



Annual Report & Accounts
2002/2003



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Northgate is a leading supplier of software applications and outsourcing solutions to the public sector, human resources and corporate markets.

Financial Highlights 1

	Year ended 30 April 2003	Year ended 30 April 2002
Operating profit:		
From continuing operations, before exceptional items and goodwill amortisation	£4.5m	£4.5m
Discontinued operations, exceptional items and goodwill amortisation	£(5.7)m	£3.9m
Group operating (loss)/profit	£(1.2)m	£8.4m
Operating margins:		
From continuing operations, before exceptional items and goodwill amortisation	5.4%	5.3%
Group operating margin	(1.5)%	9.1%
Profit before taxation:	£28.1m	£8.7m
Adjusted basic earnings per share:	1.83p	1.60p**
Basic earnings per share:	10.45p	3.00p
Cash in bank:	£39.4m	£11.9m

- Adjusted basic earnings per share up 14.4%
- Acquisitions successfully integrated
- Significant cash at year end
- Continued improvement of the business mix:
 - Public Sector turnover* up 23.9%
 - Public Sector profit* up 11.1%
- Human Resources Systems turnover* up 17.8%
- Human Resources Systems profit* up 11.4%

* for continuing operations before exceptional items and goodwill amortisation
 ** restated to reflect discontinued activities and amortisation of goodwill



Strong Financial Performance

'I am pleased to report that the Group has achieved a good result this year, despite the difficult market climate.'

Profit before tax stands at £28.1 million (2002: £8.7 million) primarily as a result of the sale of Northgate's health business, with operating profit from continuing operations unchanged at £4.5 million. Particularly pleasing is the double-digit growth yielded by the HR and public sector businesses which are starting to deliver on their strong growth potential.

Turnover on continuing operations of £83.3 million (2002: £84.5 million) continued to reduce following our decision to reduce exposure to the low margin reselling of third party products. Consequently, coupled with the continuing control on costs, operating margins across the Group before exceptional items and goodwill amortisation have improved from 5.3% to 5.4%, and adjusted basic earnings per share increased by 14.4% to 1.83p.

Exceptional items include provisions in respect of surplus properties, the costs of restructuring undertaken and abortive deal costs associated with the Group's business process outsourcing (BPO) offer to Dacorum Borough Council.

Significant Strategic Progress

It has been a year of strategic progress for the Group. We achieved an excellent price for the health business at the start of the year which released significant funds to invest further in the remaining businesses. Since this disposal, the Group has been pursuing acquisition opportunities that will deliver substantial value to shareholders. The first of these acquisitions, Prolog Business Solutions Limited ('Prolog'), has been integrated successfully into our existing HR business and has delivered results in line with our expectations.

Furthermore, since the year-end, the Group has announced the acquisition of Cara Payroll Group Limited ("Carapeople") for 18.7 million Euros (£13.4 million) calculated on a debt-free, cash-free basis. Carapeople is a significant supplier of payroll processing solutions in the UK and has been the leading payroll services provider in Ireland since 1968.

The acquisition of Carapeople enables the Group to strengthen its position in the growing HR and payroll process outsourcing market, and complements the Group's earlier acquisition of Prolog. It is also expected to bring significant synergies, as the enlarged Group shares expertise and broadens its client base.

The Group continues to seek further strategic acquisitions and maintains a strong balance sheet to fund such value-enhancing opportunities.

Employees

These results are a reflection of the hard work and commitment of our employees. In particular, Northgate acknowledges the contribution made by Geoff Bicknell who has recently stepped down from the Board after a period of three years as Group Finance Director. He has made an invaluable contribution to the Group during that time and I would like to thank him for his support. John Stier joins the Board as the new Group Finance Director, having been with Northgate since January 2001 as Group Chief Accountant and then UK Finance Director. In addition, I would like to thank Duncan Hine who intends to step down from the Board at the AGM. He has served as Non-Executive Director since 1996 and his contribution has been much appreciated.

Northgate's Future

We finished the year with cash of £39.4 million (2002: £11.9 million). This positions us well for the future. Following the acquisition of Carapeople, we still have substantial cash resources to fund further strategic acquisitions where we find appropriate opportunities that are reasonably priced and fit well with the Group's strategy.

Your Board is confident that there are significant growth opportunities, both organic and through acquisition, available to the Company in its chosen markets. The utilisation of our cash resources in the implementation of this growth strategy will, we believe, deliver substantial shareholder value. Accordingly, the Directors have decided that the payment of a dividend is not appropriate at this time.

Nick Irens
Chairman
26 June 2003



connecting people



The year to 30 April 2003 has been a year of transition as we made steps to accelerate our strategic development. The most important of these was the sale of our health business for £31.4 million (net of expenses) in July 2002. Whilst the health market provided some opportunities for growth, the Board decided that the Group should focus on its other divisions where it believed (and continues to believe) there are better growth prospects for the Group.

The Board was clear that the Group could make better progress in these other markets if we had funds to support an aggressive development programme and we took the opportunity to realise an excellent price for the health business, allowing us to build up a significant cash balance. We went on to make our first significant acquisition in the HR market, Prolog Business Solutions Limited ('Prolog'), for £4.6 million in November 2002.

In generally difficult markets, our continuing businesses showed a small increase in profit to £4.5 million, mainly through tight cost control. However, primarily as a result of the health business disposal, revenues and operating profit, before exceptional items and amortisation of goodwill, were down compared to last year, at £85.2 million (2002: £92.6 million) and £5.1 million (2002: £6.5 million) respectively.

The overall performance of the Group is the result of:

- continued progress in implementing a clear and consistent strategy
- strong growth in our focus activity of software applications
- good growth in the HR business process outsourcing market
- strong operational management
- excellent people

Chief Executive's Review

(continued)

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people

DIVISIONAL ACTIVITIES

Public Sector

For the full year, public sector revenues in our continuing business, following the sale of the health business, grew by 23.9% and profits grew by 11.1%.

The rate at which some public sector clients have been able to finalise contracts caused some slowdown in our ability to take revenue as budgeted. We were also disappointed that our first attempt to win a large-scale business process outsourcing (BPO) deal through a partnership with Dacorum Borough Council was unsuccessful. We invested significant time and effort in constructing this opportunity, but ultimately, we decided that the balance of risk and reward was not right for us to proceed. While we remain committed to pursuing BPO partnerships, all possible deals must first and foremost deliver value for our shareholders and our experience with Dacorum has helped us to refine our approach to that market.

We have chosen to focus on the local government and criminal justice markets, and the excellent performance of our public sector division reflects the continuing prospects for these markets. The division's results were driven by winning seven new customers in local government combined with our 100% customer retention rate in criminal justice. This customer loyalty is testament to the ability of our employees to deliver real value to our customers over both the short and the long term. We believe that new customers have been drawn to us because of our ability to demonstrate clear best practice in each of our chosen markets.

Looking forward, our pipeline of opportunities is very strong across the public sector division and, while the flow of business has been somewhat slower to filter through than we had originally anticipated, we have confidence in its continued success.

Local Government

In the local government market we are one of the market leaders in implementing electronic government. Two of our customers, Halton Borough Council and Swale Borough Council, have won e-government awards. In the second half of the year, we signed four new customers for our Front Office solution, giving us encouragement for this market in the future.

We also launched our new 'Assert' product, a decision support tool for the administration of means-tested benefits. This is an extremely complex area of local administration, and we have great hopes for the future success of this innovative, rules-based product. Our first paying customer was signed just after the year-end.

We believe that the combination of these exciting new products, together with our strength in managed services, positions us well for helping our clients in this market to realise best value from all of their IT investments.

Criminal Justice

In the criminal justice market, we made major progress with our applications portfolio, with the successful launch of our first product in traffic congestion management. The high profile success of this congestion charging scheme in London opens up a new and potentially very large market for us. We were also chosen as the software partner for the Penalty Notice for Disorder initiative which the Government expects to roll out this coming year.

In our traditional applications business, we saw a further implementation of our 'single-view policing' solution which combines traditional and new software technology to create an integrated, joined-up view for front and back office functions. In managed services, we retained all of our existing clients and commenced some substantial new projects.



Human Resources Systems

Our HRS division had another year of excellent progress, growing revenues by 17.8% and operating profit by 11.4%, including the impact of Prolog. This represents a second continuous year of growing revenues in excess of 17% per annum. Our core product, ResourceLink, consolidated its position as a leading payroll, personnel and pensions administration software product in the UK. It includes business intelligence and workflow functions that are designed to increase administration efficiencies, improve management information and reduce the total operating costs in our clients' Human Resources departments.

In November 2002, we acquired Prolog to accelerate our development of applications and outsourced service offerings in all areas of HR management. The integration of this acquisition has gone well, meeting all of our internal goals. Since the year end, we have announced the acquisition of Cara Payroll Group Limited ('Carapeople') which operates in the same market as Prolog and further develops the Group's HR offering. Following these transactions, the Group is an increasingly significant player in the HR and payroll processing market.

During the year we won 16 new clients in HR applications, plus our largest ever application licence agreement, Northern Ireland Education and Library Boards. We also won a further 11 new clients in outsourcing, including our largest outsourcing contract, the London Borough of Sutton. These wins, combined with the customers acquired through the acquisition of Prolog and Carapeople, bring our number of installed clients to over 800.

Looking forward, there should be further opportunities to grow application revenues and to grow our BPO business, as an increasing number of corporate and public sector organisations move to an outsourced solution for their HR needs.

Corporate Sector

This year we combined our PROIV and Reality software businesses with our Corporate Managed Services business in a new Corporate Sector division. This combination of software and services is the same as we have in the Public Sector and HRS divisions, which helps us to standardise our management processes and improve the levels of overall company efficiency.

PROIV, our software development tool, had a good year with new versions of this long established product finding good market acceptance. In addition we established an agency relationship for our Reality product to support the further development of the Reality business in the USA. Early indications from this relationship are promising. We also won some new name customers, including an important new contract with Cromwell Business Systems for the roll out and support of a nationwide retail point of sale product.

The corporate market for new IT projects continued to be very weak by comparison to the volumes seen in 2000/2001. Consequently, and in line with our previously announced decision to exit the volume hardware reselling business, we undertook some further restructuring which included 24 further redundancies.

In line with most of our competitors, our Corporate Sector division had a quiet year, with revenues remaining broadly level. However, there were some strong areas within the overall division, with our high availability support services business having a good year, with revenues growing by 7.3%. We won new name business with Fujitsu, Minolta QMS and NTL, and we have established strong new relationships with HP and IBM during this year. The market outlook in corporate continues to be uncertain but we will continue to manage the business with a view to achieving a profitable result.

Chief Executive's Review (continued)



STRATEGIC UPDATE:

In line with our strategy, we continue to build a strong business based on the Group's applications and managed services in the local government, criminal justice, human resources and corporate markets. The business has been operating for 33 years, and continues to benefit from the strength of our experience and contacts in each market.

We measure our success in delivering this strategy through growth, and our forward order book. During the year:

- growth – our revenues from continuing operations in areas of strategic focus (Public Sector and HRS) grew by 21.9%.
- forward orders – our committed revenues (excluding the health business) grew by 4.2% to £101.5 million.

The Group's applications are designed to enable our customers to transact their businesses more efficiently, both in the public sector and corporate market. This means providing products that deliver functionality to the front office, which joins up seamlessly with the back office.

Our managed services offerings are designed to reduce the cost of IT ownership for our clients, whilst assuring them of known service levels. They also generate valuable recurring revenues for the Group, often over five years or more.

In line with our strategy, the Board identified the BPO market as one that would particularly benefit from these two competencies. As a result the Group has substantial prospects for delivering further value to its shareholders through targeting selected contracts in this area. 2002/2003 saw continued progression by the Group in this market with further wins in HR process outsourcing, and our first steps into local government process outsourcing. After a disappointing experience with large scale Public Private Partnerships with Dacorum Borough Council, we have focused our approach in the BPO market to concentrate

on areas where we have strong applications that allow us to deliver service underpinned by the high levels of functionality within our own products. We believe that this will attract new customers and allow us to realise a fair share of the value that our products and services can create.

With the funds realised from our health business disposal, we are now in a position to accelerate our strategic development through acquisition. We are working diligently to identify opportunities that will build our strategic position and deliver additional volume to drive margin improvement.

Outlook

I would like to thank our customers and shareholders for their support over the past twelve months. I would also like to thank my colleagues who have demonstrated great commitment over the past year. We have a dedicated and highly-skilled workforce and these good results are a credit to their commitment to the business.

