



Preliminary Results

July 2006

This presentation may make forward looking statements regarding future events and the future financial performance of the Company. These references may be subject to risks and uncertainties that cannot be forecast and therefore must be treated in the appropriate way.

Nick Irens

Chairman



Chris Stone

Chief Executive



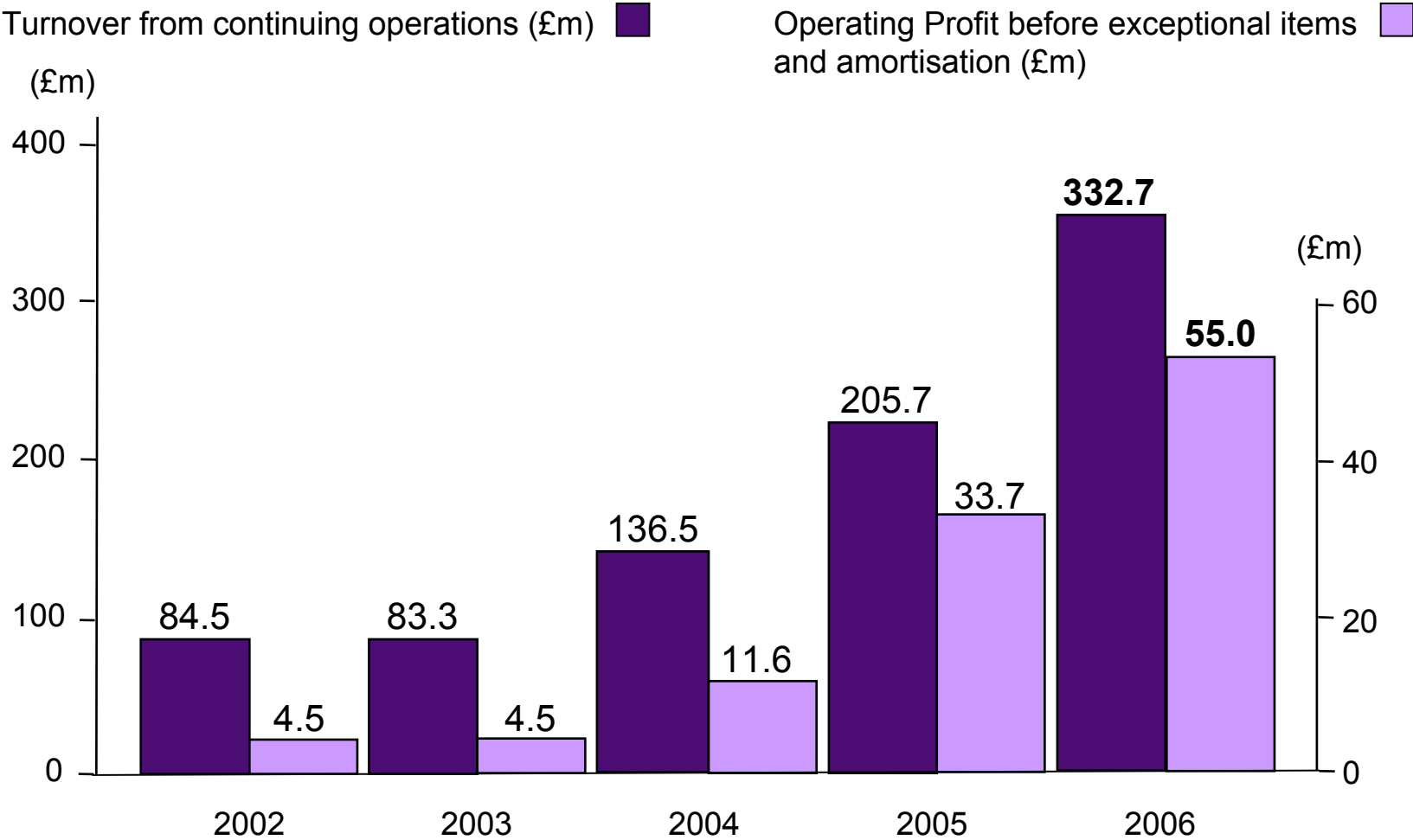
Full year results 05/06

- Summary
- Financial review
- Prospects

A robust performance for 05/06

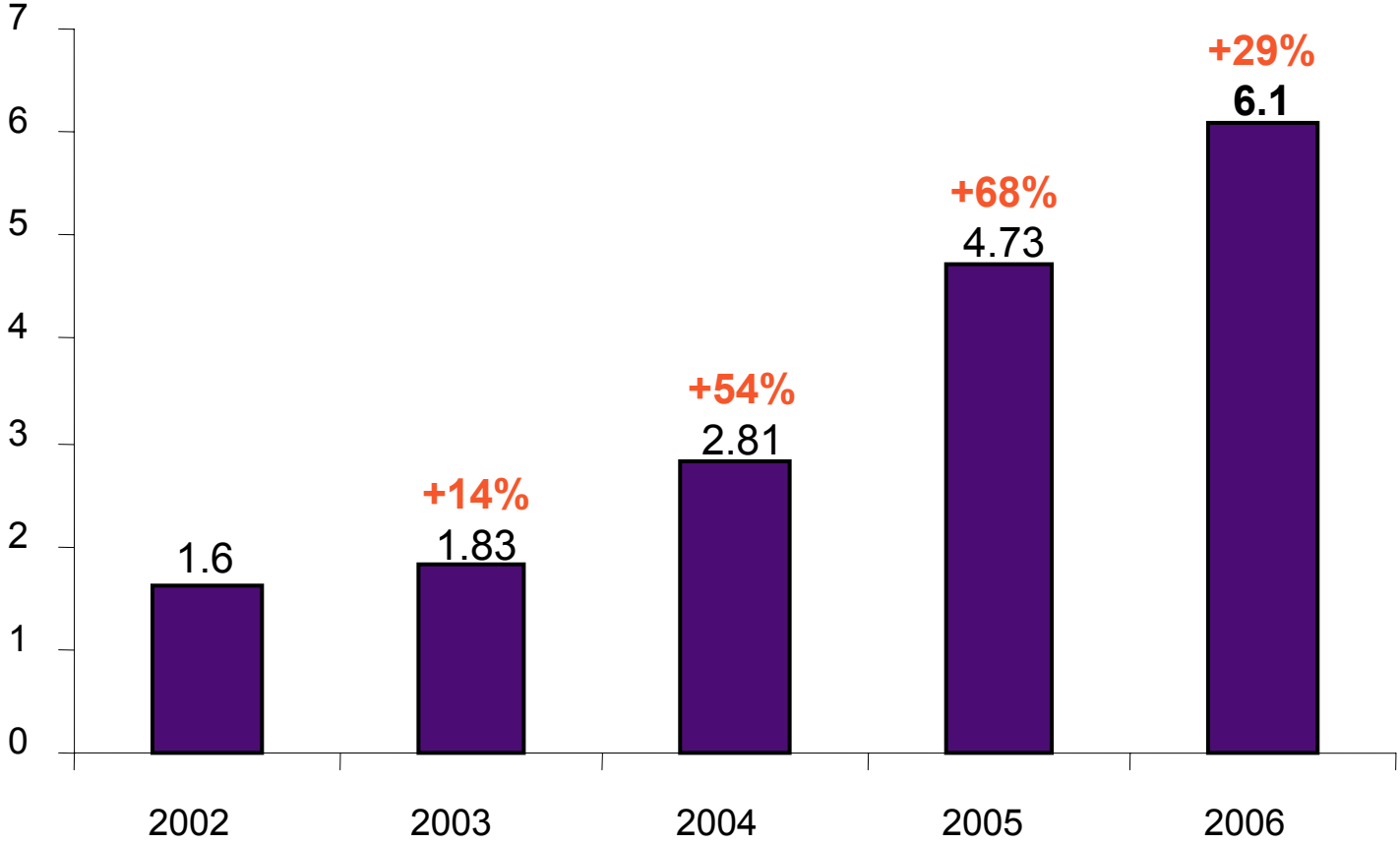
- EBITA of £55m (04/05: £33.7m)
- Group revenue of £332.7m (04/05: £205.7m) driven by growth of:
 - ▶ 3% in Northgate HR
 - ▶ 83% in Public Services
 - ▶ 198% in Managed Services
- Group organic growth rate of 4.1%, driven by growth of:
 - ▶ 4% in Northgate HR
 - ▶ 3% in Public Services
 - ▶ 6% in Managed Services
- First Northgate dividend of 0.6p per share
- Full and successful recovery from Buncefield

Revenue and EBITA continuing operations



Earnings per ordinary share – last 5 years

Adjusted Basic
(Pence)



