

05 July 2006

NORTHGATE INFORMATION SOLUTIONS PLC

Preliminary Results for 12 months to 30 April 2006

Northgate Information Solutions plc ("the Group" and "Northgate") the UK's leading supplier of specialist software and IT services for the Human Resources, Education and Public Services markets, today announces its preliminary results for 12 months to 30 April 2006.

Highlights:

- Turnover up 62% to £332.7m (2005: £205.7m)
- Operating profit¹ up 63% to £55.0m (2005: £33.7m)
- Profit before tax up 95% to £30.6m (2005: £15.7m)
- Adjusted basic EPS² 6.10p (2005: 4.73p)
- Operating cash flow³ of £48.8m (2005: £29.8m)
- Significant contract wins in the period include: Boots, MFI and British Transport Police
- First Northgate dividend of 0.6p per share

¹ Operating profit is stated before one-off provisions, amortisation of capitalised customer relationships and option costs.

² Adjusted basic EPS is stated after removing the effects of one-off provisions, amortisation of capitalised customer relationships, option costs and deferred tax movements.

³ Operating cash flow is stated after capital items but before acquisitions and restructuring payments.

Nick Irens, Chairman

"These are an excellent set of results, and are all the more impressive given that our head office suffered badly from the Buncefield explosion during the year. We are glad to have put that incident behind us and today Northgate is in better shape than ever before. In recognition of this and our overall confidence in the group's future, the Board has agreed to recommend the introduction of a dividend payment."

Chris Stone, Chief Executive

"This has been another significant year in Northgate's development. The business is robust and has taken leading positions across our key markets. Our performance for the year was built on solid organic growth across the group by winning new customers such as Boots. We have seen a boost in orders post year end, particularly in the fast growing education market where we announced yesterday an Information Communication Technology (ICT) services contract with Bristol City Council as part of the Government's Building Schools for the Future programme."

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Note to Editors:

About Northgate Information Solutions

Northgate Information Solutions plc is listed on the London Stock Exchange. For further information visit the Northgate Information Solutions website at www.northgate-is.com.

Northgate Information Solutions is a market leader of software applications and outsourcing solutions to the public safety, local government, education and human resources sectors. Headquartered in Hemel Hempstead, Northgate now employs more than 3,200 staff and has approximately 2,700 large/medium customers and approximately 6,500 small to medium enterprise (SME) customers across the UK and Ireland. Northgate works closely with many corporate organisations, as well as approximately 90% of the UK's local authorities, and all of its police forces.

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GROUP OVERVIEW

	2006	2005	% Change
Group Turnover	£332.7m	£205.7m	62
Operating Profit ¹	£55.0m	£33.7m	63
Basic EPS	4.01p	3.02p	33
Adjusted Basic EPS	6.10p	4.73p	29

The Group has delivered a strong performance for the full year. Turnover was up 62% to £332.7m driven by growth from Northgate's core businesses (4.1% 2006: 6.5% 2005) and the first full year of Service and System Solutions Ltd (Sx3) being consolidated in to our results. Growth was impacted in the second half of the year by the loss of our head office and principal data centre in Hemel Hempstead.

Operating profit increased 63% to £55.0m driven by revenue growth and the realisation of the planned synergies from integrating Sx3. Northgate remained focused on enhancing the scale and stability of its business through delivering innovative, value adding products and solutions to clients.

The order book remains strong. During the year, Northgate Human Resources signed 73 new clients including Boots, MFI and RyanAir. Public Services signed 57 new clients including Genesis Housing, Croydon Council and British Transport Police plus 13 major Criminal Justice and Public Safety new contracts. Managed Services signed 230 new clients including National Trust Scotland, Consumer Council for Water and Birmingham and Walsall City Councils.

At 30 April 2006 the order book stood at £366.0m (2005 £370.0m). Since the year end the order book has been boosted with wins including Bristol Building Schools for the Future.

Adjusted basic earnings per share increased by 29% to 6.10p (4.73p).

Following the damage caused to the Group's headquarters and data centre by the Buncefield explosion in December 2005, management is pleased with the resilience and robustness the business showed in the second half. The Group relocated its headquarters back to Hemel Hempstead at the end of May and is currently building a new data centre in Basildon, which is due to complete in the first half of the new financial year.

The good set of results continues a period of long-term growth and delivery for Northgate under the current management team. Following a return to profitability in 2001 and entry into the FTSE 250 index in 2004, Northgate has continued to grow via organic growth and acquisitions to become market leader in its key markets - Human Resources, Public Services and Education.

