

27th June 2005

For immediate release

Northgate Information Solutions

Results for the Twelve Months ended 30 April 2005

**Figures at the top end of market expectations
Current year has started well**

Northgate Information Solutions plc (www.northgate-is.com), the UK's leading supplier of specialist software and IT services for the Human Resource and Public Service markets, today announces its preliminary results for the year ended 30 April 2005.

	Year to end April 05 (£m)	Year to end April 04 (£m)	% change
Results*			
Turnover	205.7	136.5	50.7
Operating profit (EBITA)	32.5	11.7	177.8
Operating profit margin	15.8%	8.6%	
Profit before tax**	12.4	4.1	202.4
Adjusted basic EPS	4.73p	2.83p	67.1
Statutory results			
Profit/(loss) before tax	3.9	(10.0)	
Basic EPS	0.82p	(2.94)p	

**Management use results that exclude goodwill amortisation, exceptional items and deferred tax credits as the primary measure to provide a better comparison of underlying business performance. Exceptional items for 2004/5 include £8.1 million (2003/4: £9.2 million) of restructuring costs.*

*** Including goodwill amortisation, but excluding exceptional items.*

Summary

- Revenue from continuing activities excluding acquisitions grew 46% to £198.5m; organic revenue growth from core activities was 7%. Organic growth from Public Services division was 9% and Human Resource division was 5%.
- EBITA grew 178% to £32.5 million.
- Strong cash flow, well ahead of market expectations. Operating cash inflow (Cash generation before capital expenditure, acquisitions, interest, dividends and tax) for the 12 months was £33.3 million (2004: £13.7 million). Profit to cash conversion of 103%.
- In the last 3 years, the group has delivered compound revenue growth of 57%; operating profit growth of 168%; and adjusted EPS growth of 61%.
- Increasingly visible and stable forward revenue streams. Order book £370.3m (2004: £185.8m), of which £157.4m falls in the year to April 2006. Further revenues from framework agreements and contract renewals support our strong recurring revenue base.
- Human Resources division signed more than 70 'new name' clients, Public Services division signed 25 new name applications clients and Managed Services signed 21 new name clients.
- Significant contract wins include Payroll Outsourcing contract with Sainsbury's for its full bureau payroll service. This will see Northgate HR providing payroll to the 147,500 staff working in 727 Sainsbury's stores across the UK.

- The acquisition of Sx3 provides an excellent opportunity for Northgate to strengthen its position as a consolidator in the fragmented UK local government market by acquiring a leader in local authority housing and revenues & benefits applications. It also brings significant scale to Northgate's IT Managed Service activities, and introduces new opportunities in the education and utilities markets. The integration of Sx3 is proceeding as expected.
- An early win with Sx3 has been to achieve preferred bidder status for an IT managed service contract at the Academy of St. Francis Assisi, Liverpool. This is the first education contract we have secured in England, helping us to develop our presence in this rapidly growing market.
- Group focused on enhancing and exploiting our position of leadership in each of our chosen markets: Human Resources, Public Service and Managed Services. Each is a market leader with attractive growth prospects based on customer retention, enhanced 'cross-selling' opportunities and growing demand for additional 'value added' consultancy and other services.
- Change in the Group's reporting structure: Going forward, Northgate's Managed Services division now includes the former 'Corporate Services' Division, parts of the Sx3 business and some Managed Services that were previously reported in Public Services.
- £275 million syndicated credit facility in place to support ongoing development of the Group. Available funds of £101.5 million at 30 April 2005.

Chris Stone, Chief Executive of Northgate, said: 'These are good results, at the top end of market expectations, reflecting strong performances by all parts of the business. Once again, we have demonstrated our ability to deliver embedded value to shareholders. We continue to focus on the integration of our acquisitions, driving organic growth and the delivery of cross-selling benefits across our product lines, helping our customers deliver better services and better performance.'

'We are leaders in growing markets and the company is well set to take advantage of these attractive positions. Trading has started well and we are confident of achieving another satisfactory outcome in the current year.'

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Notes to editors

1. Northgate Information Solutions (www.northgate-is.com), listed on the London Stock Exchange, is the UK's leading supplier of specialist software and IT services for the human resource and public service markets.

The Group has three divisions – Human Resources, Public Service Applications and Managed Services – each with market leading positions. It has 25 major UK offices, employs approximately 3,300 staff and has more than 2,700 large/medium customers and in excess of 5,000 small/medium customers in the UK and Ireland. It works with 80% of UK local authorities, all UK police forces and is moving into the education market.

2. An interview with Chris Stone, Chief Executive in video/audio and text will be available from this morning on www.northgate-is.com and on www.cantos.com.

CHAIRMAN'S STATEMENT

Introduction

Northgate Information Solutions is the UK's leading supplier of specialist software and IT services for the human resources and public services markets. The recent acquisition of Sx3 has continued the transformation of the Group and enhanced its market leading positions.

The Group now consists of three substantial businesses – Human Resources, Public Service Applications and Managed Services. Each is a market leader with attractive growth prospects based on customer retention, enhanced 'cross-selling' opportunities and growing demand for additional 'value added' consultancy and other services.

The Board is pleased with management's ability to turn strong market positions into shareholder value. In the last 3 years, the group has delivered compound revenue growth of 57.1%; operating profit (excluding goodwill amortisation and exceptional items) growth of 168.0%; and adjusted EPS growth of 60.8%.