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John Stier

Finance Director



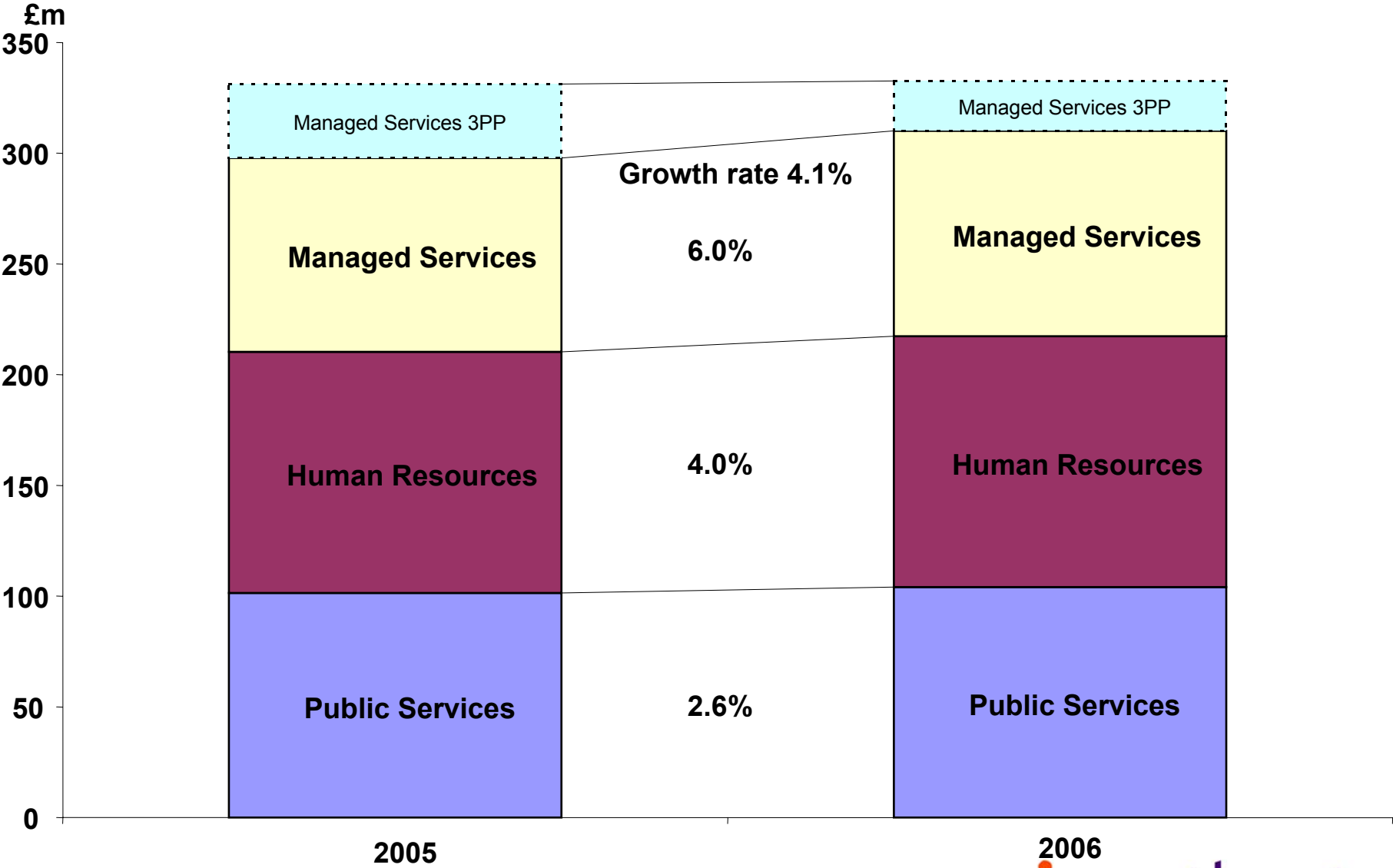
Financial summary

- Strong growth;
 - ▶ Revenue growth of 62%
 - ▶ EBITA growth of 63%
 - ▶ Adjusted EPS growth of 29%
- Substantial revenue underpinning order book
- Continued high level of cash generation
- Buncefield incident behind us
- Dividend initiated

Profit & loss highlights

| £m | 05/06 | 04/05 | Growth |
|----------------|-------|-------|--------|
| Revenue | 332.7 | 205.7 | 62% |
| EBITDA | 69.1 | 37.3 | 85% |
| EBITA | 55.0 | 33.7 | 63% |
| <i>EBITA %</i> | 16.5% | 16.4% | |
| Adjusted EPS | 6.10p | 4.73p | 29% |