Northgate has gained extensive integration experience following a series of acquisitions since 2002 culminating in April 2005 with the acquisition of Sx3, which consolidated Northgate's position within the UK local government software market and provided scale to its managed service operations. As part of the next phase of growth Northgate is now looking to overseas markets where it can expand its core products through contracts and bolt-on acquisitions.

DIVISIONAL REVIEW

As part of the integration of Sx3, Northgate re-organised certain of its activities to create three focused divisions. The trading results by division for 2005 have been restated where appropriate in order to provide an accurate comparative.

Human Resources

	2006	2005	% Change
Turnover	£113.8m	£110.9m	3
Divisional Operating Profit*	£31.2m	£28.1m	11
Divisional Operating Margins	27%	25%	8

*(Divisional operating profit is before significant restructuring and property provisions, amortisation of capitalised customer relationships, option costs and unallocated central costs).

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Human Resources (continued)

Human Resources, the leading supplier of HR, Payroll and Pensions software solutions and services, reported revenues up £2.9m from £110.9m in 2005.

Underlying organic growth was 4.1% (2005: 4.9%) . This was driven by ongoing demand for ResourceLink and payroll and HR outsourcing. Divisional operating profit grew by £3.1m to £31.2m (2005: £28.1m) and generated an operating margin of 27% (2005: 25%). The strong margin improvement arose from an increasing proportion of revenue being generated from licence income.

The order book grew by 27% to £128.0m (2005 £101.0m). There were 73 new name client wins in the period including Morrisons, MFI and RyanAir. The division also signed a seven-year payroll and HR outsourcing contract with Boots Group plc. This contract, worth in excess of £16.0m, covers the outsourcing of payroll services and core HR systems for Boots 65,000 employees.

In the period Human Resources migrated some of its processing capability offshore, allowing cost effective solutions to be offered to clients. This will grow over the coming years allowing us to maintain our market competitiveness for outsourcing services.

Human Resources now has over 2,000 customers including 50% of FTSE 100 companies.

Moorepay, Northgate's Small and Medium Enterprise (SME) business, which specialises in HR and payroll outsourcing, grew 7% in the year, double the market growth rate, driven by market leading products and innovative solutions. It has seen improvements in customer win rates with customer retention remaining high at 92%. Overall, the SME business won 1,223 new payrolls in the period, taking the total to over 7,000.

Public Services

	2006	2005	% Change
Turnover	£102.1m	£55.6m	84
Divisional Operating Profit	£19.5m	£6.6m	195
Divisional Operating Margins	19%	12%	58

Public Services works with clients to deliver social, economic and environmental improvements in local government & social housing, land & property and criminal justice & public safety. It reported revenues of £102.1m up £46.5m from £55.6m in 2005 through organic growth of 2.6% (2005: 8.9%) and the full year impact of acquisitions being recognised. Second half growth was impacted by the loss of our office in Hemel Hempstead, where our emergency services business operated from, and some short-term buying inertia in the UK police market which is undergoing reform.

Going forwards growth opportunities remain good with substantial investment being made in to UK emergency services and local government. Divisional operating margins increased from 12% to 19% and divisional operating profit was £19.5m compared to £6.6m in the same period last year through increasing revenue and synergies being realised as Sx3 was integrated in to the Group.

The order book declined to £84.3m (2005: £90.0m) as the roll out of the NMIS application to the UK police forces and a number of large housing implementations were completed. Underlying order generation remains strong.

In the year Public Services won revenues and benefit system contracts with Croydon, Southend and Northampton Borough Councils. It signed 21 online planning & licensing applications, 16 new Front Office clients and 17 new Assert clients.

The division has seen an increase in demand for mobile applications of its software and systems with 51 local councils now using mobile benefits systems and 11 using mobile systems for planning and licensing solutions. It has also signed a £1.0m contract with the British Transport Police to provide a complete mobile solution for on the spot fine notices.

Northgate supplies every police force in the UK and over half of the UK Fire and Ambulance services.