We anticipate good levels of organic and acquisitive growth to drive value for our shareholders in the coming months and we expect to increase our market shares in each of our divisions. Against the background of generally difficult market conditions, we have made significant progress in our chosen markets, generating good improvement in contribution margins, and I have every confidence in the Group's medium and long-term growth prospects.

Chris Stone
Chief Executive
26 June 2003



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Overview

Group trading for the year ended 30 April 2003 shows strong progress in our core markets of local government, criminal justice and human resources. This has been offset in part by a difficult Corporate market place where costs have been tightly controlled.

Cash flow has remained strong throughout the year. We have continued to increase the amount of work carried out on long-term contracts helping to underpin future earnings.

During the year we disposed of our health business for £31.4 million (net of expenses). This has allowed the Group to focus on markets where it can attain a leading position. In support of this, the Group acquired Prolog Business Solutions Limited ('Prolog') in November 2002 and Cara Payroll Group Limited ('Carapeople') in June 2003.

Operating Results

Group turnover of £85.2 million (2002: £92.6 million) declined by £7.4 million. This was primarily due to the sale of our health business in July 2002. Turnover from continuing operations of £83.3 million was broadly flat (2002: £84.5 million). This year saw the final effects of our withdrawal from the hardware resale market. Excluding third party product resale activity, revenue from continuing operations increased by 7.2%.

Group operating profit of £5.1 million, before exceptional items and goodwill amortisation, declined 22.0% (2002: £6.5 million), again mainly due to the sale of our health business. More significantly, continuing operations generated £4.5 million (2002: £4.5 million) of operating profit before exceptional items and goodwill amortisation. Group total operating profit reduced from £8.4 million to a loss of £1.2 million, mainly as a result of exceptional items and the sale of our health business.

The 2002/2003 financial year saw our order book grow (excluding Northgate's health business) by over 4% to £101.5 million. This reflects the growing importance of our managed service and outsourcing work that will help to support future earnings.

Results by market sector were:

- Public Sector turnover of £40.8 million (2002: £32.9 million) grew 23.9%, with an accompanying operating profit increase of £0.3 million to £3.4 million (2002: £3.1 million). This was primarily driven by our successful partnership with Capita on the London Congestion Charging Scheme and a number of successful installations of our Front Office software in the local government market.
- The HR business also achieved higher profitability on increased turnover. Turnover of £18.9 million increased 17.8% (2002: £16.0 million) whilst profit grew 11% to £2.6 million (2002: £2.3 million). The improved performance was supported by our acquisition of Prolog, strong licence sales and the business continuing to penetrate the payroll outsourcing market.
- Corporate Sector sales of £24.3 million declined £12.1 million (2002: £36.4 million). £9.8 million of the reduction was due to our withdrawal from the hardware resale market, with the balance being attributable to weak demand for consultancy services. To counteract this, the business was restructured resulting in a number of redundancies. This allowed net margins to be maintained at 5% and limited the fall in profitability to £0.5 million. For the year to 30 April 2003, the division generated a profit of £1.2 million (2002: £1.7 million).

Exceptional Items

A net exceptional charge of £6.0 million (2002: a credit of £2.1 million) includes £4.4 million of property costs, £1.2 million of redundancy costs mainly incurred in the corporate business, and £0.4 million of abortive deal costs associated with our business process outsourcing (BPO) offer to Dacorum Borough Council. The exceptional charge for property costs reflects the fact that the Group has a number of properties that are surplus to its needs. With the current depressed state of the property market, the Board felt it was prudent to recognise a vacant space provision for this property.

8 Group Finance Director's Review (continued)

Discontinued Operations

In July 2002 we sold the health business for £31.4 million (net of expenses), generating a £28.5 million profit. Whilst reducing short-term earnings, this provided substantial cash reserves to invest in the business. As noted below, we have since completed two acquisitions that we believe will strengthen our position in our chosen markets.

Cash and Financing

The net cash position at 30 April 2003 was £39.3 million (2002: £11.4 million), an increase of £27.9 million. Of this increase, £31.4 million (after expenses) was generated from the sale of the health business and £5.4 million was expended on acquisitions in the period.

During 2002/2003 we acquired the Prolog business and the Service On Site contract. Prolog was acquired in November 2002 to extend our HR outsourcing offer. The Service On Site contract complements our corporate managed service offering. These acquisitions have been successfully integrated into the Group and they continue to trade in line with expectations. In June 2003 we announced the acquisition of Carapeople for 18.7 million Euros (£13.4 million).

Underpinning the year has been tight control over working capital while we have continued to invest in the business. Capital expenditure in 2002/2003 was £2.8 million (2001/2002: £3.3 million). This included investment in Assert, our new decision support tool for Local Government, and investment in our network capabilities to support our outsourced solutions.

Accounting Policies

The Group has applied accounting principles in the year to 30 April 2003 consistent with last year. No new accounting standards have been adopted.

Taxation (FRS19)

The Group has significant tax trading losses of £26.3 million, which will be utilised in the coming years. A deferred tax asset of £4.7 million (2002: £nil) has thus been recognised in line with FRS19.

Pensions

During the year, the Group saw the funding of its defined benefit pension scheme weaken in line with world stock markets and declining interest rates. In line with SSAP24, a full funding review was completed at 31 March 2002 that showed a deficit of £3.2 million. With stock markets continuing to decline thereafter, the Board decided to increase its annual pension contributions by approximately 12% to £2.2 million. This will allow £1.4 million per annum to be paid against the scheme's funding deficit.

The scheme is now closed to new members. It has also had future benefits reduced from 1/60th of final salary for each year of service to 1/70th. Employee contributions have also increased from 5% of salary to 8%.

Applying FRS17 rules shows a funding deficit of £34.1 million (after tax) at 30 April 2003 on the Group's defined benefit pension scheme. Notwithstanding this, the scheme is fully funded on a Minimum Funding Requirement basis.

Corporate Governance and Risk Management

During the year to 30 April 2003, the Group has complied with all the provisions of the Combined Code on Corporate Governance, as incorporated within the Listing Rules. Significantly, 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 culture of financial control, underpins the quality of earnings.

During the year we benchmarked the capabilities of our current auditor to ensure that the highest standards of effectiveness, independence and objectivity are maintained. Through this process it is recommended that KPMG is reappointed at the forthcoming AGM.

Earnings per Share

Adjusted basic earnings per share, which is calculated on profit before exceptional items and discontinued activities, is 1.83p, up 14.4% on the prior year (2002: 1.60p after restatement for discontinued activities and amortisation of goodwill). Basic earnings per share, which includes the profit on disposal of our Health business, increased from 3.00p to 10.45p.

Dividend Policy

The Board has reviewed its dividend policy. The Board does not feel that a dividend would be appropriate at this time.

Shareholders' Funds

Shareholders' Funds, at 30 April 2003, of £46.1 million has increased significantly over the prior year from £16.4 million at 30 April 2002, driven by the sale of the health business and strong underlying performance.

John Stier
Group Finance Director
26 June 2003

Overview

Northgate Information Solutions is a leading supplier of software applications and outsourcing solutions to the public sector, human resources and corporate markets. Headquartered in Hemel Hempstead, Northgate employs more than 1,000 staff across the UK.

Northgate focuses on understanding application specific processes, enabling organisations to increase their business process efficiency. We manage customers' key systems, providing a broad range of outsourced solutions available at client sites or hosted at our own secure data centre.

Our application and IT outsourcing solutions have attracted a wide and established client base. With over 1,200 customers, we work closely with many corporate organisations, as well as approximately 30% of the UK's local authorities and 90% of its police forces.

Northgate's philosophy is built around fully understanding our clients' organisational objectives, the challenges they face and the expectations of their customers and users. Only then can we design and implement a technology solution that truly delivers value-added benefits.

Market Leading Applications

All of our applications are designed and built to deliver functionality that enables our customers to manage their businesses more efficiently:

- Building on our strong record of delivery, we are continuing to develop applications that help the criminal justice community change the way it solves crimes, enforces speed limits and tackles anti-social behaviour.
- We are helping local government transform public services and improve their value to the citizen. Assert, our benefit assessment application, is unique in the UK while Front Office, our market leading e-government application, has won two industry awards.
- ResourceLink, our market leading HR and payroll application, is fully web-enabled for easy access, simple to operate and secure, providing users with unrivalled functionality.
- Our PROIV and Reality software helps organisations rapidly develop robust, future-proof and cost-effective business applications.

Flexible and Cost-effective Outsourcing

Using a wide range of IT skills, Northgate can create a flexible offering that enables companies to benefit from performance improvements whilst still maintaining stable running costs. Northgate is a long-standing supplier of outsourced IT solutions enabling organisations to hand over confidently all or part of their IT requirement to Northgate.

Over time, we have worked with many major corporations and public organisations to change fundamentally their use of IT and enhance business performance.

Focused Business Process Outsourcing

Because Northgate designs, builds and installs applications, we have the skills and the experience to help our customers benefit from business process outsourcing. Our focus is on adding value to IT-intensive processes supported by Northgate's own software. Northgate's ability to adapt our software where we see the opportunity to make a process more efficient differentiates us from other outsourcers.

Northgate's outsourcing services cover everything from single functions such as payroll, recruitment or local government services, to the outsourcing of complete business processes.

Future Development

We expect strong organic growth from our software portfolio where our products are in high growth markets. In local government, the e-government agenda will drive demand for Front Office, Assert and congestion charging. In criminal justice, the Government's focus on anti-social behaviour will drive sales of our Penalty Notice for Disorder product.

In the outsourcing markets, we anticipate increasing demand for HR BPO services, building on our ResourceLink product, our strong position in payroll outsourcing and on our HR administration skills. In the local government and criminal justice markets, we expect that we will increasingly supply outcome-based services running on our own software.

In addition to this organic growth, we will continue to pursue growth by acquisition in our chosen markets.



Nick Irens

aged 56, Non-Executive Chairman *

Mr Irens joined the Board as Non-Executive Chairman on 7 January 2000. He was previously Chairman of Cannons Group plc. He is a Non-Executive Director of Urbium plc and a Director of a number of other unlisted companies.

Jack Fryer

aged 64, Non-Executive Director *

Mr Fryer was appointed a Non-Executive Director on 15 December 1999. He was previously with Marconi, Lucas Industries, Rank Xerox and Rolls Royce. He is also Chairman of Celoxica Limited.

Chris Stone

aged 40, Chief Executive

Mr Stone was appointed a Director and Chief Executive on 31 October 1999. He was formerly with Accenture where he was an associate partner. He previously held senior management positions with Digital Equipment Corporation UK and EDS.

Dr Duncan Hine

aged 48, Senior Non-Executive Director *

Dr Hine was appointed a Non-Executive Director on 1 September 1996. He was formerly Chief Executive of The Generics Group AG and Director of Technology and Information Systems for the Post Office Group. He is a Visiting Professor in Computer Science at York University.

John Stier

aged 37, Group Finance Director and Company Secretary

Mr Stier was promoted to Group Finance Director on 15 May 2003. Prior to joining Northgate, he held senior financial positions with Thames Water plc and Shanks plc.

* Member of the Audit Committee, Remuneration Committee and Nomination Committee

Corporate Governance – Statement of Compliance with the Provisions of the Combined Code

Northgate Information Solutions plc ('Northgate') is committed to achieving high standards of corporate governance throughout the Group and to integrity and high ethical standards in all its business dealings. The Board has considered the Principles of Good Governance and Code of Best Practice contained within the Combined Code on Corporate Governance as incorporated within the Listing Rules and can confirm that Northgate has complied with all the provisions of the Combined Code during the year ended 30 April 2003.

This Corporate Governance statement is intended to highlight the most important ways in which the principles have been applied.

The Board of Directors

As at 30 April 2003, the Board comprised five Directors, three of whom are Non-Executive, totally independent, have no day-to-day management responsibilities within the Group and are free from any conflicts of interest.

The Board leads and maintains effective control over Northgate's activities. The Directors' biographies appear on page 10 and these demonstrate that the Board has within it the necessary range of backgrounds, qualities and experience to lead the Company. Northgate has separate posts of Chairman and Chief Executive to differentiate the running of the Board from the executive responsibility for the running of the Company's businesses. In addition to the Non-Executive Chairman and the Chief Executive, the Board consists of one other Executive Director and two other Non-Executive Directors.

New Board appointments are selected through the Group's Nomination Committee and approved by the Board. On appointment, new Board members are familiarised with the business and, on an ongoing basis, managers of the business present to the Board to explain the initiatives they are undertaking or planning, and certain key internal projects report to sub-committees of the Board.

Northgate has applied the Combined Code principles by retaining 100% Non-Executive membership of the principal Corporate Governance Committees (Audit, Remuneration and Nomination).

