

**INTELLEXIS PLC**

Company No. 3525870

**INTERIM REPORT  
FOR THE SIX MONTHS ENDED  
30TH SEPTEMBER 2003**

# Intellexis plc

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# Intellexis plc

## Chairman's Statement For the six months ended 30<sup>th</sup> September 2003

I am pleased to present the interim results for the six months ended 30<sup>th</sup> September 2003.

### Financial Results

The company achieved turnover in the period of £690,151 (6 months to 30.09.2002 £848,824), with an earnings before tax, depreciation and amortisation of goodwill of £51,904 (6 months to 30.09.2002 a loss of £1,241,128), and a pre-goodwill operating profit of £18,857 (6 months to 30.09.2002 a loss of £1,278,931).

I am therefore pleased to confirm that the Company has achieved the first quarter operating profit to which I referred in my last report and has, despite the quiet summer period, and difficult market conditions, been able to generate a pre-goodwill operating profit for the full six months. Again in line with expectations outlined in the Annual Report, gross margins are 82% for the period. This has provided a significantly more stable base on which to build the business.

### Business Review

The six month period to 30 September the majority of our business (88%) came from existing customers. Intellexis has an impressive existing client base and the watchwords of integrity and service have gone a long way to ensuring that repeat business levels remain high. We are also encouraged by the increasing proportion of revenues coming from our expanding network of third party distributors and alliances. Royalty payments from this network increased from 15% for the year ended 31 March 2003 to 23% for the half year ended 30 September 2003.

Since the period end, an agreement has been entered into with Bristol-based accounting firm Solomon Hare to take the company's core financial awareness e-learning courses and offer them together with classroom workshops, mentoring, and support to Solomon Hare's extensive customer base of small and medium-sized enterprises. The programmes are currently being piloted and are due to be launched in January 2004. The Company is working on developing this and a number of other similar alliances in different geographic areas.

A competitive tender has been won by the Company from a major global accounting firm to develop the next version of their International Accounting Standards training programmes, products to which the company also has distribution rights. This follows our successful completion of the Russian version of these products in July this year.

The Company has also recently signed heads of agreement with a Chinese organisation that has already successfully localised, and marketed, other British learning products in China. The deal will enable us to develop a Chinese language version of the Company's basic finance courses to be marketed throughout China. The Chinese version will be technically engineered by the Company but with translation supplied and validated by our Chinese partners.

Finally, during the period some restructuring of the sales and marketing team took place and the Directors are now confident that they have the right personnel in place to manage the existing customers and bid for new business more effectively. It is encouraging that in addition to the focus on existing customers, significant new business has been signed in the year to date with two major European companies as well as a major international pharmaceutical company.

### Email communication

At the Company's recent AGM the necessary resolutions were passed to enable shareholders to opt to receive communication from the company in electronic form. This form of communication not only offers a significant cost benefit to the company but is also an environmentally friendly way of communicating. If you have not already done so, I would encourage you to register using the form attached to this report.

### Acquisition

The Company has for some time stated its intention to grow both organically and by acquisition. The board is actively considering a proposition and expects to make an announcement in due course.

### Summary

The Company has now achieved the first milestone of its strategy which is a return to trading profitably, and has identified its first acquisition opportunity. With our sales team strengthened and our development capability endorsed by the winning of the International Accounting Standards contract, the ability to deliver and implement structured financial competency learning solutions (whether off-the-shelf e-learning, customised, blended, or classroom) to our increasing customer base is second to none, and we are now focusing on marketing these capabilities to ensure significant growth in profits. The outlook for your Company remains very positive. May I once again thank the staff and shareholder's for their continued support.

Paul Lever  
Chairman  
19 December 2003

# Intellexis plc

## Independent Review Report

### **Introduction**

We have been instructed by the company to review the financial information set out on pages 3 to 7 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30th September 2003.

