



## Preliminary Results

June 2005

This presentation may make forward looking statements regarding future events and the future financial performance of the Company. These references may be subject to risks and uncertainties that cannot be forecasted and therefore must be treated in the appropriate way.

# Chris Stone

## Chief Executive

# Full year results 2004/05

- Summary
- Operational performance
- Financial review
- Future growth prospects

# A transformational year

- Delivered market leadership strategy in each chosen market
- EBITA of £32.5m (2004: £11.7m)
- Group revenues of £205.7m (2004: £136.5m), driven by:
  - ▶ Public Services growth of 28%
  - ▶ NorthgateHR growth of 102%
  - ▶ Corporate Sector growth of -1%
- Organic growth of 9% in Public Services and 5% in NorthgateHR
- Completed three acquisitions, already delivering value
- Strategic focus:
  - ▶ Enhanced suite of products is driving strong organic growth in chosen markets
  - ▶ Potential to supplement this with selective bolt-on acquisitions

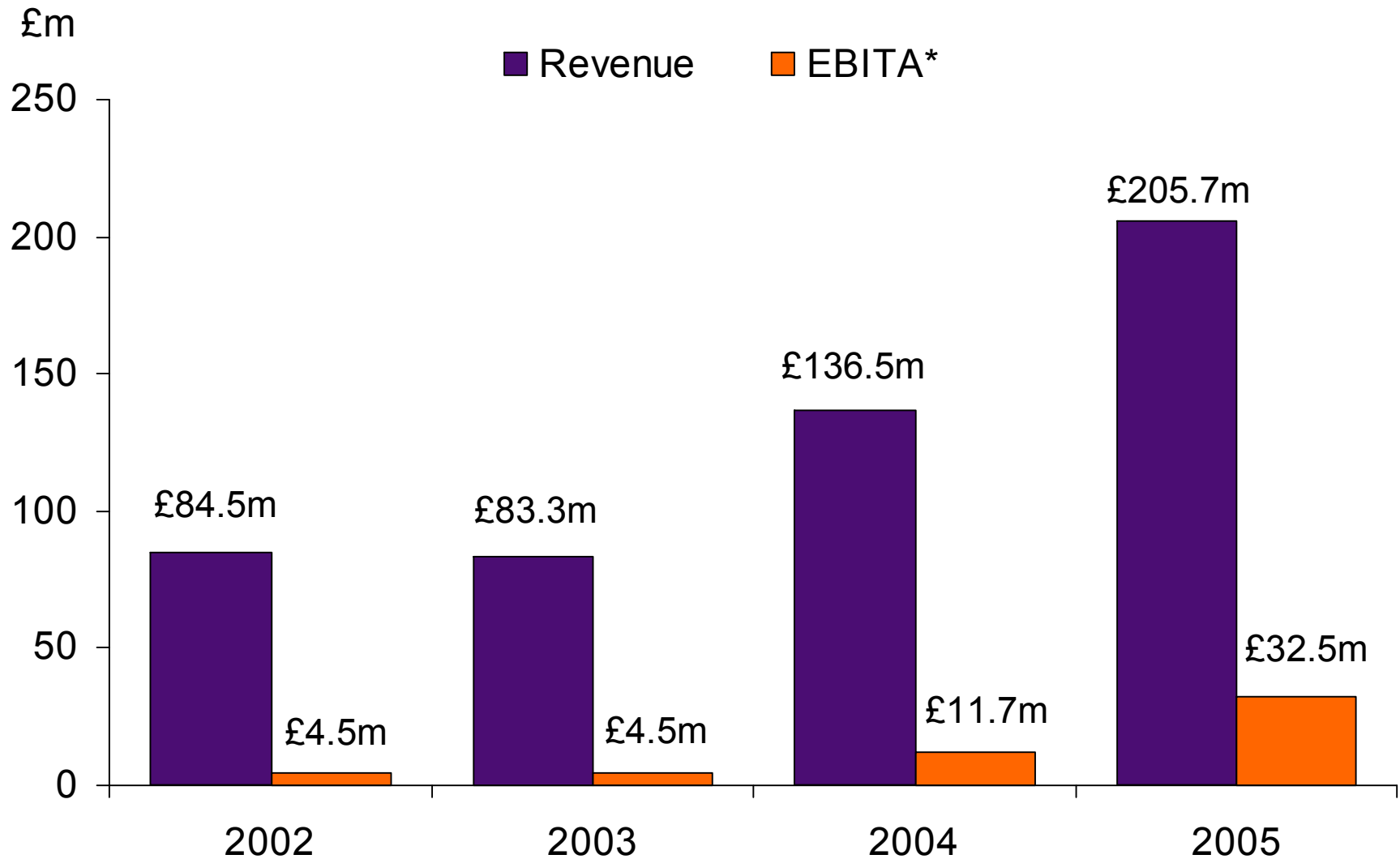
# Key facts

- 1 in 3 of UK working population paid by Northgate
- 2700 large/medium clients and almost 5000 small/medium clients
- 409 Local Authorities customers (87%)
- Over 5m households served by Front Office
- 8.5m annual council tax bills sent last year using Northgate Revenues software
- 1 in 3 council tax bills uses Northgate Revenues software
- Over 3m fixed penalties issued to motorists by Northgate software
- Every police force in the UK using Northgate solutions

# Full year results 2004/05

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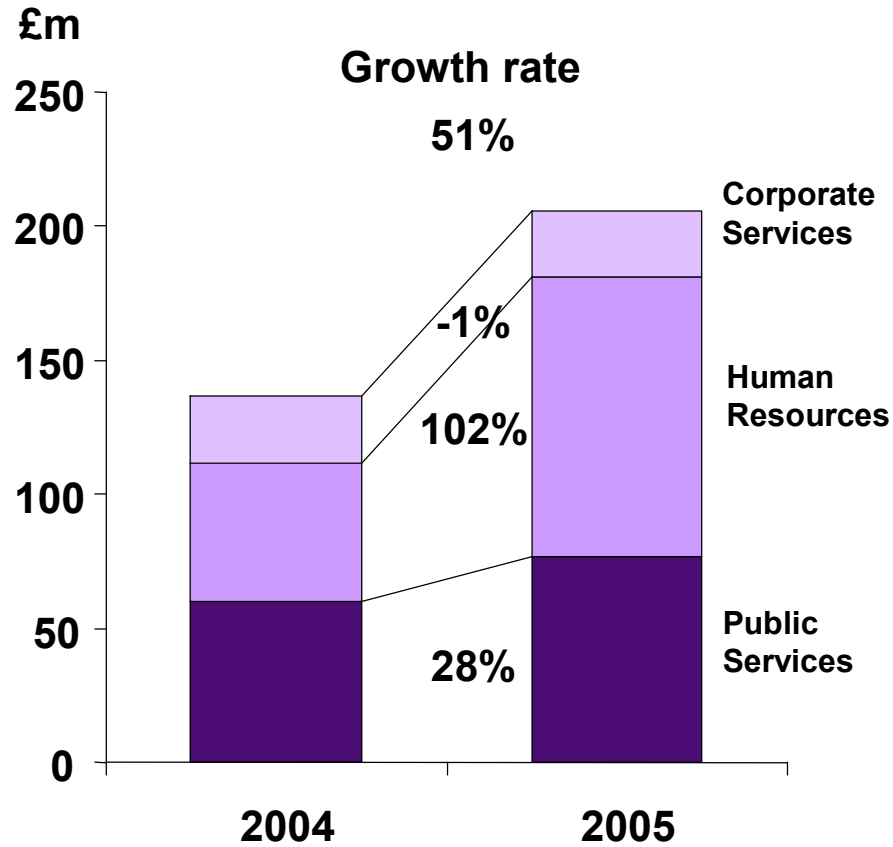
# Revenue and EBITA\* continuing operations