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Managed Services

	2006	2005	% Change
Turnover	£116.8m	£39.2m	198
Divisional Operating Profit	£8.3m	£2.9m	186
Divisional Operating Margins	7%	7%	-

Managed Services, a leading specialist in Outsourcing and Managed Services, reported revenues up £77.6m to £116.8m through organic growth and the integration of Sx3. Organic growth excluding third party product sales was a healthy 6.0%. Divisional operating profit grew by £5.4m to £8.3m, an increase of 186%. This was driven by a full year of Sx3 trading being recorded, growth and acquisition synergies being realised. Divisional operating margins remained flat however at 7% due to a higher proportion of revenue being third party hardware following the acquisition of Sx3. Margins are expected to strengthen going forwards as third party product sales become a lower proportion of the business' revenue.

The order book declined 14% to £153.1m (2005 £179.0m) with no major contracts reaching a renewal point. There were 230 new name client wins in the year. These included providing Housing Benefits processing for Birmingham and Walsall City Councils, a managed service for National Trust Scotland and an IT upgrade and replacement system for The Belfast Harbour Commission.

Post year end significant orders were signed with British Telecom and Bristol City Council, as part of the Building Schools for the Future programme, growing the order book. We expect to conclude negotiations on the C2K LOT6 Programme in Northern Ireland in the near future, which will further boost the order book.

The signing of the Bristol contract for the Building Schools for the Future programme is further evidence of Northgate Managed Services growing its leading position in the education sector. The Government has earmarked an estimated spend of £2.1bn for ICT services as part of its £45.0bn Building Schools for the Future programme. This will provide Northgate with further opportunities in the year ahead.

In the utilities market, Northgate has continued to grow its order book and win new work with existing clients as well as signing its first substantial utilities contract in Britain to provide IT managed services for CCWater, the Consumer Council for Water.

BOARD AND MANAGEMENT

No changes to the PLC Board occurred during the year.

After six years as Chairman, Nick Irens has indicated his intention to the Board that he would like to step down early next year. The Board has accordingly commenced a full search process to identify a successor. Nick Irens will continue in his role until a successor is found and a handover has taken place. Further announcements will be made in due course.

OUTLOOK

Northgate is in a strong position in its key growth markets. The Group believes there are further opportunities for organic growth and by acquisition in its home markets as they consolidate and the public and private sectors look increasingly to a single source of supply. It also sees opportunities in overseas territories to expand its core business.

Looking to the 2006/07 financial year, management expects organic growth to accelerate. The Board remains confident about the outlook for the Group.

FINANCIAL OVERVIEW

Overview

The year to 30 April 2006 showed strong progress in the Group, with adjusted earnings per share increasing by 29% to 6.10 pence per share (2005: 4.73 pence per share). In the first half of the year we completed the integration of Sx3 in to Northgate. In the second half of the year, revenue growth was impacted by the explosion at the Buncefield oil storage depot which destroyed the Group's headquarters and its principle data centre. Our recovery programme worked well with no critical systems either internally or for clients being lost for any length of time. This did however consume considerable staff and management time, which would have otherwise been focused on increasing revenue. As we look forwards our recovery programme is largely complete, allowing management to concentrate again on growth.

Cash flow has been strong, with the Group generating £48.8m of cash from an operating profit before one-off items, amortisation of customer relationships and option costs of £55.0m. This has demonstrated our continuing ability to generate substantial amounts of cash from the Group, which will help fund further growth. Net cash flow before financing and acquisitions was £24.2m (£19.1m).

Work carried out under long-term contracts continues to underpin our business. The order book at 30 April 2006 was broadly flat at £366.0m (2005: £370.0m). The loss of our head office and data centre impacted on the amount of revenue taken in the second half of the year, but overall order intake remained strong. Post year end order intake has continued to be good, with a number of large contracts signed. The most notable of these was a contract with Bristol "Building Schools for the Future" for £9.0m, which has boosted our order book.

50% (£183.0m) of the order book will unwind in the current financial year. Northgate's client retention rate remains at over 98.5% leading to a substantial amount of contract renewal activity during the year. When this is added to our year end order book, it provides management with high levels of revenue visibility. Before we start a financial year, this plus the contracted order book amounts to around 85% of the following year's revenue. This helps to support Northgate's earnings stability and allows the Group to plan with confidence.

Operating Results

Group revenue of £332.7m was derived from continuing activities (2005: £205.7m) and increased by £127.0m through organic growth and the full year impact of prior year acquisitions. The most notable of these was Sx3, which was acquired in April 2005.

Revenue from core markets grew by 4.1% in the period (2005: 6.5 %). Ongoing demand for the business's software and services remains strong. During the second half of the year however due to the Buncefield oil depot explosion, over 100 staff had to devote their time to our disaster recovery plans. Most of these people have now returned to their normal roles, but during the year we estimate that this, together with delays in starting new hosted services in our data centre, reduced organic revenue growth in 2005/06 by more than 2%.