The Group is positioned for further profitable growth. Management will grow the products and services under the Northgate umbrella organically, by investing in growing areas of the current business and by bolt on acquisitions.

We have been able to strengthen the Board during the year with the addition of David Meaden and Malcolm Aldis as Executive Directors. Nick Starritt and David Hodgson have also joined the Board as Non-Executive Directors.

The Board would like to thank management and staff throughout the Group for their continued hard work and commitment during the period. We would also like to thank our customers for their continued support. We remain extremely grateful for the trust that they place in us, in giving us responsibility for their critical systems.

Financial results

Turnover has increased by 50.7% to £205.7 million (2004: £136.5 million) and trading continues to be strong across the Group.

Operating profit before exceptional items and goodwill amortisation was £32.5 million (2004: £11.7 million). This included a first time contribution of £0.5 million from acquisitions CIM Systems, MVM and Sx3.

Northgate reported a statutory profit before tax of £3.9 million (2004: £10.0 million loss).

Adjusted EPS grew by 67.1% to 4.73p (2004: 2.83p), driven by the positive trading performance in the year. Basic EPS improved to 0.82p (2004: loss per share of 2.94p).

The Group has highly visible forward revenue streams. The order book stood at £370.3 million (2004: £185.8 million) at the year-end. Of this, £157.4 million falls in the year to April 2006. With the enhanced scale of the Group, additional cross-selling opportunities are increasingly being exploited.

Northgate continues to enjoy strong cash flow. Operating cash inflow (cash generation before capital expenditure, acquisitions, interest, dividends and tax) for the 12 months was £33.3 million (2004: £13.7 million).

Net debt was £173.5 million (£57.1 million), reflecting the £157.7 million spent on acquisitions in the period. In light of the Group's strong cash generating properties, the Board is confident that Northgate can reduce its debt in the medium term, while still investing in future growth. We believe that the investment of internal funds to implement our strategy will maximise shareholder value, and accordingly, the Directors have decided that the payment of a dividend is not appropriate at this time.

Acquisitions

During the year, Northgate has made three successful acquisitions of note, in line with its ongoing strategy to become a leading player in each of its chosen markets. The £143.4 million (net of cash acquired) acquisition of Sx3 in April 2005 provides an excellent opportunity for Northgate to strengthen its position as a consolidator in the fragmented UK local government market by acquiring a leader in Local Authority housing and revenues & benefits applications. As well as strengthening our Public Services Division, Sx3 also brings significant scale to our IT Managed Service activities. In particular, it opens up new opportunities in the education and utilities markets.

The final net consideration for Sx3 was £143.4 million, comprising the initially reported £155.0 million net of £11.6 million of cash and loan balances at completion. These cash balances reflected positive working capital movements as well as certain funds required to meet costs of the transaction. For the 12 months ended 31 March 2005, Sx3 contributed reported revenues of £127.5 million (2004: £117.3 million) and operating profit (before goodwill amortisation) of £13.8 million (2004: £7.1 million) to its previous owners.

The acquisition is expected to be earnings enhancing (before goodwill amortisation and exceptional items) in the year ending 30 April 2006.

In February, Northgate completed the acquisition of MVM Holdings from Anglian Water Group for £12.9 million. MVM specialises in the development and sales of software to local government and utilities customers. Its c.330 local government customers offer significant cross-selling opportunities for other parts of the Group, and the position with utilities customers complements Sx3's position in the provision of Managed Services to this sector.

In September, Northgate acquired CIM Systems for £1.7 million. CIM is a leading supplier of integrated communications systems to public safety organisations in the UK and Europe. Again, this has enhanced Northgate's presence in the public services market and gives the Group additional cross-selling opportunities.

Outlook

Northgate is well positioned to meet the changing needs of our clients and thereby deliver value for shareholders. Each division is profitable, cash generative and is benefiting from increasing customer demand.

Management's priorities are clear: extracting value from our acquisitions, delivering organic growth and exploiting cross-selling opportunities. The current year has started well and we anticipate another satisfactory outcome.

Nick Irens
Chairman
27 June 2005

CHIEF EXECUTIVE'S REVIEW

Overview

This year has seen a further major step in the transformation of Northgate Information Solutions, to become the UK's leading supplier of specialist software and IT services for the human resource and public service markets. Northgate has successfully completed its integration of RebusHR, CIM and MVM. Additionally, the benefits of the Sx3 acquisition are being realised in line with the Group's expectations.

Sx3 is a leading provider of software and managed services to the UK local government and other markets. It provides an excellent opportunity for Northgate to strengthen its position as a consolidator in the UK local government market by acquiring a leader in local authority housing and revenues & benefits applications.

As well as strengthening Public Services and enhancing our opportunities for cross-selling, Sx3 has allowed us to fashion our Managed Service activities into a third leg of the business. In turn, this opens up new opportunities in the education and utilities markets. Education in particular is a real growth opportunity for the Group over the next few years and therefore we are very excited about the work we are doing with the Academy of St. Francis Assisi, Liverpool.

Each of our 3 divisions – Northgate HR, Northgate Public Services and Northgate Managed Services – has substantial scale in the markets in which they operate and is profitable and cash generative on an adjusted basis. They are all well positioned to benefit from increasing customer demand and cross selling.