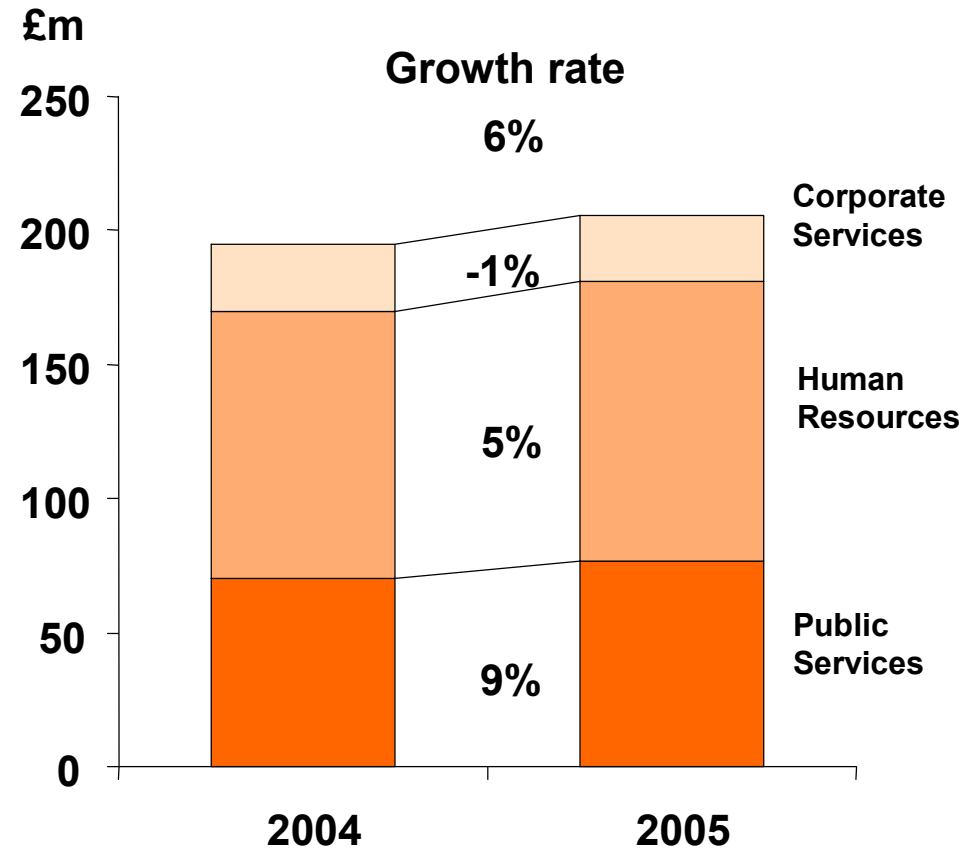
\* Before exceptional items and goodwill amortisation

# Good total and organic growth across the Group

## Total revenue



## Organic revenue



# Full year results 2004/05

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# John Stier

## Finance Director

# Financial summary

- Revenue growth of 51%, EBITA growth of 178%
- Strong organic growth of 7% in core markets
- Order book doubled to £370m
- Excellent cash generation
- Delivering against stated strategy

# Consolidated P&L

(£m)		FY 04/05	FY 03/04	Growth
Turnover	Base business	198.5	136.5	45%
	Acquisitions	7.2		
	Total	<u>205.7</u>	<u>136.5</u>	51%
EBITA	Base business	32.0	11.7	174%
	Acquisitions	0.5		
	Total	<u>32.5</u>	<u>11.7</u>	178%
EBITA %		15.8%	8.6%	

# Divisional analysis

(£m)	FY 04/05		FY 03/04		% Growth	
	Revenue	EBITA	Revenue	EBITA	Revenue	EBITA
<b>Base</b>						
Public Services	69.5	7.5	60.0	6.6	16%	14%
Human Resources	104.2	25.7	51.5	6.7	102%	284%
Corporate Services	25.6	2.8	25.8	1.4	-1%	98%
Intercompany	(0.8)		(0.9)			
Group Costs		(4.0)		(3.0)		
<b>Base Business</b>	<u>198.5</u>	<u>32.0</u>	<u>136.5</u>	<u>11.7</u>	<u>45%</u>	<u>174%</u>
<b>Acquisitions</b>						
Public Services	7.2	0.5				
<b>Total</b>	<u><u>205.7</u></u>	<u><u>32.5</u></u>				

# Organic revenue growth

(£m)	<u>FY 04/05</u>	<u>FY 03/04 *</u>	<u>% Growth</u>
Public Services	76.6	70.3	8.9%
Human Resources	104.3	99.4	4.9%
Corporate Services	24.8	25.0	-0.5%
<b>Total</b>	<b><u>205.7</u></b>	<b><u>194.7</u></b>	<b><u>5.6%</u></b>

- Organic growth of 7% in core divisions

\* Prior year represents comparable periods to allow like-for-like comparison.

# Research and development

(£m)	FY 04/05	FY 03/04
Public Services	8.3	5.7
Human Resources	3.5	1.1
Corporate Services	0.9	0.8
<b>Total</b>	<b><u>12.7</u></b>	<b><u>7.6</u></b>