### **Saffery Champness**

Chartered Accountants

Beaufort House  
2 Beaufort Road  
Clifton  
Bristol  
BS8 2AE

19 December 2003

# Intellexis plc

## Consolidated Profit and Loss Account For the six months ended 30<sup>th</sup> September 2003

	Six months ended 30.9.2003 Unaudited £	Six months ended 30.9.2002 Unaudited £	Year ended 31.3.2003 Audited £
<b>Turnover</b>	690,151	848,824	1,377,823
Cost of sales	<u>(121,128)</u>	<u>(885,631)</u>	<u>(989,004)</u>
<b>Gross Profit</b>	569,023	(36,807)	388,819
Distribution costs	(29,133)	(121,619)	(168,163)
Administrative expenses excluding depreciation and goodwill	(487,986)	(1,082,702)	(1,799,962)
Other operating income	-	-	-
<b>Earnings before Interest, Tax, Depreciation and Goodwill</b>	51,904	(1,241,128)	(1,579,306)
Depreciation	<u>(33,047)</u>	<u>(37,803)</u>	<u>(73,265)</u>
<b>Operating Profit / (Loss) before Goodwill Amortisation</b>	18,857	(1,278,931)	(1,652,571)
Amortisation of Goodwill	<u>(72,959)</u>	<u>(72,959)</u>	<u>(145,918)</u>
<b>Operating Loss</b>	(54,102)	(1,351,890)	(1,798,489)
Reorganisation Costs	-	<u>(130,677)</u>	<u>(198,582)</u>
<b>Loss on Ordinary Activities before Interest</b>	(54,102)	(1,482,567)	(1,997,071)
Interest receivable and similar income	956	4,398	4,855
Interest payable and similar charges	<u>(25,779)</u>	<u>(19,437)</u>	<u>(47,240)</u>
<b>Loss on Ordinary Activities before Taxation</b>	(78,925)	(1,497,606)	(2,039,456)
Tax on loss on ordinary activities	-	-	-
<b>Loss for the Year transferred from Reserves</b>	<u><u>(78,925)</u></u>	<u><u>(1,497,606)</u></u>	<u><u>(2,039,456)</u></u>
Loss per share - basic	(0.00)p	(0.05)p	(0.07)p
Loss per share - diluted	(0.00)p	(0.05)p	(0.07)p

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# Intellexis plc

## Consolidated Balance Sheet at 30<sup>th</sup> September 2003

	30.9.2003 Unaudited £	30.9.2003 Unaudited £	30.9.2002 Unaudited £	30.9.2002 Unaudited £	31.3.2003 Audited £	31.3.2003 Audited £
<b>Fixed Assets</b>						
Intangible assets		2,662,998		2,808,916		2,735,957
Tangible assets		35,992		94,828		68,342
Investments		<u>140,500</u>		<u>-</u>		<u>140,500</u>
		2,839,490		2,903,744		2,944,799
<b>Current Assets</b>						
Stocks		-	9,000			-
Debtors	244,192		285,287		160,001	
Cash at bank and in hand	<u>-</u>		<u>120,076</u>		<u>183,588</u>	
	244,192		414,373		343,589	
<b>Creditors: Amounts falling due within one year (including convertible debt)</b>	<u>(546,262)</u>		<u>(673,962)</u>		<u>(653,445)</u>	
<b>Net Current Liabilities</b>		<u>(302,070)</u>		<u>(259,589)</u>		<u>(309,856)</u>
<b>Total Assets less Current Liabilities</b>		2,537,420		2,644,155		2,634,943
<b>Creditors: Amounts falling due after more than one year (including convertible debt)</b>		<u>(763,750)</u>		<u>(591,065)</u>		<u>(782,349)</u>
<b>Net Assets</b>		<u>1,773,670</u>		<u>2,053,090</u>		<u>1,852,594</u>
<b>Capital and Reserves</b>						
Called up share capital		3,152,140		2,810,000		3,152,140
Share premium account		3,958,182		3,958,182		3,958,182
Profit and loss account		<u>(5,336,652)</u>		<u>(4,715,092)</u>		<u>(5,257,728)</u>
<b>Equity Shareholders' Funds</b>		<u>1,773,670</u>		<u>2,053,090</u>		<u>1,852,594</u>

The financial statements were approved by the board on 19 December 2003 and signed on its behalf by:

J A Pickles .....