Last year we had over 100 'new name client' wins, bringing our total number of clients to more than 7,700. Northgate's Human Resources division signed more than 70 new name clients, Public Services division signed 25 new applications clients and Managed Services signed 21 new name clients. Significant contract wins include Payroll Outsourcing contracts with Sainsbury's, Daily Mail & General Trust and the British Museum.

Northgate is successful because we deliver high standards of service and product quality, which is reflected in our exceptionally high levels of customer retention. Group strategy remains focused on enhancing and exploiting leadership of our chosen markets. The increased scale of the business brings the Group greater visibility and stability, as well as offering increased opportunities to exploit both operational synergies and cross-selling opportunities.

We continue to see Northgate competing for, and winning, far broader contracts and we have become the strategic partner of choice for many customers. The enlarged suite of software products brings greater opportunities for delivering value to customers and strengthening our relationship with them.

As a result, our order book was £370.3 million (2004: £185.8 million), of which £157.4 million falls in the year to April 2006. Further revenues from framework agreements and contract renewals support our strong recurring revenue base.

Public Services

Northgate's Public Services division has shown significant growth during the year, with revenues up from £60.0 million to £76.6 million. This includes a 15.8% increase in turnover from continuing activities. Operating profit from continuing operations before exceptional items and amortisation of goodwill was £7.5 million (2004: £6.6 million).

The order book grew by 183% from £90.3 million to £255.5 million. There were 25 new name wins in applications.

The acquisition of Sx3 provides local authorities and utilities with a powerful new UK partner in delivering software solutions. Already the leading player in the development of applications specifically designed to improve community well being and promote community justice, Northgate is poised to develop and grow its solutions to meet customers' growing needs for efficiency and effectiveness. With the addition of Sx3, Northgate has ground-breaking applications in citizen-relationship management, revenues and benefits systems and housing management systems, which are used by government, criminal justice and public safety organisations and the utilities on

a local, regional and national level. Northgate works with 80 per cent of all UK local authorities, and all its police forces.

Northgate is helping local authorities to transform the delivery of public services with Front Office, our market leading and award winning citizen relationship management system. Front Office continued to be a significant growth driver, with 14 new clients won during the year, bringing the total number of Front Office customers to 51 (2004: 37). Northgate has signed two further Front Office clients since 30 April 2005 and now provides Front Office solutions to 53 local authorities across the UK. It is recognised as the leader in this market. The outlook for Front Office is good.

Our new Assert product, which addresses the market need for simplified benefits assessment, is also progressing well. Contract wins include Ynys Mon, Liberata (Redcar and Cleveland) and the National Benefits Project. This product is making the shift from a development product to full production, and we are seeing significant interest from both direct end user customers and other outsourcing providers. The outlook for Assert is good, enhanced by the prospect of being able to cross-sell into the Sx3 customer base.

Public services and the utilities are constantly under pressure to deliver value for money. All too often organisations find themselves distracted by matters of internal administration such as information technology. These can take them away from their key priority and core business of providing efficient and effective services to citizens. Northgate is committed to improving public services through the innovative use of technology to solve problems.

The combined strength, knowledge and experience of Northgate and Sx3 will help the Group increasingly move away from being a 'simple technology supplier' to becoming a valued consultant and partner in ensuring that the technology delivers its full potential benefits. This is very much in line with the type of working relationships envisaged by the Gershon review of local government efficiency, set up by Gordon Brown to improve the productivity of public services.

One example of this is Organisational Re-engineering 'OR' – a concept designed by Northgate Information Solutions working in a unique public private partnership with West Lancashire District Council – which is rapidly delivering improved services to meet citizens' demands at the same time as meeting government targets for public service efficiency. OR is a bespoke model designed for local authorities. It moves beyond the traditional process of business re-engineering and is aimed at 'changing for the best' and 'moving beyond technology'. An integral element of the new model is to engage employees in the process and to transfer knowledge in-house via an action learning approach.

The Group expects these types of consultancy revenues to grow significantly in the medium-term.

Northgate is also delivering public service value through our Notice Enforcement Systems and National Management Information System (NMIS) solutions. Our Compass product for geographic information management won a new five-year national contract with the UK's fifty-two police forces. In addition to the direct benefits, this product also provides us with a good opportunity to cross-sell with Front Office applications.

The blue8 and Hays CSG businesses continue to enhance Northgate's leadership position in the criminal justice and public safety markets. There were 11 new name wins in criminal justice and public safety including Northgate's notice enforcement system (NES) Tayside Police.

Northgate continues to supply the software and services in support of the Penalty Notice for Disorder scheme for the Home Office. This is a national scheme, which is already used by all the police forces in England and Wales and is currently being trialled in Scotland.

In May, Northgate launched its new web-based Public Access software, which aims to give the public secure access to evidence on alleged speeding offences. The system, designed to be used by police forces across the UK, offers the public the opportunity to access evidence relating to alleged speeding offences for which penalty notices have been issued. By simply logging on to a secure online system, individuals can check all the evidence related to their alleged offence, including photographs, speed, site details and the calibration certificates of the speed camera.

Northgate's online penalty notice systems are already helping to improve efficiency and effectiveness. Early indications are showing a radical reduction in queries from the public, reducing the administrative burden on back-office staff and ensuring a more efficient service for citizens.

Human Resources

Northgate's Human Resources division reported revenues up from £51.5 million to £104.2 million. This includes a 102.3% increase in turnover from continuing activities.