Organic revenue growth



Divisional analysis

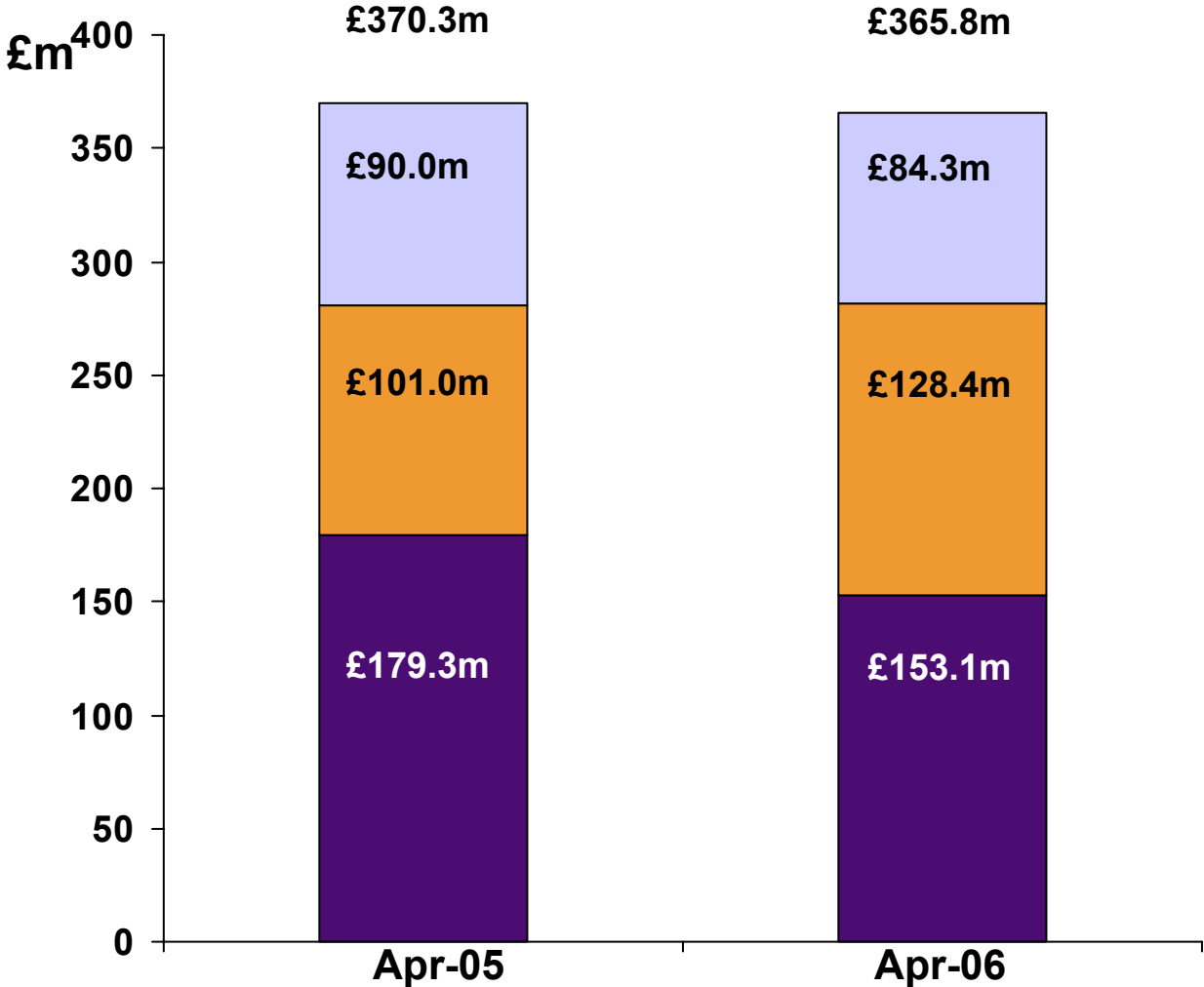
| £m | 2005/06 | | | 2004/05 | | | Growth | |
|------------------|--------------|-------------|-------------|--------------|-------------|-------------|------------|------------|
| | Revenue | EBITA | Margin (%) | Revenue | EBITA | Margin (%) | Revenue | EBITA |
| Public Services | 102.1 | 19.5 | 19.1 | 55.6 | 6.6 | 11.9 | 83% | 195% |
| Human Resources | 113.8 | 31.2 | 27.4 | 110.9 | 28.1 | 25.3 | 3% | 11% |
| Managed Services | 116.8 | 8.4 | 7.2 | 39.2 | 2.9 | 7.4 | 198% | 186% |
| Group Costs | | (4.1) | | | (3.9) | | | |
| Total | 332.7 | 55.0 | 16.5 | 205.7 | 33.8 | 16.4 | 62% | 63% |

* Comparatives have been restated to reflect re-organisation & IFRS

Profit & loss

| £m | 05/06 | 04/05 | Growth |
|-----------------------------|--------------|--------------|------------|
| EBITA | 55.0 | 33.8 | 63% |
| Amortisation of intangibles | (7.3) | (0.7) | |
| Share option costs | (3.0) | (2.1) | |
| Restructuring costs | 0.0 | (8.1) | |
| Operating profit | 44.7 | 22.9 | 96% |
| Financing costs | (14.5) | (7.3) | |
| Income from associate | 0.3 | 0.2 | |
| Profit before tax | 30.6 | 15.7 | 95% |
| Tax | (9.3) | (0.8) | |
| Retained Profit | 21.3 | 14.9 | |
| Earnings Per Share (p) | | | |
| Basic | 4.01p | 3.02p | 33% |
| Adjusted basic | 6.10p | 4.73p | 29% |

Order book at 30 April



Group -1%

Public Services -6%

Human Resources + 27%

Managed Services -15%



Cash flow & financing

- Operating cash flow of £48.8m, EBITA conversion rate of 89% (2005: 88%)
- Free cash flow of £24.2m (2005: £19.1m)
- Net debt at 30-Apr-06 of £158.9m
 - ▶ 2.3x EBITDA
 - ▶ Interest cover 4.4x
- Headroom of £101.1m
- Dividend of 0.6p per share announced

Balance sheet

| £m | <u>Apr-06</u> | <u>Apr-05</u> |
|-------------------------|---------------------|---------------------|
| Goodwill | 348.2 | 346.0 |
| Intangible fixed assets | 77.5 | 80.6 |
| Tangible fixed assets | 54.7 | 76.6 |
| Net current liabilities | (51.4) | (75.8) |
| Pension deficit | (54.5) | (60.5) |
| Provisions | (14.8) | (20.2) |
| Net debt | <u>(158.9)</u> | <u>(173.5)</u> |
| Net assets | <u><u>200.8</u></u> | <u><u>173.2</u></u> |

Pension scheme update

- The Group operates two defined benefit pension schemes, both closed to new members since 2001

| £m | Apr-06 | Apr-05 | |
|-------------|-------------|-------------|-------------|
| Assets | 191.6 | 150.1 | 28% |
| Liabilities | 246.1 | 210.6 | 17% |
| Deficit | <u>54.5</u> | <u>60.5</u> | <u>-10%</u> |