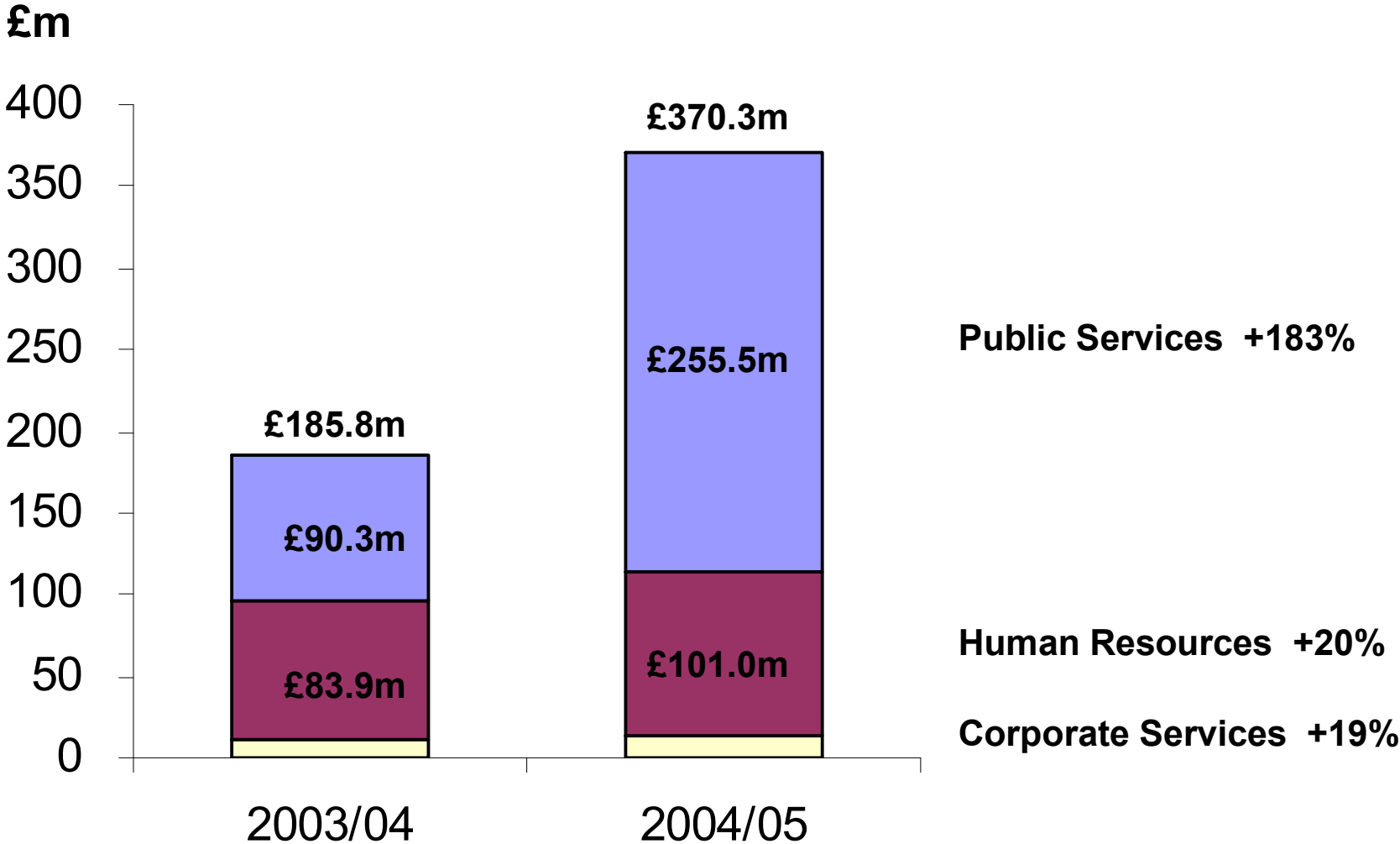
- Investment in R&D increased by 67%

# Consolidated P&L

(£m)	FY 04/05	FY 03/04
<b>EBITA</b>	<b>32.5</b>	<b>11.7</b>
Goodwill amortisation	(14.5)	(5.9)
Exceptionals	(8.5)	(14.2)
<b>Group operating profit / (loss)</b>	<b>9.4</b>	<b>(8.4)</b>
Interest payable & associate	(5.5)	(1.6)
<b>Profit / (loss) before tax</b>	<b>3.9</b>	<b>(10.0)</b>
Tax credit / (charge)	0.2	(0.0)
<b>Retained profit / (loss)</b>	<b>4.1</b>	<b>(10.0)</b>
<b>Earnings Per Share (p)</b>		
Basic	0.82p	-2.94p
Adjusted basic *	4.73p	2.83p

