



The small company specialists

# COMPANY INFORMATION

Associated Network Solutions plc (PLUS:ANS)

Info compiled February 2007

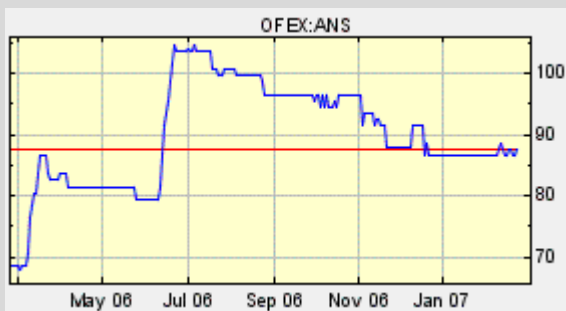
Company Eye Ranking

28/50

## EDITOR'S NOTE

There is little doubt that the company is being run well and is also profitable. The company has a number of products and is moving with the times – updating and bringing out new products. By providing ongoing support and upgrades, it is providing ongoing revenue after initial sales.

The restructuring of the group will hopefully add some value over the coming year, and in our opinion the company will continue to increase its sales year on year, leading to a possibility of this stock making a suitable addition to a medium term portfolio.



Company Name	Associated Network Solutions plc
Current Price	87.5
Status	PLUS
Market Cap	10.36 m
Shares in Issue	11834879
Activities	IT Solutions
Sector	Software & Computer Services
Corporate advisor	St Helen's Capital plc
Registrar	Capita Registrars (Northern)

## HISTORY

Associated Network Solutions (ANS) was established in 1996 by founder, and now Managing Director, Scott Fletcher. It targets medium to large sized businesses in the public and private sectors and operates throughout the UK. It has over 300 customers in a variety of sectors, including local government, NHS, legal, financial services and education.

ANS floated on Ofex in 2000 and raised £1.5 million. It has a presence in Manchester and London. Since mid-2004, the share price of ANS has tripled and the company has achieved wide spread coverage in both the financial and trade press.

ANS addresses business problems with solutions in identity management, information integration and secure web services. It provides a choice in the way organizations maximize their information and technology. Complimenting its networking skills in Novell, Microsoft and Citrix, ANS is fully accredited in open standards, such as JAVA, XML, LDAP and Linux.

On 1<sup>st</sup> August ANS acquired BIOS, a company that specialises in Unified Communications and Security Systems with key partnerships with Cisco Systems and ISS, bringing strategic balance to the overall ANS product portfolio.

## THE BUSINESS

The areas of expertise are identity management, information integration and secure web services, using both third party vendors and its own software. ANS delivers services for each solution; professional consultancy, skills transfer and training, hardware and software installation, and full network support. It has a development team that designs unique

software to sell in the UK and internationally. Following the acquisition of BIOS, in August 2006, the Company went through a restructuring where it is now based on four distinct business units with their own separate profit responsibilities. BIOS will be operated as a business unit alongside Core, Halo and Care.



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### ACTIVITIES

Due to the fast-paced nature of the IT industry, ANS Group takes the latest world-class vendor products one step closer to market by packaging them into solutions that offer a real business benefit. ANS Group offer technology services that are independent of any 'tie-in' vendor characteristics; providing competitive, platform agnostic and valuable solutions in three key areas:

#### **CORE: Microsoft, Novell, Linux**

The CORE team prides themselves on building professional IT infrastructure solutions that overcome today's most demanding business challenges and covers the infrastructure of computers. ANS has a knowledgeable team that will advise and offer valuable information.

#### **CARE: Management, Support, Maintenance**

CARE provide a range of services designed to compliment a companies existing IT resources. From 3<sup>rd</sup> / 4<sup>th</sup> line support across the whole breadth of a companies IT systems when senior engineers get stuck, through reassuring experienced resource working with companies in the unfortunate event of a System / Server down, to managed services for those customers who cannot afford multiple high end specialists to support their secondary IT systems.

#### **HALO: Authenticate, Audit, Authorise**

People are the most valuable asset within any organisation and managing their interaction with the IT network is a highly complex area. The HALO solution set delivers a unique set of solutions to efficiently manage the life cycle of numerous identities a user has within an organisation. By synchronizing information and automating workflow the amount of time and resource required to create and manage each identity is greatly reduced ensuring the right users have the correct access rights. Issues such as password management and single sign on to applications become much easier to manage.

#### **BIOS: Connect, Unify, Communicate**

Provides secure communications solutions to help the public and private sector to maximise the benefits voice, data and Internet technologies can provide. ANS's expertise, combined with dedication to innovation and quality, provides our clients with a range of proven solutions to help them to meet business objectives.

To support these solutions and ensure they have the best possible technical expertise ANS have a highly trained team of experts ready to help manage, support and maintain IT systems.

### LIST OF CLIENTS AND PARTNERS

ANS have clients from the following sectors: Education, Finance, Legal, Property and Building, Utilities, Retail and Housing. Major clients also include Local and Central Government as well as the NHS.