All Directors are subject to election by shareholders at the first opportunity after their appointment by the Board and to re-election at general meetings at least every three years. Attendance is expected at all Board meetings by all Directors except in special circumstances. The Board is supplied with appropriate information to enable it to discharge its duties.

Members of the Board meet at least twelve times a year, with twelve formal Board meetings. The Board has a schedule of matters specifically reserved to it for decision, including strategy, financial policy and major acquisitions and disposals. There is a clear division of roles and responsibilities between the Chairman and Chief Executive. The Board considers that the Non-Executive Directors as a group are of a sufficient calibre and number to bring strength of independence to the Board and has nominated Dr D Hine as the most senior independent Director other than the Chairman.

All of the Directors have access to the advice and services of the Company Secretary and the Board has, by means of the Audit Committee, established a procedure for any Director, if necessary, to take independent professional advice at the Group's expense. The Company Secretary ensures that Board procedures are followed and that applicable rules and regulations are complied with.

Corporate Governance (continued)

Principal Board Committees

Audit Committee

This Committee is responsible for overseeing the involvement of the Group's Auditors in the planning and review of the Group's Annual Report and Accounts and Interim Report, for the appointment and fees of its Auditors and for discussing with them the findings of the audit and issues arising from the audit.

The Committee assists the Board in fulfilling its overview responsibilities, primarily reviewing the reporting of financial and non-financial information to shareholders, the systems of internal control and risk management and the audit process. It comprises all the Non-Executive Directors, is chaired by Dr D Hine and meets at least four times a year. Normally the Chief Executive, Group Finance Director and Group Internal Audit Manager attend the meetings; however the Committee is empowered to meet without Executive Board members present.

Remuneration Committee

Ensures the Executive Directors and senior management are appropriately rewarded, giving due regard to the financial and commercial health of the Group. It comprises all the Non-Executive Directors, is chaired by J R Fryer and meets at least twice a year. When necessary, the Committee is independently advised by remuneration consultants.

Nomination Committee

Keeps under review the Board structure, size and composition; selects and proposes to the Board suitable candidates for appointment as Directors of the Group and considers Board succession plans. It comprises all the Non-Executive Directors, is chaired by N J Irens and meets as required.

Shareholder Relations

The Group is committed to ongoing regular communication with shareholders. This is achieved principally through regular Annual and Interim Reports and the AGM.

Regular dialogue and presentations take place throughout the year with institutional investors. At the AGM all shareholders attending have the opportunity to ask questions of the full Board including the Chairs of the Audit, Remuneration and Nomination committees.

Responsibility for Risk and Internal Control

The Group's overriding objective is to maximise long-term shareholder value whilst exceeding the needs of customers, employees and partners. In doing so, the Directors recognise that creating value is the reward for taking and accepting risk.

The Board has overall responsibility for the Group's approach to assessing risk and the systems of internal control, and for monitoring their effectiveness in providing shareholders with a return that is consistent with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures. The role of executive management is to implement the Board's policies on risk and control and present assurance on compliance with these policies. Further independent assurance is provided by an internal audit function which operates across the Group, and by the external auditors. All employees are accountable for operating within these policies.

Because of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Assessment

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. As an integral part of planning and review, management from each business area identify their risks, the probability of those risks occurring, the impact if they do occur and the actions/strategy being taken to manage those risks to the desired level. This information is communicated upwards on a filter basis, culminating in a discussion of the Group Risk Profile by the Board.

This process has operated for the year under review and will continue going forward.

It has been reviewed by the Board and accords with the Internal Control Guidance for Directors in the Combined Code.

Internal Control

Whilst the Board maintains full control and direction over appropriate strategic, financial, organisational and compliance issues, it has delegated to executive management the implementation of the systems of internal control within an established framework.

The Board has put in place an organisational structure with formally defined lines of responsibility and delegation of authority. There are also established procedures for planning, capital expenditure, information and reporting systems and for monitoring the Group's businesses and their performances. These include:

- review of divisional operating plans with the relevant Executive Directors prior to submission to the Board for approval.
- regular consideration by the Board of year-end forecasts.
- monthly comparison of each operating division's actual financial performance with budget.
- operating policies and procedures.
- regular reporting of accounting and legal developments to the Board.

Assurance

On behalf of the Board the Audit Committee examines the effectiveness of the Group's:

- assessment of risk by reviewing evidence of risk assessment activity and a report from internal audit on the risk assessment process.
- systems of internal control primarily through agreeing the scope of the internal audit programme and reviewing its findings, reviews of the annual and interim financial statements and a review of the nature and scope of the external audit.

Any significant findings or identified risks are closely examined so that appropriate action can be taken. The work of the internal audit department is focused on areas of priority as identified by the risk analysis and in accordance with the annual audit plan approved by the Audit Committee and the Board. External auditors are engaged to express an opinion on the financial statements. They review and test the systems of internal financial control and the data contained in the financial statements to the extent necessary to express their audit opinion. They discuss with management the reporting of operational results and the financial position of the Group and present their findings to the Audit Committee.

The Directors, through the Audit Committee, have reviewed the effectiveness of the Group's systems of internal control.

Compliance with the Combined Code

The Directors confirm that, for the year ended 30 April 2003, the Group complied with all the code provisions.

Going Concern

After making appropriate enquiries, the Directors believe it is reasonable to expect that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

By order of the Board

J R Stier

Secretary

26 June 2003

Directors' Remuneration Report

Introduction

This report is made by the Board on the recommendation of the Remuneration Committee, to whom the Board has formally delegated its authority to establish policy in respect of all terms of employment for the Executive Directors. The first part of the report provides details of Northgate's remuneration policy. The second part provides details of the remuneration and share interests of the Directors for the year ended 30 April 2003.

The Remuneration Committee, which is chaired by J R Fryer, comprises J R Fryer, N J Irens and Dr D Hine. It is responsible on behalf of the Board as a whole for determining the contract terms, remuneration and other benefits, including performance-related bonus schemes and share option schemes, for the Chairman and the Executive Directors. D Knight, Human Resources Director, provides advice and information to the Committee when required. The remuneration of Non-Executive Directors, other than the Chairman, is fixed by the Board. Directors do not participate in decisions regarding their own remuneration.

The Remuneration Committee is consulted in accordance with Section B2 of the Combined Code published by the Hampel Committee. The Remuneration Committee met three times during the year.

Remuneration Policy

Objectives

The objectives of the remuneration policy for Executive Directors are:

- the total remuneration package should be competitive to attract, motivate and retain Directors of a high calibre;
- remuneration should use a combination of performance driven cash and equity-based rewards in addition to base salary and benefits; and
- the performance-driven rewards should potentially form a significant portion of total rewards, to motivate the highest performance and align the interests of the Executives with those of the shareholders.

The remuneration of Executive Directors is set by reference to the market after giving full consideration to Section B of the Combined Code. The overall remuneration package can consist of a base salary, annual bonus, pension rights, share options, and car, medical and life assurance benefits. It is the policy of the Committee to review the remuneration package offered to the Directors on an ongoing basis and make recommendations for changes where it is considered appropriate. Performance-related pay represents a significant proportion of the total remuneration package. The fees of the Non-Executive Directors are set in line with market rates.

Base Salary

In setting the base salary for the Executive Directors, the Remuneration Committee reviews relevant market data and considers the Director's experience, performance and responsibilities both internally and in comparison to similar companies in the IT sector. Each of the Director's base salary is generally reviewed on an annual basis or following a significant change in responsibilities.

Annual Bonus

Bonuses are determined by reference to base salary, the achievement of the annual operating plan agreed by the full Board each year, and the successful completion of specific corporate objectives. Provided that a minimum threshold determined by the Committee is achieved, bonuses can range up to 50% of base salary. It is the policy of the Committee to keep under review the objectives set and the proportions of base salary payable.

Bonuses are not pensionable. The Chief Executive and the Non-Executive Directors are not entitled to a cash bonus.

Pension and Other Benefits

The Executive Directors of Northgate Information Solutions plc are entitled to become members of the Group's pension scheme, details of which are set out in note 30, or to have comparable pension contributions made to a personal pension scheme on their behalf. No pension contributions are made on behalf of the Non-Executive Directors.

Other benefits provided consist of a car or an allowance towards vehicle running costs, and medical/life assurance benefits. Pension and other benefits provided are subject to regular review by the Company to ensure that they remain attractive and competitive.

Share Options

Share options are granted on the recommendation of the Committee, and are ratified by the Board, on a discretionary basis. Under the terms of the 1999 Executive Share Option Scheme, options are awarded to Executive Directors, based on the market price at the time of grant. These options can normally be exercised between the third and tenth anniversaries of the date of grant, subject to the achievement of certain performance conditions.

It is the policy of the Remuneration Committee to consider and approve performance conditions for each eligible employee on an individual basis, taking into account the employee's specific job responsibilities and objectives, together with market and other conditions at the time the award is made. Consistent with Shareholder Approval given on 23 November 1999, exercise of a proportion of the options awarded to eligible employees is not necessarily subject to share price performance conditions. Exercise of the remaining proportion of the options is generally subject to stepped performance conditions, increasing potential reward in line with performance.

The Scheme rules allow for the dilutive effect of issuing shares on exercise of options to be reduced by means of an arrangement to issue a lesser number of shares (to the face value of the net gain arising on exercise), rather than issuing the total number of shares subject to the options. The total number of shares over which options can be granted is limited to 15% of the issued share capital, approximately 43 million shares.

It is not currently intended that the Chief Executive will be awarded any share options during 2003/2004. 500,000 share options are scheduled to be granted, after the announcement of the annual results, to the Group Finance Director following his appointment on 15 May 2003. In the normal course of events, share options are granted twice a year after the announcement of the final and interim results.

All of the Executive Directors participate in the Savings Related Share Option Scheme. This scheme is an all-employee scheme, for which performance conditions do not apply.

Service Contracts

For Executive Directors, it is the policy of the Company that service contracts do not have notice periods by the Company in excess of one year, and by the Executive Director in excess of six months. The contracts are ongoing with no fixed termination date. On early termination, the Company is entitled to make payments to the Executive Director of sums equal to the value of his salary and other benefits in lieu of the required period of notice.

A summary of the service contract details relating to each Executive Director who served during the year is as follows:

	<i>Date of contract</i>	<i>Unexpired term</i>	<i>Notice period</i>	<i>Provision for compensation</i>
C M R Stone	29 October 1999	Rolling contract	12 months	Refer to note (a) below
G J Bicknell (note (b))	15 May 2000	Rolling contract	12 months	Refer to note (a) below

NOTES:

- (a) The service contracts of the Executive Directors continue until terminated by the Company giving not less than twelve months, or the Executive Director giving not less than six months, notice in writing. In the event of early termination by the Company, the Executive Director is entitled to receive his basic salary, benefits and any bonus that may be accrued during the notice period.
- (b) G J Bicknell stepped down from the Board on 15 May 2003. He continues to provide an advisory service to the Company.