\* Excludes deferred tax credit of £2.0m

# Order Book Doubled



# Exceptional items

(£m)	FY 04/05	FY 03/04
Current year reorganisation costs	(6.9)	(8.3)
Current year property provisions	(1.2)	(2.8)
Boundary Way provision release (2004)	0.0	2.0
<b>Total pre ESOS</b>	<b>(8.1)</b>	<b>(9.2)</b>
ESOS	(0.4)	(5.0)
<b>Total incl ESOS</b>	<b>(8.5)</b>	<b>(14.2)</b>
Headcount reduction	152	229

# Cash flow

(£m)	FY 04/05	FY 03/04
<b>Opening net (debt) / cash</b>	<b>(57.1)</b>	<b>39.3</b>
Operating profit / (loss)	9.4	(8.5)
Exceptional items	8.3	5.0
Depreciation and amortisation	19.5	9.7
Working capital	2.4	4.2
Provisions	(6.3)	3.4
<b>Cash inflow from operations</b>	<b>33.3</b>	<b>13.7</b>
Interest	(5.0)	(0.6)
Tax paid	(3.0)	(0.4)
Capex	(6.1)	(4.3)
Acquisitions	(163.1)	(227.0)
Financing (incl shares issued)	27.5	122.2
<b>Movement in net (debt) / cash</b>	<b>(116.4)</b>	<b>(96.4)</b>
<b>Closing net debt</b>	<b>(173.5)</b>	<b>(57.1)</b>

# Working capital management & financing

- Strong conversion of EBITA to operating cash-flow of 102% (2004: 118%)
- Net debt of £173.5m (2004: £57.1m)
- Banking facilities of £275m, syndicated across 14 banks in place
- £101m headroom at 30-4-05

# Consolidated Balance Sheet

(£m)	30 Apr 05	30 Apr 04
Fixed assets	60.1	30.5
Goodwill	386.6	231.7
Net current liabilities	(56.1)	(14.2)
Provisions	(27.3)	(29.9)
Net debt	(173.5)	(57.1)
<b>Net Assets</b>	<b>189.7</b>	<b>161.1</b>

# Provisions

(£m)	30 Apr 05	30 Apr 04	Movement
Property	6.2	7.2	(1.0)
Pension	12.5	17.8	(5.3)
Restructuring	7.4	3.7	3.7
ESOS	1.2	1.3	(0.1)
<b>Total</b>	<b>27.3</b>	<b>29.9</b>	<b>(2.6)</b>

# Taxation

- Group contains £25.8m of UK trading losses at 30-4-05
- Current year acquisitions contain no trading losses
- Underlying 04/05 tax charge 13%
- Will move to tax charge approaching 30% over next 2-3 years
  - ▶ 2005/06                      23%
  - ▶ 2006/07                      27%
  - ▶ 2007/08                      29%

# Pension Schemes

- FRS17 post-tax valuations show liabilities of:

	<u>Apr-05</u>	<u>Apr-04</u>
Northgate	£27.5m	£24.9m
Rebus	£14.3m	£15.3m
Total	<u>£41.8m</u>	<u>£40.2m</u>

- Assets under management grew by 9.6% to £136.6m in the year
- FRS17 assumptions show 0.3% decline in medium term AA bond rates, increasing liabilities 7.7% to £196.2m
- Triennial valuation as at 31-3-05. Not expected to materially impact cash-flow

# IFRS update

- 2004/05 financial statements will be restated under IFRS
- Publication of these statements to be made before interims are published
- IFRS not expected to materially impact on EBITA
- 2005/06 will be prepared under IFRS