Operating profit from continuing operations before exceptional items and amortisation of goodwill was £25.7 million (2004: £6.7 million).

The order book grew by 20.4% from £83.9 million to £101.0 million. There were over 70 'new name' wins in software applications and payroll & HR outsourcing. HR is clearly benefiting from the trend for customers to agree longer contracts and demand for a wider range of services.

Northgate is the largest HR and payroll application supplier in the UK and the third largest HR and software application supplier in Europe. It has the most comprehensive range of software and service offerings of any HR focused vendor and is able to address the needs of companies of all sizes. Customers range from businesses with a handful of employees through to supermarket chain Tesco, the UK's largest private sector employer with more than 270,000 staff.

Solutions can be delivered in-house, via an Application Service Provision (ASP) or outsourced, providing forward thinking and state-of-the-art business management tools. With a comprehensive suite of software solutions combined with unparalleled levels of expertise, Northgate HR can simplify key business tasks and deliver value added benefits to customers, enabling them to improve HR management and cut costs.

New business wins for this division include Daily Mail and General Trust (DMGT), which selected Northgate HR to provide its pensions administration software. Northgate HR was also selected to provide the British Museum with a bureau payroll service for its 1,000 London-based employees. We have also recently signed contracts with Hasbro, Ingersoll Rand and Ladbrokes in Ireland.

Northgate recently announced a contract with Sainsbury's for its full bureau payroll service. This new contract will see Northgate HR providing payroll to the 147,500 staff working in 727 Sainsbury's stores across the UK. The signing follows an existing deal, signed in 2003 to provide payroll services for Sainsbury's pensioners and staff on the company's head office contracts and more than doubles the company's initial investment in Northgate HR. The full bureau payroll service allows us to provide Sainsbury's with a fully functioning payroll system whilst all the technical aspects are outsourced to our specialist personnel.

HR's ResourceLink is a highly scaleable, flexible and web-enabled integrated suite of HR, payroll and pension modules. This past year has seen the first international, multi-lingual and multi-jurisdictional developments of ResourceLink, making it increasingly attractive for international customers. We are increasingly confident that this product will be a major driver of international revenue.

Our SME (Small, Medium Enterprise) focused business, Moorepay, had a good year with improvements in both customer win rates and customer retention - a constant issue in this market. Overall, our SME business won 1,090 new payrolls in the year. The outlook is positive as the regulatory demands on SMEs continue to increase.

Managed Services

Going forward, Northgate's Managed Services division includes the former 'Corporate Services' Division, parts of the Sx3 business and some Managed Services that were previously reported in Public Services.

Revenue for 2004/5 was £25.6 million (2004: £25.8 million). The focus for our Corporate Services activity for the past year has been to improve our operational performance and on increasing existing customer satisfaction. This has been done successfully, with a continued reduction in costs and improved profitability, with operating profit before exceptional items and amortisation of goodwill growing by 100.0% to £2.8 million (2004: £1.4 million). The order book grew by 19.0% from £11.6 million to £13.8 million. There were 21 'new name' wins.

Our Corporate Services business throughout the year was profitable and cash generative. It also continues to add value to the other Northgate divisions through its outsourcing expertise, providing the managed service and hosting platforms that many of our application customers are choosing.

The Sx3 acquisition will provide it with scale and enhanced growth prospects, bringing us market-leading positions in 3 discrete markets. The largest of these is local government where we enjoy significant relationships with a number of clients, both directly and as sub-contractors. This market

continues to offer good opportunities for growth as customers seek to deliver some of the benefits identified in the Gershon report on public sector efficiency. We aim to leverage our existing relationships to help drive our outsourcing business and grow our Managed Services revenue.

A key driver for this division is set to be the education market, where the 'Building Schools for the Future' programme offers Northgate considerable opportunities. We have been appointed preferred supplier for the Academy of St Francis Assisi, Liverpool, and are currently bidding in Bristol and other areas. Fourteen local education authorities have been asked to take part in the Government's first wave of the Building Schools for the Future programme from 2005/6. An estimated 200 schools across the country will benefit from a share of £2.1 billion capital investment in the first wave of the programme with building due to commence in 2006/7. In current proposals, we are seeing approximately 20% of the budget being allocated to I.T.

We are also well positioned to build on the considerable expertise that we have in the utilities market. The depth of experience and capability that we have acquired in this space through Sx3 is considerable, and combines well with the software capabilities in the utilities space that we acquired with MVM. There are significant opportunities in Ireland and Great Britain that we are well set to exploit. The deregulation of the electricity and water supply industries in Ireland, along with the continued drive for efficiencies in the British utility sector gives us the chance to leverage our comprehensive portfolio of software and Managed Services and cross-sell more products and services.

Our specialist software development business had another solid year and continues to generate profit and cash for the Group.

The Future

Government policies on social exclusion, policing and education, all aimed at improving public service, provide considerable opportunities to enhance the organic growth of the business. Used correctly, new technology can help to create a 'virtuous circle' of improvement; ensuring that the needs of communities are fully integrated into service development and delivery. Customer service standards need to be effectively monitored. The effective use of technology can support this process and Northgate is committed to maintaining its leading position in this area.

