



## **Interim Results**

6 December 2005

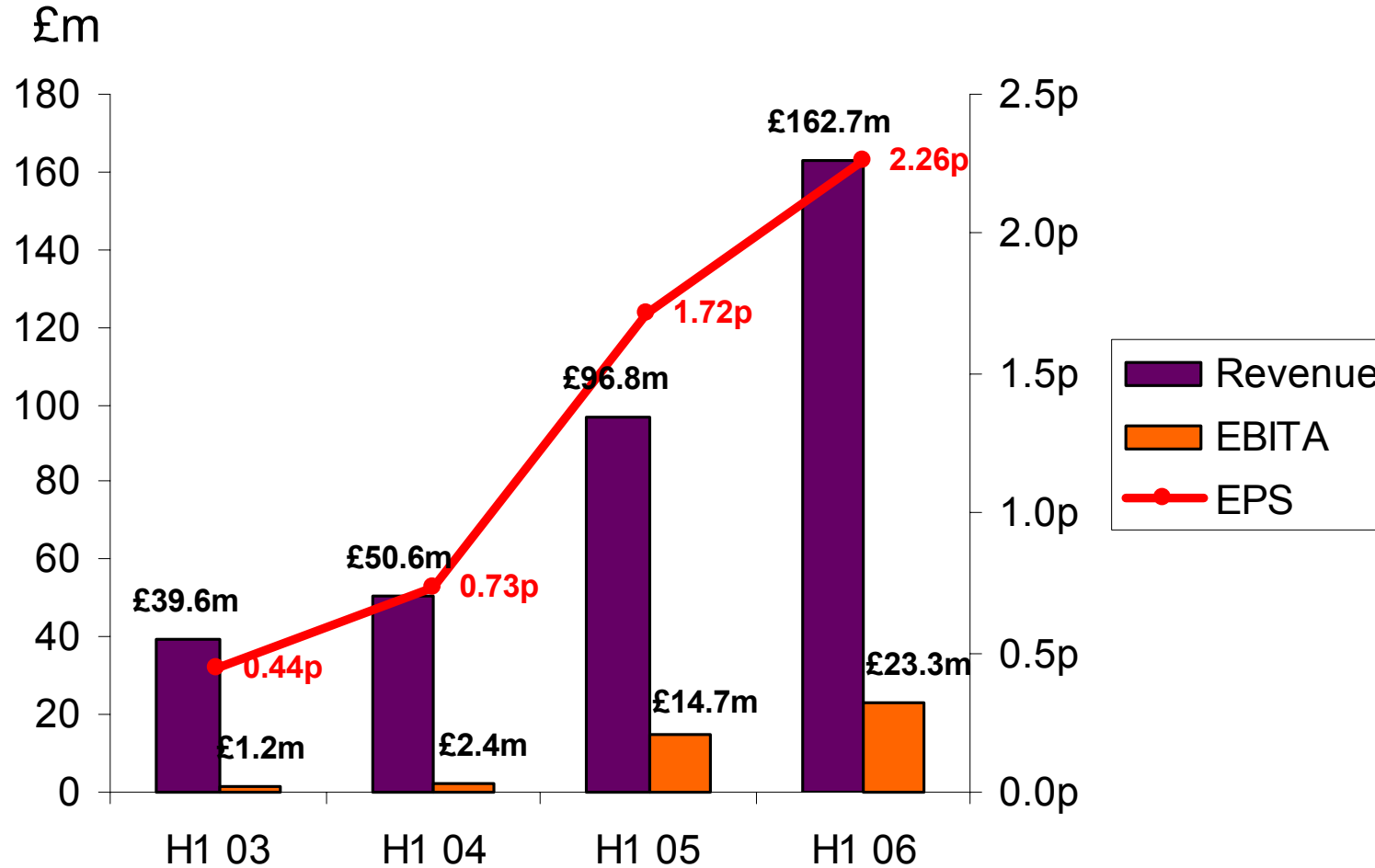
# Chris Stone

## Chief Executive

# Interim highlights

- Group revenues of £162.7m up by 68%
- EBITA of £23.3m up 58%
- EBITA margin 14.3%
- Organic growth driven by good contract wins
  - ▶ Northgate HR 4.3%
  - ▶ Northgate PS 5.2%
  - ▶ Northgate MS 5.3%
  - ▶ Hardware Reselling (23.1)%
- EPS of 2.26p up by 31%
- Sx3 operational integration complete
- Cross selling gaining momentum