- Triennial valuation completed in new regulated environment
- Increased additional contributions from £2.1m to £6.5m to eliminate deficit over 10 years. No P&L impact
- Employee benefits being reduced further from April 2007 to manage ongoing exposure

Effect of Buncefield incident

- All affected staff now re-accommodated
 - ▶ Short-term lease taken on new premises
 - ▶ Operations fully re-established
- Strong order intake since incident
- Reduced organic growth by 2% in year
- New data centre being built at Basildon, expected H1 FY07
- Boundary Way site unusable in the medium term
 - ▶ New permanent property strategy being pursued
- Claim progressing with insurers
 - ▶ Impact neutral on FY06 results and ongoing

Financial effect of Buncefield incident

| | £m Income | £m Costs |
|-------------------------------------------------------------------------------|--------------|-------------|
| P&L | | |
| Asset impairment | 24.5 | 22.5 |
| Operating costs less income (£12.1m operating costs less £10.1m income) | | 2.0 |
| | 24.5 | 24.5 |
| Balance sheet debtor being; | | |
| Net asset value of buildings written off | 16.3 | |
| Other | (1.7) | |
| Accrued receipt | 14.6 | |

Financial summary

- Strong growth in revenue and profit
- Continued high level of revenue and earnings visibility
- Successful in winning significant new contracts, with solid pipeline of opportunities
- Excellent cash generation
- Confidence high, supporting dividend launch

Chris Stone

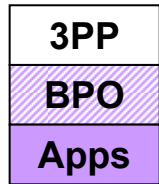
Chief Executive



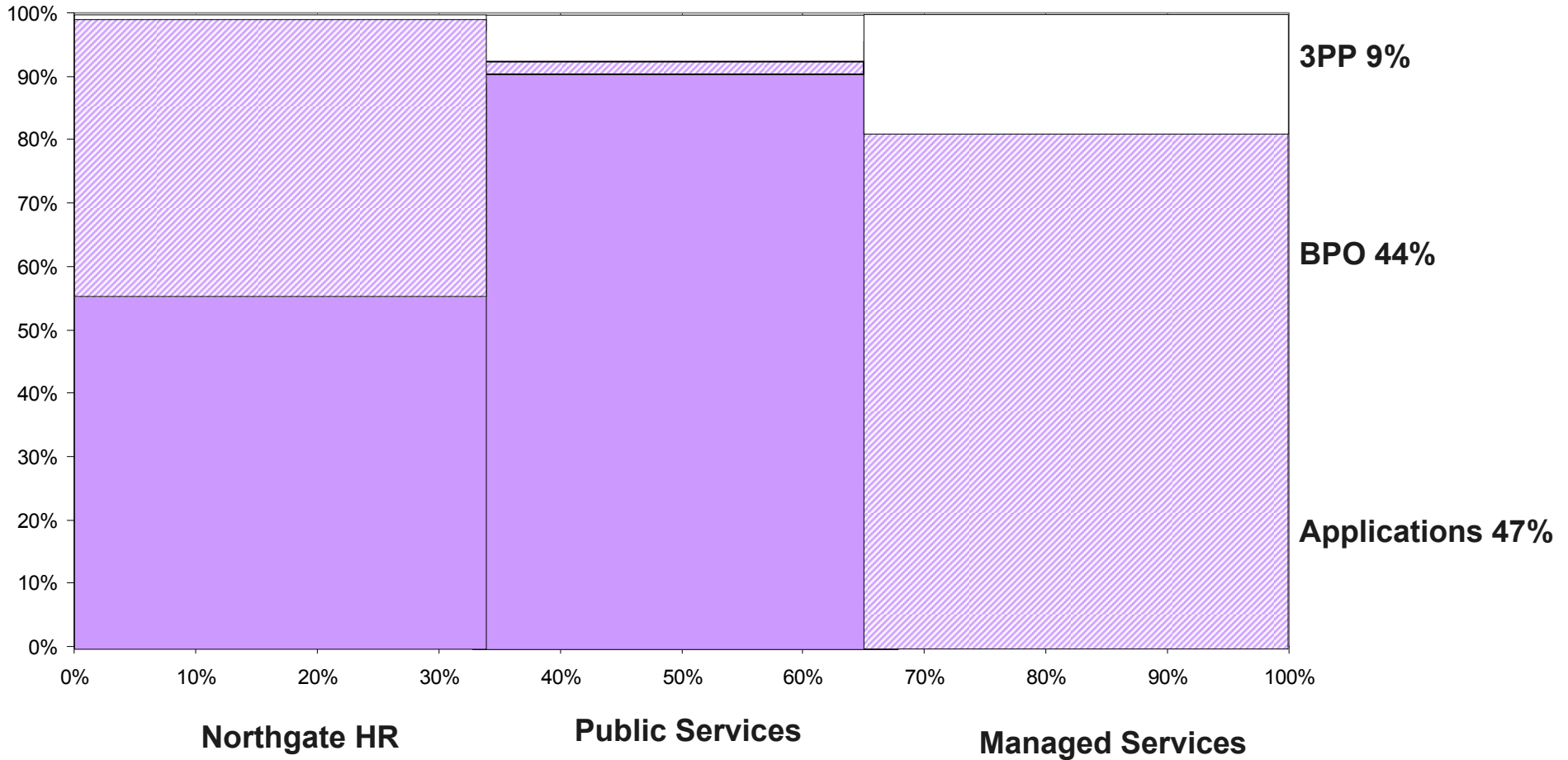
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Northgate revenue mix - today



