



## Interim Results

6<sup>th</sup> December 2004

# Chris Stone

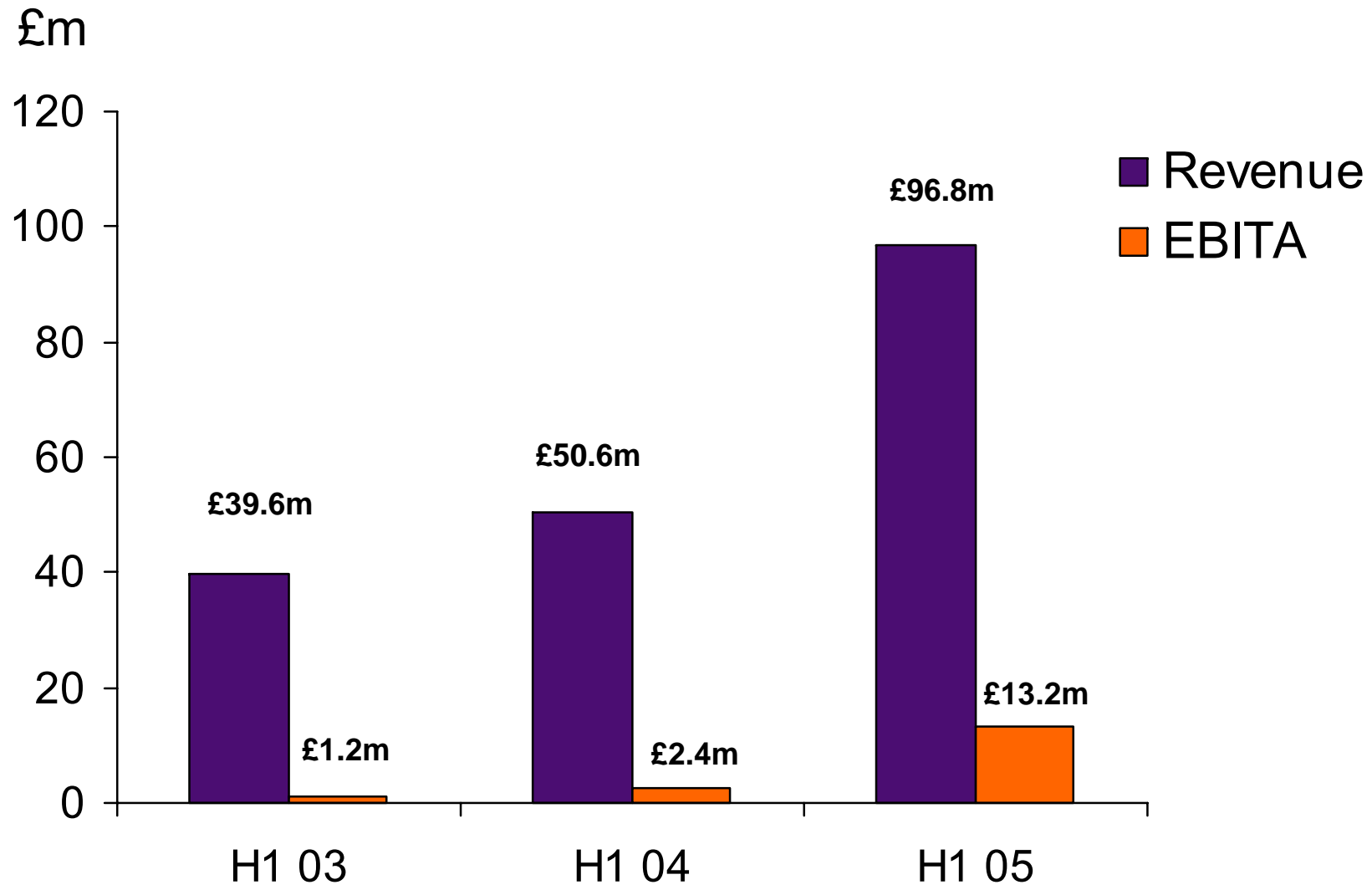
## Chief Executive



# Interim highlights

- Group revenues of £96.8m up by 91%
- EBITA of £13.2m up 459%
- EBITA margins improved from 4.7% to 13.6%
- Organic growth of 12% in Northgate Public Services and 14% in Northgate HR
- EPS growth from 0.73p to 1.60p
- Strategic focus:
  - ▶ Enhanced product portfolio brings opportunities to drive further organic growth in chosen markets
  - ▶ Potential to supplement this with further selective bolt-on acquisitions