# Financial Summary

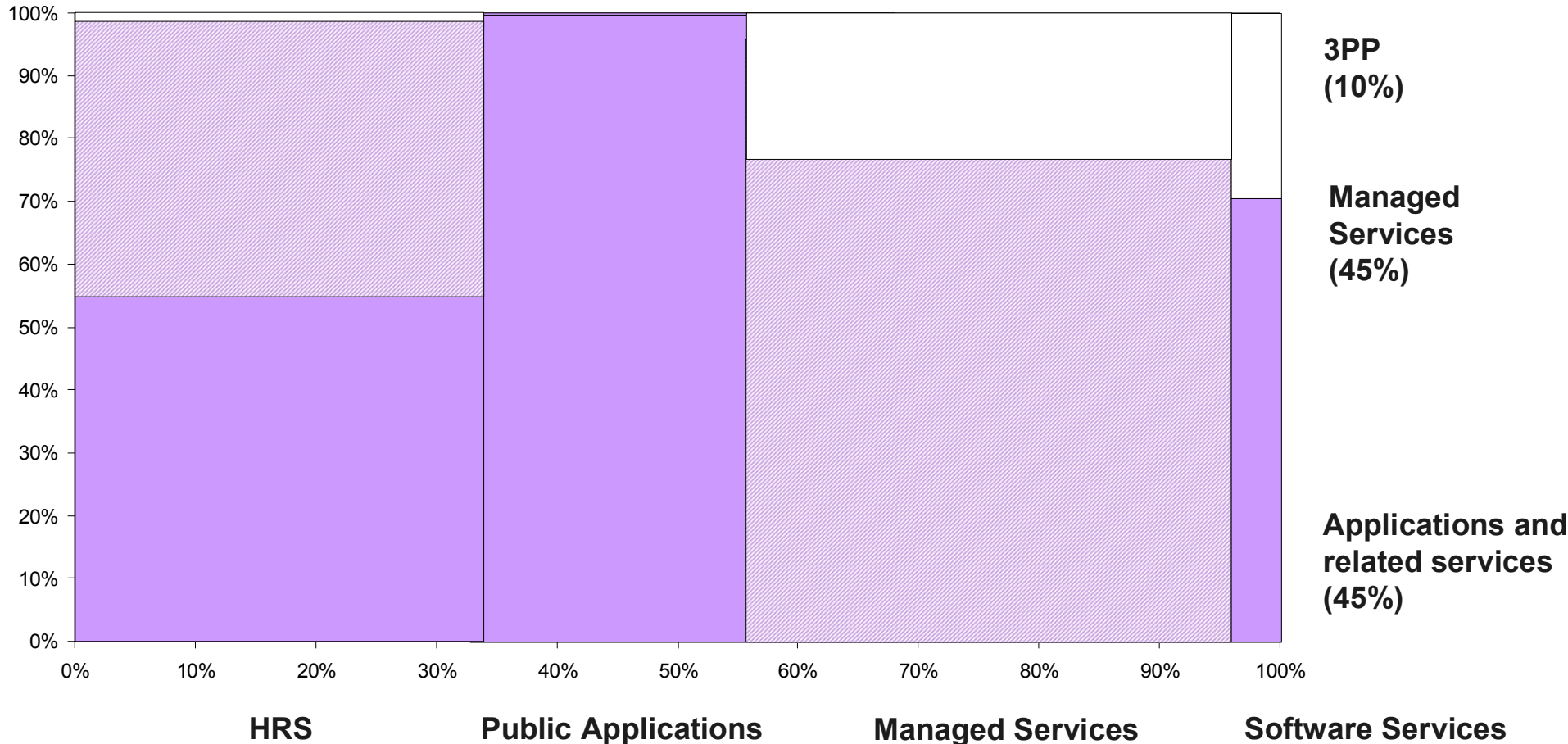
- Excellent revenue and profit growth
- Results driven by strong organic growth and successful integrations
- Substantial order book and high forward earnings visibility
- Strong cash generation, and flexible financing

# Chris Stone

## Chief Executive

# The revenue mix for the enlarged group

**Indicative Revenue Split (Pro Forma 04/05)**



Note: Width of columns on x-axis shows relative size of business

Height of bar on y-axis shows relative mix of business

Sources: Northgate 2003/04 (adjusted for the acquisitions of Rebus and MVM), Sx3 Actual 2003/04



# Integration update

- MVM
  - ▶ Integration of sales, delivery and back office complete
  - ▶ Review of product roadmap in conjunction with Sx3 underway
- Sx3
  - ▶ Structured integration plan being executed
  - ▶ Initial VR programme complete
  - ▶ Expected synergies being delivered