Directors' Remuneration Report (continued)

A summary of the letters of appointment relating to each Non-Executive Director who served during the year is as follows:

	<i>Date of letter of appointment</i>	<i>Unexpired period of current three year appointment</i>	<i>Notice period</i>	<i>Provision for compensation</i>
N J Irens	21 December 1999 (note (b))	2 years, 6 months	6 months	Refer to note (a) below
J R Fryer	23 November 1999	2 years, 5 months	6 months	Refer to note (a) below
Dr D Hine	29 August 1996	2 years, 2 months	6 months	Refer to note (a) below

NOTES:

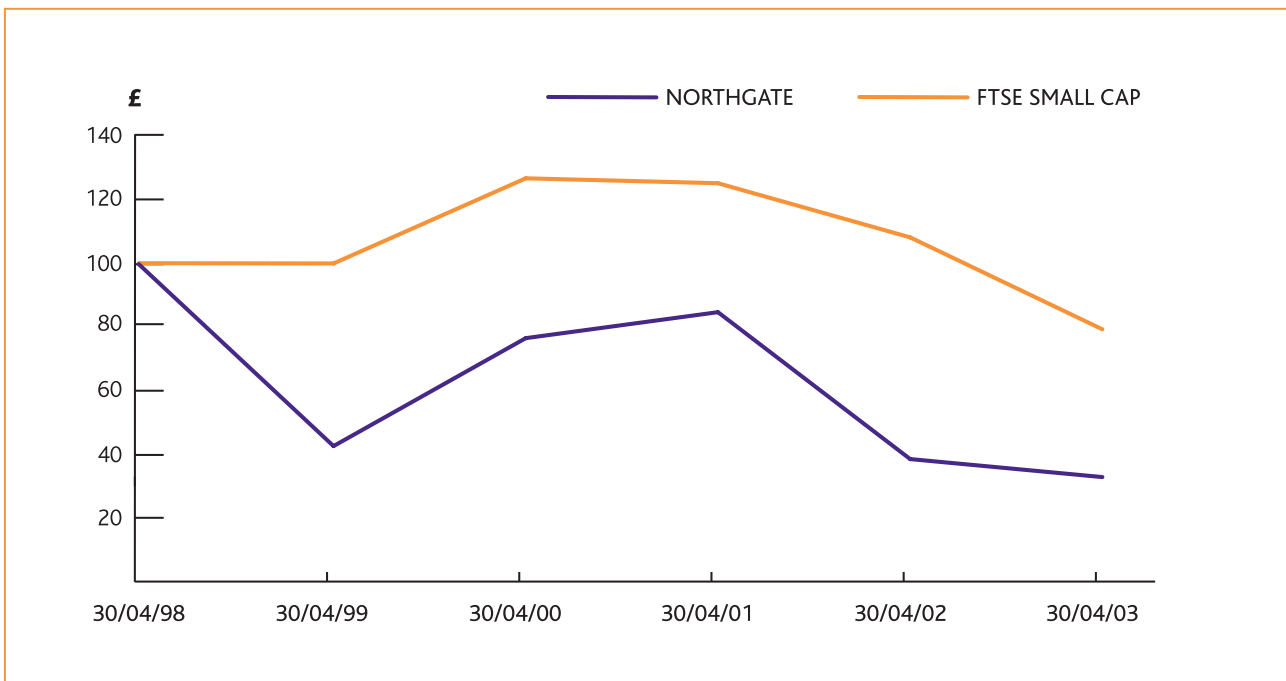
(a) The letters of appointment for the Non-Executive Directors do not have notice periods exceeding six months by either party. They are normally for an initial term of three years, and are renewable for three year periods thereafter. The letters of appointment do not contain provisions in relation to payments on early termination.

(b) Effective start date was 7 January 2000.

All Directors are subject to re-election every three years.

Total Shareholder Return

This graph demonstrates Northgate's Total Shareholder Return ('TSR') in relation to the FTSE Small Cap index. TSR performance is being measured against the FTSE Small Cap index as the Company considers that this group represents the most appropriate peer group against which to measure the Company's performance. The appropriateness of this comparison will be reviewed on a regular basis.



The remainder of this report provides details of the remuneration and share interests of the Directors for the year ended 30 April 2003 and is audited information.

Directors' Remuneration

The remuneration of the Directors for the year ended 30 April 2003 is analysed as follows:

	<i>Base salary or fees</i> £	<i>Annual bonuses</i> £	<i>Benefits</i> £	<i>Compensation in lieu of notice</i> £	<i>Year ended 30 April 2003</i> £	<i>Year ended 30 April 2002</i> £
Executive						
C M R Stone	322,500	-	79,678	-	402,178	377,908
G J Bicknell	141,658	45,000	17,768	185,658	390,084	222,816
Non-Executive						
N J Irens	66,820	-	-	-	66,820	65,000
Dr D Hine	23,130	-	-	-	23,130	22,500
J R Fryer	23,130	-	-	-	23,130	22,500
2003 Total	577,238	45,000	97,446	185,658	905,342	-
2002 Total	547,800	66,340	96,584	-	-	710,724

Benefits include a car or an allowance towards vehicle running costs and medical/life assurance benefits.

G J Bicknell stepped down from the Board on 15 May 2003. Under the terms of his service contract the Company made payments to him in lieu totalling £185,658.

Pensions

The Executive Directors of Northgate Information Solutions plc are entitled to become members of the Group's pension scheme. C M R Stone is not a member of the Group pension scheme, and the Company has therefore made payments totalling £19,080 (2002: £19,080) into a personal pension scheme on his behalf in lieu of contributions to the Group scheme.

Details of the pensions earned by the Executive Directors are shown below:

	<i>Gross increase in accrued pension</i> (A)	<i>Increase in accrued pension net of inflation</i> (B)	<i>Total accrued pension at 30 April 2003</i> (C)	<i>Value of net increase in accrual over period</i> (D)	<i>Total change in value during period</i> (E)	<i>Value of accrued pension at 30 April 2003</i> (F)	<i>Value of accrued pension at 30 April 2002</i> (G)
G J Bicknell	£2,141	£2,068	£6,423	£16,253	£21,951	£82,275	£49,993

NOTES:

- Pension accruals shown are the amounts which would be paid annually on retirement based on service to the end of the year.
- Transfer values (F) and (G) have been calculated in accordance with version 8.1 of guidance note GN11 issued by the actuarial profession.
- The value of net increase (D) represents the incremental value to the Director of his service during the year, calculated on the assumption service terminated at the year end. It is based on the accrued pension increase (B) after deducting the Director's contribution.
- The change in the transfer value (E) includes the effect of fluctuations in the transfer value due to factors beyond the control of the Company and Directors, such as stock market movements. It is calculated after deducting the Director's contribution.
- Voluntary contributions paid by Directors and resulting benefits are not shown.
- G J Bicknell's benefits are based on an uncapped Pensionable Salary figure, as the Company has agreed to augment his benefits.

Directors' Remuneration Report (continued)

Directors' Shareholdings

The interests of the Directors at 30 April 2003 in the share capital of the Company, all of which were beneficially owned, were as follows:

	30 April 2003 Ordinary shares of 10p each	30 April 2002 Ordinary shares of 10p each
N J Irens	100,000	100,000
C M R Stone	366,726	266,726
G J Bicknell	42,690	42,690
J R Fryer	128,800	28,800
Dr D Hine	102,996	102,996

Beneficial shareholdings include those of the Directors and their spouses. There have been no changes in the Directors' share interests during the period from 1 May 2003 to the date of this report.

Interests in Share Options

The following Directors, at 30 April 2003, have options to subscribe for ordinary shares of 10p each in the Company:

	At 1 May 2002	Granted	At 30 April 2003	Exercise price	Date first exercisable	Expiry date
C M R Stone	17,008,691	-	17,008,691	20.87p	23.11.02	23.11.09
C M R Stone	2,590*	-	2,590	26.40p	01.04.05	01.10.05
G J Bicknell	1,500,000	-	1,500,000	37.83p	01.06.03	15.11.05
G J Bicknell	250,000	-	250,000	36.50p	13.12.04	15.11.05
G J Bicknell	2,590*	-	-	26.40p	01.04.05	01.10.05

* Options granted under the Savings Related Share Option Scheme

In respect of share options granted to the Directors, entitlements to exercise the options are subject to achievement of certain performance conditions as described in detail below:

C M R Stone – 17,008,691 options granted 23 November 1999

G J Bicknell – 1,500,000 options granted 1 June 2000

Exercise of 40% of the options is not subject to specific performance conditions. Dependent on the mid-market price of the Company's shares averaging between at least 35 pence and 55 pence over a six month period prior to exercise, proportions of the remaining options are exercisable up to a maximum of 60%.

G J Bicknell – 250,000 options granted 13 December 2001

Exercise of the options is dependent on the mid-market price of the Company's shares averaging at least 75 pence over a six month period prior to exercise, together with the achievement of certain specific and clearly defined objectives in relation to achievement of increased efficiency and successful implementation of cost reduction, training and development measures. These performance conditions were relevant to the particular role of the Group Finance Director and the Remuneration Committee have considered it appropriate to waive the conditions.

J R Stier (appointed 15 May 2003) – 90,000 options granted 26 February 2001 and 10,000 options granted 28 June 2001

Exercise of the options is dependent on the mid-market price of the Company's shares averaging at least 75 pence over a six month period prior to exercise.

J R Stier (appointed 15 May 2003) – 100,000 options granted 25 July 2002

Exercise of 40% of the options is dependent on the adjusted EPS of the Group as calculated in the 2001/2002 accounts growing at a compound rate greater than 15% per annum by the date that the options become exercisable. Exercise of proportions of the remaining options are further dependent on the mid-market price of the Company's shares averaging between at least 55 pence and 75 pence over a six month period prior to exercise.

These performance conditions are considered appropriate because they provide challenging but achievable targets in order to incentivise the holder to work towards and achieve Company/shareholder expectations. In assessing whether the performance conditions have been met, the Remuneration Committee considers whether the criteria for successful completion of each individual condition have been achieved or exceeded. These methods of assessment were chosen because they provide a clearly defined process for the Remuneration Committee to determine successful completion of each condition and are consistent with other performance monitoring procedures used within the Company as a whole.

No options were exercised by the Directors during the year ended 30 April 2003 (2002: none).

The market price of the Company's shares at 30 April 2003 was 23.00p and the range during the year ended 30 April 2003 was 18.50p to 34.25p.

The Register of Directors' Interests contains full details of Directors' shareholdings and options to subscribe for shares and is available for inspection at the Registered Office of the Company.

This report was approved by the Board of Directors on 26 June 2003 and has been signed on its behalf by:

J R Stier
Secretary
26 June 2003

Environmental Policy

The Group is an Information Technology service provider and as such the Group's operations are of minimal environmental impact. However, the Group recognises that its activities will nevertheless have an influence on the environment and has adopted the following environmental policy:

- meet the statutory requirements placed upon us
- recycle as much of the Group's waste products as is economically practicable
- encourage reduction in the use of non-renewable resources
- dispose of those items that cannot be recycled in an environmentally-friendly manner
- reflect the environmental concerns and statutory obligations of customers in the solutions we provide

Equal Opportunities Policy

The Group is an equal opportunities employer. This means that the Group is committed to a policy of treating all its employees, workers and job applicants equally. The Group does not discriminate against any employee, worker or job applicant on the grounds of their colour, nationality, national or ethnic origin (together referred to in this policy as 'race'), gender, marital status, sexual orientation, religion, hours of work, age or disability.

Statement of Directors' Responsibilities 21

The following statement should be read in conjunction with the Independent Auditors' Report set out on page 22.

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent Auditors' Report to the Members of Northgate Information Solutions plc

We have audited the financial statements on pages 23 to 49. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report and the Directors' Remuneration Report. As described on page 21 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Group is not disclosed.

We review whether the statement on pages 11 to 13 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the Corporate Governance statement and the unaudited part of the Directors' Remuneration Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 April 2003 and of the profit of the Group for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London
26 June 2003

Group Profit and Loss Account

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for the year ended 30 April 2003

	<i>Notes</i>	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Turnover			
Continuing operations		83,297	84,515
Discontinued operations		1,918	8,049
Group turnover	3	85,215	92,564
Operating costs	4	(86,456)	(84,117)
Group operating (loss)/profit		(1,241)	8,447
Continuing operations:			
Operating profit before exceptional items and amortisation of goodwill	3	4,525	4,485
Exceptional items	4	(5,995)	2,057
Amortisation of goodwill		(313)	(102)
Operating (loss)/profit from continuing operations		(1,783)	6,440
Discontinued operations:			
Operating profit	3	542	2,007
Group operating (loss)/profit	5	(1,241)	8,447
Profit on sale or termination of operations – Discontinued	6	28,451	-
Profit on ordinary activities before interest		27,210	8,447
Interest receivable	7	1,227	291
Interest payable and similar charges	8	(328)	(80)
Profit on ordinary activities before taxation		28,109	8,658
Taxation credit/(charge) on profit on ordinary activities	10	1,637	(146)
Retained profit for the financial year	25	29,746	8,512
EARNINGS PER ORDINARY SHARE			
Basic	12	10.45p	3.00p
Diluted	12	10.33p	2.91p
Adjusted Basic	12	1.83p	1.60p
Adjusted Diluted	12	1.81p	1.56p

The comparative figures for adjusted basic and adjusted diluted earnings per share have been restated to reflect discontinued activities and amortisation of goodwill.