Group operating profit before one-off items, amortisation of customer relationships and options costs of £55.0m grew by 63% (2005: £33.7m). This was driven by increasing revenue and synergies being realised as we integrated acquisitions into the Group. This improved our adjusted operating margin from 16.4% to 16.5%. After one-off restructuring and property provisions of £nil (2005: £8.1m), amortisation of capitalised customer relationships of £7.3m (2005: £0.6m), and options costs of £3.0m (2005: £2.1m), the Group recorded an operating profit of £44.7m (2005: £22.9m). Net financing costs increased by £7.2m to £14.5m as the Group recorded the full year costs of debt secured to fund the acquisition of Sx3. Profit on ordinary activities before tax was £30.6m (2005:£15.7m).

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One-off items

Other than the Buncefield incident, no one-off costs were recorded in the period (2005: £8.1m). In December as noted the Buncefield oil depot explosion destroyed the Group's principal data centre and head office. The Group immediately put in to place its disaster recovery plans, allowing internal and client systems to be recovered in a short period of time through a third party data centre. During the first half of the current financial year a new data centre will be built in Basildon, allowing affected systems to be again supported from a Northgate facility. Staff were relocated to a new head office in Hemel Hempstead in May 2006, secured through a short term lease. In the first half of this financial year we will complete the demolition of our old head office in Hemel Hempstead, after which we will confirm our long term office accommodation plans for the area. The costs of this incident are expected to be largely recovered from our insurers under business continuity insurance. It is thus envisaged that no material costs will be recognised from the Buncefield incident going forwards.

Cash and Financing

During the year the Group experienced strong cash flow from operations, generating £48.8m of cash (2005: £29.8m) from an adjusted operating profit before one-off items, amortisation of customer relationships and option costs of £55.0m (2005: £33.7m). After interest, tax, capital expenditure and provision movements, net cash flow was £24.2m (2005: £19.1m). £7.4m was spent in acquisition activities, of which £5.5m relates to professional fees incurred during the Sx3 transaction. This left the Group with £158.9m of net debt at 30 April 2006 (2005: £173.5m), and headroom of £108.6m under its working capital facilities.

Going forwards interest cover is targeted to be more than 4.0 times and the Group has put in place interest hedging instruments to manage the exposure to movements in interest rates to 50% of its facility over the coming year, amortising in line with scheduled debt repayments.

Accounting Policies

Northgate has adopted International Financial Reporting Standards (IFRS), as adopted by the EU, with effect from 1 May 2004. The implementation of IFRS was a major change process, to which Northgate devoted considerable resources during the year to ensure that the IFRS transition was successful. On 7 November 2005, Northgate announced the impact of IFRS on its results for the year-ended 30 April 2005.

Taxation

The Group has £18.6m of UK trading and £46.2m of UK non-trading losses at 30 April 2006. The UK trading losses are expected to be largely utilised over the next two years. The non-trading tax losses arose from the acquisition of Rebus HR in the previous financial period and are not expected to be used in the short term.

A deferred tax asset of £5.8m (2005: £7.9m) has been recognised.

Pensions

The Group has two defined benefit pension schemes, one of which originates from the Rebus HR acquisition in January 2004. Both were closed to new members in 2001. All staff joining the Group since 2001 have been offered a money purchase pension plan as part of their benefits.

Both schemes underwent their tri-annual valuation during the year, which showed an aggregate liability of £52.0m. The Group is contributing £6.5m per annum to reduce this deficit going forwards. This has no impact on future profitability however, with the liability being recorded in full. Previously the business was contributing £2.1m per annum towards pension deficits. The increased contributions arose from the rising cost of pensions and Northgate's desire to prudently manage down its pension liability in this increasingly regulated area. It is our intention to remove the deficit over a ten-year period.

Pensions (continued)

Contributions for future service in these two schemes is £3.1m (2005:£3.4m) per annum, which is in addition to the contributions noted above. As part of the tri-annual pension review, the Group decided to reduce future scheme benefits to 1/80th of salary per year of service, to increase member contributions to 8% of salary and to cap growth in pensionable salary to changes in RPI. These changes are being discussed with staff to ensure that we have a cost effective staff benefit going forwards. The planned changes will take effect from May 2007.