# Revenue, EBITA\* and EPS\* progress



\*Before exceptional items and excluding goodwill amortisation.

03 and 04 figures UK GAAP; difference to IFRS not material

# 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

IPR: Intellectual Property Rights



# John Stier

## Finance Director

# Financial summary

- Excellent growth;
  - ▶ Revenue growth of 68%
  - ▶ EBITA growth of 58%
  - ▶ Adjusted EPS growth of 31%
- Strong underlying growth in all divisions
- Continued high level of cash generation
- Operational integration of Sx3 complete

# Profit & loss highlights

£m	H1 05/06	H1 04/05 *	Growth
Revenue	162.7	96.8	68%
EBITA	23.3	14.7	58%
<i>EBITA %</i>	<i>14.3%</i>	<i>15.2%</i>	
Adjusted EPS	2.26p	1.72p	31%

\* Restated under IFRS

# Divisional analysis

£m	H1 05/06		H1 04/05 *		Growth	
	Revenue	EBITA	Revenue	EBITA	Revenue	EBITA
Public Services	48.5	8.0	22.4	2.1	116%	288%
Human Resources	56.1	14.2	54.9	12.8	2%	11%
Managed Services	58.0	2.6	19.5	1.6	197%	60%
Group Costs		(1.5)		(1.8)		
<b>Total</b>	<b><u>162.7</u></b>	<b><u>23.3</u></b>	<b><u>96.8</u></b>	<b><u>14.7</u></b>	<b><u>68%</u></b>	<b><u>58%</u></b>

\* Comparatives have been restated to reflect re-organisation & IFRS

# Profit & loss

£m	<u>H1 05/06</u>	<u>H1 04/05 *</u>
<b>EBITA</b>	<b>23.3</b>	<b>14.7</b>
Share based payments	(1.6)	(0.9)
Amortisation of intangibles	(3.6)	0.0
Income from associate	0.2	0.1
<b>Group operating profit</b>	<b>18.2</b>	<b>13.9</b>
Net interest payable	(8.2)	(3.7)
<b>Profit before tax</b>	<b>10.0</b>	<b>10.2</b>
Tax charge	(3.4)	(2.8)
<b>Retained profit</b>	<b>6.6</b>	<b>7.4</b>
<b>Earnings per share (p)</b>		
Basic	1.22p	1.50p
Adjusted basic	2.26p	1.72p