Group Statement of Total Recognised Gains and Losses

for the year ended 30 April 2003

	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Profit for the financial year	29,746	8,512
Currency translation differences on foreign currency net investments	245	61
Total recognised gains and losses for the year	29,991	8,573

Reconciliations of Movements in Shareholders' Funds

for the year ended 30 April 2003

	<i>Notes</i>	<i>Group</i>		<i>Company</i>	
		<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Profit for the financial year		29,746	8,512	791	16
Other recognised gains and losses for the year		245	61	-	-
Adjustment to deferred purchase consideration		(200)	-	(200)	-
Charge in respect of share related awards	25	(236)	(1,484)	-	-
New share capital subscribed (net of expenses)	24	169	571	169	571
Increase in shareholders' funds		29,724	7,660	760	587
Opening shareholders' funds		16,352	8,692	104,969	104,382
Closing shareholders' funds		46,076	16,352	105,729	104,969

Balance Sheets

as at 30 April 2003

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	Notes	Group 30 April 2003 £'000	Group 30 April 2002 £'000	Company 30 April 2003 £'000	Company 30 April 2002 £'000
Fixed assets					
Intangible assets	13	6,788	2,395	-	-
Tangible assets	14	5,032	4,161	-	-
Investments	15	1,098	1,156	78,626	76,759
		12,918	7,712	78,626	76,759
Current assets					
Stocks – goods for resale		424	755	-	-
Debtors – due within one year	16	22,212	26,048	30,940	30,937
Debtors – due after one year	16	11,880	7,905	-	-
Cash at bank and in hand	17	39,377	11,887	1,063	272
		73,893	46,595	32,003	31,209
Creditors: amounts falling due within one year	18	(33,699)	(33,443)	(4,900)	(2,711)
Net current assets		40,194	13,152	27,103	28,498
Total assets less current liabilities		53,112	20,864	105,729	105,257
Creditors: amounts due after more than one year	19	(244)	(690)	-	(88)
Provisions for liabilities and charges	22	(6,792)	(3,822)	-	(200)
Net assets		46,076	16,352	105,729	104,969
Capital and reserves					
Called up share capital	24	28,713	28,643	28,713	28,643
Share premium account	25	38,123	38,024	38,123	38,024
Merger reserve	25	162	162	162	162
Shares to be issued	24	-	200	-	200
Profit and loss account	25	(20,922)	(50,677)	38,731	37,940
Shareholders' funds – equity		46,076	16,352	105,729	104,969

Approved by the Board of Directors on 26 June 2003 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 2003

	<i>Notes</i>	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Net Cash Inflow from Operating Activities	26	4,131	6,902
Returns on investments and servicing of finance	26	1,181	274
Tax paid	26	(737)	(173)
Capital expenditure	26	(2,707)	(3,251)
Acquisitions and disposals	26	26,058	-
Net inflow before financing		27,926	3,752
Financing	26	(417)	32
Increase in cash in the year		27,509	3,784

Reconciliation of Net Cash Flow to Movement in Net Funds

for the year ended 30 April 2003

	<i>Notes</i>	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Increase in cash in the year	26	27,509	3,784
Decrease in borrowings		451	368
Repayment of capital element of finance lease rentals		44	31
Change in net funds resulting from cash flows		28,004	4,183
Exchange differences		(19)	(9)
Finance leases acquired with subsidiary undertakings		(163)	-
Movement in net funds		27,822	4,174
Net funds at start of year		11,436	7,262
Net funds at end of year	26	39,258	11,436

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The Group has followed the transitional arrangements of FRS17 'Retirement Benefits' in these financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and each of its subsidiary undertakings for the year ended 30 April 2003. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the year are included from the date of acquisition or up to the effective date of disposal. Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

Goodwill

For acquisitions completed after 1 January 1998 purchased goodwill, representing the excess of the fair value of the purchase consideration over the fair value of the identifiable assets and liabilities acquired, is included within intangible fixed assets and is amortised over the estimated life for each separate acquisition. Goodwill arising on acquisitions prior to 1 January 1998 remains eliminated against reserves. This goodwill is recycled and charged or credited in the profit and loss account on the subsequent disposal of the business to which it relates.

Investments

In the Company's financial statements investments in subsidiary undertakings are stated at cost unless, in the opinion of the Directors, there has been an impairment to their value in which case they are immediately written down to their estimated recoverable amount.

Other fixed asset investments are shown at cost less any provision for impairment.

Recognition of Revenue

Revenue on the outright sale of equipment and standard software, where no significant vendor obligations exist, is recognised on despatch. Revenue on non-standard software or where significant vendor obligations exist, is recognised on customer acceptance.

Revenue from professional services (project management, implementation and training) is recognised as the services are performed. Revenue from software support and hardware maintenance agreements is recognised rateably over the term of the agreement.

On contracts involving a combination of products and services, revenue is recognised separately on each deliverable in accordance with the above policy, unless all deliverables are considered to be interdependent when revenue is recognised on final acceptance.

On major contracts extending over more than one accounting period, revenue is taken based on the stage of completion when the outcome of the contract can be foreseen with reasonable certainty and after allowing for costs to completion.

Where equipment is leased or software is licensed under certain long-term contracts for the greater part of their economic life, the contracts are classified as sales-type (finance) leases and the present value of future lease rentals, after calculating a deduction for maintenance, is recognised as revenue at the inception of the lease. Interest is included in turnover over the period of the contract so as to produce a constant rate of return on the net investment in the lease.

Where equipment in an equipment lease or the interest in a software licence is sold to a finance company which then leases the equipment or licences the software to a customer, revenue is taken on the sales value after deferral of income for future maintenance, where applicable.

Provision for maintenance on equipment or software licences sold to finance companies as described above is released to revenue over the period of the contract. The related interest is charged to profit over the same period and represents a constant proportion of the balance outstanding.

Where the Group leases equipment or licences software under contracts which do not have the characteristics of a sales-type lease, the rentals are taken to revenue on an accruals basis.

Stocks

Stocks are valued at the lower of cost and estimated net realisable value after making due allowance for any obsolete or slow moving items.

Depreciation and Amortisation

Depreciation/amortisation is provided on all tangible and intangible fixed assets, other than land, at rates calculated to write off the cost less estimated residual value of each asset evenly over its estimated useful life in years as follows:

Goodwill	5-10 years
Purchased software	2-5 years
Short leasehold improvements	Life of the lease
Plant and office equipment	2-10 years
Motor vehicles	4 years
Equipment held for leasing	4 years

Notes to the Accounts

(continued)

1. ACCOUNTING POLICIES (continued)

Foreign Currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities are retranslated at the rates of exchange ruling at the balance sheet date. Exchange differences thus arising are reported as part of the result for the year.

On consolidation, the results of overseas subsidiaries are translated at the average rates ruling during the year. The assets and liabilities are translated at rates ruling at the balance sheet date. Differences arising on translation of the opening net assets and profits of overseas subsidiaries to the rates ruling at the balance sheet date are taken to reserves.

Deferred Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Research and Development

Expenditure on research and development is written off in the year in which it is incurred.

Pensions

The Group operates various defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. The amounts charged to the profit and loss account represent the contributions payable to the schemes in respect of the accounting period.

The Group also operates a defined benefit pension scheme. Associated costs are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives within the Group. The regular cost is attributed to individual years using the projected unit method. Variations in pension cost which are identified as a result of actuarial valuations are amortised over the expected remaining working lives of employees. Differences between the amounts charged to the profit and loss account and the amounts funded are treated as either provisions or prepayments in the balance sheet.

Under the revised terms of FRS17, the Company is required to adopt alternative accounting for its defined benefit scheme by the year ending 30 April 2006. In accordance with the transitional arrangements under FRS17, note 30 includes additional balance sheet disclosures.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

2. ACQUISITIONS AND DISPOSALS

Acquisitions

On 22 November 2002 the Group acquired the entire issued share capital of Prolog Business Solutions Limited. The resulting goodwill has been capitalised and will be written off over a period of 10 years in line with the Directors' estimate of its useful economic life.

The following table summarises the adjustments made to book values of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition.

	<i>Book amount £'000</i>	<i>Fair value adjustments* £'000</i>	<i>Fair value to the Group £'000</i>
Tangible fixed assets	467	-	467
Intangible assets	371	(371)	-
Current assets	1,061	(36)	1,025
Creditors and provisions	(1,476)	(25)	(1,501)
Overdrafts and finance lease liabilities	(237)	-	(237)
Taxation	(104)	-	(104)
	82	(432)	(350)
Goodwill			4,972
Consideration			4,622

* Fair value adjustments: Intangible assets – carrying value of goodwill in the balance sheet of the acquired business has been revalued on acquisition; Current assets – additional provision for amounts potentially not recoverable; Creditors – additional provision relating to amounts not accrued.

On 31 January 2003 the Group acquired the Service On Site business of CRC Limited. The resulting goodwill has been capitalised and will be written off over a period of five years in line with the Directors' estimate of its useful economic life.

The following table summarises the adjustments made to book values of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition.

	<i>Book amount £'000</i>	<i>Fair value adjustment* £'000</i>	<i>Fair value to the Group £'000</i>
Tangible fixed assets	498	-	498
Current assets	227	(223)	4
Creditors and provisions	(364)	-	(364)
	361	(223)	138
Goodwill			342
Consideration			480

* Fair value adjustment: Current assets – the adjustment to book value was made in order to reflect the fair realisable value of the stock and work-in-progress acquired.

Disposals

On 31 July 2002 the Group completed the disposal of its health business. The profit on disposal was £28,451,000. The results of the business have been shown under discontinued operations. The cash effects of the disposal are given in note 28.

3. TURNOVER AND SEGMENTAL ANALYSIS

Turnover represents the amounts derived from the provision of goods and services to third party customers stated net of value added tax, and includes amounts for interest arising on sales-type leases.

(a) Turnover and operating profit

By market sector:	<i>Year ended 30 April 2003</i>		<i>Year ended 30 April 2002</i>	
	<i>Turnover £'000</i>	<i>Operating profit/(loss)* £'000</i>	<i>Turnover £'000</i>	<i>Operating profit/(loss)* £'000</i>
Public Sector	40,816	3,445	32,930	3,100
Human Resources Systems	18,889	2,597	16,032	2,331
Corporate Sector	24,310	1,170	36,367	1,710
Less: intersegment turnover	(718)	-	(814)	-
Administration costs	-	(2,687)	-	(2,656)
Continuing operations	83,297	4,525	84,515	4,485
Discontinued operations	1,918	542	8,049	2,007
	85,215	5,067	92,564	6,492

* Operating profit/(loss) is stated before exceptional items and goodwill amortisation. The businesses acquired during the year contributed £1.9 million to turnover and £0.3 million to operating profit before goodwill amortisation.

In the above analysis, all overhead costs have been allocated to continuing operations. This resulted in overhead costs being reallocated from discontinued operations in the prior period comparatives. In addition, certain administration costs relating to the Group's central activities have been separated, and the basis of allocating other overhead costs has been revised, so as to better reflect the underlying business' operations. The prior period comparatives have been revised accordingly.

Notes to the Accounts

(continued)

3. TURNOVER AND SEGMENTAL ANALYSIS (continued)

By market sector (continued):

<i>Year ended</i>	<i>Year ended</i>
<i>30 April 2003</i>	<i>30 April 2002</i>
<i>profit/(loss)</i>	<i>profit/(loss)</i>
<i>£'000</i>	<i>£'000</i>

Amortisation of goodwill

Continuing operations	Human Resources Systems	(296)	(102)
	Corporate Sector	(17)	-
		(313)	(102)

Operating exceptional items

Continuing operations	Administration	(5,180)	3,497
	Public Sector	(29)	(243)
	Human Resources Systems	(188)	-
	Corporate Sector	(598)	(1,197)
		(5,995)	2,057

Profit on sale or termination of operations

Discontinued operations	Sale of health business	28,451	-
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By geographic origin:

		<i>Year ended</i>		<i>Year ended</i>	
		<i>30 April 2003</i>		<i>30 April 2002</i>	
		<i>Turnover</i>	<i>Operating</i>	<i>Turnover</i>	<i>Operating</i>
		<i>£'000</i>	<i>profit/(loss)*</i>	<i>£'000</i>	<i>profit/(loss)*</i>
		<i>£'000</i>		<i>£'000</i>	
Continuing operations	United Kingdom	80,153	3,687	80,970	4,204
	North America	3,144	838	3,545	281
		83,297	4,525	84,515	4,485
Discontinued operations	United Kingdom	1,918	542	8,049	2,060
	Rest of the world	-	-	-	(53)
		85,215	5,067	92,564	6,492

* The geographic analysis of operating profit/(loss) is shown before exceptional items and goodwill amortisation. Turnover analysed by geographic destination is not materially different from that analysed by geographic origin.

		<i>Year ended</i> <i>30 April 2003</i> <i>profit/(loss)</i> <i>£'000</i>	<i>Year ended</i> <i>30 April 2002</i> <i>profit/(loss)</i> <i>£'000</i>
Amortisation of goodwill			
Continuing operations	United Kingdom	(313)	(102)
Operating exceptional items			
Continuing operations	United Kingdom	(5,976)	2,467
	North America	(19)	(410)
		(5,995)	2,057
Profit on sale or termination of operations			
Discontinued operations	United Kingdom	28,451	-

(b) Net assets

By geographic origin:		<i>As at</i> <i>30 April 2003</i> <i>£'000</i>	<i>As at</i> <i>30 April 2002</i> <i>£'000</i>
Continuing operations:			
	United Kingdom	45,584	17,548
	North America	(569)	(309)
	Rest of the world	(2)	(33)
		45,013	17,206
Unallocated net liabilities comprise:			
	Deferred consideration on acquisitions	-	(400)
	Other net assets/(liabilities)	1,063	(454)
	Net assets	46,076	16,352

Other unallocated net assets/(liabilities) represent the Group's central financing, provisions, cash at bank and in hand, and bank overdrafts.