The Northgate pension scheme showed an IAS19 deficit of £36.0m at the balance sheet date (2005: £40.1m), and the Rebus scheme had an IAS19 deficit of £18.5m at the same date (2005: £20.4m).

Over the year scheme assets have performed strongly; the Northgate assets have grown by 26.9% to £138.7m (2005: £109.3m), and the Rebus assets grown by 29.6% to £53.0m (2005: £40.9m). This has been partially offset however by the ongoing low returns from medium term gilts, impacting on the present value of scheme liabilities.

Corporate Governance and Risk Management

During the year to 30 April 2006, the Group has complied with the provisions of the Combined Code on Corporate Governance, as incorporated within the Listing Rules with the specific exception of the Chairman's membership of the Audit Committee. Nevertheless the Board remains entirely satisfied with the Chairman's actual independence and his valuable contribution to that committee.

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. We believe that this, together with our strong culture of financial control, underpins the quality of earnings in the Group.

Earnings per Share

Adjusted basic earnings per share, which is calculated on the profit for the period before one-off items, amortisation of capitalised customer relationships, option costs and deferred tax, was 6.10p, up 29% on the prior year (2005: 4.73p).

Basic earnings per share, which includes one-off items, amortisation of capitalised customer relationships, option costs and deferred tax, was 4.01p, up 32.8% on the prior year (2005: 3.02p).

Dividend Policy

The Board has reviewed its dividend policy, and feels that Northgate's development over recent years allows it to introduce the payment of a dividend, whilst still ensuring that significant funds are available for further growth.

Accordingly, a dividend of 0.6p per share (equating to a total dividend payment of £3.2m) will be proposed at the Annual General Meeting. This represents a full year dividend, and it is expected that future dividend payments will be split between interim and final payments to better reflect the seasonal trading patterns of the Group. It is anticipated that dividends will be increased progressively over time.

Total Equity

Total equity at 30 April 2006 of £200.8m increased by £27.6m in the period. (2005: £173.2m). This was driven by a period of strong trading.

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Consolidated income statement for the year ended 30 April 2006

	Notes	Before one-off incident 2006 £'000	One-off Incident £'000	After one-off incident 2006 £'000	2005 £'000
Revenue		332,738		332,738	205,692
Operating costs		(288,025)	(24,465)	(312,490)	(182,814)
Operating income		-	24,488	24,488	-
Group operating profit	1	44,713	23	44,736	22,878
Operating profit before significant restructuring and property provisions, amortisation of capitalised customer relationships and option costs					
		54,954	23	54,977	33,668
Significant restructuring and property provisions		-	-	-	(8,116)
Amortisation of capitalised customer relationships		(7,275)	-	(7,275)	(606)
Option costs		(2,966)	-	(2,966)	(2,068)
Group operating profit	1	44,713	23	44,736	22,878
Financial income		773	-	773	91
Financial expenses		(15,262)	-	(15,262)	(7,395)
Net financing costs		(14,489)	-	(14,489)	(7,304)
Share of profit of associate		347	-	347	151
Profit before tax		30,571	23	30,594	15,725
Tax expense		(9,265)	-	(9,265)	(782)
Profit for the year		21,306	23	21,329	14,943

All profit is attributable to the equity holders of the parent.

Earnings per ordinary share		2006	2005
Basic	2	4.01p	3.02p
Diluted	2	3.83p	2.90p
Adjusted Basic	2	6.10p	4.73p

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Consolidated statement of recognised income and expense for the year ended 30 April 2006

	2006	2005
	£'000	£'000
Foreign exchange translation differences	(164)	227
Effective portion of changes in fair value on cash-flow hedges	18	-
Actuarial gains and losses on defined benefit pension schemes	4,622	(2,643)
Deferred tax on actuarial gains and losses on defined benefit pension schemes	(1,386)	804
Net income/(expense) recognised directly in equity	3,090	(1,612)
Profit for the year	21,329	14,943
Total recognised income and expense for the period	24,419	13,331
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Effect of change in accounting policy:		
Effect of adoption of IAS32 and 39, net of tax on 1 May 2005 (with 2004 not restated) on:		
Financial assets	48	-
Financial liabilities	(71)	-
	(23)	-

All recognised income and expense is attributable to the equity holders of the parent.