Director

K P Scott .....

Director

**Intellexis plc**  
**Consolidated Cash Flow Statement**  
**For the six months ended 30<sup>th</sup> September 2003**

	Six months ended 30.9.2003		Six months ended 30.9.2002		Year ended 31.3.2003	
	Unaudited		Unaudited		Audited	
	£	£	£	£	£	£
<b>Net Cash Outflow from Operating Activities</b>		(150,204)		(535,658)		(885,470)
<b>Returns on Investments and Servicing of Finance</b>						
Interest received		956		4,398		4,855
Interest paid	(25,779)		(19,437)		(47,240)	
<b>Net Cash Outflow for Returns on Investments and Servicing of Finance</b>		(24,823)		(15,039)		(42,385)
<b>Capital Expenditure</b>						
Payments to acquire intangible fixed assets		-		(49,500)		(49,500)
Payments to acquire tangible fixed assets	(697)		(23,024)		(31,989)	
Receipts from sales of tangible fixed assets			61,891		12,878	
Payments to acquire investments	-		-		(140,500)	
<b>Net Cash Outflow for Capital Expenditure</b>		(697)		(10,633)		(209,111)
<b>Cash Outflow before Financing</b>		(175,724)		(561,330)		(1,136,966)
<b>Financing</b>						
Issue of ordinary share capital		-		122,073		468,640
Expenses paid in connection with share issues		-		-		(4,427)
Debt due within a year		-		-		(8,334)
Debt due after a year	(12,500)			-		276,250
Capital element of finance lease rental payments	(18,299)		(88,091)		(57,199)	
<b>Net Cash Inflow/(Outflow) from Financing</b>		(30,799)		33,982		674,930
<b>Decrease in Cash</b>		<u>(206,523)</u>		<u>(527,348)</u>		<u>(462,036)</u>

**Intellexis plc**  
**Notes to the Consolidated Cash Flow Statement**  
**For the six months ended 30<sup>th</sup> September 2003**

<b>(i) Reconciliation of Operating Loss to Net Cash Outflow from Operating Activities</b>	<b>Six months ended 30.9.2003 Unaudited £</b>	<b>Six months ended 30.9.2002 Unaudited £</b>	<b>Year ended 31.3.2003 Audited £</b>
Operating loss	(54,102)	(1,351,890)	(1,798,489)
Loss on disposal of tangible fixed assets	-	6,944	6,944
Depreciation	33,047	37,803	73,265
Amortisation of goodwill and intangible assets	72,959	830,650	903,609
Decrease in stocks	-	3,973	12,973
(Increase)/decrease in debtors	(84,191)	(92,706)	23,094
(Decrease)/increase in creditors	(117,917)	160,245	91,716
	<hr/>	<hr/>	<hr/>
Net cash outflow from continuing operating activities	(150,204)	(404,981)	(686,888)
Net cash outflow in respect of reorganisation costs	-	(130,677)	(198,582)
	<hr/>	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(150,204)</u>	<u>(535,658)</u>	<u>(885,470)</u>

**(ii) Reconciliation of Net Cash Flow to Movement in Net Debt (Note (iii))**

(Decrease)/increase in cash in the period	(206,523)	(527,348)	(462,036)
Cash inflow from increase in debt and lease financing	30,799	88,091	(210,717)
	<hr/>	<hr/>	<hr/>
Change in net debt resulting from cash flows	(175,724)	(439,257)	(672,753)
New finance leases	-	-	49,191
	<hr/>	<hr/>	<hr/>
Movement in net debt in the period	(175,724)	(439,257)	(623,562)
Net debt at 1st April 2003	(693,694)	(70,132)	(70,132)
	<hr/>	<hr/>	<hr/>
Net debt at 30th September 2003	<u>(869,418)</u>	<u>(509,389)</u>	<u>(693,694)</u>