\* Restated under IFRS

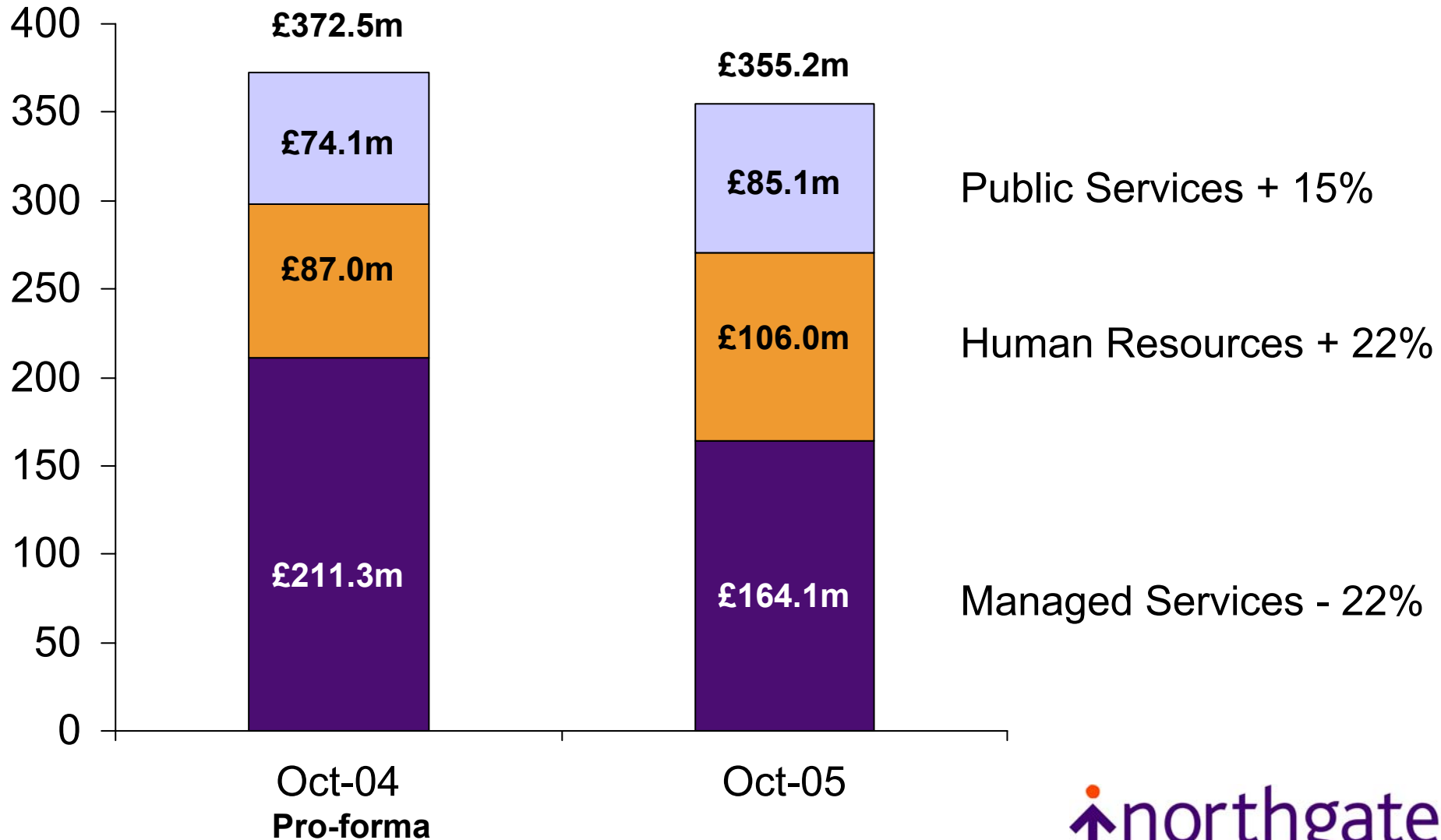
# Underlying revenue growth

£m	H1 05/06	H1 04/05 *	Growth
Public Services	48.5	46.1	5.2%
Human Resources	56.1	53.8	4.3%
Managed Services	46.8	44.4	5.3%
Managed Services 3PP	11.2	14.6	-23.1%
Total	<u>162.7</u>	<u>158.9</u>	<u>2.4%</u>

\* H1 04/05 includes pro-forma comparatives for Sx3 and MVM

# Order book

£m



# Cash flow & financing

- Operating cash-flow of £26.5m, EBITA conversion rate of 114% (H104 93%)
- In H1 £6.0m of restructuring and £5.2m of Sx3 transaction costs were paid
- Net debt at 31-Oct-05 of £171.3m
- Headroom of £103.7m

# Balance sheet

£m	<u>Oct-05</u>	<u>Apr-05</u>	<u>Oct-04</u>
Goodwill	347.8	347.8	234.5
Intangible fixed assets	79.5	80.6	2.3
Tangible fixed assets	57.2	60.1	30.8
Current liabilities	(117.0)	(127.0)	(74.6)
Provisions	(10.1)	(14.8)	(9.0)
Net debt	(171.3)	(173.5)	(51.2)
Net assets	<u>186.1</u>	<u>173.2</u>	<u>132.8</u>

