



Focus Solutions Group plc
Interim Results **2008**

Richard Stevenson, Chief Executive said:

“We have made excellent progress during the first half of the year, delivering an increase in revenue and profitability, and securing a major long-term contract that underpins forecasts for the full year. At the same time, with ever increasing financial regulation, a feature of our markets, we have continued to invest in extending our point of sale capabilities to develop focus:360°, the only modular whole office solution currently available for financial advisers.”



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highlights

Financial highlights

- Trading for first half in line with management expectations
- Total revenues up 23% to £4.9 million (H1 2007: £4.0 million)
- Operating profit increased by 133% to £0.7 million (H1 2007: £0.3 million)
- Profit before tax and interest increased by 75% to £0.7 million (H1 2007: £0.4 million)
- Basic earnings per share 1.69 pence (H1 2007: 1.21 pence)
- Strong cash inflow from operating activities of £1.7 million (H1 2007: outflow of £0.7 million)
- Cash balances £2.3 million (H1 2007: £2.0 million) and debt free

Operational highlights

- Launch of focus:360° – a modular whole office solution for financial advisers
- New contract wins in the period include a contract worth a minimum of £4.9 million for the development and supply of the second phase of a large-scale, multi-channel point of sale system for HSBC Bank plc, to support the bank's wealth management strategy
- Further contract win for focus:360° since the period end with Towergate Financial

Business review

This has been a record first half for Focus, with the Group generating an operating profit before interest and tax of £0.7 million, up 133% on the previous half year, and sales revenues up 23% on the same period last year. Our new proposition, focus:360°, has been extremely well received and enables the Group to differentiate itself further in the market.

Together with our unrivalled knowledge of financial services regulation and reputation for high quality and successful implementations, the Group is in a very strong position as a market leader in the provision of proven enterprise solutions to the UK and Ireland financial services markets.

During the six months to 30 September 2008, Focus has continued to make good progress in leveraging business from its established customer base as well as winning new business. Further business won from existing customers includes AEGON Scottish Equitable plc, Barclays Bank plc, Home of Choice, Lincoln Financial Group and from Prudential who extended their licence agreement for a further three years.

In September, we signed a £4.9 million contract with HSBC Bank plc for the development and supply of the second major phase of a large-scale, multi-channel point of sale system, to support HSBC's wealth management strategy. The majority of the contract value will be recognised within the next 12 months,

underpinning results for the current financial year, and is additional to the contract announced in February which instigated the work. The contract was awarded to Focus following its successful delivery of a significant consultancy project to scope the requirements for this major phase for HSBC, earlier in the year. Focus continues to be involved in the development and roll-out of Phase One of this comprehensive system to support HSBC's distribution channels for life, pensions and investment products, which will complete throughout the UK later this year.

In August, the Group announced a strategic partnership with Unisys UK, a worldwide information technology consulting services and solutions company, to provide Unisys with Focus technology for use on its multi-channel mortgage origination platform.

Since the end of period, Focus has signed a new contract for focus:360° with Towergate Financial, a new entrant to the IFA (Independent Financial Adviser) market.

The initial value of the contracts with Towergate Financial is £800,000, covering a five year term licence to provide focus:360° software on a per user basis, along with professional services to support the implementation. focus:360° will enable Towergate Financial to provide a multi-channel offering to their advisers, creating a unique distribution model supported by technology that will be a major competitive differentiator in terms of new business processing and client servicing.

focus:360° offers a modular whole office solution that provides financial services distributors with an agile whole of market, multi-channel technology platform and creates both front and back office opportunities to medium and large sized intermediary firms; a potential market size of some 90 organisations. In the UK and Ireland, intermediaries have previously had to integrate a number of disparate solutions to meet all their business requirements. Therefore, the new proposition offers clients significant cost benefits and greater functionality.

In October, the Group entered into a partnership with Cobent, a leading provider of Learning Management Systems (LMS), to provide training services as part of the focus:360° offering.

Financial review

Group revenues in the first half of the year were up 23% over the same period last year at £4.9 million (H1 2007: £4.0 million). Operating profit of £0.7 million was achieved, compared to £0.3 million in the same period last year.

Gross margins fell from 55% in the last full year to 50% in the first half of this year, with the delivery of the resource-heavy first phase of the major project for HSBC plc. With licence revenues from focus:360° expected to start to have a material effect in FY2010, margins are expected to return to around 60% in the long term. Net operating margins improved to 13% from 8% in H1 2007. This was achieved by maintaining tight control over overhead

costs ensuring that total costs in the first half increased by 15%, at £4.2 million, £0.5 million up on the same period last year.

Cash generated from operating activities in the first half was £1.7 million (H1 2007: (£0.7) million used in operating activities), underpinning a strong balance sheet with cash balances of £2.3 million (H1 2007: £2.0 million; 31 March 2008: £1.0 million). Overdraft facilities totalling £0.75 million (H1 2007: £0.5 million) are available to us from our bankers, HSBC plc. The business is also expected to be cash generative in the second half. The Directors continually review the funding requirements for the Group and will ensure that the continued development of the business is properly funded.