Net assets can only be analysed by market sector with an arbitrary allocation and therefore is not a meaningful analysis.

Notes to the Accounts

(continued)

4. OPERATING COSTS

	Year ended 30 April 2003		Year ended 30 April 2002	
	continuing £'000	discontinued £'000	continuing £'000	discontinued £'000
Change in stocks of goods for resale, finished goods and work in progress	329	2	1,148	-
Purchase of goods for resale, raw materials and consumables	10,203	71	13,139	667
Other external charges	3,539	99	3,588	582
Staff costs				
– wages and salaries	37,339	653	31,872	2,937
– social security costs	3,700	59	2,386	269
– other pension costs	2,067	40	1,793	183
Depreciation of owned assets	1,772	7	1,687	23
Depreciation of assets held under finance leases	24	-	26	-
Amounts written off intangible fixed assets and investments	1,276	34	368	91
Other operating charges	24,831	411	22,068	1,290
	85,080	1,376	78,075	6,042
Discontinued operations		1,376	6,042	
	86,456		84,117	

Exceptional income/(charges) recognised in operating costs comprise the following:

	Year ended 30 April 2003 £'000	Year ended 30 April 2002 £'000
Continuing operations:		
Other operating charges		
– reorganisation costs	(1,181)	(1,440)
– abortive bid costs	(450)	-
– property and other costs	(4,610)	-
Wages and salaries		
– provision for NI contribution on unapproved share option scheme	34	808
– UITF17 provision for discount on share options	212	2,689
	(5,995)	2,057

During the year, the Group granted a number of share options under the Executive Share Option Scheme 1999 to certain employees at the market value of the Company's shares at the date of grant. These shares are exercisable between three and ten years from the date of the grant. Exercise of a proportion of these shares is subject to share price performance criteria.

Discounts on options granted under the Group's Savings Related Share Option Scheme do not attract a profit and loss charge as permitted by UITF17. The Group has provided for the expected National Insurance liability arising on its unapproved 1999 Scheme. It is estimated that if the share price were to increase by 10%, this would lead to a £20,000 increase, being £3,000 in relation to the increase in share price and £17,000 due to additional share options becoming eligible for exercise. Similarly, if the share price were to decrease by 10%, this would lead to a £19,000 reduction in the provision, being £nil in relation to the decrease in the share price and £19,000 due to share options becoming no longer eligible for exercise.

5. GROUP OPERATING (LOSS)/PROFIT

Group operating (loss)/profit is stated after charging/(crediting):

	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Research and development expenditure	6,889	7,352
Operating lease rentals		
– plant and machinery	1,588	745
– other	3,753	4,512
– exceptional rental costs relating to property	3,861	-
Auditors' remuneration		
– Group	98	135
– Company	10	10
– other fees – tax advice	67	54
– assurance services	114	-
Loss on sale of tangible fixed assets	205	15
Revenue from equipment operating leases	(385)	(374)

6. PROFIT ON SALE OR TERMINATION OF OPERATIONS

	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Discontinued businesses		
– Sale of health business	28,451	-
	28,451	-

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Bank interest receivable	1,221	274
Other interest receivable	6	17
	1,227	291

8. INTEREST PAYABLE AND SIMILAR CHARGES

	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Other interest payable	42	17
Foreign exchange loss	282	63
Finance charges payable under finance leases	4	-
	328	80

Notes to the Accounts

(continued)

9. STAFF NUMBERS

The average number of persons employed by the Group, including Executive Directors, during the year was as follows:

	<i>Year ended</i> 30 April 2003 <i>number</i>	<i>Year ended</i> 30 April 2002 <i>number</i>
Sales and marketing	111	101
Customer services	514	449
Applications software support and research and development	304	357
Accounting and administration	92	87
	1,021	994

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The (credit)/charge for the year comprises:

	<i>Year ended</i> 30 April 2003 <i>£'000</i>	<i>Year ended</i> 30 April 2002 <i>£'000</i>
Current taxation:		
UK Corporation Tax at 30% (2002: 30%)	3,105	210
Overseas taxation	-	2
Adjustment relating to earlier years		
– Corporation Tax	(18)	59
– Advance Corporation Tax	-	(125)
	3,087	146
Deferred taxation:		
UK	(4,724)	-
	(4,724)	-
Total tax (credit)/charge on profit on ordinary activities	(1,637)	146

The current tax charge for the year differs from that calculated by applying the standard rate of Corporation Tax in the UK to profit before taxation.

The differences are as follows:

	<i>Year ended</i> 30 April 2003 <i>£'000</i>	<i>Year ended</i> 30 April 2002 <i>£'000</i>
Profit before taxation	28,109	8,658
Tax on profit at UK rate of 30%	8,433	2,597
Accelerated capital allowances	(458)	(718)
Tax effected amounts not in the profit and loss account	297	98
Expenses not tax effected	277	94
Adjustments in respect of prior periods	(18)	(66)
Effect of different rates for overseas taxation	-	2
Utilisation of tax losses and ACT	(5,444)	(1,861)
Current tax charge for the year	3,087	146

11. PROFIT FOR THE FINANCIAL YEAR

The profit for the financial year in the accounts of the parent company was £791,000 (2002: £16,000).

12. EARNINGS PER ORDINARY SHARE

Basic earnings per share for the year ended 30 April 2003 has been calculated on the profit for the financial year of £29,746,000 (2002: £8,512,000) and by reference to 284,517,324 (2002: 283,781,819) ordinary shares being the weighted average number of ordinary shares in issue and ranking for dividend during the year, after excluding shares owned by the Northgate Information Solutions Employee Share Ownership Plan (note 15).

Diluted earnings per share has been calculated on the profit of £29,746,000 (2002: £8,512,000) and after including the effect of all dilutive potential ordinary shares, which increases the average number of ordinary shares to 288,036,064 (2002: 292,484,136).

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

	<i>Year ended</i> 30 April 2003 £'000	<i>Year ended</i> 30 April 2002 £'000
Profit for the financial year	29,746	8,512
Profit on sale or termination of operations, net of attributable taxation	(25,346)	-
Exceptional items, net of attributable taxation	5,755	(2,057)
Discontinued activities before exceptional items	(542)	(2,007)
Amortisation of goodwill	313	102
Deferred taxation credit	(4,724)	-
Adjusted profit for the financial year	5,202	4,550

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

13. INTANGIBLE FIXED ASSETS

Group	<i>Goodwill</i> £'000	<i>Purchased software</i> £'000	<i>Total</i> £'000
Cost:			
At 1 May 2002	1,018	2,651	3,669
Exchange adjustments	-	(15)	(15)
Additions	5,314	881	6,195
Adjustment to deferred consideration	(125)	-	(125)
Disposals	-	(1,150)	(1,150)
At 30 April 2003	6,207	2,367	8,574
Amortisation:			
At 1 May 2002	204	1,070	1,274
Exchange adjustments	-	(16)	(16)
Provided	313	939	1,252
Disposals	-	(724)	(724)
At 30 April 2003	517	1,269	1,786
Net book value:			
At 30 April 2003	5,690	1,098	6,788
At 30 April 2002	814	1,581	2,395

Notes to the Accounts

(continued)

14. TANGIBLE FIXED ASSETS

Group	<i>Short leasehold improvements</i> £'000	<i>Plant, equipment and motor vehicles</i> £'000	<i>Total</i> £'000
Cost:			
At 1 May 2002	1,168	8,144	9,312
Exchange adjustments	(2)	(52)	(54)
Acquisitions	-	965	965
Additions	362	1,600	1,962
Disposals	(20)	(1,747)	(1,767)
At 30 April 2003	1,508	8,910	10,418
Depreciation:			
At 1 May 2002	449	4,702	5,151
Exchange adjustments	(2)	(49)	(51)
Provided	222	1,581	1,803
Disposals	(15)	(1,502)	(1,517)
At 30 April 2003	654	4,732	5,386
Net book value:			
At 30 April 2003	854	4,178	5,032
At 30 April 2002	719	3,442	4,161

The net book value of plant, equipment and motor vehicles includes £107,000 (2002: £nil) in respect of assets held under finance leases. Depreciation on these assets during the year was £24,000 (2002: £26,000).

15. FIXED ASSET INVESTMENTS

Group	<i>Own shares</i> £'000
Cost:	
At 1 May 2002	1,156
At 30 April 2003	1,156
Provisions:	
At 1 May 2002	-
Charge for the year	58
At 30 April 2003	58
Net book value:	
At 30 April 2003	1,098
At 30 April 2002	1,156

The investment in own shares comprises 2,400,000 (2002: 2,400,000) Ordinary shares with a nominal value of 10p each, acquired at an average price of 48.18p (2002: 48.18p) by the Northgate Information Solutions Employee Share Ownership Plan, a trust established in Guernsey. Dividends on the shares owned by the trust, the purchase of which was funded by an interest free loan to the trust from Northgate Information Solutions plc, are waived. All expenses incurred by the trust are settled directly by Northgate Information Solutions UK Limited and are charged to the accounts as incurred.

In accordance with UITF13, the difference between the book value and the option exercise price of shares appropriated by the trust for issue to employees under the Savings Related Share Option Scheme is being charged as an operating cost over the period of service of the employees. The charge for the period amounted to £58,000 (2002: £nil).

The market value of investments listed on the London Stock Exchange at 30 April 2003, which comprises shares held by the trust, was £552,000 (2002: £648,000). The Directors do not consider that a provision for impairment in value is necessary.

Company	<i>Subsidiary undertakings</i> £'000	<i>Own shares</i> £'000	<i>Total</i> £'000
Cost:			
At 1 May 2002	90,857	1,156	92,013
Adjustment to deferred consideration	(125)	-	(125)
Transfer from subsidiary undertaking	2,050	-	2,050
At 30 April 2003	92,782	1,156	93,938
Provisions:			
At 1 May 2002	15,254	-	15,254
Charge for the year	-	58	58
At 30 April 2003	15,254	58	15,312
Net book value:			
At 30 April 2003	77,528	1,098	78,626
At 30 April 2002	75,603	1,156	76,759

The principal subsidiary undertakings at 30 April 2003, the nature of whose business is the sale of computer solutions and services and which are all wholly owned were:

<i>Name</i>	<i>Country of incorporation and operation</i>
Northgate Information Solutions UK Limited*	Great Britain
Northgate Information Solutions Inc	USA
PROIV Technology Inc*	USA
PROIV Limited *	Great Britain
Harvest Limited	Great Britain
Prolog Business Solutions Limited *	Great Britain

* held indirectly

The market value of the investment in the Company's own shares at 30 April 2003 was £552,000 (2002: £648,000). The shares are held by the Northgate Information Solutions Employee Share Ownership Plan (see above for details). No other investments are listed.

In accordance with UITF13, the difference between the book value and the option exercise price of shares appropriated by the trust for issue to employees under the Savings Related Share Option Scheme is being charged as an operating cost over the period of service of the employees. The charge for the period amounted to £58,000 (2002: £nil).

Notes to the Accounts

(continued)

16. DEBTORS

	<i>Group</i> 30 April 2003 £'000	<i>Group</i> 30 April 2002 £'000	<i>Company</i> 30 April 2003 £'000	<i>Company</i> 30 April 2002 £'000
Due within one year:				
Amounts due in respect of sales-type leases	5,863	6,479	-	-
Trade debtors	12,718	16,220	-	-
Amounts owed by subsidiary undertakings	-	-	30,940	30,937
Other debtors and prepayments	3,631	3,349	-	-
	22,212	26,048	30,940	30,937
Due after one year:				
Amounts due in respect of sales-type leases	7,156	7,905	-	-
Deferred tax recoverable (note 23)	4,724	-	-	-
	11,880	7,905	-	-
Total debtors	34,092	33,953	30,940	30,937

The cost of assets acquired during the period for the purpose of letting under sales-type leases amounts to £882,000 (2002: £368,000). The gross rentals from sales-type leases for the period amounted to £4,156,000 (2002: £5,947,000), representing approximately 4.9% (2002: 6.4%) of Group turnover.

