



Focus Solutions Group plc
Interim Results
Six Months Ended 30 September 2006





"The results for the first half of FY2007 show that the Company is continuing to move forward. Revenues were up 3%, however with careful management of the cost base we delivered a significantly improved performance. Over the past few months we have announced a series of major contract wins. The latest HSBC contract win is the most significant, awarded following eight months of consultancy work. Further contract wins for the UK subsidiary of a major US Insurance Company and from the established customer base have consolidated our position as the leading Point of Sale solution provider to the UK financial services market. Furthermore, the award of a contract from BT has provided further proof of the applicability of our technology in other markets, particularly Government.

I am extremely pleased with the recent progress of the Company since becoming CEO in March, which gives me confidence that we will continue to build strength in the business and enjoy further success in the short to medium term."

Richard Stevenson, Chief Executive, Focus Solutions Group plc.

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Highlights

- Trading for first half in line with expectations
- £0.4 million improvement in Operating Profit before Reorganisation Costs compared to last year
- Total revenues up 3% to £2.8 million (2005: £2.7 million)
- Operating loss before reorganisation costs £0.1 million (2005: £0.5 million)
- Operating loss before tax and interest £0.3 million (2005: £0.6 million)
- Cash balances £0.4 million (2005: £0.3 million) and debt free
- Cash generated from operating activities in period £0.3 million (2005: £0.7 million outflow)
- New contract wins in the period included:
 - Consultancy and development services for HSBC Bank Plc
 - Initial £60k software licence agreement with the UK subsidiary of a major US provider of life, pensions and investment products
- Further new contract wins since the period end:
 - Our largest ever contract win with HSBC worth £6.0 million over the next 18 months
 - First contract with BT worth £120k for the development of an online registration solution in Central Government
- Loss per share 0.71 pence (2005: 2.0 pence)

Chairman's Statement

Business review

It is with some pleasure that I report that the Group's results for the first half of FY2007 continue to demonstrate strong progress in our business. Sales revenues are up 3% on the same period last year. Our order backlog, as we enter the second half of the year, stands at a record level and we remain confident we will meet expectations.

Richard Stevenson joined the Group as Chief Executive at the start of March 2006. His impact has been immediate, with the reorganisation of the management team in line with our strategic objectives, refocusing of effort on the business' key strengths, improved efficiencies within the organisation, and developing the team and company ethos, which he believes will ensure the future success of the business. The Board is exceptionally pleased with the impact Richard has made since joining us and is confidently expecting further positive developments in the Group's future.

Focus has continued to win business against major competition in the Point of Sale market, with a strong

record in the life and pensions, bancassurance and mortgage sectors. With highly successful solutions delivered to the likes of Norwich Union, Openwork and Barclays Bank in recent years, leading UK financial services business will naturally call on the expertise of Focus when new front end systems are required. Our ability to rapidly generate and deploy software, delivering return on investment in exceptionally short timescales, remains the major differentiator.

Since the start of FY2007, we have seen further progress with the award of a series of consultancy services contracts from HSBC Bank plc worth £1.28 million in aggregate. Our ability to deliver consultancy services to HSBC's timetable led to the award of a contract in November worth approximately £6.0 million over the next two years. This is the Company's largest ever contract win.

The Group has also won business from two new customers in its core UK life and pensions market. In October, we won a one year licence, worth £60,000 for the supply of our Focus technology software to the UK

subsidiary of a major US provider of life, pensions and investment products. This followed the award of an initial consultancy contract in the first half and has been followed by further orders for consultancy services. It is expected that this will lead to a further significant contract for the delivery of an extranet solution providing support for financial advisers selling and servicing retirement products.

During the period we have continued to win further business from established customers including Openwork, Barclays, Home of Choice, Prudential, Scottish Equitable and the Co-Operative Bank. A prudent approach to revenue recognition will also lead to a significant increase in software licence revenues in the second half of FY2007.

For some time, we have recognised the value of our software and the value of its potential application outside of the UK financial services market, and to this end there has been significant new progress in terms of identifying opportunities, securing long term contracts with partners and developing a sales

pipeline. For example, last month, we announced the award of a potentially significant order from BT, worth £120,000 initially, for the delivery of an online registration solution to enable businesses to electronically register company incorporations. The Focus software will form part of a framework available for other business to Government transactions. This agreement gives the Group a real platform for growth outside of UK financial services.

Financial Review

Turnover in the first half of the year was up 3% at £2.8 million (2005: £2.7 million).

