



Interim Report & Accounts 2005

Company Overview

Northgate Information Solutions is a leading UK supplier of specialist software and information technology ('IT') services for both the human resources and public services markets. Northgate has 25 major offices across the UK with 6 further international offices.

Headquartered in Hemel Hempstead, Hertfordshire, Northgate employs approximately 3,200 staff and has in excess of 2,700 large customers and more than 6,500 small/medium customers across the UK and Ireland. The original company was founded in 1969, consequently, Northgate has more than 30 years' experience in the IT market. Today, Northgate works closely with many corporate organisations, in addition to all of the UK's regional police forces, approximately 90% of UK local authorities and more than 50% of FTSE 100 companies.

Northgate's customer-centric approach is based on fully understanding application-specific business processes. This enables organisations in both the public and private sectors to increase their business process efficiency when deploying Northgate applications and their associated services or when utilising Northgate's wide range of high quality IT services.

Furthermore, Northgate manages many customers' key systems, providing a broad range of flexible and cost effective outsourced solutions available either at client sites or hosted at our own BS7799 accredited data centre.

Northgate has three major divisions focused on the Group's core business areas. These are Northgate HR, Northgate Public Services and Northgate Managed Services.

Northgate HR is Northgate's specialist HR division and is the leading UK supplier of HR, payroll and pensions solutions. Working with organisations of any size from every industry sector, Northgate HR offers an integrated and highly scalable and flexible suite of in-house, managed and fully outsourced. These solutions have been designed to meet the evolving market's needs. Consequently, Northgate HR is able to satisfy any HR or payroll requirement.

Northgate HR has developed and implemented products and services which organisations need to achieve the best return on their HR and payroll investment. From recruitment and induction to integrated HR and payroll, to self-service and intelligence gathering and pensions administration, Northgate HR has a range of fully integrated solutions for organisations from small/medium enterprises to large corporates.

Northgate Public Services is a technology provider with a difference. Fully committed to high quality public services, Northgate Public Services understands the needs of the public sector. This knowledge is core to the success of this business. Northgate's public services team believe passionately in public services and are committed to community well-being which places the citizen at its heart. It's their business to understand the demands made of public services; from actively promoting social inclusion to building stronger, safer and more secure communities and celebrating diversity. Our Public Services team work in partnership to create innovative solutions using Northgate software, support and services expertise to promote economic efficiency and social justice in a rapidly changing world.

Northgate Managed Services supports customers from 25 Northgate offices throughout the UK. Their goal is to help Northgate customers in local government, utilities, educational institutions and the corporate sector to improve their organisational performance through effective Information Communication Technology (ICT) solutions. In choosing Northgate, all clients have selected a partner which is flexible, responsive and committed to the delivery of quality solutions to support their business. Today, Northgate:

- works with approximately 90% of local authorities in the UK;
- is the second largest supplier of managed services in education in the UK;
- supports eight of the ten largest water companies;
- has provided software and associated services that administer more than £17.0 billion of revenues and benefits;
- is highly specialised in telecommunications, retail, finance, manufacturing, construction, pharmaceutical and membership organisations.

For more information on Northgate Information Solutions and its businesses, please visit the Northgate website: www.northgate-is.com.

Chairman's Statement

Introduction

I am pleased to report excellent results for the Group for the first half of this financial year. In this period, Northgate has delivered a strong performance across all divisions while successfully building on our recent acquisitions. We have successfully integrated Sx3 in to the Group and this will allow us to focus on driving further shareholder value in the future.

Financial

During the last six months, we have made solid progress in all our markets. Turnover from continuing operations increased to £162.7 million (2004: £96.8 million), and adjusted operating profit, grew 58% to £23.3 million.

Profit before tax and amortisation of customer relationships amounted to £13.6 million (2004: £10.2 million). After amortisation of customer relationships profit before tax amounted to £10.0 million.

Adjusted basic earnings per share increased by 31% to 2.26p.

Operating cash flow increased significantly in the six months to £26.5 million.

Net debt was £171.3 million after settling £6.0 million in restructuring costs and £5.2 million of acquisition expenses relating to the prior year.

Dividend policy

The Board reviews dividend policy every six months. The Board has determined that it would not be appropriate to initiate a dividend at this time, but will continue to keep the matter under review.

Share option schemes

The Board has separately announced today that it will adopt two new share option schemes once shareholder approval is gained. These replace the Company's existing scheme to better meet the needs of the Group going forward. The schemes will introduce more stringent performance criteria for the exercise of options. We are evolving our option scheme after discussion with experts, consultation with our major shareholders and in line with best practice.

The success of Northgate in recent years has been down to the hard work and dedication of our fantastic staff. They will be just as important for the success of the Company going forward and we want to make sure they are appropriately incentivised and rewarded.