ANS has a strong partnership affiliation with Microsoft, IBM, Cisco Systems, Novell, Sophos, Linux, Mimecast, Aventail and Syncsort.

### SMART ID

Smart ID is now operating as a stand-alone business, with 49% ownership held by ANS. The business is operating at budgeted levels and shows a break-even performance at the half year.

SMARTID is a product of Smart Identity Limited which is partly funded and partly owned by ANS.

The SMARTID for NHS solution enables all NHS staff to sign on once to their local network, national applications and VPN Client, using the NPfIT provided Smart Cards. This is achieved without any modification to the card itself, significantly reducing management costs and the burden on IT staff.



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### AWARDS

Recently, the Company won two honours at the 'Channel Network Awards' where ANS was named 'Channel Company of the Year' and 'Best Mobility

Solution' for the team's work with Finers Stephens Innocent Solicitors.

### DIRECTORS

#### **Scott Fletcher - Founder & Chairman**

Scott, one of the countries leading entrepreneurs has 15 years experience in the IT industry, starting at the young age of 17 he gained his experience initially as a programmer before progressing into junior management in his late teens. In 1996, Scott Founded ANS and has been responsible for its steady growth over the last 10 years. With Scott's business acumen, ANS has grown into a profitable IT solutions, design and support company.

#### **Paul Sweeney - Managing Director**

Paul has over 15 years experience in the IT industry, after graduating in Computer Studies at Salford University he joined a leading software house as a programmer in 1989. He rapidly progressed within the business and soon moved into sales to push the company's portfolio forward helping the business to achieve its largest deal ever. By the age of 25, Paul was General Manager for the Northern Region with annual turnover of the group now approaching £25 million by means of several successful acquisitions. In 1998 Paul was approached by ANS to join the management team and has since been at the heart of every defining moment in the company's growth including it's floatation on OFEX.

#### **Chris Malthouse - Commercial & Financial Director**

Chris has over 10 years experience in the IT and telecommunications industries. He worked as a key member of the management team that set up a telecoms subsidiary of Yorkshire Electricity growing it to a turnover of £15m and then leading the sale of the business to a third party. He then spent the next few years involved with developing a number of small / medium sized businesses getting involved in MBOs and financing projects until he joined ANS in 2000.

#### **Martin Bradburn - Technical Director**

Martin has over 12 years in the IT industry and joined ANS over six years ago from a Technical Management position at Capita Education Services, where he grew a small business unit of specialised staff and was promoted to regional IT Co-ordinator. Since joining ANS, Martin has focussed on technical direction and delivery, setting the standards and expectations by holding the top industry qualifications in all areas of ANS expertise and driving new principles and ideas to ensure the company remains at the leading edge of technology.

#### **Ian Hogg - Non-executive Director**

Ian is a qualified Company Secretary (FCIS) having first graduated in Business Studies at Salford University. He began his career in Salford with GEC as a graduate trainee but moved quickly into the leather trade with Silvester Litton Ltd. He remained there for 15 years the last 8 as Finance Director and left soon after the business was sold to Strong and Fisher plc. In 1987 he joined Broker Forms a specialist printing company for the financial markets. On the sale of the business to Kalamazoo plc in 1989 he assumed the role of Finance Director for both Broker Forms and Kalamazoo Distribution Ltd, the pc distribution arm of Kalamazoo. Both companies were based in Manchester. In January 1990 he led the Management Buyout of Kalamazoo Distribution and formed KDL Ltd.

Ian spent the next 8 years as Managing Director during this period he successfully presided over the transition of the business from a hardware distribution company to a £20m turnover computer services business. Ian has been involved in a number of acquisitions and business sales and in 1998 he sold KDL Ltd to Computerland Plc. In late 1999 he was invited to join ANS as a Non-Executive Director to help prepare the business for the OFEX floatation in 2000.



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# COMPANY INFORMATION

## SHAREHOLDINGS

	Number	%
SJ Fletcher	6,157,227	52
Nigel Wray		24
PP Sweeney	2,025,000	17

	Number	%
CS Malthouse	72,458	0.6
M Bradburn	85,714	0.7
IR Hogg	60,000	0.5

## FINANCIAL HISTORY

### Profit and loss account Year ended 31 March 2006

£	6 Months to 30 <sup>th</sup> September 2006	6 months to 30 <sup>th</sup> September 2005
TURNOVER	2,845,861	2,384,022
Cost of Sales	1,922,515	1,518,827
Gross Profit	923,346	865,195
Administrative Expenses	675,934	640,479
OPERATING PROFIT	247,412	224,716
Interest Receivable	33,549	32,500
Interest Payable	(15)	(30)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	280,946	257,186
Taxation	(54,941)	(48,865)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	226,005	208,321
Earnings per ordinary share	1.9p	1.8p
Diluted earnings per ordinary share	1.7p	1.6p