**(iii) Analysis of Changes in Net Debt**

	<b>At 1.04.2003 £</b>	<b>Cash Flow £</b>	<b>Other Non-Cash Changes £</b>	<b>At 30.09.2003 £</b>
Cash at bank and in hand	183,588	(183,588)	-	-
Overdrafts	-	(22,935)	-	(22,935)
	<hr/>	<hr/>	<hr/>	<hr/>
	183,588	(206,523)	-	(22,935)
Debt due within one year	(58,333)	-	-	(58,333)
Debt due after one year	(776,250)	12,500	-	(763,750)
Finance leases	(42,699)	18,299	-	(24,400)
	<hr/>	<hr/>	<hr/>	<hr/>
	(877,282)	30,799	-	(846,483)
	<hr/>	<hr/>	<hr/>	<hr/>
Net debt	<u>(693,694)</u>	<u>(175,724)</u>	<u>-</u>	<u>(869,418)</u>



**Intellexis plc**  
**Notes to the Interim Report**  
**For the six months ended 30<sup>th</sup> September 2003**

- 1 The financial information contained in the Interim Report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The comparative financial information for the six months ended 30 September 2002 and the year ended 31 March 2003 is an abridged version of the group's published financial statements for these periods. The financial statements for the year ended 31 March 2003 contained an unqualified audit report and have been filed with the Registrar of Companies.
- 2 The interim financial statements have been prepared on the basis of the accounting policies set out in the March 2003 financial statements of Intellexis plc.
- 3 The basic earnings per share calculation is based on a weighted average number of ordinary shares of 0.1 pence each in issue during the period of 3,152,140,480 (six months ended 30th September 2002 - 2,806,693,988).

4	Turnover is attributable to the one principal activity of the group.	<b>Six months ended 30.09.2003</b>	<b>Six months ended 30.09.2002</b>	<b>Year ended 31.03.2003</b>
	Geographical analysis:	<b>£</b>	<b>£</b>	<b>£</b>
	United Kingdom	379,880	531,070	837,137
	Rest of Europe	179,901	112,601	248,672
	North America	130,370	198,119	289,744
	Other	0	7,009	2,270

# Intellexis plc

## Electronic Communication Shareholder Registration Form

Intellexis Plc is offering shareholders the facility for receiving notification of certain shareholder documents by e-mail, where the law allows. Please read the notes carefully and then tick the appropriate box indicating how you would prefer to receive all future notices of meetings and other shareholder documents and communications from the Company.

**Please read the following notes before making your election:**

1. It is the shareholder's responsibility to notify the Company of any change to their e-mail address (or other contact details).
2. The Company's obligation to effect the electronic communication to you would be satisfied when it transmits the notification of availability to the electronic address for you that it has on file. The Company cannot be held responsible for any failure in transmission beyond its control any more than it can for postal failures.
3. If the Company becomes aware that an electronic notification to you has not been successfully transmitted, two further attempts will be made. If the transmission fails again, a hard copy of the notification will be mailed to you at your last known postal address.
4. The Company will continue to use the election and relevant contact address details supplied by you until such time as the Company receives alternative instructions from you.
5. Before electing for electronic communications shareholders should ensure that they have the appropriate equipment and computer capabilities sufficient for that purpose.
6. The Company takes all reasonable precautions to ensure that no viruses are present in any communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any e-mail or attachments from the Company and recommend that shareholders subject all messages to virus checking procedures prior to use. Any electronic communication received by the Company, including the lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.

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To the Directors of Intellexis Plc and Capita Registrars

(tear here)

I \_\_\_\_\_  
(Full Name)

of \_\_\_\_\_  
(Address)

hereby request that future communications issued by Intellexis Plc be sent to me in electronic form, where possible, to the following E-Mail address:

\_\_\_\_\_

I understand that I will receive a notification from the Company by e-mail (to the e-mail address indicated above) advising me that certain specified documents are being made available for viewing on the Company's website leaving me to access, read and retrieve the documents at my convenience.

Signed \_\_\_\_\_

Date \_\_\_\_\_

Post form back to:  
Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU (ref: SSD-T2LN)

Alternatively, you may register your instructions on-line at: [www.capitaregistrars.com](http://www.capitaregistrars.com)