Indicative revenue split latest



Note: Width of columns on x-axis shows relative size of business
 Height of bar on y-axis shows relative mix of business
 Sources: Northgate 05/06



Northgate's market leading positions

| | Public Services | | Northgate HR (Inc Moorepay and Software Services) | Managed Services | |
|--------------|---------------------|----------------------------------------|------------------------------------------------------------|------------------|-----------|
| | Local Government | Public Safety & Criminal Justice | HR | Education | Utilities |
| Applications | 1 | 1 | 1 | | |
| Outsourcing | 4 | 6 | 2 | 2 | 5 |



Northgate's strategy

- Build our business around IPR to create market leading positions
- Broaden our range of products and services using our technical skills to respond to client needs
- Supplement organic growth with appropriate acquisitions that complement our existing business and product portfolio
- Expand overseas judiciously where we can build leading businesses

Northgate's priorities

- Pursuing our current strategy and building on our strengths
 - ▶ Focus on areas where Northgate has/can achieve market leadership
 - ▶ Delivery of outstanding customer value through Northgate IPR
 - ▶ Organic growth through cross selling and system integration
 - ▶ Education market e.g. 'Building Schools for the Future' program (£2.1bn +)
- Exploring new opportunities in related areas
 - ▶ Growth and value generation from acquisitions
 - ▶ International market growth opportunities for HR
 - ▶ Opportunities for expansion for SME and corporate Managed Services



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.



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Appendices

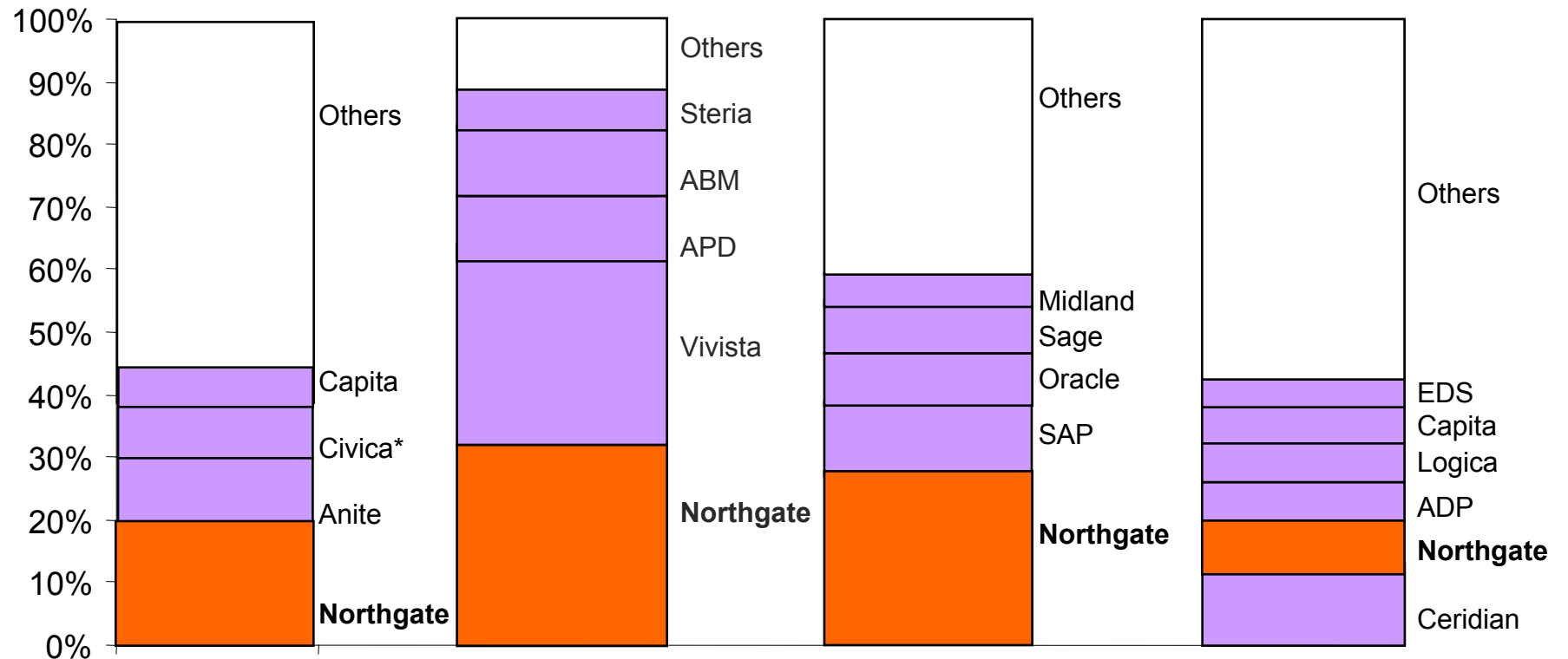
Key facts about Northgate

- We pay 1 in 3 of the UK's working population (approx 8 million)
- Our payroll outsourcing operation produces 773k fully managed payslips and 934k bureau payslips per month.
- Last year our systems managed 3 million benefit claimants and sent out 1/3 of the nations council tax bills
- Northgate's CRM systems now serve over 6.5 million citizens in England – 1 in 8 of the population
- More than 3 million fixed penalties were issued to motorists by Northgate software last year
- We support the management of 1.5 million (35%) local authority and housing association properties