An Operating Loss before Reorganisation Costs of £0.1 million compared to a loss of £0.5 million in the same period last year. As in previous years, we expect revenues to be substantially greater in the second half than in the first half.

Total costs in the first half were £3.1 million, £0.2 million down on the same period last year, a decrease of 7%. This reflected the continued tight control over expenditure, despite the increasing activity levels. We expect

some additional costs in the second half as the business gears up to deliver the order book. However, we would also expect to see the benefits of increased economies of scale to be felt in the second half.

There were a number of one-off or exceptional costs relating to the reorganisation of the Group which were incurred in the first half and which totalled £181k. Operating Loss after reorganisation costs and before tax was £0.3 million compared to £0.6 million last year. This was in line with expectations.

We are now generating cash on an improved basis and remain debt free. Cash balances at the end of September were £0.4 million (2005: £0.3 million; 31 March 2006: £0.1 million). Overdraft facilities totalling £500k are available to us from our bankers, HSBC plc. Cash inflow from operating activities in the first half was £261k (2005: £724k outflow). With the expected improvement in trading in the second half, we anticipate that the business will 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.

The loss per share of 0.71 pence per share compares to 2.0 pence loss per share in the same period last year. As in previous periods, the Directors are not recommending the payment of an interim dividend.

Operational Review

Focus has built on the progress made last year. We have won important new customers as well as winning additional business from our established customer base.

The changes in regulations in the life and pensions market have certainly led to some major financial institutions changing their sales processes, and their supporting technology, to sell products from a wide range of providers. Focus' e-trading solutions and extensive footprint in the life assurance market has put the Company in a strong position to support the organisations who have chosen to become distributors, or multi-tied, and this has resulted in major strategic projects.

Chairman's Statement

continued

Changes in regulations affecting the sales of mortgages have also been driving demand from organisations across the mortgage sector and the customer base now increasingly reflects mortgage providers, distributors and portals.

The development of the business outside UK financial services has been a central plank of our strategy for some time. The highlight in this regard has undoubtedly been the contract win with BT. Government targets for e-Government are driving the public sector to look at how, and where, it captures the data for any services it makes available electronically. The characteristics and capabilities of our XML toolkit, goal:technology, provides highly

effective solutions to these problems. We have therefore focused attention on building relationships with established suppliers to the public sector and the initial results have been encouraging.

Investment in development continues, extending the breadth of the product range offered to our customers and in new technologies.

Outlook

It remains our strategy to create a sustainable and scalable business. The fundamental drivers for the business remain unchanged. Our customers operate in extremely competitive and heavily regulated markets and we believe that to maintain competitive advantage,

they must continue to invest in electronic trading.

With the strengthening of the Group's balance sheet, the management team have a clear strategy for both organic and non-organic growth and is looking to broaden the Company's portfolio where and when appropriate.

Our sales pipeline is at its highest level to date and we expect this to contribute to a further improvement in financial performance in the second half.



Alastair M Taylor
Chairman

Summarised Consolidated Profit and Loss Account

for the six months ended 30 September 2006

	(Unaudited) 6 months ended 30 September 2006 Total £'000	(Unaudited) 6 months ended 30 September 2005 Total £'000	(Audited) Year ended 31 March 2006 Total £'000
Turnover	2,806	2,731	6,585
Cost of sales	(1,129)	(1,040)	(2,055)
Gross profit	1,677	1,691	4,530
Overheads			
Distribution costs	(582)	(678)	(1,424)
Administrative expenses (including re-organisation costs of £181k, 2005: £120k, FY2006: £257k)	(1,391)	(1,615)	(2,996)
	(1,973)	(2,293)	(4,420)
Operating (Loss)/Profit	(296)	(602)	110
Operating (Loss)/Profit before reorganisation costs	(115)	(482)	367
Reorganisation costs	(181)	(120)	(257)
Operating (Loss)/Profit after reorganisation costs	(296)	(602)	110
Net Interest receivable	11	17	18
(Loss)/Profit on ordinary activities before taxation	(285)	(585)	128
Taxation	83	–	–
(Loss)/Profit on ordinary activities after taxation and retained loss for the period	(202)	(585)	26
Basic and diluted (Loss)/Earnings per ordinary share (note 2)	(0.71p)	(2.0p)	0.1p

