

## Civica plc

**Maiden Interim Results - 'Group continues to make good progress'**

Civica plc ('Civica' or 'the company'), the software and services group focused on the public sector, announces interim results for the period ended 31 March 2004.

**Key Points**

- Pro forma\* turnover up **19%** to **£52.5 million** (2003: £44.1 million)
- Pro forma\* gross profit up **14%** to **£16.3 million** (2003: £14.4 million)
- Pro forma\* profit before tax up **12%** to **£3.8 million** (2003: £3.4 million)
- Cash generation was strong with net cashflow from operating activities during the period at 156% of operating profit
- Statutory turnover for the fourteen week period was £24.0 million and loss before tax was £1.6 million
- Management attention continues to focus on strengthening core offerings around consultancy, software and managed services in local government, criminal justice and the wider public sector; new contracts in the period include:

**Consulting** – new 'value added' service to develop Department for Work and Pensions-backed performance improvement initiatives for 10 authorities  
– further 4 contracts for e-government and performance management

**Software** – secured 15 new customers, including 10 new local authority wins such as North Norfolk District Council Housing Benefit software  
– ANPR\*\* contracts with eight Police forces across the UK  
– continued new business momentum in Australia including contracts with cities of Albury and Subiaco worth more than AU\$1 million

**Managed Services** – awarded three-year £1.7 million contract by Transport for London and five-year £1.3 million contract by Apcoa Parking to provide services to Southwark Council

Commenting on the results, Simon Downing, Chief Executive, said:

*"The Group has made good progress over the last six months, strengthening relationships with existing customers and securing a number of important new contracts whilst at the same time enhancing core products and services. The strategic development of the business and financial performance to date provides a strong foundation for the full year and beyond."*

\* Pro forma information shows the results for the Group as if it had been trading in its current form for the full six months period.

\*\* Automatic Number Plate Recognition

## Interim Results for the period ended 31 March 2004

### Introduction

We are delighted to present our first set of interim results since the admission of the Company to AIM on 1 March 2004, and pleased to report that the Group has continued to make good progress in both business development and financial performance.

The Group is a well-established software and IT services business specialising in the public sector market. The majority of the Group's activity is in the UK although it has significant operations in Australia and a smaller subsidiary in the USA. As part of the AIM admission process and the transition from a venture capital backed business to a public company, a group restructuring was undertaken which included, inter alia, the incorporation of a new holding company, Civica plc, on 23 December 2003.

### Trading Results

The reported results represent the trading of the Group for the fourteen weeks since the Company's incorporation on 23 December 2003. These show turnover of £24.0 million and operating profit before amortisation, exceptional items and LTIP charges of £2.8 million, both of which are ahead of the Group's expectations as reflected by our budgets for the full financial year. Operating profit for the period was £696,000.

Exceptional items in the period of £895,000 represent the costs incurred in relation to the admission of Civica plc to AIM on 1 March 2004. Included in the interest charge for the period is £1,760,000 of non-recurring interest associated with the financing of the group restructuring mentioned above.

In order to provide a better understanding of our first half trading results we have produced below pro forma information, which shows the results for the Group as if it had been trading in its current form for the full six months period. Comparative pro forma information is provided for the similar period last year. The basis of the preparation for this pro forma information is given in the notes to the interim statement below. The pro forma financial information shows that if the Group had been in its current form for the full six months to 31 March 2004 results would have shown an increase over the same period for 2003 in turnover of 19% and an increase in underlying operating profit of 12%.