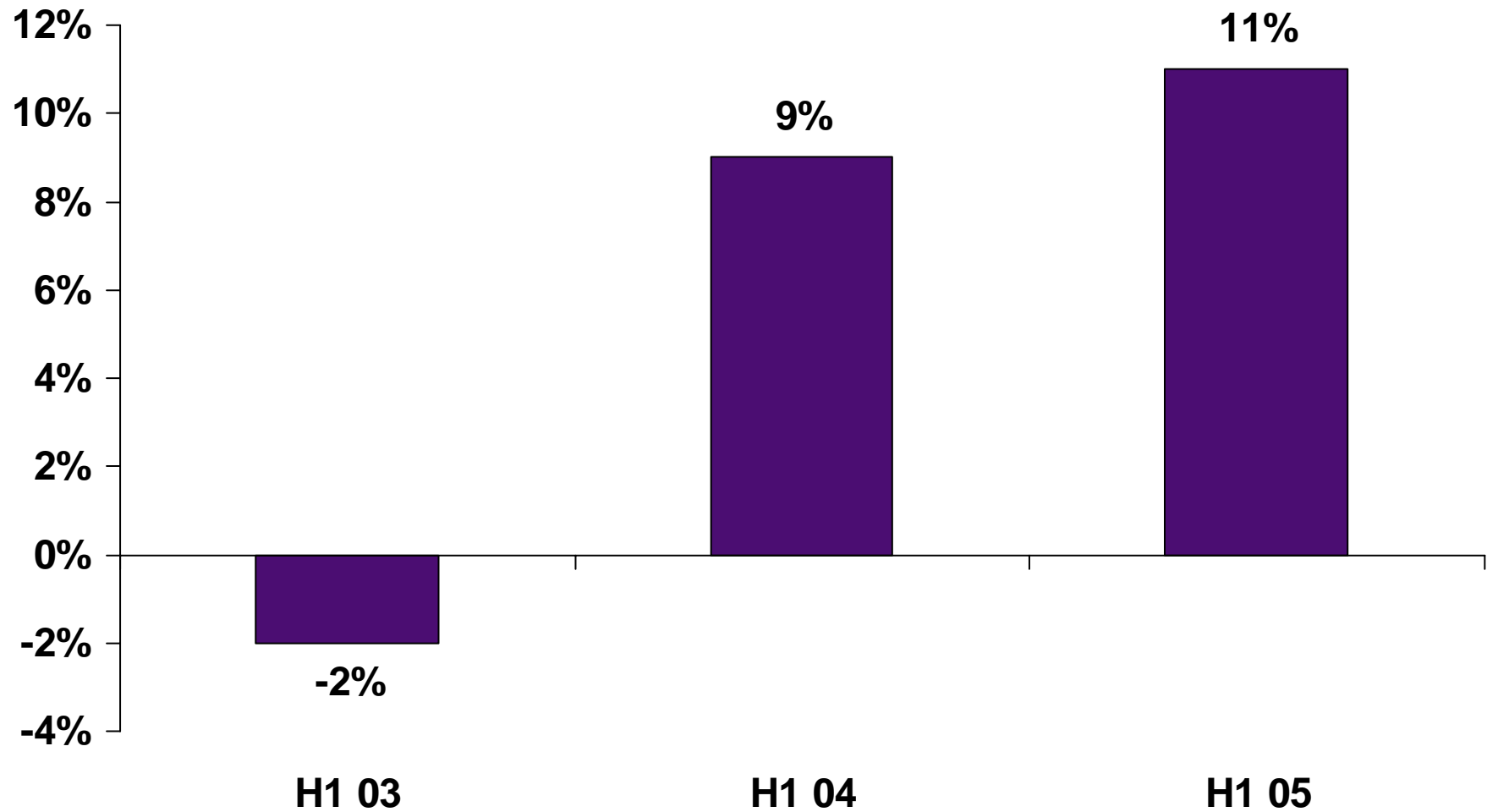
# Revenue and EBITA\* continuing operations