No separate statement of total recognised gains and losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Summarised Consolidated Balance Sheet

for the six months ended 30 September 2006

	(Unaudited) 6 months ended 30 September 2006 £'000	(Unaudited) 6 months ended 30 September 2005 £'000	Restated (Audited) Year ended 31 March 2006 £'000
Fixed assets			
Tangible assets	157	144	135
	157	144	135
Current assets			
Debtors	2,642	2,378	4,147
Cash at bank and in hand	418	262	123
	3,060	2,640	4,270
Creditors: Amounts falling due within one year	(1,070)	(1,149)	(2,056)
Net current assets	1,990	1,491	2,214
Total assets less current liabilities	2,147	1,635	2,349
Net assets	2,147	1,635	2,349
Capital and reserves			
Called up share capital	2,864	2,864	2,864
Share premium	9,832	9,833	9,832
Merger reserve	220	220	220
Share option reserve	55	–	55
Profit and loss account	(10,824)	(11,282)	(10,622)
Shareholders' funds			
Equity interest	2,147	1,635	2,349

Summarised Consolidated Cash Flow Statement

for the six months ended 30 September 2006

	(Unaudited) 6 months ended 30 September 2006 £'000	(Unaudited) 6 months ended 30 September 2005 £'000	(Audited) Year ended 31 March 2006 £'000
Net cash inflow/(outflow) from operating activities	261	(724)	(833)
Returns on investments and servicing of finance	11	17	18
Taxation	83	–	–
Capital expenditure and financial investment	(60)	(48)	(79)
Cash inflow/(outflow) before management of liquid resources and financing	295	(755)	(894)
Financing	–	10	10
Increase/(Decrease) in cash	295	(745)	(884)
Change in net debt resulting from cash flows			
Increase/(Decrease) in cash in the period	295	(745)	(884)
Movement in net funds in the period	295	(745)	(884)
Net funds at start of year	123	1,007	1,007
Net funds at end of period	418	262	123

Notes to the Interim Financial Statements

1 Basis of preparation

The summarised half year financial information is unaudited and does not constitute statutory accounts for the purposes of section 240 of the Companies Act 1985. The statutory accounts for the year ended 31 March 2006, which received an unqualified audit report, have been delivered to the Registrar of Companies.

The unaudited financial information has been prepared on a consistent basis with the accounting policies set out in the Group's 31 March 2006 audited statutory accounts with the exception of FRS 20 (see below) and are consistent with those which will be adopted in the accounts for the year ending 31 March 2007.

2 Loss per ordinary share

	30 September	30 September	31 March
	2006	2005	2006
	£'000	£'000	£'000
Earnings attributable to ordinary shareholders			
(Loss)/ Profit for the financial period	(202)	(585)	128
Weighted average number of ordinary shares issued during the year (000's)	28,642	28,615	28,629
Dilutive effect of share options	–	–	223
Basic and Diluted earnings per share	(0.71p)	(2.0p)	0.45p

3 Reorganisation costs

Reorganisation costs related to the restructuring of the business into two separate business streams and to management reorganisation.

4 Reconciliation to shareholders' funds

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Share Option Reserve £'000	Profit and Loss account £'000	Total £'000
As at 1 April 2006 as previously reported	2,864	9,832	220	–	(10,567)	2,349
Transferred to Share Option Reserve	–	–	–	55	(55)	–
As at 1 April 2006 as adjusted for Prior Year Adjustment	2,864	9,832	220	55	(10,622)	2,349
Loss for the period	–	–	–	–	(202)	(202)
At 30 September 2006	2,864	9,832	220	55	(10,824)	2,147

Opening reserves have been restated as a result of the adoption of FRS 20 – share based payments. This has created a share option reserve at 31 March 2006 of £55k and increased the retained loss brought forward to £10.622 million.

The profit and loss account for the year ended 31 March 2006 and for the six months ended 30 September 2005 have not been restated for FRS 20 on the basis of immateriality.

Advisors and Shareholder Information

Company Number

3911357 (England and Wales)

Registered Office

Cranford House
Kenilworth Road
Leamington Spa
Warwickshire CV32 6RQ

Nominated Advisor and Broker

Seymour Pierce
5 Bucklesbury Street
London EC2

Solicitors

Hammonds
Rutland House
148 Edmund Street
Birmingham B3 2JR

Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

Auditors

Deloitte & Touche LLP
Birmingham

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Principal Bankers

HSBC plc
PO Box 68
130 New Street
Birmingham B2 4JU

Financial Calendar

Announcement of results 2006-2007	June 2007
Annual General Meeting	August 2007

Focus Solutions Group plc

Cranford House

Kenilworth Road

Leamington Spa

Warwickshire CV32 6RQ

Tel: +44 (0) 1926 468300

Fax: +44 (0) 1926 468400

www.focus-solutions.co.uk