In line with its stated strategy, Northgate has built market-leading positions in its chosen markets. One of these strategies is to build on our Human Resource products internationally. This is progressing well and we have already developed software for other countries. We have a pipeline of customers requiring this functionality, and have established the start of a network of international distributors and support partners. We expect further opportunities to arise as the year progresses.

The Group is delivering sustained growth and its long-term structure is now established. With strong recurring revenues from the high quality and growing customer list, an exceptionally high client retention rate, and stable IT market conditions, the Group remains well positioned to continue to deliver shareholder value.

Chris Stone
Chief Executive
27 June 2005

GROUP FINANCE DIRECTOR'S REVIEW

Overview

Northgate's year to 30 April 2005 has been one of growth, supported by further acquisitions as we consolidated our offering to the local government market place. Service and Systems Solutions Limited (Sx3) was our largest acquisition, which completed in April 2005. This allowed the Group to take a market leading position in the local government software market and provide critical mass to our managed service operations.

We have successfully concluded the integration of RebusHR, CIM and MVM into the Group. Work is ongoing to integrate Sx3, which is expected to conclude during the current financial year.

Cash flow has again been strong, with the Group generating £33.3 million of cash from an operating profit before exceptional items and goodwill amortisation of £32.5 million. This has again demonstrated our ability to generate a substantial amount of cash from our operations, which will help fund further growth.

As in prior years, we have continued to increase the work carried out under long-term contracts. Our total order book increased by 99.3% to £370.3 million, £157.4 million of which will unwind in the current financial year. In addition the Group has extremely high client retention rates and generates a substantial proportion of annual revenue from signing new contracts with existing clients. This helps to support Northgate's earnings stability and allows the Group to plan with confidence.

Operating Results

Group turnover of £205.7 million (2004: £136.5 million) increased by £69.2 million, driven by strong organic growth and the full year impact of prior year acquisitions. Turnover from continuing operations grew by £62.0 million to £198.5 million (2004: £136.5 million), again through organic growth and a full year contribution from acquisitions completed in the 2003/4 financial year. Organic revenue growth in our core markets was 6.5% through strong demand for our Front Office, NMIS, Compass and Resourcelink products plus our payroll outsourcing operations. Rebus HR was the most notable acquisition in 2003/4, driving growth this financial year. Acquisitions completed in 2004/5 contributed £7.2 million of revenue.

Group operating profit, before exceptional items and goodwill amortisation, of £32.5 million grew by 177.8% (2004: £11.7 million). This was driven by increasing revenue and costs being tightly managed as we integrated a number of businesses in to the Group. Synergies exceeding £12.0 million were realised in the year and our underlying operating margin to grow from 8.6% to 15.8%. Acquisitions completed in 2004/5 contributed £0.5 million of operating profit. After goodwill amortisation of £14.5 million (2004: £5.9 million) and exceptional items of £8.5 million (2004: £14.2 million), the Group recorded an operating profit of £9.4 million (2004: loss of (£8.4 million)). Interest payable increased by £3.8 million to £5.8 million as the Group recognised the costs associated with funding its acquisition programme. Profit on ordinary activities before tax was £3.9 million (2004 loss of £10.0 million).

Results by market sector (including acquisitions) were:

- **Human Resources** saw revenue grow by £52.7 million to £104.2 million through a full year contribution of 2003/4 acquisitions and further growth in the business. Organic growth was 4.9% in the year through ongoing demand for Resourcelink and our payroll and HR outsourcing work. Operating profit before exceptional items and goodwill amortisation grew by £18.9 million to £25.6 million (2004: £6.7 million) and generated an operating margin of 24.6% (2004: 13.0%).
- **Public Services** turnover from continuing activities excluding acquisitions of £69.5 million (2004: £60.0 million) grew 15.8%, with an accompanying increase in operating profit before exceptional items and goodwill amortisation of £0.9 million to £7.5 million (2004: £6.7 million). This was again driven by the contribution from 2003/4 acquisitions and organic revenue growth

of 8.9%. Organic growth was driven by strong demand for our Front Office, Compass and NMIS products. Operating margins remained constant at 10.9%.

Three significant acquisitions completed in the year; CIM Systems, MVM Holdings, and Sx3. CIM Systems was acquired on 18 August 2004, and MVM Holdings was acquired on 14 February 2005 for a total net consideration of £14.6 million. These contributed £5.6 million of turnover and £0.4 million of operating profit before exceptional items and goodwill amortisation.

Sx3 was acquired on 25 April 2005 for £143.4 million net of cash, and contributed £1.6 million of turnover and £0.1 million of operating profit before exceptional items and goodwill amortisation.

- **Managed Services (formerly Corporate Services)** sales of £25.6 million were static (2004: £25.8 million) as the division focused on improving its operating efficiency. This led to operating profit before exceptional items and goodwill amortisation increasing by £1.4 million to £2.8 million (2004: £1.4 million), an increase of 100.0%. Operating margins in this division are now a respectable 10.9% (2004: 5.4%). Going forward the Managed Services division comprises the Corporate Services operation, the managed service parts of our Public Services division, and elements of Sx3. This will provide critical mass to our business and enhance growth prospects, especially in the Education sector where we have a growing pipeline of opportunities.

Exceptional Items

An exceptional charge of £8.5 million (2004: £14.2 million) was recorded in the year, being principally the cost of integrating acquired businesses. This will allow the Group to drive further cost synergies going forward.