Overall, the first half performance is consistent with market expectations for the year as a whole.

The earnings per share of 1.69 pence per share compares favourably to 1.21 pence per share in the same period last year. As in previous periods, the Directors are not recommending the payment of an interim dividend (H1 2007: £nil).

Outlook

Focus has significantly improved visibility of earnings and is in a robust position as it enters the second half of the year, despite the tough market conditions. Against a backdrop of increasing regulation, the business has continued

to develop its established customer base, demonstrating a strong pipeline, and anticipates closing further contracts in the forthcoming months.

The significant investment we have made in our market leading distribution platform, focus:360°, ensures that the Group is in a strong position to continue to win further business from its blue-chip client base.

The decision to concentrate on packaged software rather than bespoke software will have a positive impact on margins in the longer term, moving away from higher cost, less scalable bespoke development to more predictable revenues. It will also enable further cross selling of products to high quality customers, which supports our growth and gives the Board confidence in the prospects for the Group over the second half of the year.

In May of this year, Azini 1, a fund managed by Capital Partners LLP, acquired shares from funds managed by Top Technology Ventures, representing 26.9% of total voting rights and making the investment firm Focus' second largest shareholder. They have since increased their stake to 27.5%. Azini Capital specialises in acquiring sizeable stakes in venture capital backed and small cap public technology companies. We are very happy that Azini have made such a commitment to Focus. Azini fully supports the Group's strategy, management and long term goals.

With our strengthened financial position and the backing of major shareholders, we are well placed to pursue our acquisition strategy in the second half of the year.



Alastair M Taylor
Chairman

consolidated income statement

for the six months ended 30 September 2008

	Unaudited Six months to 30 September 2008 £'000	Unaudited Six months to 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Revenue	4,895	4,011	8,600
Cost of sales	(2,450)	(1,722)	(3,851)
Gross profit	2,445	2,289	4,749
Operating expenses			
Distribution costs	(472)	(578)	(1,170)
Administrative expenses	(1,323)	(1,406)	(2,388)
Operating profit	650	305	1,191
Operating profit before exceptional costs	757	517	1,461
Exceptional costs	(107)	(212)	(270)
Operating profit	650	305	1,191
Finance income	91	52	209
Profit before tax	741	357	1,400
Income tax	(243)	–	576
Profit for the period attributable to equity shareholders	498	357	1,976
	Pence per share	Pence per share	Pence per share
Earnings per share			
Basic earnings per share	1.69	1.21	6.71
Diluted earnings per share	1.52	1.15	5.99

All the above figures relate to the Group's continuing operations.

consolidated statement of changes in equity

for the six months ended 30 September 2008

	Unaudited Six months to 30 September 2008 £'000	Unaudited Six months to 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Opening shareholders' equity	6,141	4,044	4,044
Profit for the financial year	498	357	1,976
New equity issued	–	32	34
Reserve of employee share option scheme	107	135	87
Closing shareholders' equity	6,746	4,568	6,141

consolidated balance sheet

as at 30 September 2008

	Unaudited As at 30 September 2008 £'000	Unaudited As at 30 September 2007 £'000	Audited As at 31 March 2008 £'000
Assets			
Non current assets			
Property, plant and equipment	209	197	198
Intangible assets	1,136	280	746
Trade and other receivables	719	294	609
Deferred income tax assets	783	450	1,026
	2,847	1,221	2,579
Current assets			
Trade and other receivables	3,966	3,153	4,352
Cash and cash equivalents	2,288	2,006	1,027
	6,254	5,159	5,379
Total assets	9,101	6,380	7,958
Current liabilities			
Trade and other payables	1,451	1,479	1,303
Current tax liabilities	904	333	514
Total liabilities	2,355	1,812	1,817
Net assets	6,746	4,568	6,141
Capital and reserves attributable to equity holders of the Company			
Called up share capital	2,946	2,946	2,946
Share premium	9,899	9,898	9,899
Merger reserve	220	220	220
Share option reserve	256	197	149
Retained earnings	(6,575)	(8,693)	(7,073)
Total shareholders' equity	6,746	4,568	6,141

consolidated cash flow statement

as at 30 September 2008

	Unaudited Six months to 30 September 2008 £'000	Unaudited Six months to 30 September 2007 £'000	Audited Year ended 31 March 2008 £'000
Cash generated from/(used in) operations	1,652	(766)	(1,368)
Net finance income	91	52	209
Net cash generated from/(used in) operating activities	1,743	(714)	(1,159)
Investing activities			
Purchase of property, plant and equipment	(51)	(74)	(119)
Purchases of intangible assets	(431)	(243)	(734)
Net cash used in investing activities	(482)	(317)	(853)
Financing activities			
Issue of ordinary shares	–	32	34
Net cash generated from financing activities	–	32	34
Net (decrease)/increase in cash and cash equivalents	1,261	(999)	(1,978)
Cash and cash equivalents at start of the period	1,027	3,005	3,005
Cash and cash equivalents at end of the period	2,288	2,006	1,027