\* Before exceptional items

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# Continued strong organic revenue growth



# 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
- Strong financial control

IPR: Intellectual Property Rights

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# John Stier

## Finance Director



# Consolidated P&L highlights

(£m)	H1 04/05	H1 03/04	Growth
<b>Turnover</b>	<b>96.8</b>	<b>50.6</b>	<b>91%</b>
<b>EBITA</b>	<b>13.2</b>	<b>2.4</b>	<b>459%</b>
<i>EBITA %</i>	<i>13.6%</i>	<i>4.7%</i>	
<b>EPS*</b>	<b>1.60p</b>	<b>0.73p</b>	<b>119%</b>

\* adjusted basic

# Divisional analysis

(£m)	H1 04/05		H1 03/04		% Growth	
	Revenue	EBITA	Revenue	EBITA	Revenue	EBITA
Public Services	32.5	2.2	24.7	1.6	32%	36%
Northgate HR	51.9	11.6	13.9	1.5	274%	691%
Corporate	12.4	1.3	12.0	0.7	3%	90%
Group Costs		(1.9)		(1.4)		
<b>Total</b>	<b>96.8</b>	<b>13.2</b>	<b>50.6</b>	<b>2.4</b>	<b>91%</b>	<b>459%</b>

## Like-for-like revenue comparison

(£m)	H1 04/05	H1 03/04	% Growth
Public Services	32.0	28.5	12%
Northgate HR	16.5	14.5	14%
Corporate Services	12.4	12.0	3%
Organic	<u>60.9</u>	<u>55.0</u>	<u>11%</u>

For analysis purposes, 2003/04 includes 6 months for all acquisitions, regardless of date of acquisition.

# Consolidated P&L

(£m)	H1 04/05	H1 03/04
<b>EBITA</b>	<b>13.2</b>	<b>2.4</b>
Goodwill amortisation	(7.0)	(1.4)
Exceptionals & associate	0.5	(0.5)
<b>Group operating profit</b>	<b>6.7</b>	<b>0.5</b>
Net interest payable	(2.8)	(0.1)
<b>Profit before tax</b>	<b>3.9</b>	<b>0.4</b>
Tax charge	(2.6)	(0.1)
<b>Retained profit</b>	<b>1.3</b>	<b>0.3</b>
<b>Earnings per share (p)</b>		
Basic	0.25p	0.11p
Adjusted basic	1.60p	0.73p

## Working capital management & financing

- Strong conversion of EBITA to operating cash-flow of 94%
- Gearing of 32%, net debt of £51.2m
- Net debt reduced by £12.8m since acquisition of RebusHR
- Banking facilities of over £80.0m, giving £30.0m headroom at 31/10/2004