Cash and Financing

During the year the Group experienced strong cash flow from operations, generating £33.3 million (2004: £13.7 million). This, combined with a share issue raising £23.8 million (net of costs), helped to fund our growth. We invested £157.7 million in acquisitions in the year; the most substantial being Sx3 (£143.4 million). This left the Group with £173.5 million of net debt at 30 April 2005 (2004: £57.1 million).

Going forward interest cover is not expected to be less than 4 and the Group has put in place interest hedging instruments to manage the exposure to 55% of its facility over the coming year, amortising in line with scheduled debt repayments.

In April 2005 Northgate **secured** a £275 million five-year loan facility, which has since been syndicated to the market. This, combined with our strong cash flow, will provide funds for further growth.

Accounting Policies

The Group has applied accounting policies in the year to 30 April 2005 consistent with the prior year other than a requirement to adopt UITF 38 which resulted in a prior year adjustment which is explained fully in note 1 of the Accounts. No new accounting standards have been adopted.

Northgate has adopted International Financial Reporting Standards (IFRS) with effect from 1 May 2005. The implementation of IFRS is a major change process for which we have established a project team and to which we are dedicating a considerable resource. We expect that the Group will be fully prepared for the transition in 2005.

The impact of IFRS on our reported results is being finalised and will be announced in due course. As we move to the new standards, we will ensure that we maintain transparency in our reporting so that our underlying performance remains visible.

Taxation (FRS19)

The Group has £25.8 million of UK trading and £47.5 million of UK non-trading losses at 30 April 2005, some of which will be utilised to help to support our cash flow over the next few years. The non-trading tax losses arose from the acquisition of RebusHR in the previous financial period.

A deferred tax asset of £13.7 million (2004: £7.1 million) has been recognised in line with FRS19. This increased during the year due largely to the recognition of tax assets associated with a pension deficit recorded within the Group's balance sheet.

Pensions

The Group has two defined benefit pension schemes, one of which originates from the RebusHR business acquired in January 2004. Both are now closed to new members.

The Northgate pension scheme had a SSAP24 funding review carried out at 31 March 2002 which showed a deficit of £3.2 million. The RebusHR pension scheme had a SSAP24 funding review carried out during November 2003 which showed a funding shortfall of £18.0 million. The Group is contributing approximately £2.1million per annum to fund these deficits.

Applying FRS 17 rules to these schemes shows a deficit of £41.8 million after tax at 30 April 2005 (2004: £40.3 million). Over the year scheme assets have performed strongly, growing by **9.6%** to £136.6 million. This has been offset however by the medium term return from gilts declining, impacting on the present value of scheme liabilities. Both schemes will under go their tri-annual valuations this year.

Corporate Governance and Risk Management

During the year to 30 April 2005, the Group has complied with the disclosure requirements of the Combined Code on Corporate Governance, as incorporated within the Listing Rules.

We have continued to identify and evaluate operational and other risks faced by the Group, implementing changes where required to reduce risk to manageable levels.

Earnings per Share

Adjusted basic earnings per share, which is calculated on profit after tax adjusted to exclude exceptional items, discontinued activities, goodwill amortisation and deferred tax, is 4.73 pence, up 67.1% on the prior year (2004: 2.83 pence). Basic earnings per share, which includes goodwill amortisation and exceptional costs, showed earnings of 0.82 pence. This compares to a loss of 2.94 pence in 2004.

Dividend Policy

The Board has reviewed its dividend policy. The Board does not feel that the payment of a dividend is appropriate at this time.

Shareholders' Funds

Shareholders' Funds, at 30 April 2005, of £189.7 million show a significant increase over the funds of £161.1 million at 30 April 2004, driven by strong trading and the issue of 37.5 million shares to partly fund our acquisition programme.

John Stier
Group Finance Director
27 June 2005

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 30 April 2005

	<i>Notes</i>	Year ended 30 April 2005	<i>Year ended 30 April 2004 (as restated)</i>
		£'000	£'000
Turnover			
Continuing operations		198,538	136,464
Acquisitions		7,154	-
Group turnover	<i>1</i>	205,692	136,464
Operating costs		(196,264)	(144,875)
Operating profit before exceptional items and amortisation of goodwill :			
Continuing operations and acquisitions		32,491	11,671
Exceptional items	<i>2</i>	(8,528)	(14,166)
Amortisation of goodwill		(14,535)	(5,916)
Group operating profit / (loss)		9,428	(8,411)
Continuing operations (after goodwill amortisation and exceptional items of £15,266,000 (2004: £20,082,000))			
		16,686	(8,411)
Acquisitions (after goodwill amortisation and exceptional items of £7,797,000 (2004: £nil))			
		(7,258)	-
Operating profit / (loss)		9,428	(8,411)
Share of operating profit of associates		165	59
Profit / (loss) on ordinary activities before interest		9,593	(8,352)
Interest receivable		91	295
Interest payable and similar charges		(5,795)	(1,951)
Profit / (loss) on ordinary activities before taxation		3,889	(10,008)
Taxation credit/(charge) on profit/(loss) on ordinary activities		183	(7)
Retained profit/(loss) for the financial year		4,072	(10,015)
EARNINGS / (LOSS) PER ORDINARY SHARE			
Basic		0.82p	(2.94)p
Diluted	<i>3</i>	0.79p	(2.94)p
Adjusted Basic		4.73p	2.83p