17. CASH

Analysis of balances as shown in the Group balance sheet:

	30 April 2003 £'000	30 April 2002 £'000
Cash at bank and in hand	39,377	11,887
Loans and overdrafts	-	(451)
Finance leases	39,377 (119)	11,436 -
	39,258	11,436

At 30 April 2003, the Group's loan facilities were secured by a cross guarantee and a fixed and floating charge over the assets of the Company and its principal operating subsidiary, Northgate Information Solutions UK Limited.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<i>Group</i> 30 April 2003 £'000	<i>Group</i> 30 April 2002 £'000	<i>Company</i> 30 April 2003 £'000	<i>Company</i> 30 April 2002 £'000
Bank loans and overdrafts (note 21)	-	355	-	355
Obligations under finance leases and hire purchase contracts	71	-	-	-
Amounts owed to subsidiary undertakings	-	-	4,887	2,340
Trade creditors	5,526	7,355	-	-
UK Corporation Tax	2,589	210	-	-
Overseas taxation	268	193	-	-
Social security and other taxation	2,584	2,107	-	-
Other creditors	39	61	-	-
Deferred maintenance and other income	17,103	17,483	-	-
Accruals	5,519	5,679	13	16
	33,699	33,443	4,900	2,711

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<i>Group</i> 30 April 2003 £'000	<i>Group</i> 30 April 2002 £'000	<i>Company</i> 30 April 2003 £'000	<i>Company</i> 30 April 2002 £'000
Bank loans and overdrafts (note 21)	-	96	-	88
Obligations under finance leases and hire purchase contracts	48	-	-	-
Deferred maintenance and other income	196	594	-	-
	244	690	-	88

20. OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE CONTRACTS

	<i>Group</i> 30 April 2003 £'000	<i>Group</i> 30 April 2002 £'000	<i>Company</i> 30 April 2003 £'000	<i>Company</i> 30 April 2002 £'000
Amounts falling due:				
Within one year	71	-	-	-
Between two and five years	48	-	-	-
	119	-	-	-

Notes to the Accounts

(continued)

21. LOANS AND OVERDRAFTS

	<i>Group</i> 30 April 2003 £'000	<i>Group</i> 30 April 2002 £'000	<i>Company</i> 30 April 2003 £'000	<i>Company</i> 30 April 2002 £'000
Amounts falling due:				
Within one year	-	355	-	355
Between one and two years	-	96	-	88
	-	451	-	443

The balance at 30 April 2002 comprised a loan which was secured to fund the purchase of shares under an ESOP trust as disclosed in note 15. Interest rates were linked to Bank of England base rate.

22. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Pensions and similar obligations</i> £'000	<i>Property provisions</i> £'000	<i>Restructuring provisions</i> £'000	<i>Provisions on share schemes</i> £'000	<i>Other provisions</i> £'000	<i>Total</i> £'000
Group						
At 1 May 2002	427	2,624	246	53	472	3,822
Profit and loss account	1,801	4,361	1,181	(31)	(233)	7,079
Utilised in period	(2,228)	(414)	(1,225)	(3)	(239)	(4,109)
At 30 April 2003	-	6,571	202	19	-	6,792
Company						
At 1 May 2002					200	200
Profit and loss account					-	-
Utilised in period					(200)	(200)
At 30 April 2003					-	-

The Group has recognised a property provision of £4,361,000 during the year ended 30 April 2003, primarily in relation to net lease payments that the Group is committed to make over remaining lease terms in relation to certain properties no longer fully occupied by the Group.

23. DEFERRED TAXATION

The Group's deferred taxation assets are as follows:

	<i>Group provided</i> 30 April 2003 £'000	<i>Group provided</i> 30 April 2002 £'000
Difference between accumulated depreciation and capital allowances	2,235	2,450
Other timing differences	(3,646)	(3,890)
Tax losses carried forward	6,135	1,440
	4,724	-

The Group has gross unutilised trading losses and excess management expenses carried forward of approximately £26.3 million (2002: £32.1 million). The Company has unutilised excess management expenses carried forward of approximately £nil (2002: £6.3 million). Of these losses, a net amount of £4,724,000 has been recognised during the year as a deferred tax asset, and is included in debtors (note 16).

24. CALLED UP SHARE CAPITAL

The share capital of the Company is as follows:

	30 April 2003 £'000	30 April 2002 £'000
Authorised: 375,000,000 (2002: 375,000,000) Ordinary shares of 10p each	37,500	37,500
Allotted, called up and fully paid: 287,132,292 (2002: 286,427,587) Ordinary shares of 10p each	28,713	28,643

During the year the Company issued 410,999 (2002: 1,500,419) ordinary shares of 10p each as a result of the exercise of share options by employees, for which a total consideration of £78,000 (2002: £431,000) was received. The shares issued include £21,000 of shares issued under the 1999 Executive Share Option Scheme for which no consideration was received. In addition, 293,706 shares were issued under the terms of the Harvest acquisition agreement, in satisfaction of the contingent share consideration for the acquisition.

The Company has granted options to subscribe for the Company's shares under separate schemes as follows:

	<i>Savings Related Share Option Scheme number</i>	<i>Executive Share Option Scheme number</i>	<i>Total number</i>
At 1 May 2002	2,000,509	34,446,071	36,446,580
Issued	-	2,588,879	2,588,879
Exercised	(338,812)	(521,739)	(860,551)
Lapsed	(826,132)	(3,711,352)	(4,537,484)
At 30 April 2003	835,565	32,801,859	33,637,424

The options over the Company's shares outstanding at 30 April 2003 are exercisable as follows:

Savings Related Share Option Scheme

	<i>Number of options</i>	<i>Exercise Dates</i>	<i>Exercise price</i>
	835,565	1 April 2005 to 1 October 2005	26.40p
Total	835,565		

Notes to the Accounts

(continued)

24. CALLED UP SHARE CAPITAL (continued)

Executive Share Option Schemes

	<i>Number of options</i>	<i>Exercise dates</i>	<i>Exercise price</i>
	83,478	31 January 1999 to 30 January 2006	50.79p
	389,962	4 September 2000 to 3 September 2007	37.37p
	70,435	20 March 2001 to 19 March 2008	57.50p
	102,888	18 September 2001 to 17 September 2008	56.54p
	33,934	18 September 2001 to 17 September 2008	58.93p
	109,611	21 September 2001 to 20 September 2008	56.54p
	104,348	7 December 2001 to 6 December 2008	45.04p
	36,522	22 March 2002 to 21 March 2009	37.85p
	31,304	28 July 2002 to 27 July 2009	22.04p
	17,008,691	23 November 2002 to 22 November 2009	20.87p
	1,878,260	9 December 2002 to 8 December 2009	25.20p
	104,348	10 April 2002 to 17 June 2003	28.73p
	182,608	1 April 2002 to 17 June 2003	28.73p
	83,478	1 June 2000 to 17 June 2003	28.73p
	83,478	1 September 2001 to 17 June 2003	28.73p
	1,544,348	17 December 2002 to 16 December 2009	28.73p
	469,565	4 January 2003 to 3 January 2010	29.56p
	400,000	27 April 2003 to 26 April 2010	52.00p
	1,500,000	1 June 2003 to 31 May 2010	37.83p
	1,408,000	3 August 2003 to 2 August 2010	47.08p
	642,000	25 September 2003 to 24 September 2010	69.50p
	164,200	9 October 2003 to 8 October 2010	75.90p
	220,000	21 December 2003 to 20 December 2010	65.25p
	30,000	2 January 2004 to 1 January 2011	68.33p
	140,000	23 January 2004 to 22 January 2011	71.73p
	90,000	26 February 2004 to 25 February 2011	69.00p
	2,455,522	28 June 2004 to 27 June 2011	44.75p
	1,006,000	13 December 2004 to 12 December 2011	36.50p
	2,281,379	25 July 2005 to 24 July 2012	29.00p
	30,000	19 August 2005 to 18 August 2012	31.10p
	117,500	11 December 2005 to 10 December 2012	30.50p
Total	32,801,859		

25. RESERVES

Group	<i>Share capital</i> <i>£'000</i>	<i>Share premium account</i> <i>£'000</i>	<i>Merger reserve</i> <i>£'000</i>	<i>Profit and loss account</i> <i>£'000</i>
At 1 May 2002	28,643	38,024	162	(50,677)
Retained profit for the year	-	-	-	29,746
Foreign exchange	-	-	-	245
Arising on issue of shares	70	99	-	-
Charge in respect of share related awards	-	-	-	(236)
At 30 April 2003	28,713	38,123	162	(20,922)

Company	Share capital £'000	Share premium account £'000	Merger reserve £'000	Profit and loss account £'000
At 1 May 2002	28,643	38,024	162	37,940
Retained profit for the year	-	-	-	791
Arising on issue of shares	70	99	-	-
At 30 April 2003	28,713	38,123	162	38,731

The charge to reserves in respect of the share related awards, and the corresponding credit in the profit and loss account for the year, has been made in accordance with UITF17.

The cumulative total of goodwill eliminated against Group profit and loss account reserves in respect of acquisitions prior to 1 January 1998 when FRS10: "Goodwill and Intangible Assets" was adopted amounts to £46,770,000 (2002: £46,770,000).

26. NOTES TO THE CASH FLOW STATEMENT

a) Analysis of net funds:

	At 1 May 2002 £'000	Acquisitions and disposals £'000	Cash flow £'000	Exchange differences £'000	At 30 April 2003 £'000
Cash	11,887	-	27,509	(19)	39,377
Borrowings due within one year	(355)	-	355	-	-
Borrowings due after more than one year	(96)	-	96	-	-
Finance leases	-	(163)	44	-	(119)
	11,436	(163)	28,004	(19)	39,258

b) Analysis of cash flows:

	Year ended 30 April 2003 £'000	Year ended 30 April 2002 £'000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid	(42)	(17)
Interest received	1,227	291
Interest element of finance lease rentals	(4)	-
Net Cash Inflow	1,181	274
TAXATION		
Corporation Tax recovered	-	166
Corporation Tax paid	(810)	-
Overseas Tax recovered/(paid)	73	(339)
Tax paid	(737)	(173)
CAPITAL EXPENDITURE		
Payments to acquire intangible fixed assets	(848)	(1,517)
Payments to acquire tangible fixed assets	(1,859)	(1,734)
Net cash outflow	(2,707)	(3,251)

Notes to the Accounts

(continued)

26. NOTES TO THE CASH FLOW STATEMENT (continued)

	Notes	Year ended 30 April 2003 £'000	Year ended 30 April 2002 £'000
ACQUISITIONS AND DISPOSALS			
Acquisition of subsidiaries and businesses in the period		(5,102)	-
Net overdraft acquired with subsidiary		(74)	-
Deferred consideration on business acquired in earlier period		(200)	-
Disposal of businesses in the period, net of expenses		31,434	-
Net cash inflow		26,058	-
FINANCING			
Issue of ordinary share capital	24	78	431
Net decrease in borrowings	21	(451)	(368)
Capital element of finance lease rentals		(44)	(31)
Net cash (outflow)/inflow		(417)	32

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

	Year ended 30 April 2003 £'000	Year ended 30 April 2002 £'000
Group operating (loss)/profit	(1,241)	8,447
Depreciation and amortisation	3,055	2,195
Provision against fixed asset investments	58	-
Loss on disposal of tangible fixed assets	205	15
Non-cash exceptional operating items	(246)	(3,497)
Increase/(decrease) in provisions	3,203	(2,317)
Decrease in debtors	801	2,678
Decrease in stocks	350	1,148
Decrease in creditors	(2,054)	(1,767)
Net cash inflow from operating activities	4,131	6,902

The cash flow from operating activities is stated after cash payments of £1,155,000 (2002: £1,230,000) in relation to the exceptional reorganisation charge for the year.

27. PURCHASE OF SUBSIDIARY UNDERTAKINGS AND BUSINESSES

	<i>Year ended</i> <i>30 April 2003</i> <i>£'000</i>
<hr/>	
Net liabilities acquired	
Tangible fixed assets	965
Stocks	21
Debtors	1,001
Cash at bank and in hand	7
Creditors	(1,865)
Taxation	(104)
Bank overdraft	(81)
Loans and finance leases	(163)
Deferred tax	7
	<hr/>
	(212)
Goodwill	5,314
	<hr/>
	5,102
Satisfied by:	
Cash	5,102

The subsidiary undertaking and business acquired during the year consumed £187,000 of the Group's net operating cash flows, paid £2,000 in respect of net returns on investments and servicing of finance, paid £112,000 in respect of taxation and utilised £20,000 for capital expenditure and investing activities.