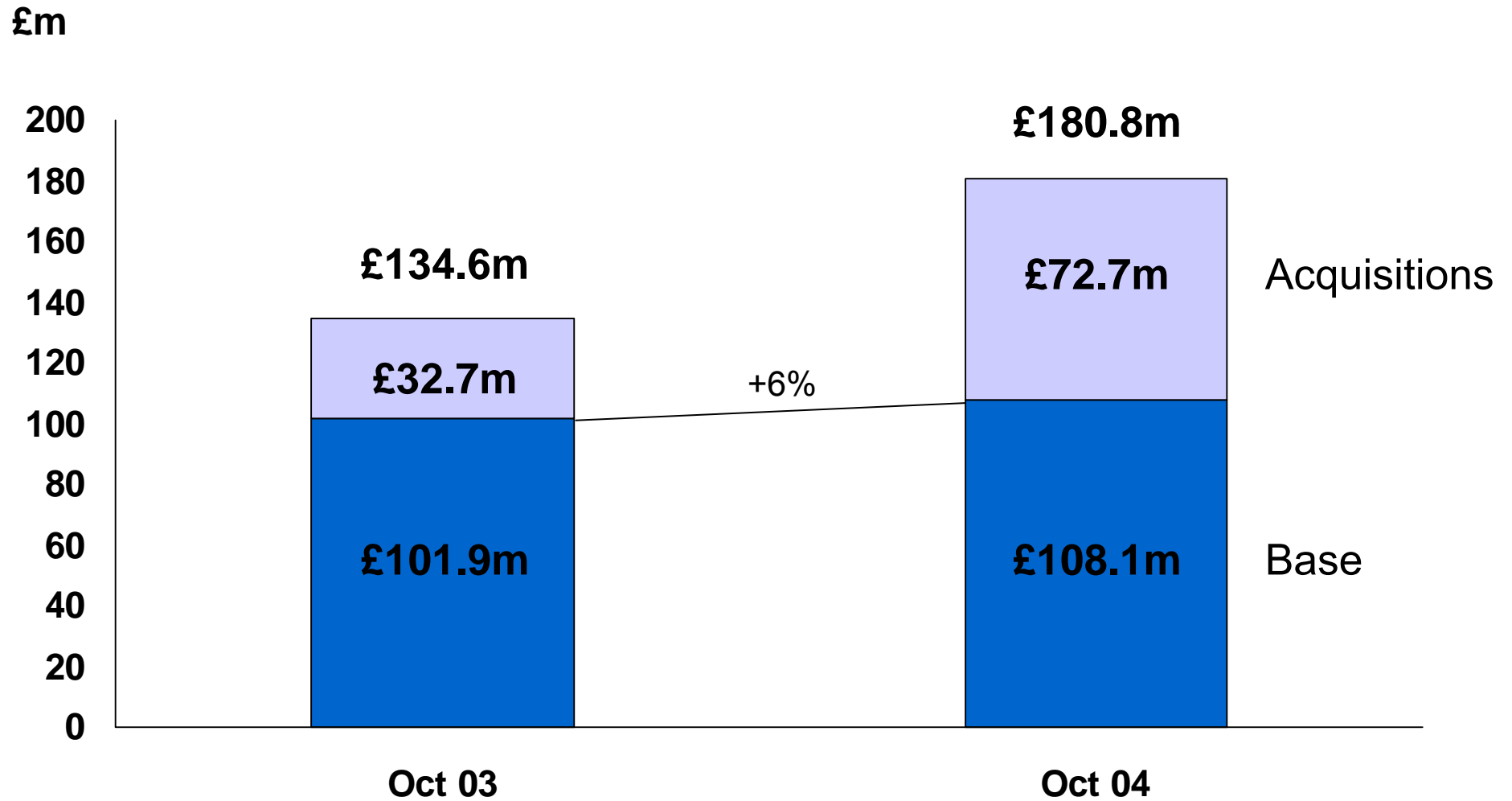
# Consolidated balance sheet

(£m)	31 Oct 04	30 Apr 04	31 Oct 03
Fixed assets	30.8	30.5	22.7
Goodwill	227.6	231.7	34.9
Cash	2.1	2.4	6.8
Other current assets/(liabilities)	(18.8)	(13.6)	0.2
Provisions	(26.4)	(29.9)	(5.0)
Debt & long term liabilities	(53.3)	(60.0)	(12.9)
<b>Net assets</b>	<b>162.0</b>	<b>161.1</b>	<b>46.7</b>
<b>Net debt</b>	<b>(51.2)</b>	<b>(57.1)</b>	<b>(5.2)</b>
<b>Gearing</b>	<b>32%</b>	<b>35%</b>	<b>11%</b>