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 30 April 2005

	<i>Year ended 30 April 2005</i>	<i>Year ended 30 April 2004 (as restated)</i>
	<i>£'000</i>	<i>£'000</i>
Profit / (loss) for the financial year		
As previously reported	4,072	(10,093)
Prior year adjustment	-	78
As restated	4,072	(10,015)
Currency translation differences on foreign currency net investments	227	195
Total recognised gains and (losses) for the year	4,299	(9,820)

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 30 April 2005

	<i>Group</i>		<i>Company</i>	
	<i>Year ended 30 April 2005</i>	<i>Year ended 30 April 2004 (as restated)</i>	<i>Year ended 30 April 2005</i>	<i>Year ended 30 April 2004 (as restated)</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Opening shareholders' funds				
As previously reported	162,072	46,076	213,710	105,729
Prior year adjustment	(1,020)	(1,098)	(1,020)	(1,098)
As restated	161,052	44,978	212,690	104,631
Profit / (loss) for the financial year	4,072	(10,015)	(5,594)	(14,237)
Other recognised gains for the year	227	195	-	-
Credit in respect of share related awards	326	3,598	-	-
New share capital issued (net of expenses)	23,878	122,296	23,878	122,296
Disposal of own shares	168	-	168	-
Increase in shareholders' funds	28,671	116,074	18,452	108,059
Closing shareholders' funds	189,723	161,052	231,142	212,690

The adoption of UITF 38 has resulted in a change in the presentation of shares in the ESOP trust controlled by Northgate Information Solutions plc as a deduction in arriving at shareholders' funds rather than as an investment in own shares and has led to a decrease in shareholders' funds of £1,020,000 as at 30 April 2004.

The re-classification of these shares as a deduction from the profit and loss reserve in accordance with UITF 38 is not a recognised gain or loss.

BALANCE SHEETS

as at 30 April 2005

	Group 30 April 2005 £'000	<i>Group 30 April 2004 (as restated) £'000</i>	Company 30 April 2005 £'000	<i>Company 30 April 2004 (as restated) £'000</i>
Fixed assets				
Intangible assets	386,591	231,727	-	-
Tangible assets	58,765	29,446	-	-
Investments in associate	1,294	1,093	-	-
Other Investments	-	-	419,812	244,645
	446,650	262,266	419,812	244,645
Current assets				
Stocks - goods for resale	2,961	353	-	-
Debtors - due within one year	88,104	51,835	32,957	34,569
Debtors - due after one year	15,740	16,711	-	-
Cash at bank and in hand	28,739	2,447	-	-
	135,544	71,346	32,957	34,569
Creditors: amounts falling due within one year	(126,948)	(68,160)	(85,689)	(51,629)
Net current assets/(liabilities)	8,596	3,186	(52,732)	(17,060)
Total assets less current liabilities	455,246	265,452	367,080	227,585
Creditors: amounts falling due after more than one year	(132,048)	(14,183)	(129,859)	(14,067)
Provisions for liabilities and charges	(27,313)	(29,923)	-	-
Accruals and deferred income	(106,162)	(60,294)	(6,079)	(828)
Net assets	189,723	161,052	231,142	212,690
Capital and reserves				
Called up share capital	53,277	49,507	53,277	49,507
Share premium account	91,494	71,386	91,494	71,386
Merger reserve	68,401	68,401	68,401	68,401
Profit and loss account	(23,449)	(28,242)	17,970	23,396
Shareholders' funds – equity	189,723	161,052	231,142	212,690

Approved by the Board of Directors on 27 June 2005 and signed on its behalf by

C M R Stone **Director**

J R Stier **Director**

GROUP STATEMENT OF CASH FLOWS

for the year ended 30 April 2005

	<i>Notes</i>	<i>Year ended 30-Apr 2005 £'000</i>	<i>Year ended 30-Apr 2004 £'000</i>
Net Cash Inflow from Operating Activities		33,284	13,730
Returns on investments and servicing of finance		(4,980)	(583)
Taxation		(2,961)	(351)
Capital expenditure		(6,295)	(20,982)
Acquisitions and disposals		(155,158)	(96,889)
<hr/>			
Net outflow before financing		(136,110)	(105,075)
Financing		165,460	65,087
<hr/>			
Increase/(decrease) in cash in the year	4	29,350	-39,988

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT for the year ended 30 April 2005

	<i>Notes</i>	<i>Year ended 30-Apr 2005 £'000</i>	<i>Year ended 30-Apr 2004 £'000</i>
Increase/(decrease) in cash in the year		29,350	(39,988)
Increase in borrowings		(146,110)	(55,972)
Repayment of capital element of finance lease rentals		398	192
<hr/>			
Change in net debt resulting from cash flows		(116,362)	(95,768)
Finance leases acquired with subsidiary undertakings		-	(630)
<hr/>			
Movement in net debt		(116,362)	(96,398)
Net (debt)/funds at start of year		(57,140)	39,258
<hr/>			
Net debt at end of year	4	(173,502)	(57,140)

NOTES TO THE ACCOUNTS

1. TURNOVER AND SEGMENTAL ANALYSIS

By market sector:	Year ended 30 April 2005		Year ended 30 April 2004	
	Turnover	Operating profit/(loss)*	Turnover	Operating profit/(loss)* (as restated)
	£'000	£'000	£'000	£'000
Continuing Operations:				
Public Services	69,483	7,539	60,002	6,601
Human Resources	104,222	25,653	51,512	6,678
Corporate Services	25,618	2,780	25,801	1,401
Acquisitions:				
Public Services	7,154	539	-	-
Human Resources	-	-	-	-
Less: intersegment turnover	(785)	-	-851	-
Central costs	-	(4,020)	-	(3,009)
	205,692	32,491	136,464	11,671

* Operating profit is stated before exceptional items and goodwill amortisation.