Northgate Information Solutions plc

Consolidated balance sheet as at 30 April 2006

	<i>Notes</i>	2006	2005
		£'000	£'000
Non-current assets			
Goodwill		348,168	345,996
Other intangible assets		77,492	80,595
Total intangible assets		425,660	426,591
Property, plant and equipment		32,576	57,024
Investment in associate		1,641	1,294
Other receivables		14,720	10,358
Deferred tax asset		5,751	7,934
Total non-current assets		480,348	503,201
Current assets			
Inventories - goods for resale		2,195	4,702
Trade and other receivables		111,369	84,306
Financial assets		510	-
Cash and cash equivalents		31,808	28,739
Total current assets		145,882	117,747
Total assets		626,230	620,948
Non-current liabilities			
Interest-bearing loans and borrowings		113,303	132,048
Employee benefits		54,504	60,466
Provisions		4,541	4,276
Total non-current liabilities		172,348	196,790
Current liabilities			
Interest-bearing loans and borrowings		77,379	70,193
Provisions		10,296	15,945
Taxation		3,770	3,896
Trade and other payables		161,484	160,900
Financial liabilities		182	-
Total current liabilities		253,111	250,934
Total liabilities		425,459	447,724
Net assets		200,771	173,224
Equity			
Issued share capital	5	53,507	53,277
Share premium	5	93,085	91,494
Merger reserve	5	68,401	68,401
Translation reserve	5	63	227
Cash-flow hedge reserve	5	(5)	-
Retained earnings	5	(14,280)	(40,175)
Total equity	5	200,771	173,224

The equity is attributable to the equity holders of the parent.

Approved by the Board of Directors on 5 July 2006 and signed on its behalf by

C M R Stone **J R Stier**
Director Director

Northgate Information Solutions plc

Consolidated cash flow statement for the year ended 30 April 2006

Notes	2006 £'000	2005 £'000
Cash flows from operating activities		
Profit for the year	21,329	14,943
<i>Adjustments for:</i>		
Amortisation of capitalised customer relationships	7,275	606
Amortisation of other intangibles	4,303	2,240
Impairment - land and buildings	16,278	-
Impairment - other assets	3,720	-
Depreciation	14,089	3,594
Loss/(profit) on sale of fixtures and fittings, property, equipment and intangibles	2	(112)
Equity settled share based payment expense	2,626	1,982
Net financing costs	14,489	7,304
Share of profit of associate	(347)	(151)
Tax expense	9,265	782
Operating profit before changes in working capital and provisions	93,029	31,188
(Increase)/decrease in trade and other receivables	(31,160)	982
Decrease/(increase) in inventories	2,507	(499)
Increase in trade and other payables	4,182	2,125
(Decrease)/increase in provisions and employee benefits	(8,448)	1,413
Cash generated from operations	60,110	35,209
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	650	501
Acquisition of subsidiary, net of cash acquired	(7,444)	(155,158)
Acquisition of intangible assets	(7,506)	(4,802)
Acquisition of property, plant and equipment	(8,655)	(3,891)
Net cash from investing activities	(22,955)	(163,350)
Cash generated from operations after investing activities	37,155	(128,141)
Net cash from operations after capital activities and one-off items	48,799	29,816
Acquisition of subsidiary, net of cash acquired	(7,444)	(155,158)
Restructuring payments	(4,200)	(2,799)
Net cash from operations after investing activities	37,155	(128,141)
Interest received	278	91
Interest paid	(11,716)	(5,071)
Taxes paid	(8,958)	(2,961)
Cash generated from operations before financing activities	16,759	(136,082)
Cash flows from financing activities		
Proceeds from the issue of share capital	-	24,376
Payment of transaction costs	-	(624)
(Decrease)/increase in borrowings	(13,605)	141,938
Payment of finance lease liabilities	(118)	(398)
Disposal of investment in own shares	22	170
Net cash from financing activities	(13,701)	165,462
Net increase in cash and cash equivalents	3,058	29,380
Cash and cash equivalents at 1 May	28,739	(611)
Effect of foreign exchange rate movements on cash held	11	(30)
Cash and cash equivalents at 30 April	31,808	28,739

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Notes to the consolidated accounts

1. SEGMENT INFORMATION

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Reportable business segments have changed from those reported previously. Segmental information now reflects the change in the Group's reporting structure announced last year, giving the three major divisions focused on the Company's core business areas. These are Public Services, Human Resources and Managed Services (which include part of the former 'Corporate Services' division and some Managed Services that were previously reported in Public Services). Comparative information for the year ended 30 April 2005 has been restated accordingly.