### Balance Sheet as at 30<sup>th</sup> September 2006

£	Balance sheet as at 30th Sept 2006	Balance sheet as at 30th Sept 2005
Fixed Assets	928,712	211,686
Current Assets	3,325,935	2,420,642
Current Liabilities	(2,772,015)	(1,321,510)
Total assets less current liabilities	1,482,632	1,310,818
Share Capital	118,349	118,365
Reserves	1,364,283	1,192,453
Shareholders Funds	1,482,632	1,310,818

## RISK FACTORS

In addition to the other relevant information, the following specific factors should be considered carefully when evaluating whether to make an investment in the Company. The investment offered in this document may not be suitable for all of its recipients. Before making an investment decision, prospective Investors should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. A prospective Investor should consider carefully whether an investment in the Company is suitable for him/her in the light of his/her personal

circumstances and the financial resources available to him/her. There are various risk and other factors associated with an investment of the type described in this document. In particular:

The value of an investment in the Company is largely dependent upon the expertise of the Directors and their ability to identify and acquire or invest in suitable companies or businesses. There can be no certainty that the Company will be able to identify suitable acquisition targets or complete the purchase of any identified targets at a price the Directors consider acceptable.



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In the event of an aborted acquisition it is likely that resources may have been expended on investigative work and due diligence, which cannot be recovered.

The acquisition of other businesses can involve significant commercial and financial risks and there can be no certainty that any acquired business will not have a material adverse effect on the operations, results or financial position of the Company.

If the Company has not undertaken an acquisition or a significant investment within 24 months of the start of trading on PLUS, there is no guarantee that the Company can maintain an PLUS trading facility if the Directors do

not deem any acquisitions or investments to be suitable within any such period.

It is likely that the Company will need to raise further funds in the future, either to complete a proposed investment or acquisition or to raise further working or development capital for such a transaction. There is no guarantee that the then prevailing market conditions will allow for such a fundraising or that the new investors will be prepared to subscribe for Ordinary Shares at prices that are the same or greater than the price at which they are being introduced.

## CONTACT

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Lancashire  
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## RANKING

	Ranking out of 50 (50 being highest)
<b>Business model - competitive advantage</b>	
Competition	20
Customers	25
Low cost	20
Management	
- corporate governance	25
- quality	15
- shareholding	25
Product	30
Sector	20
<b>Financial evaluation</b>	
Early and profitable exit potential	20
Financial strength	
- cash flow	30
- conservative accounting	22
- need for funding	28
Growth at a reasonable price	25
Risk	25
<b>Overall average rating</b>	<b>28</b>



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### FURTHER INFORMATION ABOUT THE RANKING

#### **Competitive advantage**

Companies are assessed according to their business model and how this translates into strong and sustainable competitive advantage. This can only be achieved with low cost activities and doing something different from the competition. This 'differentiation' must add value to the customer who is then prepared to pay a premium price. The differentiation is most obvious in the product but it can exist anywhere in the company's

value chain of activities, such as easy payment terms, convenient locations, superior management, and quality of suppliers. Companies that do not achieve competitive advantage because they have the same costs and/or do the same as the competition are marooned in a profitless zone. They helplessly try to compete with the one weapon left open to them, which is the disaster of cutting prices and typically leads to similar retaliation by competitors, with disastrous results.

### THE FOLLOWING ELABORATES ON THE RANKING CRITERIA

#### **Competition**

How intense is the competition and are there barriers to entry?

Services tend to be more protected than products from international competition. Does the sector ride the tailwind of multi-year mega trends? Is the business well positioned in the current stage of the economic cycle? What is its resistance to a recession?

#### **Customers**

Is the company controlling its customers and therefore its revenue streams? Are customers glued to the company and providing valuable and reliable recurring revenue or are they one-off, or 'transactional', providing shaky revenue? The company should ideally have weak and numerous customers.

#### **Profitable exit potential**

What is the potential for selling the share profitably? This is more applicable to pre-flotation investments.

#### **Low costs**

Has the company achieved low cost activities thus allowing more of the top line revenue to trickle down to the profit line?

#### **Financial strength**

Does the company have strong cash flow, the lifeblood of any business? Is the accounting conservative or is there 'accounting for growth'? Does it need more funding? Is the profit margin healthy and at least equal to its sector? What has been the track record in the growth rate of profits?

#### **Management**

Is there good corporate governance? What is the quality of management, as this is crucial to any business? Are the directors' shareholdings significant but not so large that they control the company?

#### **Growth at a reasonable price**

Does the share offer growth at a reasonable price? This is commonly measured using the PEG. This is the price earnings ratio (PE) divided by the forecast growth rate in earnings per share (EPS). The lower the PEG the better and under 1.0 is considered good for a blue chip company and under 0.6 for a small growth company.

#### **Product**

Is the product different from the competition and adds value to the customer? Are there threatening substitutes? Does it have a powerful brand?

#### **Risk**

What is the risk rating of the share due to factors such as new markets, its business model and strategies?

#### **Sector**

Is the company in an attractive sector that is profitable and adds value?

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