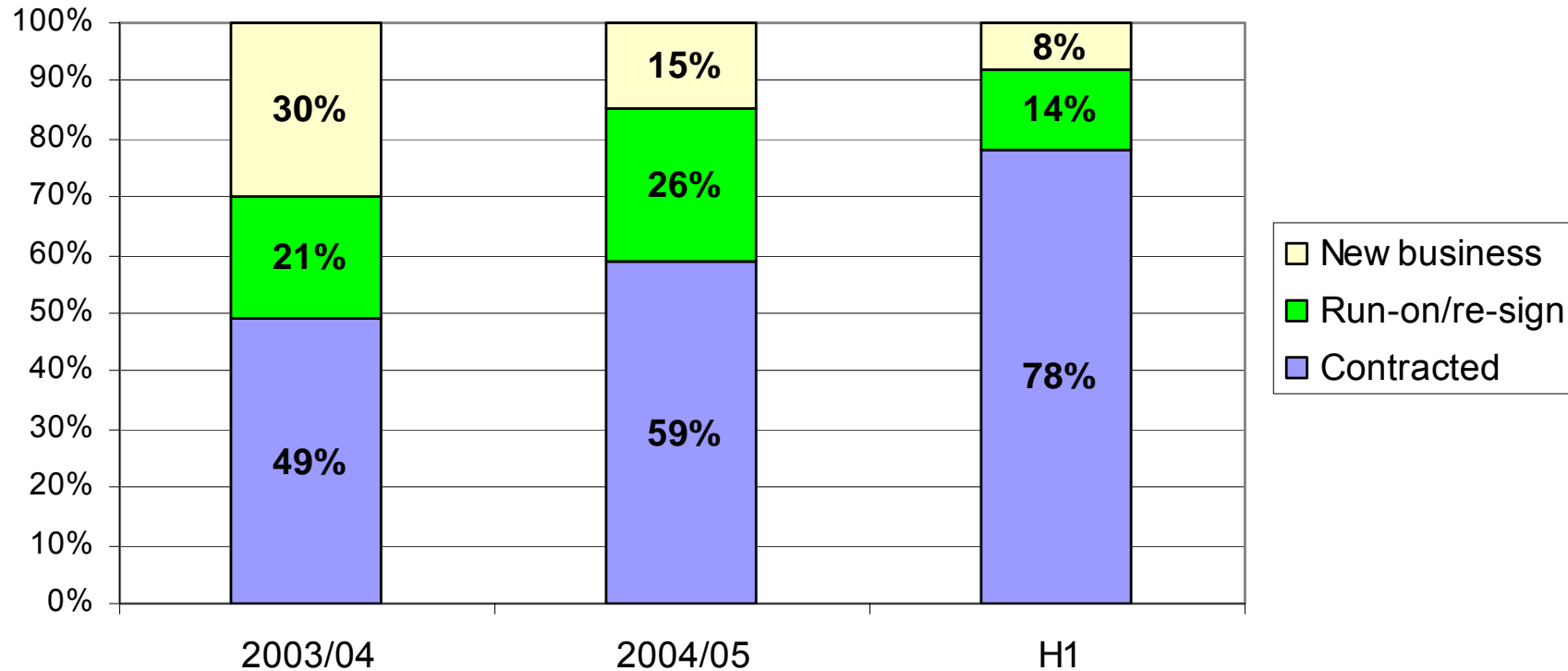
# Provisions

(£m)	31 Oct 04	30 Apr 04	Movement
Property	6.4	7.2	(0.8)
Pension	17.4	17.8	(0.4)
Restructuring	1.5	3.6	(2.1)
ESOS	1.1	1.3	(0.2)
<b>Total</b>	<b><u>26.4</u></b>	<b><u>29.9</u></b>	<b><u>(3.5)</u></b>

# Value in order book increased by 34%



# High earnings visibility



- Average contract length 3-7 years
- Fundamental shift in earnings visibility and risk profile
- Low earnings volatility

Analysis relates to expected turnover

# Integrations complete

- RebusHR fully integrated
  - ▶ £8.0m cost synergies for 2004/05 achieved. On track to deliver £10.0m of cost savings in 2005/06.
- Total annualised cost savings of £12.8m delivered
- No further integration costs to be recognised
- Cross-selling helping organic growth

# Financial summary

- Good trading performance, supported by strong organic growth
- Acquisitions integrated and performing well
- Cash generation remains strong, and banking facilities provide flexibility for further growth
- High earnings visibility underpinned by order book and recurring revenues