Conclusion

Northgate continues to invest in its chosen markets where we expect to deliver good growth and will continue to seek opportunities to use our funds in bolt-on investments that will create value for shareholders.

Northgate is successful because we deliver high standards of service and product quality, which is reflected in our exceptionally high levels of customer retention. Our customers are constantly under pressure to demonstrate value for money from their investments in information technology. Northgate has demonstrated an ability to improve services through the innovative use of technology, and we remain committed to maintaining the rate of innovation to improve the delivery of effective services.

The Group is now the clear leader in the public safety, local government and human resources sectors. This provides us with a sustainable growth platform.

Group strategy remains focused on enhancing and exploiting leadership of our chosen markets. The increased scale of the business brings the Group greater visibility and stability, as well as offering increased opportunities to exploit both operational synergies and cross-selling opportunities.

The Board would like to thank management and staff throughout the Group for their continued hard work and commitment during the period. We would also like to thank our clients for their continued support. We remain extremely grateful for the trust that they place in us, and we are dedicated to continue delivering value for the investments they make with us.



Nick Irens
Chairman
6 December 2005

Introduction

The Group has enjoyed a strong first half performance. The addition of Sx3 has allowed us to restructure our Group to focus on three key markets - Northgate HR, Northgate Public Services and Northgate Managed Services. Each is profitable, cash generative and has substantial scale. They are all well positioned to benefit from increasing customer demand and cross-selling.

Our priorities remain organic growth and increased profitability. In the first half of this year we have achieved good organic growth and strong margins in our two applications based businesses, with margins in Managed Services adversely impacted by the acquisition of Sx3. All of our divisions are well positioned in their respective markets and have strong prospects to continue to generate value for shareholders.

In the last six months, Northgate's Human Resources division signed more than 31 new name clients, Public Services division signed 42 new applications clients and Managed Services signed 12 new name clients. Significant contract wins include Abbey National, the Criminal Justice Board, Ryanair and Bradford Metropolitan District Council.

We continue to see Northgate competing for, and winning, far broader contracts. We are developing deeper and more long-term commercial relationships and we have become the strategic partner of choice for many clients. The enlarged suite of software products brings greater opportunities for delivering value to clients and strengthening our relationship with them.

We have built a robust business that is the leader in growing markets, with strong, embedded client relationships. Our focus now is to exploit the excellent cross-selling opportunities within the Group in order to drive revenues and deliver further value for clients, shareholders and employees.

Human Resources

Northgate's Human Resources division reported revenues up from £54.9 million to £56.1 million in the first half of this year. Organic growth in the half was 4.3%. This growth was depressed by legacy contract attrition from acquisitions. This is now coming to an end and we expect growth to accelerate in the second half.

Driven by good growth in application licence sales, operating margins increased from 23.3% to 25.2% in the half. Operating profit before option costs was £14.2 million (2004: £12.8 million).

The order book grew by 22% to £106.0 million. There were 31 new name wins in software applications and payroll & HR outsourcing. Approximately 47% of these were as a result of cross-selling. HR continues to benefit from the trend for clients to agree longer contracts and to contract for a wider range of services.

We have also made major progress in addressing the contract attrition that was being suffered in a couple of our acquisitions. As a result, we can expect the excellent performance in new name wins to start to feed through to higher levels of top line growth.

Northgate is the largest HR and payroll application supplier in the UK and the third largest HR and software application supplier in Europe. Northgate HR can simplify key business tasks and deliver value added benefits to clients, enabling them to improve HR management and cut costs. Clients range from Manchester United Football Club to Tesco.

Northgate HR's ResourceLink is a highly scaleable, flexible and web-enabled integrated suite of HR, payroll and pension modules. In the period, for example, we were delighted that West Berkshire Council decided to implement Northgate's ResourceLink HR and payroll solution. The nine year contract replaces Unipay and Opendoor - former Rebus HR solutions, before Northgate acquired Rebus in 2004. The contract will enable the Council to automate many current manual tasks, reduce duplication, and provide improved management information, saving time and increasing efficiency. ResourceLink will provide the Council with the opportunity to develop and introduce an innovative approach to interfacing with the local schools' current HR system.

We continue to develop international, multi-lingual and multi-jurisdictional applications of ResourceLink, making it increasingly attractive for international clients. This product's ability to drive international revenue has been highlighted by recent multi-country contract wins with Ryanair and McAfee.

Our SME (Small and Medium Enterprise) focused business, Moorepay, has seen improvements in customer win rates while customer retention remains high at 92%. Overall, our SME business won 586 new payrolls in the half, taking the total to over 7,000.

Chief Executive's Review

(continued)

Public Services

Northgate's Public Services division has seen revenues more than double to £48.5 million in the first half of this year. Operating margins rose from 9.2% to 16.6%. Operating profit before amortisation of capitalised customer relationships and option costs was £8.0 million (2004: £2.1 million).