	<b>Pro forma six months ended 31 March 04</b> (unaudited) £'000	<b>Pro forma six months ended 31 March 03</b> (unaudited) £'000
<b>Turnover</b>	52,474	44,111
Cost of sales	(36,131)	(29,706)
<b>Gross profit</b>	16,343	14,405
Administrative expenses	(11,938)	(10,384)
<b>Adjusted operating profit*</b>	4,405	4,021
Interest payable	(641)	(641)
<b>Profit on ordinary activities before taxation</b>	3,764	3,380
Taxation	(1,129)	(1,014)
<b>Profit on ordinary activities after taxation</b>	2,635	2,366
Adjusted earnings per share - basic	5.8p	5.2p
Adjusted earnings per share - diluted	5.4p	4.9p

\*Operating profit before amortisation, exceptional items and LTIP charges

## Balance Sheet

The balance sheet at 31 March 2004 shows net assets of £67.2 million. Goodwill of £86.9 million is being written off over twenty years and arises from the acquisition of the Civica Group from Sonarsend plc, the previous parent company, on 23 December 2003.

Cash in the bank amounted to £6.1 million and resulted from net cashflow from operating activities achieving 156% of operating profit. Bank borrowings amounted to £20.5 million.

Net current liabilities are £3.1 million. If the non-cash element of deferred income of £7.6 million is added back, a positive position would be reported.

## Dividends

It is the Board's intention to ensure that shareholders benefit from the performance of the Group with a progressive dividend policy whilst also recognising the continuing investment needed to increase earnings. Consequently an interim dividend of 0.6 pence per ordinary share is being declared today. This dividend will be paid on 30 July 2004 to shareholders on the register at the close of business on 25 June 2004.

## Review of Operations

Management attention has continued to focus on strengthening our core offerings around consultancy, software and managed services in local government, criminal justice and the wider public sector. I am pleased with the progress we have made in strengthening our relationships with existing customers and in the new business development activities, which are starting to show results across all areas.

## Consulting

Our strategy for consultancy has centered on strengthening senior level engagements and delivering consultancy targeted on public sector service improvement. We have continued to invest in new staff with first hand "practitioner" experience in order to address not just the ICT needs of customers but also service performance targets, process improvement and funding support. Additional focus has been brought to this area with the appointment of Paul Tonks, our new Public Services Director, who recently joined the group management board.

As a result, we have been able to provide a new complementary "value add" service to our software business, for example the development of performance improvement funding bids to the Department for Work and Pensions on behalf of authorities such as Kings Lynn and West Norfolk Borough Council, and the provision of parking enforcement business analysis for St Albans City and District Council, including the establishment of a Public Private Partnership.

The tables below show results extracted from the management accounts for the period under review. Contribution is defined as gross profit less direct technical and sales costs.

<b>Consulting</b>	<b>Unaudited pro forma six months ended 31 Mar 04 £'000</b>	<b>Unaudited pro forma six months ended 31 Mar 03 £'000</b>	<b>Unaudited pro forma twelve months ended 30 Sep 03 £'000</b>
Turnover	5,561	4,875	10,879
Gross profit	3,919	3,456	7,495
Contribution	431	401	1,055

## Software

The main focus for Civica continues to be in the development of owned software systems. During the period the Company secured contracts with fifteen new customers, including ten new local authority wins, whilst in R&D product development has delivered the first of our next generation 'Authority' branded solutions based on Microsoft's .NET platform.

In the UK, North Norfolk District Council selected Civica for Housing Benefits software in order to accelerate benefits claims processing and improve its overall performance. The software is expected to help reduce the average time taken to process claims, with the target to be one of the most efficient Councils within the next two years.

The law enforcement sector has seen continued strong progress, in particular with automatic number plate recognition (ANPR). During the period Civica secured ANPR contracts with eight Police forces across the UK, including a strategically important five-year framework contract with the Kent Police Authority, covering the largest county by population and the gateway to the UK.

Our ability to respond to the trend towards local partnerships, through a combination of local government and police enforcement capabilities, has been endorsed by orders such as a fully integrated CCTV and ANPR vehicle for Hounslow's Community Safety Partnership (involving the Metropolitan Police).