All business segments are continuing operations.

By business segment

Year ended 30 April 2006

	<i>Public Services</i>	<i>Human Resources</i>	<i>Managed Services</i>	<i>Central/ Eliminations</i>	Total
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	£'000
Total revenue from external customers	102,077	113,817	116,844	-	332,738
Inter-segment revenue	-	-	-	-	-
Total revenue	102,077	113,817	116,844		332,738
Divisional operating profit	19,514	31,249	8,319	(4,105)	54,977
Significant restructuring and property provisions, amortisation of capitalised customer relationships and option costs	(4,031)	(1,002)	(4,761)	(447)	(10,241)
Group operating profit	15,483	30,247	3,558	(4,552)	44,736
Net financing costs					(14,489)
Share of profit of associate					347
Tax expense					(9,265)
Profit for the period					21,329
Segment assets	176,270	264,236	125,230	1,401	567,137
Investment in associate					1,641
Unallocated assets					57,452
Total assets					626,230
Segment liabilities	59,568	84,868	67,852	-	212,288
Unallocated liabilities					213,171
Total liabilities					425,459
	<i>Public Services</i>	<i>Human Resources</i>	<i>Managed Services</i>	<i>Central</i>	Total
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	£'000
Depreciation and amortisation	7,604	8,478	8,707	878	25,667
Capital expenditure	4,662	5,199	5,339	2,224	17,424

Northgate Information Solutions plc

Notes to the consolidated accounts (continued)

1. SEGMENT INFORMATION (continued)

Year ended 30 April 2005 (as restated)

	<i>Public Services</i>	<i>Human Resources</i>	<i>Managed Services</i>	<i>Central/ Eliminations</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Total revenue from external customers	55,640	110,859	39,193	-	205,692
Inter-segment revenue	785	-	-	(785)	-
Total revenue	56,425	110,859	39,193	(785)	205,692
Divisional operating profit	6,616	28,100	2,938	(3,986)	33,668
Significant restructuring and property provisions, amortisation of capitalised customer relationships and option costs	(3,201)	(656)	(5,556)	(1,377)	(10,790)
Group operating profit	3,415	27,444	(2,618)	(5,363)	22,878
Net financing costs					(7,304)
Share of profit of associate					151
Tax expense					(782)
Profit for the period					14,943
Segment assets	175,519	252,889	134,405	2,737	565,550
Investment in associate					1,294
Unallocated assets					54,104
Total assets					620,948
Segment liabilities	60,468	92,711	59,873	-	213,052
Unallocated liabilities					234,672
Total liabilities					447,724
	<i>Public Services</i>	<i>Human Resources</i>	<i>Managed Services</i>	<i>Central</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Depreciation and amortisation	2,044	2,188	1,820	388	6,440
Capital expenditure	1,850	2,485	2,475	2,028	8,838

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Notes to the consolidated accounts (continued)

2. EARNINGS PER ORDINARY SHARE

Basic and diluted earnings per share are calculated by dividing the profit for the year by the weighted average number of ordinary shares at the end of the year and the weighted average number of ordinary shares (diluted) at the end of the year, respectively. In order to better demonstrate the performance of the Group, an adjusted earnings per share calculation has been presented which adds back items typically adjusted for by users of the accounts, using adjusted profit for the year. The calculations for basic, diluted, adjusted basic and adjusted diluted earnings per share, as well as the weighted average number of ordinary shares at the end of the year are presented below.

	2006	2005
	£'000	£'000
Profit for the period	21,329	14,943
Significant restructuring and property provisions, net of attributable tax	-	6,793
Amortisation of capitalised customer relationships	7,275	606
Option costs	2,966	2,068
Deferred tax	902	(1,011)
Adjusted profit for the period	32,472	23,399
Basic earnings per share (pence)	4.01	3.02
Diluted earnings per share (pence)	3.83	2.90
Adjusted basic earnings per share (pence)	6.10	4.73
Adjusted diluted earnings per share (pence)	5.83	4.55

Weighted average number of ordinary shares

	Year ended 30 April 2006	Year ended 30 April 2005
<i>In thousands of shares</i>	Number	Number
Issued ordinary shares at 1 May	532,767	495,074
Effect of own shares held	(1,704)	(2,355)
Effect of shares issued during the year	1,180	2,650
Weighted average number of ordinary shares at 30 April	532,243	495,369
Effect of share options on issue	24,187	19,345
Weighted average number of ordinary shares (diluted) at 30 April	556,430	514,714

Notes to the consolidated accounts (continued)

3. ACCOUNTING ESTIMATES AND JUDGEMENTS

The following sets out the key assumptions concerning the future and key sources of estimation and uncertainty at the balance sheet date that may cause material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Insurance proceeds

The accounts include an amount of £34.6m recognised as compensation following the Buncefield explosion. This is a provisional amount based on what is reliably measurable at 30 April 2006 for the recoverability of impaired assets and costs incurred to date. At 30 April 2006 £20.0m of insurance proceeds had been received. The net balance of £14.6m is shown in other receivables.