# Integration update

- MVM integration complete
- Sx3 integration operationally complete
  - ▶ Businesses integrated, and cross-selling started
- Delivering committed £5.0m of annualised cost savings

# Chris Stone

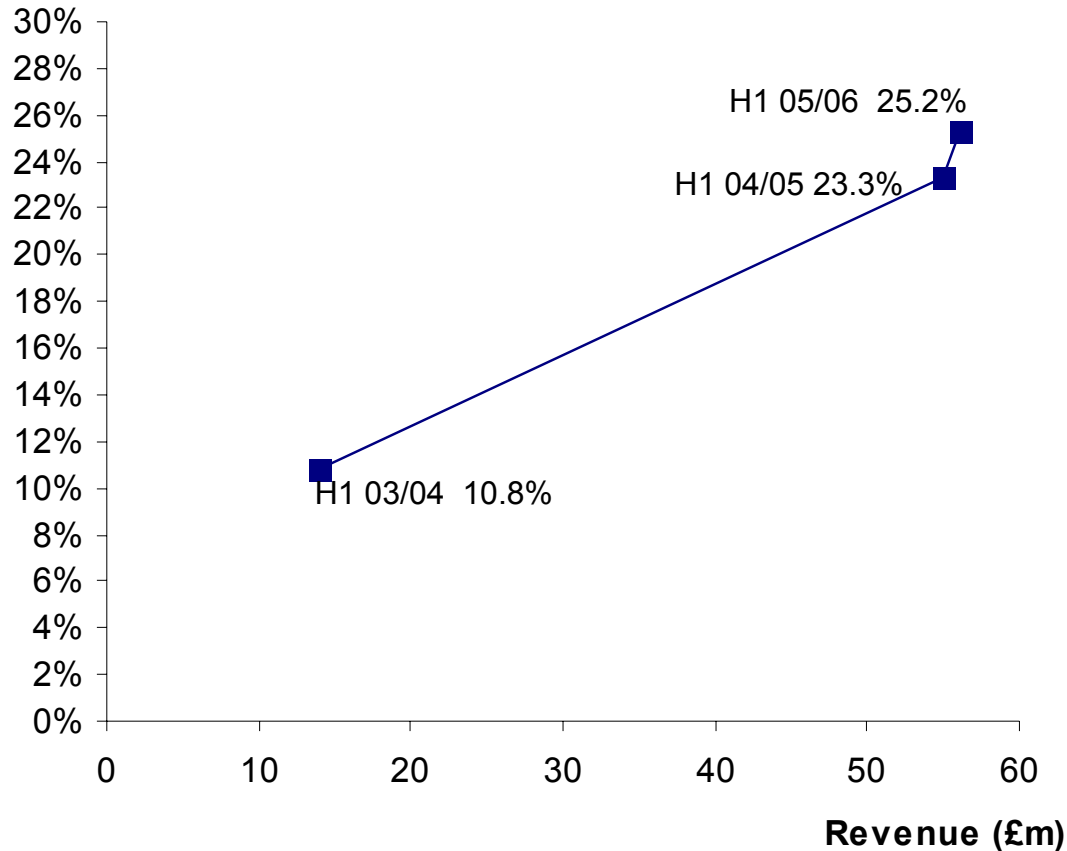
## Chief Executive

# Progress this year – contract highlights

- **Northgate HR**
  - ▶ 31 new name clients
    - ▶ 13 also include outsourced services
  - ▶ Continue to win significant share of new deals in the market
    - ▶ No losses to SAP or Oracle for 18 months
  - ▶ Multi-country contracts signed with Ryanair and McAfee
- **Northgate PS**
  - ▶ Front Office – 12 new contract wins, up from 4 in 2<sup>nd</sup> Half 04/05
  - ▶ R&B/Assert – 5 new contract wins, up from 3
  - ▶ “Largest ever” deals for Land and Property (£1m) and R&B (£1.1m)
- **Northgate MS**
  - ▶ 5 new name clients > £1m pa revenue
  - ▶ 12 new names in total
  - ▶ Education – shortlist on 5 Building Schools for the Future (BSF) opportunities