New business momentum in Australia continues, including contracts from the cities of Albury and Subiaco worth over AU\$1million and an enlarged market presence in the libraries market. Civica's market-leading 'Authority' products are helping Australian councils such as the City of South Perth, where online collection of local revenues has increased 86% over a 12 month period, resulting in 30% fewer over the counter payments and greater staff and customer satisfaction. In Melbourne, City of Whittlesea reported per transaction savings of up to 79% for a number of key service processes.

The first stage of our initiative to enhance and integrate Civica's local government offerings under the common 'Authority' brand was announced with the launch of *Authority Traffic*. Building on Microsoft's latest generation .NET platform, *Authority Traffic* combines the comprehensive capability of current offerings with new developments to enable authorities to deal efficiently with a growing task, from parking enforcement to the Government 'Streetscene' initiative and community safety.

Finally we were pleased to win Microsoft's 2004 operational excellence award covering systems, processes, methods of engagement and accuracy in customer transactions in our third party licensing business. The award was a useful endorsement for our systems, service and operations in a business area, which although lower in gross margin terms than owned software, continues to perform well.

The tables below show results extracted from the management accounts for the period under review. Contribution is defined as gross profit less direct technical and sales costs.

<b>Software systems</b>	<b>Unaudited pro forma six months ended 31 Mar 04 £'000</b>	<b>Unaudited pro forma six months ended 31 Mar 03 £'000</b>	<b>Unaudited pro forma twelve months ended 30 Sep 03 £'000</b>
Turnover	41,252	33,904	68,904
Gross profit	7,735	6,430	14,621
Contribution	4,297	3,584	8,361

## Managed Services

Increasingly customers are looking for us to take control of the complete systems management capability around core applications, and recent successes in this area provide a strong foundation to build further business of this type across the group.

Most recently, Civica secured a three-year £1.7 million managed service contract with Transport for London to provide and manage a new high availability system infrastructure for the Dial-a-Ride service in London. The service is used for over 1.3 million journeys a year, providing door-to-door transport for people with disabilities and health problems who cannot use conventional public transport.

At the London Borough of Southwark, Civica won a five-year £1.3 million contract from leading enforcement contractor Apcoa Parking Ltd, to provide services to Southwark Council, based around our latest *Authority Traffic* solution. With a focus on improving services and achieving efficiencies, Civica will provide the software and infrastructure necessary to administer road traffic legislation, including penalty notice processing, automated payments and digital image recording.

The award in Southwark follows a similar contract with the London Borough of Haringey, where the move to a managed service has transformed service delivery. Haringey Council added to its Civica portfolio during the period, for example with a digital imaging solution for bus lane enforcement. The partnership is also developing systems to enable Haringey to enforce new DVLA powers for untaxed vehicles.

The model is also gaining momentum in Australia, for example in a managed services partnership with the Local Government Association of Queensland, for a managed library service for rural libraries across the state.

The tables below show results extracted from the management accounts for the period under review. Contribution is defined as gross profit less direct technical and sales costs.

<b>Managed services</b>	<b>Unaudited pro forma six months ended 31 Mar 04 £'000</b>	<b>Unaudited pro forma six months ended 31 Mar 03 £'000</b>	<b>Unaudited pro forma twelve months ended 30 Sep 03 £'000</b>
Turnover	5,661	5,332	10,521
Gross profit	4,689	4,519	8,809
Contribution	3,135	2,853	5,062

## Outlook

The results for the period represent a very pleasing start to life as a public Company. Given the progress we have made to date and our current sales pipeline we remain confident about our prospects for the remainder of the current year and beyond.

We would like to thank all of our staff for their continuing dedication and all of our customers and partners for their continued support.

## Laurence Vaughan

Non-executive Chairman  
15 June 2004

## **Independent review report by KPMG Audit Plc to Civica plc**

### **Introduction**

We have been engaged by the Company to review the financial information set out below 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.

The report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, or for the conclusions we have reached.