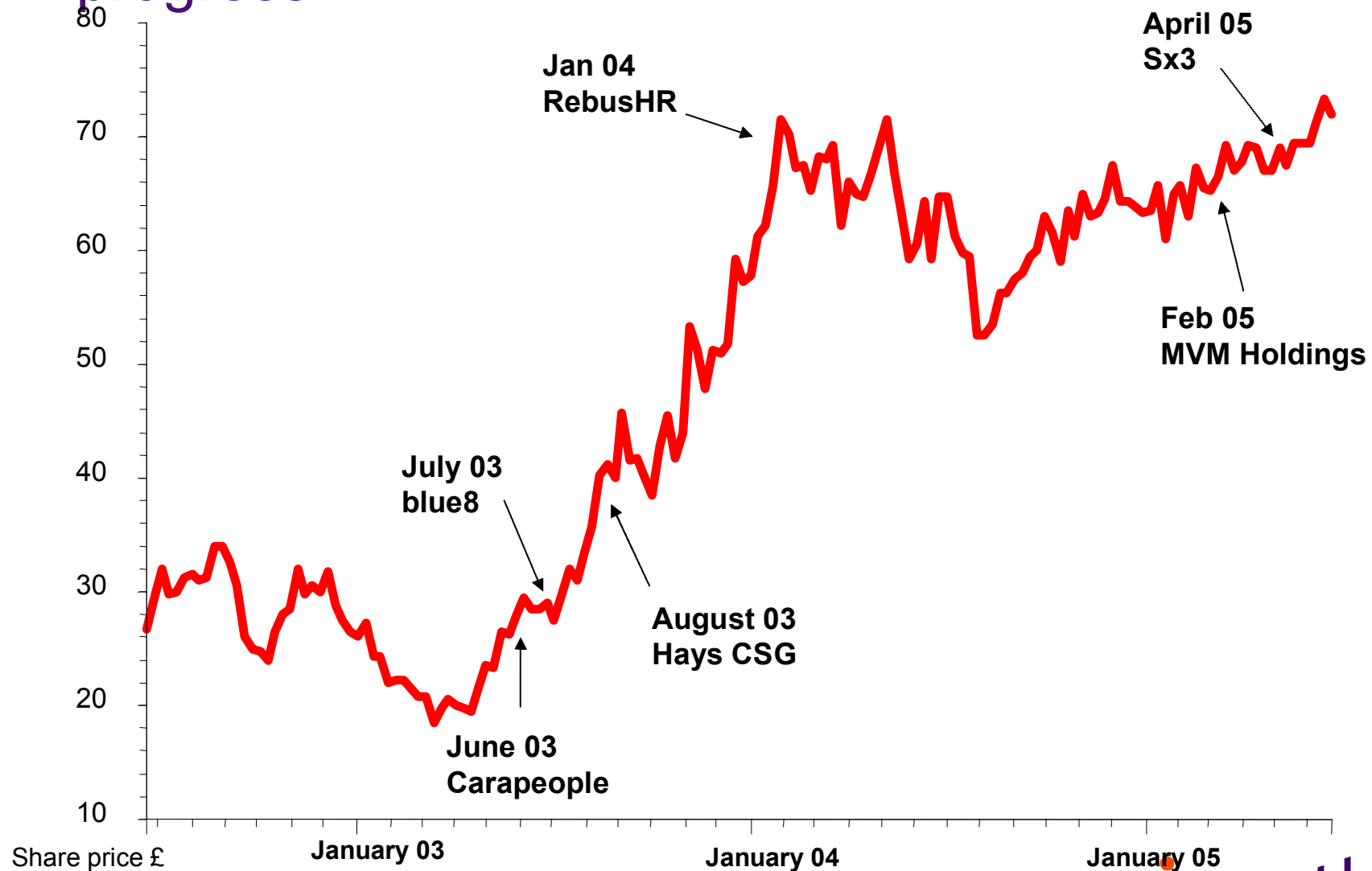
# Strategy

- Focused on areas with potential for market leadership
  - ▶ Targeted portfolio of solutions in well defined businesses
  - ▶ Invested to increase scale and scope in areas of focus
- Focused on areas where Northgate IPR is a key differentiator
  - ▶ Value-based sale
  - ▶ Strengthens customer relationships, reduces attrition
- Capture Managed Service opportunities in our markets