# Scale and scope in Northgate HR

## Operating profit margin before group costs



## Margin improvement driven by:

- growth in licence and maintenance revenues
- Migration from legacy products to ResourceLink

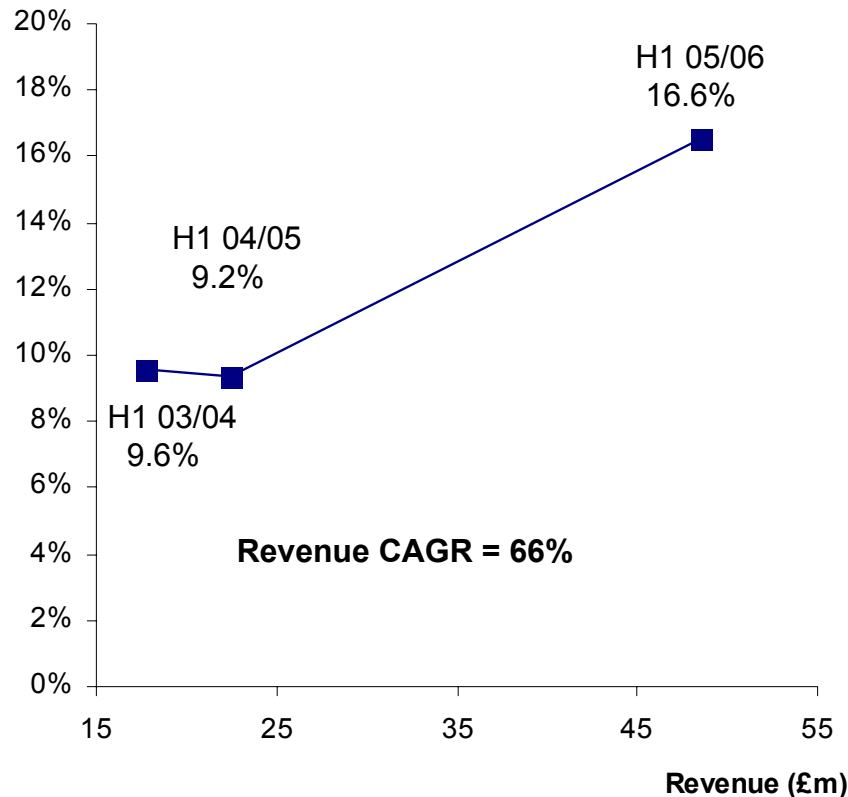
## Balancing

- Growth in Managed Services (Payroll, HR Admin)