# Chris Stone

## Chief Executive



# Progress this year – contract highlights

- **Northgate HR**
  - ▶ 36 new name clients – more than the total for full year 2003/4
    - ▶ 13 also include outsourced services
  - ▶ Continue to win 1 of 3 contract qualified opportunities
    - ▶ Improved pipeline due to market visibility
  - ▶ 50% of FTSE 100
  - ▶ More than 8 million people paid using Northgate's products
- **Public Services**
  - ▶ Front Office – 12 new contract wins including Cornish consortium and first London borough
  - ▶ MACCI - £4.0m contract with Derbyshire County Council
  - ▶ NMIS, providing a core building block for joined-up policing

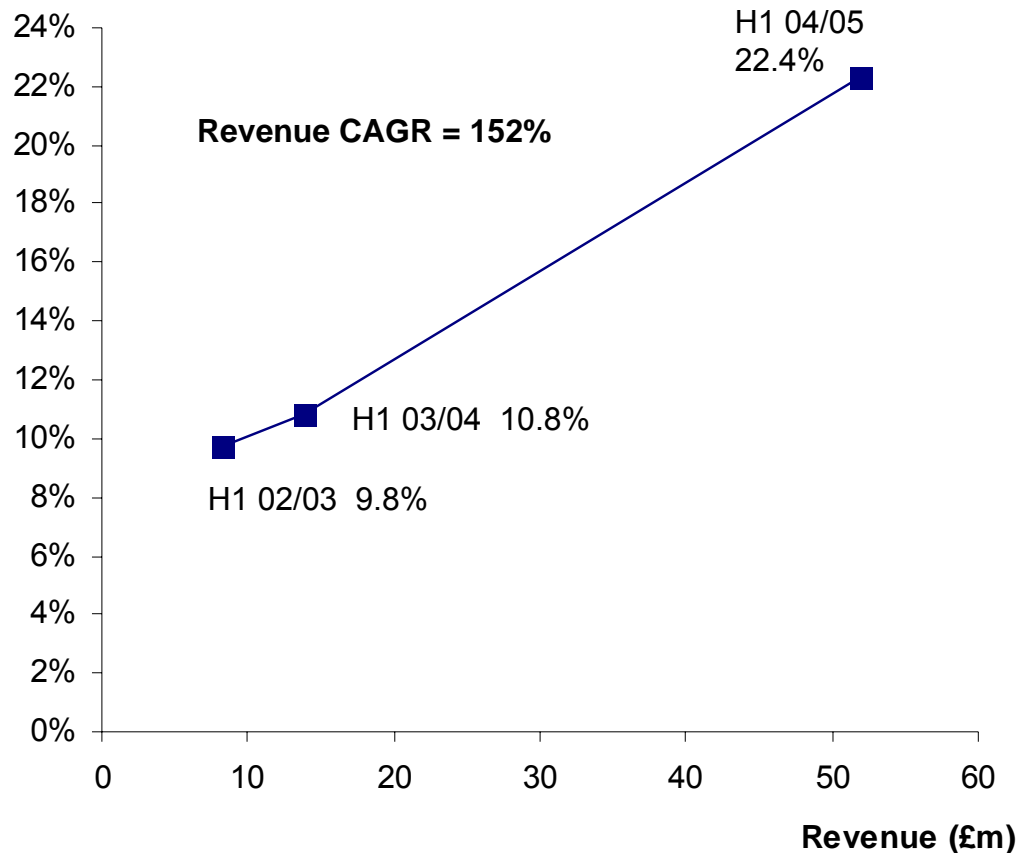
MACCI: Multi Agency Customer Contact Index

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# Scale and scope in Northgate HR

Operating profit margin  
before group costs



## Organic development

- Core ResourceLink product (Web, Self-Service)



## Result

- Comprehensive HR product and service offerings
- Leading supplier of UK HR software