Land and buildings at our head office next to Buncefield have been impaired in full to reflect the reduction in market value following the incident. An insurance receipt equivalent to this impairment has been recognised for re-instating the building to the extent that it is reliably measurable under the Groups policy and is recognised as other operating income. As part of this, land valued at £6.5m has been written down to nil with no expected receipts recorded.

Other assets destroyed in the incident have been impaired in full. Insurance proceeds have been recognised to the extent they can be reliably measured and are recognised as other operating income.

Where customers' business was interrupted full provision for service credits and compensation has been made. Insurance proceeds have been recognised where such payments are virtually certain to be recovered under the insurance policy and are shown as other operating income.

Discussions are still taking place with the insurers concerning the actual compensation due.

4. RECONCILIATION OF PROFIT

On 7 November 2005, the Group published an explanation of the impact of the transition to IFRS, restated comparative information for 30 April 2005 under IFRS and reconciliations from UK GAAP. This disclosure note reproduces information (as updated for adjustments principally in finalising fair values on acquisition) from the Group's previous announcement where it is required to be disclosed under IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

4.1. RECONCILIATION OF PROFIT

	<i>Year ended 30 April 2005</i>
	<i>£'000</i>
UKGAAP	4,072
Goodwill	12,311
Customer relationships	(424)
Share based payments	(1,305)
Development costs	707
Pension	(194)
Other	(224)
IFRS	14,943

Northgate Information Solutions plc

Notes to the consolidated accounts (continued)

4.2. RECONCILIATION OF EQUITY

	<i>Year ended 30 April 2005</i>
	<i>£'000</i>
UKGAAP	189,723
Goodwill	12,311
Customer relationships	(424)
Share based payments	491
Development costs	1,921
Pension	(29,823)
Holiday Pay	(751)
Other	(224)
IFRS	173,224

5. STATEMENT OF TOTAL EQUITY

Reconciliation of movement in total equity

	<i>Share capital £'000</i>	<i>Share premium account £'000</i>	<i>Merger reserve £'000</i>	<i>Translation reserve £'000</i>	<i>Cash-flow hedge reserve £'000</i>	<i>Retained earnings £'000</i>	<i>Total equity £'000</i>
Balance at 30 April 2005	53,277	91,494	68,401	227	-	(40,175)	173,224
Adoption of IAS 39	-	-	-	-	(23)	-	(23)
Balance at 1 May 2005	53,277	91,494	68,401	227	(23)	(40,175)	173,201
Profit for the year	-	-	-	-	-	21,329	21,329
Effective portion of changes in fair value on cash hedges	-	-	-	-	18	-	18
Foreign exchange translation differences	-	-	-	(164)	-	-	(164)
Net gain/(loss) on actuarial valuation of pension liability	-	-	-	-	-	3,236	3,236
Disposal of own shares	-	-	-	-	-	22	22
Arising on issue of shares	230	1,591	-	-	-	-	1,821
Credit in respect of share related awards	-	-	-	-	-	3,129	3,129
Share options issued in the year	-	-	-	-	-	(1,821)	(1,821)
Balance at 30 April 2006	53,507	93,085	68,401	63	(5)	(14,280)	200,771

6. SECTION 240 STATEMENT

The financial information in this announcement was approved by the Board of Directors and does not constitute the Company's statutory accounts for the years ended 30 April 2005 or 2006 but is derived from those accounts. Statutory accounts for 2005 have been delivered to the Registrar of Companies and those for 2006 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 237(2) of the Companies Act 1985.

This preliminary announcement has been prepared in accordance with the accounting policies adopted under IFRSs, as adopted by the EU. The disclosures required by IFRS 1 "first-time adoption" of International Financial Reporting Standards" concerning the transition from UK GAAP can be found in our interim report for 2005, a copy of which can be found on our website www.northgate-is.com.