2. EXCEPTIONAL ITEMS

		Year ended 30-Apr-05	Year ended 30-Apr-04
		Profit/(loss) £'000	Profit/(loss) £'000
Operating exceptional items			
Continuing Operations:			
Administration	Share Option Scheme	(412)	(4,993)
	Property and Other Provisions	(145)	(859)
Reorganisation costs		(796)	(8,314)
Acquisitions:			
Public Services	Reorganisation costs	(6,149)	-
	Property and Other Provisions	(1,026)	-
		(8,528)	(14,166)

3. EARNINGS PER ORDINARY SHARE

Basic earnings per share for the year ended 30 April 2005 has been calculated on the profit / (loss) for the financial year of £4,072,000 (2004 restated: loss £(10,015,000)) and by reference to 495,369,466 (2004: 340,461,198) Ordinary Shares being the weighted average number of Ordinary Shares in issue during the year, after excluding shares owned by the Northgate Information Solutions Employee Share Ownership Plan.

Diluted earnings per share for the year ended 30 April 2005 has been calculated on the profit / (loss) of £4,072,000 and after including the effect of all dilutive potential ordinary shares, which increases the weighted average number of ordinary shares to 514,713,956. For the year ended 30 April 2004 the effect of all dilutive potential ordinary shares would be to decrease the basic loss per share and therefore they are not dilutive.

The adjusted earnings per share figure has been calculated using the following adjusted earnings figures:

	Year ended 30-Apr-05 £'000	Year ended 30-Apr-04 (as restated) £'000
Profit/(loss) for the financial year	4,072	-10,015
Exceptional items, net of attributable taxation	6,745	13,926
Amortisation of goodwill	14,585	5,938
<u>Deferred taxation credit</u>	<u>(1,988)</u>	<u>(211)</u>
Adjusted profit for the financial year	23,414	9,638

An adjusted earnings per share has been calculated in order to reflect the underlying performance of the Group.

4. NOTES TO THE CASHFLOW STATEMENT

Analysis of cash flows:

	<i>Year ended</i> 30-Apr 2005 £'000	<i>Year ended</i> 30-Apr 2004 £'000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(5,042)	(865)
Interest received	91	295
Interest element of finance lease rentals	(29)	(13)
Net cash outflow	(4,980)	(583)
TAXATION		
Corporation Tax paid	(2,941)	(314)
Overseas Tax paid	(20)	(37)
Net cash outflow	(2,961)	(351)
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets	(2,405)	(721)
Payments to acquire tangible fixed assets	(4,391)	(20,306)
Sale of tangible fixed assets	501	45
Net cash outflow	(6,295)	(20,982)
ACQUISITIONS AND DISPOSALS		
Acquisition of subsidiaries and businesses in the period	(170,649)	(108,250)
Net cash acquired with subsidiaries	15,491	11,361
Net cash outflow	(155,158)	(96,889)
FINANCING		
Issue of ordinary share capital	24,376	44,170
Expenses of share issue	(624)	(1,808)
Disposal of investment in own shares	168	-
Net increase in borrowings	141,938	22,917
Capital element of finance lease rentals	(398)	(192)
Net cash inflow	165,460	65,087

4. NOTES TO THE CASHFLOW STATEMENT *(continued)*

Reconciliation of Group operating profit to net cash inflow from operating activities:

	<i>Year ended</i> 30-Apr 2005 £'000	<i>Year ended</i> 30-Apr 2004 <i>(as restated)</i> £'000
Group operating profit / (loss)	9,428	(8,411)
Depreciation and amortisation	19,534	9,588
(Profit) / loss on disposal of fixed assets	(21)	3
Non-cash exceptional operating items	8,250	4,993
(Decrease)/increase in provisions	(6,344)	3,368
Decrease/(increase) in debtors	982	(4,717)
(Increase)/decrease in stocks	(642)	94
Increase in creditors	2,097	8,812
Net cash inflow from operating activities	33,284	13,730

The cash flow from operating activities is stated after cash payments of £3,730,000 (2004: £5,046,000) in relation to exceptional reorganisation charges.

Reconciliation to movement in net debt

	At 1 May 2004 £'000	Cash flow £'000	Acquisitions £'000	Other non- cash changes £'000	At 30 April 2005 £'000
Cash at bank & in hand	2,447	26,292	-	-	28,739
Overdrafts	(3,058)	3,058	-	-	-
	(611)	29,350	-	-	28,739
Debt due within one year	(41,905)	(26,147)	(1,480)	(541)	(70,073)
Debt due after one year	(14,067)	(115,791)	(2,151)	-	(132,009)
Finance Leases due within one year	(441)	398	-	(77)	(120)
Finance Leases due after year	(116)	-	-	77	(39)
	(57,140)	(112,190)	(3,631)	(541)	(173,502)

Non-cash charges comprise amortisation of issue costs relating to debt issues and transfers between categories.