Northgate market positions

| | LG Applications | Police Applications | HR Applications | Payroll Services |
|------------|------------------------|----------------------------|------------------------|-------------------------|
| Market: | £300m | £100m | £225m | £500m |
| Northgate: | £61m | £32m | £63m | £49m |



*Now includes Comino/Radius/Flare

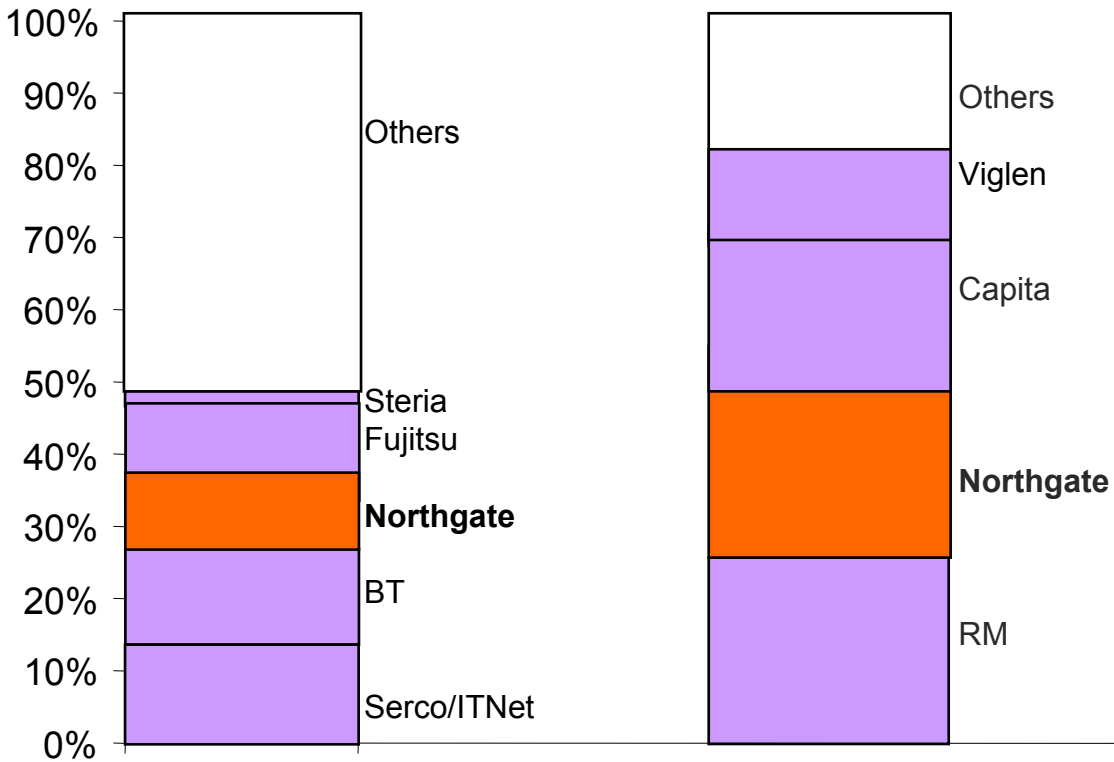
SOURCE: Northgate Analysis using NIS Data 06, Ovum, Kable, Nelson Hall

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Northgate market positions

| | | |
|------------|-------------------------|-------------------------------|
| Market: | LG ITO* £350m | Education ITO* £80m |
| Northgate: | £35m | £19m |