# Comprehensive solutions in Public Services

Operating profit margin  
before group costs

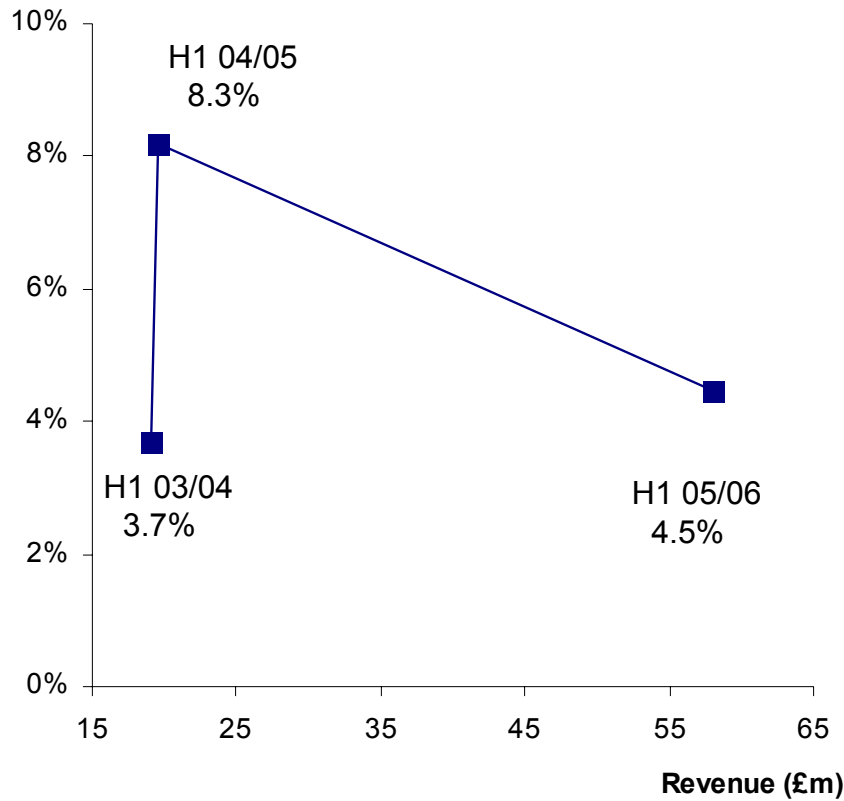


## Development

- **Sx3 integrated into business**
- **Clear market leaders in each area of activity**
- **Applications base creates strong customer relationships – repeat sales**
- **Margins responding strongly**

# Managed Services

Operating profit margin  
before group costs



## Development

- **Sx3 integrated into business**
- **Operations fully integrated**
- **Reselling activities dragging down margins**
- **5.3% growth in services**
- **Focus on improving quality of business**

# 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

# Appendices

# Cash flow H1 05/06

£m	H1 05/06	H1 04/05
<b>Opening net debt</b>	<b>(173.5)</b>	<b>(57.1)</b>
Operating profit	6.6	7.4
Share-based payments	1.3	0.9
Depreciation and amortisation	13.6	3.0
Working capital	11.0	6.5
Provisions	(6.0)	(4.2)
<b>Cash flow from operations</b>	<b>26.5</b>	<b>13.6</b>
Interest	(6.9)	(2.3)
Tax paid	(2.7)	0.0
Capex	(9.5)	(4.2)
Acquisitions and disposals	(5.2)	(1.2)
<b>Movement in net cash/(debt)</b>	<b>2.2</b>	<b>5.9</b>
<b>Closing net debt</b>	<b>(171.3)</b>	<b>(51.2)</b>

# Segmental reconciliation – H1 04/05

£m	UK GAAP	Re-classify		IFRS adjustments		IFRS
	Reported	Managed Services	Software Services	R&D	Pensions	Restated
<u>Revenue</u>						
Public Services	<b>32.5</b>	(10.4)	0.3			<b>22.4</b>
Human Resources	<b>51.9</b>		3.0			<b>54.9</b>
Managed Services	<b>12.4</b>	10.4	(3.3)			<b>19.5</b>
Total	<b>96.8</b>					<b>96.8</b>
<u>EBITA</u>						
Public Services	<b>2.2</b>	(0.4)	0.1	0.1	0.1	<b>2.1</b>
Human Resources	<b>11.6</b>		0.3	0.5	0.4	<b>12.8</b>
Managed Services	<b>1.3</b>	0.4	(0.4)		0.3	<b>1.6</b>
Group costs	<b>(1.9)</b>				0.1	<b>(1.8)</b>
Total	<b>13.2</b>			0.6	0.9	<b>14.7</b>