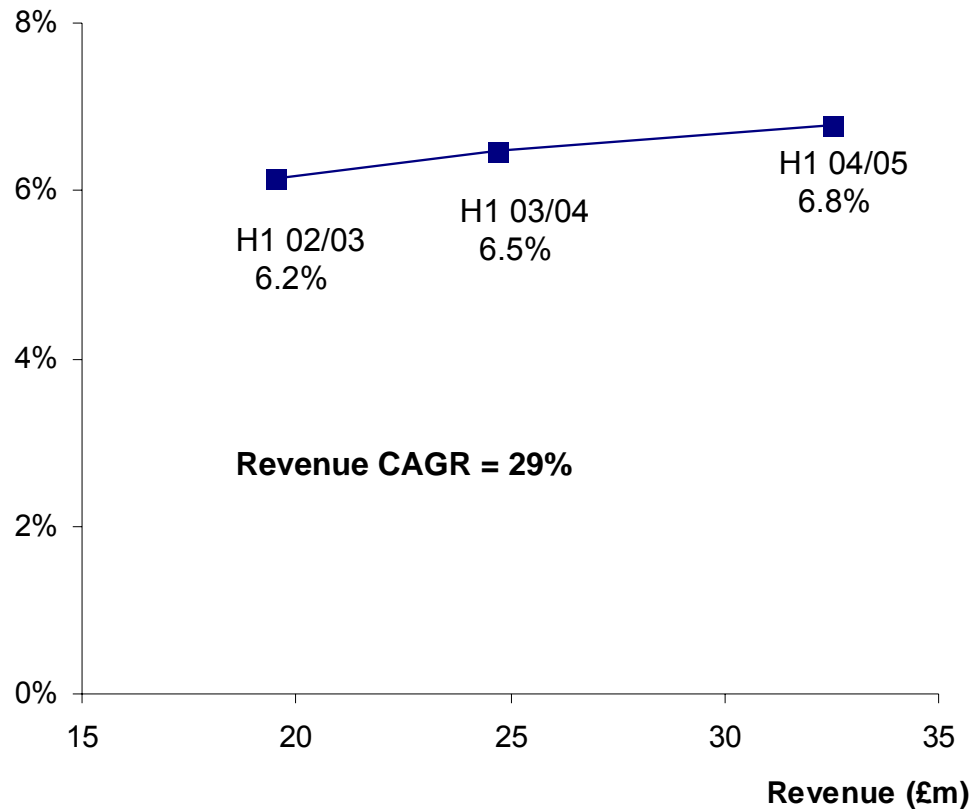
## Acquisitive development

- Increased scale
- Enlarged customer base
- Complementary software functionality
- Payroll services



# Comprehensive solutions in Public Services

Operating profit margin  
before group costs



## Organic development

- Innovative product development (Front Office, Assert)
- Leading positions in areas of focus
- Supporting large Criminal Justice initiatives (Congestion, PND)



## Result

- Comprehensive solutions, using software and services (MACCI)



## Acquisitive development

- Increased scale
- Complementary software functionality (GIS, NMIS)
- Consultancy services



# Consistent strategy

- 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
  - ▶ Bolt-on acquisitions in consolidating markets
  - ▶ Opportunities in UK and internationally
- On target to deliver on full year expectations



## Interim Results

6<sup>th</sup> December 2004

# Appendix

# Cash flow H1 04/05

(£m)

**Opening net cash/(debt)**

Operating profit

Exceptional items

Depreciation and amortisation

Working capital

Provisions

**Cash inflow from operations**

Interest

Tax paid

Capex

Acquisitions and disposals

Financing (incl shares issued)

**Movement in net cash/(debt)**

**Closing net cash/(debt)**

**H1 04/05**

**H1 03/04**

**(57.1)**

**39.3**

6.6

0.5

(0.4)

1.6

9.4

2.9

0.1

1.3

(3.3)

(2.1)

**12.4**

**4.2**

(2.3)

0.2

0.0

(0.3)

(2.6)

(18.1)

(1.3)

(30.4)

(0.3)

0.0

**5.9**

**(44.4)**

**(51.2)**

**(5.1)**

## Key debt ratios

	Actual Oct 04	Bank covenants
Net borrowings/EBITDA	1.8	< 2.50
Cash-flow/debt service	2.8	> 1.25
EBITA/Net interest payable	5.7	> 4.00

Analysis based on 12 month performance to 31/10/04. Going forward, ratios will strengthen as a full year of cost synergies are recognised.