### **Director's responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors.

### **Review work performed**

We conducted our review having regard to the guidance contained in Bulletin 1999/4: Review of the interim financial information 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 is substantially less in scope than an audit performed in accordance with 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 fourteen weeks ended 31 March 2004.

KPMG Audit Plc  
Chartered Accountants  
Leeds  
15 June 2004

**CONSOLIDATED PROFIT & LOSS ACCOUNT**  
for the fourteen weeks ended 31 March 2004

		<b>Unaudited</b>	
		<b>14 weeks ended</b>	
		<b>31 March 2004</b>	
	Notes	£'000	£'000
<b>Turnover</b>			24,024
Cost of sales			(15,136)
			<hr/>
<b>Gross profit</b>			8,888
Administrative expenses			(8,642)
			<hr/>
<b>Operating profit before amortisation, exceptional items and LTIP charges</b>		2,816	
LTIP charges	3	(165)	
Goodwill amortisation	4	(1,060)	
Exceptional items	5	(895)	
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<b>Operating profit</b>			696
Interest on bank debt		(555)	
Interest non-recurring		(1,760)	
Total interest payable	6		(2,315)
			<hr/>
<b>Loss on ordinary activities before taxation</b>			(1,619)
Taxation			(282)
			<hr/>
<b>Loss on ordinary activities after taxation</b>			(1,901)
Dividends	7		(271)
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<b>Retained loss for the financial period</b>			(2,172)
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<b>Basic loss per share (pence)</b>	8		(7.3p)
<b>Fully diluted loss per share (pence)</b>	8		(7.3p)

## CONSOLIDATED BALANCE SHEET

as at 31 March 2004

	Notes	31 March 2004 £'000
<b>Fixed assets</b>		
Intangible assets	4	86,347
Tangible assets		1,571
		<hr/>
		87,918
<b>Current assets</b>		
Stocks		532
Debtors	10	20,630
Cash at bank and in hand		6,142
		<hr/>
		27,304
<b>Creditors:</b> amounts falling due within one year	11	(30,411)
Net current liabilities		<hr/>
		(3,107)
<b>Total assets less current liabilities</b>		84,811
Creditors: amounts falling due after more than one year	12	(17,250)
Provisions for liabilities and charges		(949)
		<hr/>
<b>Net assets</b>		66,612
<b>Capital and reserves</b>		<hr/>
		66,612

## CONSOLIDATED CASH FLOW STATEMENT

for the fourteen weeks ended 31 March 2004

**14 weeks ended 31 March 2004**

£'000

<b>Net cash inflow from operating activities</b>	1,089
Returns on investments and servicing of finance	(340)
Taxation	(209)
Capital expenditure	(109)
Acquisitions	(25,817)
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<b>Net cash outflow before financing</b>	(25,386)
Movement in loans	16,978
Issue of ordinary shares	14,550
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<b>Increase in cash and cash equivalents in the period</b>	<u>6,142</u>

### Reconciliation of net cash inflow from operating activities

Operating profit	696
Depreciation and amortisation	1,178
LTIP charges	165
Increase in stocks	(24)
Increase in debtors	(6,563)
Increase in creditors	<u>5,637</u>
Net cash inflow from operating activities	1,089

### Reconciliation of movement in net debt

	Acquisitions	Cash flow	Non cash changes	Carried forward
	£'000	£'000	£'000	31 March 2004
				£'000
Cash at bank		6,142		6,142
Debt due within one year	(2,673)	(333)	(244)	(3,250)
Debt due after more than one year		(16,645)	(605)	(17,250)
	(2,673)	(10,836)	(849)	(14,358)