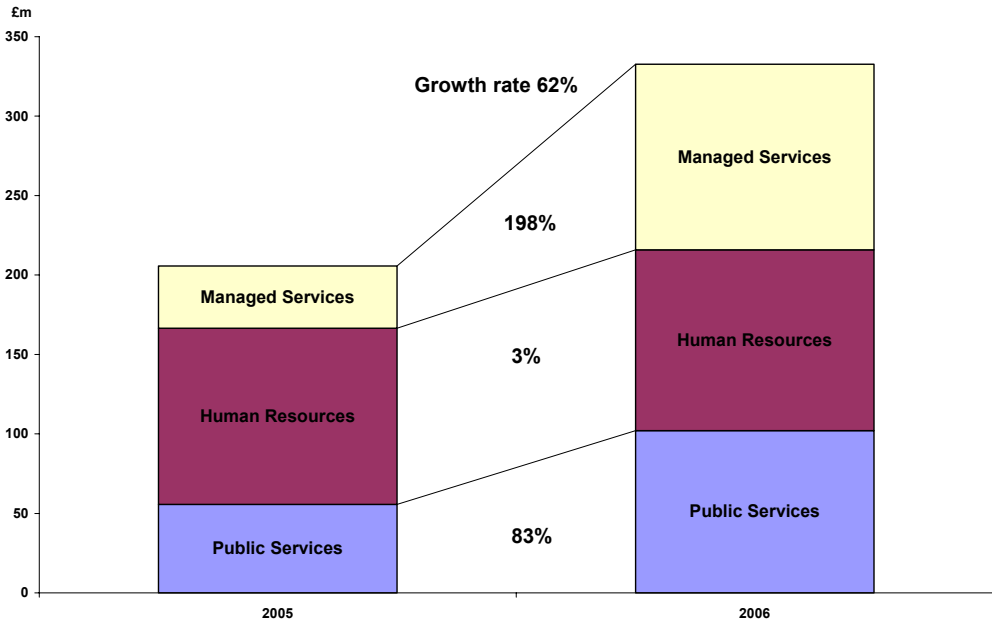
*ITO – IT Outsourcing

SOURCE: Northgate Analysis using NIS Data 06, Ovum, Kable, Nelson Hall

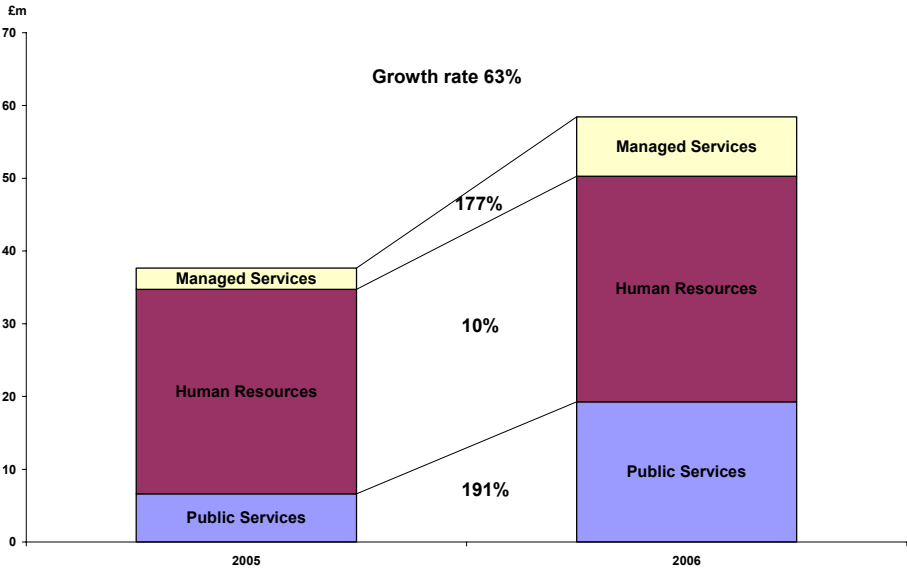


Revenue and EBITA

Revenue



EBITA



Organic revenue growth

| £m | 05/06 | 04/05 Pro-forma | Growth |
|-------------------------|--------------|--------------------|---------------|
| Public Services | 104.1 | 101.5 | + 2.6% |
| Human Resources | 113.3 | 108.9 | + 4.0% |
| Managed Services | 92.8 | 87.6 | + 6.0% |
| Managed Services 3PP | 22.6 | 33.4 | - 32.4% |
| Total revenue | <u>332.7</u> | <u>331.3</u> | <u>+ 0.4%</u> |
| <i>Excluding MS 3PP</i> | 310.2 | 297.9 | + 4.1% |

Cash flow

| £m | 05/06 | 04/05 |
|---------------------------------------|----------------|----------------|
| Opening net debt | (173.5) | (57.1) |
| Operating profit | 44.7 | 22.9 |
| Share-based payments | 2.6 | 2.0 |
| Depreciation & amortisation | 25.7 | 6.3 |
| Working capital movements | (4.5) | 2.6 |
| Provisions | (8.4) | 1.4 |
| Net cash flow from operations | 60.1 | 35.2 |
| Capex | (15.5) | (8.2) |
| Interest paid | (11.4) | (5.0) |
| Tax paid | (9.0) | (3.0) |
| Free cash flow | 24.2 | 19.0 |
| Proceeds from share placing | 0.0 | 23.8 |
| Non-cash debt movements | (2.2) | (1.5) |
| Acquisitions and disposals | (7.4) | (157.7) |
| Movement in net debt | 14.6 | (116.4) |
| Closing net debt | (158.9) | (173.5) |
| Net cash flow from operations | 60.1 | 35.2 |
| Capex | (15.5) | (8.2) |
| Restructuring costs borne | 4.2 | 2.8 |
| Underlying operating cash flow | 48.8 | 29.8 |

Adjusted EPS calculation

| £m | <u>05/06</u> | <u>04/05</u> | |
|-----------------------------------|--------------------|--------------------|--------------|
| Statutory profit after tax | 21.3 | 14.9 | |
| Add back: | | | |
| One-off restructuring | 0.0 | 6.8 | |
| Options | 3.0 | 2.1 | |
| Amortisation | 7.3 | 0.6 | |
| Deferred tax | 0.9 | (1.0) | |
| Adjusted profit after tax | <u>32.5</u> | <u>23.4</u> | + 39% |
| Shares (m) | 532.2 | 495.4 | + 7% |
| Adjusted EPS | 6.10p | 4.73p | + 29% |