IPR: Intellectual Property Rights



# Transforming the mix – three years of strategic progress



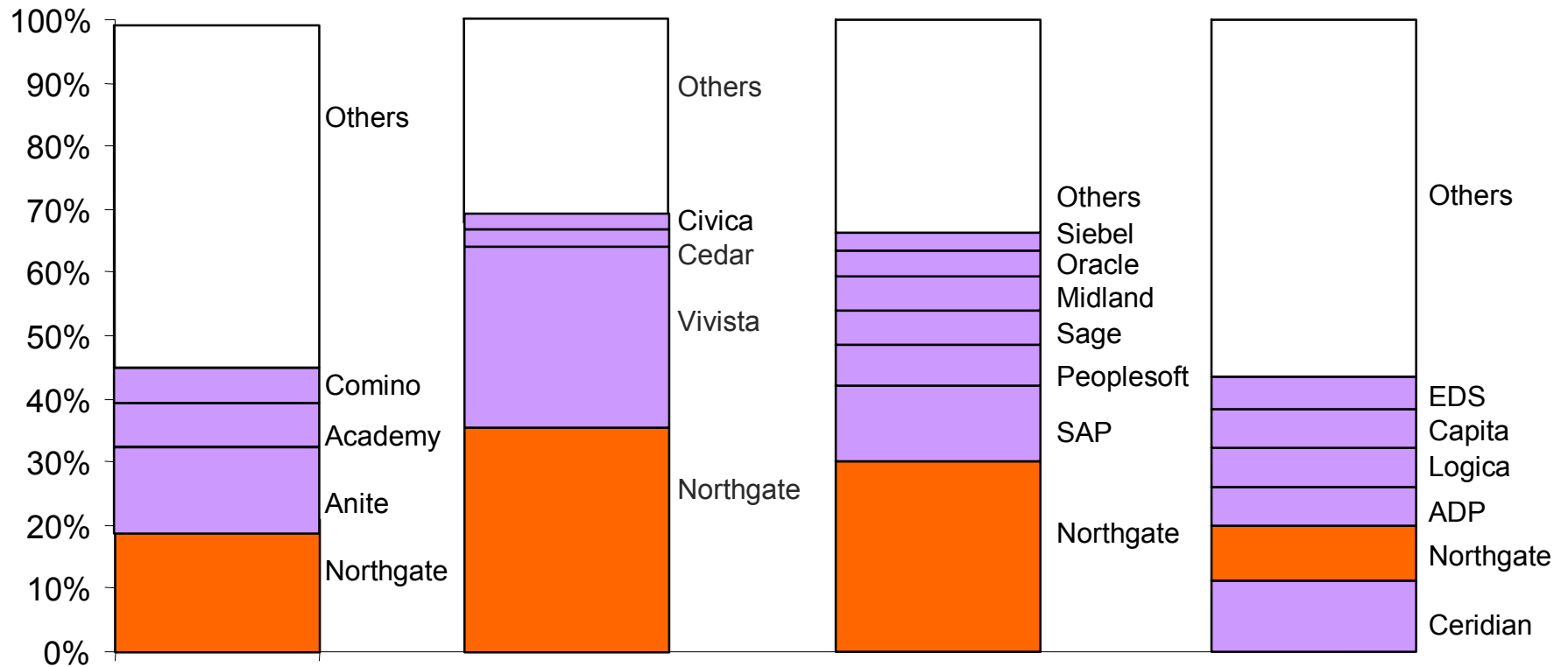
# Domain knowledge creates and sustains our leading market positions

	Local Government	Public Safety & Criminal Justice	HR	Education	Utilities
Applications	1	1	1	2/3	
Outsourcing	4	6	2		5



# Profitability comes from strong competitive positions

Market	LG Applications** £300m	Police Applications £100m	HR Applications £200m	Payroll Services £500m
Northgate	£60m	£23m	£55m	£50m



# Growth prospects

- Leverage our strong competitive position and customer relationships
  - ▶ Unique, quality solutions
  - ▶ Leadership position in each chosen market
- Good growth prospects
  - ▶ Chosen markets - higher than average growth
  - ▶ Expanding order book and growing proportions of recurring revenue
  - ▶ Bolt-on acquisitions in consolidating markets
  - ▶ Opportunities in UK and internationally



## Preliminary Results

June 2005

# Appendix

# Shares & adjusted EPS

<u>Shares</u>	<u>Ordinary Options</u>		<u>Earnings (£m)</u>	<u>04/05</u>	<u>03/04</u>
<b>1 May 2004</b>	<b>495.1</b>	<b>51.3</b>	<b>EBITA</b>	32.5	11.7
Issued		7.1	Interest	(5.5)	(1.6)
Exercised		(1.2)	Tax	(3.5)	(0.5)
Lapsed		(1.3)			
Share placing	37.5				
<b>30 April 2004</b>	<b>532.7</b>	<b>55.9</b>	<b>Adjusted</b>	<b>23.4</b>	<b>9.6</b>
Weighted average	495.4	514.8*			
Dilution		3.9%			
Adjusted EPS	4.73p	4.55p			

\* Note: most options do not result in the issue of an equal number of shares

# Bank covenants

- First test date is 31-Oct-05
- Tests are quarterly and have targets as follows:

<b>Test</b>		<b>Oct-05</b>	<b>Jan-06</b>	<b>Apr-06</b>
$\frac{\text{Net Borrowings}}{\text{EBITDA}}$	<	3.75	3.75	3.50
$\frac{\text{Cashflow}}{\text{Debt Service}}$	>	1.25	1.25	1.25
$\frac{\text{EBITA}}{\text{Interest}}$	>	3.00	3.00	3.00