## NOTES TO THE ACCOUNTS

1. The interim results for the period ended 31 March 2004 are unaudited and do not constitute statutory accounts within the meaning of s.240 of the Companies Act 1985. They have been prepared in accordance with accounting policies adopted in the admission document issued in relation to the admission of Civica plc to the AIM market ("AIM") on 1 March 2004 ('the Admission').
2. The Group comprises: Civica plc, the ultimate holding company; Civica Holdings Limited, an intermediate holding company; Civica Systems Limited, Civica Services Limited, Civica Pty Limited (Australia) and Creative Microsystems Inc. (USA). The Group profit and loss account for the period ended 31 March 2004 comprises the results of all the above companies for the fourteen weeks ended 31 March 2004.
3. LTIP charges represent the amount chargeable to the profit and loss account in the period in respect of the Long Term Incentive Plan, which was put into place at the time of the Admission. An assumption has been made that all awards under the Plan will vest at the end of the three year performance period.
4. The goodwill arose on the acquisition of the Civica Group from Sonarsend plc, the previous parent company, on 23 December 2003. A number of provisional fair value adjustments have been made in arising at this number. These will be reassessed as at 30 September 2004. Goodwill is being written off over twenty years.
5. Exceptional items represent the costs incurred in relation to the admission of Civica plc to AIM on 1 March 2004.
6. Interest for the fourteen week period to 31 March 2004 comprises:

	£'000
Unsecured loan note interest	972
Bank loan interest	555
Write-off of facility fee	<u>788</u>
	2,315

The unsecured loan notes were repaid following the Admission

7. Dividends for the period ended 31 March 2004 total £271,534 and comprise a proposed interim dividend of 0.6 pence per ordinary share. It is proposed that the interim dividend will be payable on 30 July 2004 to all shareholders on the register at the close of business on 25 June 2004.
8. Actual loss per share for the fourteen week period ended 31 March 2004 is based on the loss after taxation of £1,901,000 divided by the weighted average number of shares during the period 26,172,829 (basic) and 26,945,807 (diluted) 5p ordinary shares.
9. A reconciliation of the basic and fully diluted number of shares used in the fourteen week period ended 31 March 2004 is;

Weighted average number of shares	26,172,829
Dilutive LTIP options	<u>772,978</u>
Diluted weighted average number of shares	26,945,807

#### 10. Analysis of debtors

	31 March 2004
	£'000
Trade debtors	15,585
Accrued income	3,463
Other debtors and prepayments	<u>1,582</u>
	<u>20,630</u>

#### 11. Analysis of creditors due within one year

	31 March 2004
	£'000
Bank loans	3,250
Trade creditors	11,610
Corporation and overseas tax	868
Other taxes and social security	2,473
Other creditors	626
Proposed dividend	271
Accruals and deferred income	<u>11,313</u>
	<u>30,411</u>

#### 12. Analysis of creditors due after more than one year

	31 March 2004
	£'000
Bank loans	<u>17,250</u>

### NOTES ON THE PRO FORMA (UNAUDITED) RESULTS

1. The pro forma results for the six months ended 31 March 2004 comprise the actual results of the Civica Group for the period, on the basis of current accounting policies, before LTIP charges, goodwill amortisation and exceptional items, which are charged in the statutory results, notional interest calculated as if the current debt level of £20.5 million had been in place for the whole period and an assumed tax rate of 30%. The debt level of £20.5 million is the level at 31 March 2004 and results from borrowings incurred at the date of acquisition of the Group less the net proceeds raised on the admission to AIM.
2. The pro forma results for the six months ended 31 March 2003 comprise the actual results of the Civica Group for the period, on the basis of current accounting policies, before LTIP charges, goodwill amortisation and exceptional items, which are charged in the statutory results, notional plc costs, the exclusion of the results applicable to a small business disposed of in the period, notional interest calculated as if the current debt level of £20.5 million had been in place for the whole period and an assumed tax rate of 30%.
3. Adjusted earnings per share on a pro forma basis have also been included as the Directors consider that this figure is helpful for a better understanding of the underlying business. It has been assumed that 45,255,690 (basic) and 48,708,326 (diluted) 5p ordinary shares were in issue during both pro forma periods.