notes to the interim financial statements

1 Basis of preparation

The financial information set out in this interim financial statement for the six months to 30 September 2008 has been prepared under accounting standards adopted for use in the European Union (International Financial Reporting standards (IFRS)), and on the basis of the accounting policies set out in the statutory accounts of the Group for the year ended 31 March 2008. The report is not prepared in accordance with IAS34, 'Interim financial reporting' which is currently not mandatory for AIM listed companies.

The interim statement has not been audited and does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. It has been reviewed by the auditors, PricewaterhouseCoopers LLP, and their report is set out on page 10. The Group's statutory accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain a statement made under Section 237(2) or Section 237(3) of the Companies Act 1985.

The financial information should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2008, which have been prepared in accordance with IFRS, as adopted for use in the European Union.

2 Exceptional items

As stated in the Group's accounting policies, the Directors regard certain material items as exceptional.

The analysis of exceptional items, classified as administrative expenses, is as follows:

	Unaudited Six months to 30 September 2008 £'000	Unaudited Six months to 30 September 2007 £'000	Unaudited Year ended 31 March 2008 £'000
Re-organisation costs	–	34	35
Cost of employee share option schemes	107	135	87
Aborted acquisition costs	–	43	148
Total	107	212	270

3 Income tax

	Unaudited Six months to 30 September 2008 £'000	Unaudited Six months to 30 September 2007 £'000	Unaudited Year ended 31 March 2008 £'000
Current tax	–	–	–
Deferred tax credit/(charge)	(243)	–	576

The Directors are confident that the Group will achieve future profitability in line with the current business plan, and therefore a deferred tax asset of £783,000 has been recognised in the balance sheet at 30 September 2008 (31 March 2008: £1,026,000).

4 Earnings per ordinary share

Basic earnings per ordinary share is based on the profit for the period and on 29,461,152 (September 2007: 29,268,963; March 2008: 29,416,007) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

Diluted basic earnings per ordinary share is based on the profit for the period and on 32,684,451 (September 2007: 31,135,691; March 2008: 32,976,779) ordinary shares, being the weighted average number of ordinary shares which would have been issued if the outstanding options to acquire shares in the Group had been exercised at the average price during the period.

5 Accounting policies

The accounting policies applied by the Group are consistent with those of its consolidated annual financial statements for the year ended 31 March 2008.

independent review report to focus solutions group plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008, which comprises the Consolidated Income Statement, Consolidated Statement of Changes in Equity, Consolidated Balance Sheet, Consolidated Cash Flow Statement and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the Company's annual financial statements.

This interim report has been prepared in accordance with the basis set out in note 1. As disclosed in note 1, the next annual financial statements of the company will be prepared in accordance with IFRSs as adopted by the European Union. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with the basis set out in note 1 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants
25 November 2008
Cornwall Court, Birmingham

advisors and shareholder information

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3911357 (England and Wales)

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Independent auditors

PricewaterhouseCoopers LLP
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Registrars

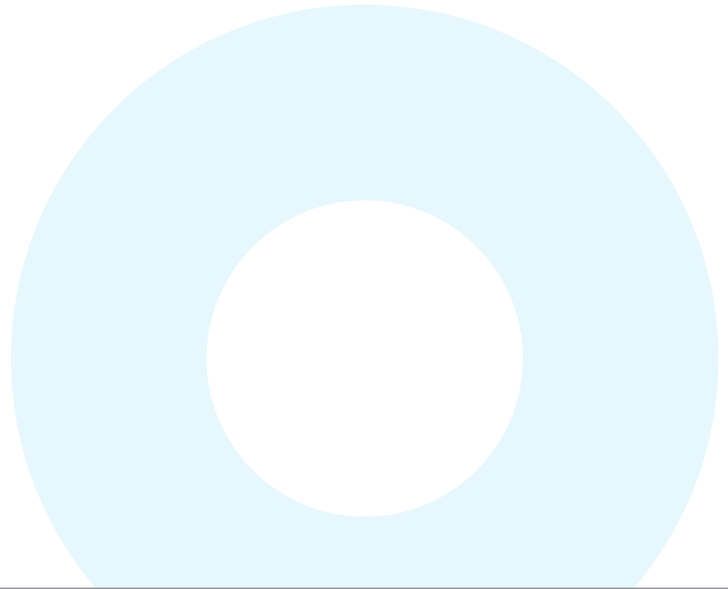
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notes

Important notice

Certain statements in this interim report are forward looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. By their nature, these statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise. Accordingly, undue reliance should not be placed on forward looking statements.





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