28. SALE OF BUSINESS

	<i>Year ended</i> <i>30 April 2003</i> <i>£'000</i>
<hr/>	
Tangible fixed assets	45
Intangible fixed assets	426
Stocks	2
Debtors	4,792
Creditors	(2,282)
	<hr/>
	2,983
Profit on disposal	28,451
	<hr/>
	31,434
Satisfied by:	
Cash, net of expenses	31,434

Notes to the Accounts

(continued)

29. THE GROUP FINANCIAL COMMITMENTS

Capital commitments at 30 April 2003 amounted to £nil (2002: £nil).

At 30 April 2003, the Group had annual commitments under non-cancellable operating leases as follows:

	30 April 2003		30 April 2002	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Leases expiring:				
Within one year	60	121	160	18
Within two to five years	592	1,296	479	818
Thereafter	2,968	-	3,251	-
	3,620	1,417	3,890	836

The Company had no capital or operating lease commitments at 30 April 2003 (2002: £nil).

30. PENSION COMMITMENTS

The Group's principal UK operating company, Northgate Information Solutions UK Limited, operates a defined benefit scheme for its employees whose benefits are related to salary close to retirement or leaving service (if earlier) and also to years of pensionable service, with the assets held in a separate, trustee administered fund. The contributions to the scheme are determined on the basis of regular valuations undertaken by independent, qualified actuaries.

The most recent actuarial valuation of the scheme was conducted as at 31 March 2002 using the projected unit method. As at that date, the market value of the assets was £90.4 million and on the valuation assumptions, these assets were sufficient to cover 97% of the liabilities. The key valuation assumptions relate to the rates of return on investments and rates of increase in salaries and pensions. As a result of adverse market conditions, the corresponding position at 30 April 2003 is likely to show a significant worsening of the position.

The pension cost in the accounts includes the regular cost plus a variation in cost and, for the purposes of producing Company accounting information, calculations were produced as at 30 April 2002 and the following assumptions were used:

	% p.a.
Investment return before retirement	6.25
Salary increases	3.00
Pension increases for service from April 1997	2.70
Pension increases in excess of GMPs, for service up to April 1997	2.50

The total pension cost of the Group's defined benefit scheme charged to the profit and loss account for the year to 30 April 2003 was £1,801,000 (2002: £1,876,000) which includes an addition for the amortisation of the experience deficit of £907,000 (2002: surplus £247,000). Provisions for liabilities and charges include £nil (2002: £427,000) in respect of pension costs representing the cumulative difference between pension costs charged to the profit and loss account and the amounts funded.

Following a review last year of the Group's pension arrangements, the Group closed its defined benefit pension scheme to new members, replacing it with a defined contribution scheme. Existing members were given the option to stay in the scheme, but future benefits will accrue at 1/70th of final salary for each year of service against the prior rate of 1/60th of final salary. Employee contributions increased from 5% to 8% of pensionable salary going forward.

The Group also operates various defined contribution schemes for its other UK and overseas employees.

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24. A new pension cost accounting standard, FRS17, must be used for the figures that will be shown in the accounts at 30 April 2006 and subsequent years. Under transitional arrangements the Company is required to disclose the following information about the scheme and the figures that would have been shown under FRS17 in the current balance sheet.

Employer contributions to the Scheme during the year amounted to £2,228,000. This represents 10.5% of basic salaries. The contributions paid to the defined contribution section of the Scheme amounted to £121,000.

The major assumptions used by the actuary in respect of the FRS17 calculations were as follows:

	<i>At 30 April 2003</i>	<i>At 30 April 2002</i>
	<i>% p.a.</i>	<i>% p.a.</i>
Discount rate	5.40	5.90
Rate of increase in salaries	3.00	3.75
Rate of increase in pensions in payment	2.60	2.75
Inflation assumption	2.60	2.75

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	<i>Long term rate of return expected at 30 April 2003 (%)</i>	<i>Value at 30 April 2003 (£'000)</i>	<i>Long term rate of return expected at 30 April 2002 (%)</i>	<i>Value at 30 April 2002 (£'000)</i>
Equities	6.8	56,363	6.9	70,530
Bonds	4.3	14,542	4.7	11,797
Other	4.3	4,193	4.7	6,155
Total market value of assets		75,098		88,482
Present value of scheme liabilities		(123,874)		(107,321)
Deficit in the scheme		(48,776)		(18,839)
Related deferred tax asset		14,633		5,652
Net pension liability		(34,143)		(13,187)

If the above liability was recognised in the financial statements, the Group's net assets and profit and loss reserve would be as follows:

	<i>At 30 April 2003 £'000</i>	<i>At 30 April 2002 £'000</i>
Net assets excluding pension liability	46,076	16,352
Pension liability	(34,143)	(13,187)
Net assets including pension liability	11,933	3,165
Profit and loss reserve excluding pension reserve	(20,922)	(50,677)
Pension reserve	(34,143)	(13,187)
Profit and loss reserve	(55,065)	(63,864)

Notes to the Accounts

(continued)

30. PENSION COMMITMENTS (continued)

Analysis of movement in the scheme deficit during the year:

	<i>At 30 April 2003</i>
	<i>£'000</i>
Deficit in scheme at start of year	(18,839)
Current service cost	(1,009)
Contributions	2,228
Past service cost	-
Finance income	(580)
Actuarial losses	(30,576)
Deficit in scheme at end of year	(48,776)

Amounts included within operating profit:

	<i>Year ended</i>
	<i>30 April 2003</i>
	<i>£'000</i>
Current service cost	1,009
Past service cost	-
	1,009

Amounts included within other finance income:

	<i>Year ended</i>
	<i>30 April 2003</i>
	<i>£'000</i>
Expected return on scheme assets	5,774
Interest on scheme liabilities	(6,354)
Net finance return	(580)

Amounts included within the statement of total recognised gains and losses:

	<i>Year ended</i>	
	<i>30 April 2003</i>	
	<i>£'000</i>	<i>%</i>
Actual return less expected return on scheme assets	(21,128)	
Percentage of year end scheme assets		(28)
Experience gains and losses arising on scheme liabilities	(1,134)	
Percentage of present value of year end scheme liabilities		(1)
Changes in assumptions underlying the present value of scheme liabilities	(8,314)	
Percentage of present value of year end scheme liabilities		(7)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	(30,576)	
Percentage of present value of year end scheme liabilities		(25)

31. CONTINGENT LIABILITY

There are no contingent liabilities in the Group other than bank guarantees entered into in the normal course of business.

32. FINANCIAL INSTRUMENTS

The Group's financial instruments consist of cash and liquid resources, borrowings and various items such as trade debtors and trade creditors, that arise directly from its operations.

The main purpose of the financial instruments is to provide finance for the Group's operations.

The Group may enter into derivative transactions (principally forward foreign currency contracts) in accordance with strict investment criteria. The purpose of such transactions is to manage currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk and foreign currency risk. The way in which these risks affect the Group is summarised below.

Interest Rate Risk

The Group's liquid resources are held principally in sterling and US dollars. Interest receivable and payable is based on relevant LIBOR equivalents.

Foreign Currency Risk

The Group has some transactional currency exposures. Such exposures mainly arise from sales or purchases in currencies other than the Group's functional currencies. These exposures represent less than 5% of the turnover of the Group. Based on current levels of exposure, the Group believes that this risk is generally manageable without the need for hedging of these transactions.

The Group has the ability where it is considered appropriate on a case by case basis for significant individual transactions to enter into forward foreign currency contracts. There were no forward foreign currency contracts undertaken in the year (2002: none).

Short term monetary assets and liabilities

The table below sets out balances held in the Group's non-functional currencies.

	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2002 £'000</i>
Currency:		
US Dollar	16	218
Other	61	88

The balances above are stated at actual values. There is no difference between actual values and fair values.

Interest receivable and payable is based on relevant LIBOR equivalents.

Directors' Report

The Directors submit their report and the accounts of Northgate Information Solutions plc for the year ended 30 April 2003.

Results and Dividends

Results for the year are shown in the Group Profit and Loss Account on page 23.

No interim dividend (2002: £nil) was paid during the year. The Directors do not recommend the payment of a final dividend (2002: £nil).

Principal Activity and Review of Business Developments

The principal activity of the Group is the development and supply of software and related services. This comprises application software including hardware and associated installation and maintenance services, facilities management and software support, together with the development and supply of applications development tools.

A review of the operations of the Group is included in the Chairman's Statement, Chief Executive's Review and Group Finance Director's Review on pages 2 to 8.

Directors

The Directors of the Company at the date of this report are those listed on page 10.

G J Bicknell resigned as a Director on 15 May 2003. J R Stier was appointed as a Director on 15 May 2003.

The service contract of C M R Stone continues until terminated by the Company giving not less than twelve months or the executive giving not less than six months notice in writing. The service contract of J R Stier continues until terminated by the Company giving not less than six months or the executive giving not less than six months notice in writing. The letters of appointment of N J Irens, Dr D Hine and J R Fryer may be terminated by either party giving to the other six months notice in writing.

Directors' Interests

The interests of the Directors who held office at the end of the financial year in the ordinary shares and in options to acquire ordinary shares of the Company and its subsidiary undertakings appear on pages 18 to 19 of the accounts.

Disabled Persons

It is the Group's policy to treat people with disabilities on an equal basis for employment, development and promotion, subject only to their skills and abilities. Opportunities also exist for employees of the Group who become disabled to continue their employment or to be trained for other positions in the Group.

Employee Involvement

The Group places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. Employees are eligible to obtain share options through the Company's share schemes.

Research and Development

The Group invests significant resources in research and development activity, on product development, enhancement and innovation.

Donations

During the year the Group made no charitable donations (2002: £nil). The Group made no political donations (2002: £nil).

Payments to Suppliers

It is the Group's practice to agree credit terms with suppliers in advance and to pay invoices in line with these agreed terms. The Company has no trade creditors, creditor payment policies and creditor days outstanding. The Group's number of days purchases included in trade creditors at the balance sheet date was 57 days (2002: 63 days). The main UK trading subsidiary companies' details are disclosed in their accounts.

Major Shareholdings

At 30 May 2003, the Directors have been notified pursuant to Sections 198 to 202 of the Companies Act 1985, or are otherwise aware, of the following shareholdings in the Company:

	<i>Number of shares</i>	<i>% issued share capital</i>		<i>Number of shares</i>	<i>% issued share capital</i>
UBS Global	25,783,862	8.98	Legal & General Investment Management	10,923,041	3.80
Hermes Pensions Management	24,420,945	8.51	Credit Suisse Asset Management	10,768,445	3.75
Herald Investment Management	17,400,000	6.06	J P Morgan Fleming Asset Management	10,744,707	3.74
Aberforth Partners	15,173,000	5.28	M & G Investment Management	9,400,000	3.27
Deutsche Asset Management	13,500,000	4.70	Charles Schwab Europe	8,836,365	3.08

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution to reappoint KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

J R Stier
Secretary
26 June 2003

DIRECTORS

Nicholas J Irens* (Chairman)
Christopher M R Stone (Chief Executive)
Geoffrey J Bicknell**
John R Stier***
Dr Duncan Hine*
Jack R Fryer*

* *Non-Executive*

** *Resigned 15 May 2003*

*** *Appointed 15 May 2003*

SECRETARY

John R Stier, ACA

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REGISTERED NUMBER

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SOLICITORS

Linklaters
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London EC2Y 8HQ

REGISTRARS AND TRANSFER OFFICE

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol BS99 7NH

Financial Calendar

25 September 2003	Annual General Meeting
31 October 2003	Half year end
December 2003	Half year results announced
30 April 2004	Financial year end

Investor Information

REGISTRAR

Enquiries about the following administrative matters relating to the holding of Northgate Information Solutions plc shares should be addressed to the Company's registrars at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 7NH, telephone 0870 702 0000:

- dividend payment enquiries
- loss of share certificates/dividend warrants/tax vouchers
- notification of change of address
- transfer of shares to another person

AMALGAMATION OF ACCOUNTS

Shareholders who receive duplicate sets of Company mailings as a result of having more than one shareholder account in their name should write to Computershare Investor Services PLC at the above address to have their accounts amalgamated.

ANNUAL REPORT ON THE INTERNET

The 2002/2003 financial results are available at www.northgate-is.com

SHAREHOLDER INFORMATION ON THE INTERNET

Computershare Investor Services PLC, the Company's registrars, has introduced a facility where shareholders are able to access details of their shareholding over the internet subject to passing an identity check.

You can access this service by selecting the investor relations page on our website at www.northgate-is.com

The site also includes information on electronic proxy voting and recent trends in the Company's share price.



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