# Segmental reconciliation – 04/05

£m	UK GAAP	Re-classify		IFRS adjustments		IFRS
	Reported	Managed Services	Software Services	R&D	Pensions	Restated
<u>Revenue</u>						
Public Services	<b>76.6</b>	(21.0)	0.8			<b>56.4</b>
Human Resources	<b>104.2</b>		6.6			<b>110.8</b>
Managed Services	<b>24.9</b>	21.0	(7.4)			<b>38.5</b>
Total	<b>205.7</b>					<b>205.7</b>
<u>EBITA</u>						
Public Services	<b>8.1</b>	(0.8)	0.4	0.4	0.2	<b>8.3</b>
Human Resources	<b>25.6</b>		1.0	0.7	0.7	<b>28.0</b>
Managed Services	<b>2.8</b>	0.8	(1.4)		0.6	<b>2.8</b>
Group costs	<b>(4.0)</b>				0.1	<b>(3.9)</b>
Total	<b>32.5</b>			1.1	1.6	<b>35.2</b>

# P&L IFRS reconciliation – H1 05/06

£m	UK GAAP	IFRS adjustments				IFRS
		R&D	Pensions	Options	Goodwill	
<u>Revenue</u>						
Public Services	<b>48.5</b>					<b>48.5</b>
Human Resources	<b>56.1</b>					<b>56.1</b>
Managed Services	<b>58.0</b>					<b>58.0</b>
Total revenue	<b>162.6</b>					<b>162.6</b>
<u>EBITA</u>						
Public Services	<b>7.2</b>	0.6	0.2			<b>8.0</b>
Human Resources	<b>13.5</b>	0.4	0.3			<b>14.2</b>
Managed Services	<b>2.1</b>	0.1	0.4			<b>2.6</b>
Group costs	<b>(1.6)</b>		0.1			<b>(1.5)</b>
Total EBITA	<b>21.2</b>	1.1	1.0			<b>23.3</b>
Share options	<b>(1.5)</b>			(0.1)		<b>(1.6)</b>
Associate	<b>0.2</b>					<b>0.2</b>
Goodwill amortisation	<b>(11.6)</b>				8.0	<b>(3.6)</b>
Interest	<b>(7.1)</b>		(1.1)			<b>(8.2)</b>
Tax	<b>(4.3)</b>	(0.3)	(0.1)	0.2	1.1	<b>(3.4)</b>
Retained profit	<b>(3.1)</b>	0.8	(0.2)	0.1	9.1	<b>6.7</b>

# IFRS balance sheet reconciliation 31-Oct-2005

£m	UK GAAP	IFRS adjustments					IFRS
		R&D	Pensions	Goodwill	Options	Other	
<u>Assets</u>							
Goodwill	377.3			(29.5)			347.8
Other intangibles	4.2	3.9		71.4			79.5
Fixed assets	57.2						57.2
Deferred tax	13.8	(1.2)	10.6	(21.2)	0.7	0.3	3.0
Stock & debtors	89.7						89.7
Cash	25.5						25.5
<b>Total assets</b>	<b>567.7</b>	<b>2.7</b>	<b>10.6</b>	<b>20.7</b>	<b>0.7</b>	<b>0.3</b>	<b>602.7</b>
<u>Liabilities</u>							
Creditors & accruals	(151.6)					(1.4)	(153.0)
Pension deficit	(17.5)		(35.5)				(53.0)
Provisions	(10.1)						(10.1)
Taxation	(3.7)						(3.7)
Debt	(196.8)						(196.8)
<b>Net assets</b>	<b>188.0</b>	<b>2.7</b>	<b>(24.9)</b>	<b>20.7</b>	<b>0.7</b>	<b>(1.1)</b>	<b>186.1</b>

# Adjusted EPS calculation

£m	<u>H1 05/06</u>	<u>H1 04/05</u>	
<b>Statutory profit after tax</b>	<b>6.6</b>	<b>7.4</b>	
Add back:			
Options	1.6	0.9	
Amortisation	3.6	0.0	
Deferred tax	0.2	0.2	
<b>Adjusted profit after tax</b>	<b><u>12.0</u></b>	<b><u>8.5</u></b>	<b>+ 42%</b>
Shares (m)	531.4	492.7	+ 8%
<b>Adjusted EPS</b>	<b>2.26p</b>	<b>1.72p</b>	<b>+ 31%</b>