration Number 1892751



 Personalise

** to to ascribe personal qualities and characteristics,
intended to serve one unique individual.*