Organic growth was 5.2% in the first half, while we concentrated on integration of acquisitions. Growth will accelerate in the second half as this process comes to an end.

The order book grew organically by 15% to £85.1 million (H1 2004 pro-forma: £74.1 million). There were 42 new name wins.

The acquisition of Sx3 enhances Northgate with market leading applications in citizen relationship management, revenues and benefits systems and housing management systems, which are used by government, criminal justice and public safety organisations along with housing associations on a local level and the utilities on a local, regional and national level. Northgate works with approximately 90% of all UK local authorities, and all its police forces.

Northgate is helping local authorities to transform the delivery of public services with Front Office, our market leading and award winning citizen relationship management system. Front Office continued to be a significant growth driver, with 12 new clients won during the period, bringing the total number of Front Office clients to 62 (H1 2004: 49) and is recognised as the leader in the local authority market. Contract wins include: Wycombe District Council, Ashfield District Council and Wealden District Council. The outlook for Front Office remains extremely good.

Our Assert product, which addresses the market need for simplified benefits assessment, is also progressing well with a total of 12 contracts. Contract wins include South Hams District Council in Devon and Amber Valley Council. The outlook for Assert is promising.

Northgate's Front Office and Assert solutions help front line staff deal with queries effectively. The number of clients using these products in tandem is growing. They include South Ribble Council, Maidstone, Ynys Mon and Erewash.

Elsewhere, Wandsworth Borough Council is working with Northgate to improve its planning and building control services. Northgate has developed an Expert Enquiry System, to provide staff and citizens with easier access to information on planning permission and building regulations. This system allows members of the public to access answers to questions such as, "Do I need planning permission or building regulation consent?" quickly and easily – either online or over the telephone.

In the utilities market, our geographical information management products have continued to do well with both South Staffordshire Water and Southern Water signed up as new clients.

In Public Safety, Northgate has also been selected to provide its location hub technologies to support the 'e-fire' National Project, the fire and rescue service portal sponsored by the Office of the Deputy Prime Minister. We are also launching a pilot information management scheme for England's Criminal Justice Boards, in a partnership with LogicaCMG.

Overseas, we have worked with Nokia, Motorola and Siemens to provide software for local emergency services.

The combined strength, knowledge and experience of Northgate and Sx3 will help the Group become a valued consultant and partner for our clients. We expect these types of service revenues to grow significantly in the medium-term.

Chief Executive's Review

(continued)

Managed Services

Revenue for H1 2005/6 was £58.0 million (H1 2004/5: £19.5 million).

Operating margin was reduced with the division seeing an increased proportion of hardware reselling operations following the Sx3 acquisition in April. Operating profit before amortisation of capitalised customer relationships and option costs was £2.6 million in the first half (2004: £1.6 million).

The order book reduced by 22% to £164.1 million (H1 2004 pro-forma: £211.3 million), as no major contracts reached renewal in the period. There were 12 new name wins including Abbey National and National Trust for Scotland.

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

As an example, Sheffield Homes has successfully completed a £1.0 million overhaul of the IT infrastructure supporting its core housing system. The improved IT infrastructure, provided by Northgate, has enabled staff to be more responsive to tenant needs through increasing capacity and responsiveness for its 1,000 IT users. The Sheffield Homes project reflects our commitment to providing customer value in local government, helping authorities to improve the quality and efficiency of services they provide to citizens. Large scale IT upgrades can often be a long-winded and complicated process. Our innovative solution and approach means that users are seeing the maximum benefit in the shortest space of time.

In Education, the Building Schools for the Future programme continues to offer Northgate considerable opportunities. In the first half Northgate made significant progress into the GB market with the award of a contract for delivering ICT services to the Academy of St Francis of Assisi in Liverpool, worth £0.9 million. We are currently short listed on a further three opportunities.

Northgate has also been awarded the contract to deliver a project aimed at freeing up staff time and improving the service to students for 450 staff and 5,000 students at Epping Forest College. In a contract worth over £1.0 million, Northgate will take full ownership of service delivery for the College's technical helpdesk, moving support from reactive to pro-active by monitoring and addressing problems before issues arise.

In the utilities market, our Geographical Information Systems and related services continue to do well. We have supplied innovative solutions to most UK utilities and several overseas ones. These include specialised tools to South Staffordshire Water and market leading consultancy to Southern Water.

Northgate has also achieved considerable wins with our infrastructure solutions offering. Northgate has been subcontracted by IBM to provide 24 x 7 high-end support to Abbey National's 400 Sun servers in their two major data centres in Milton Keynes and London in a three year contract worth over £1.0 million. Northgate has also agreed a five year contract with the National Trust for Scotland to provide managed ICT support to 34 locations throughout Scotland in a contract worth £1.1 million.

Outlook

Performance in the first half has been good, with profits enhanced by licence sales that were originally budgeted for in the second half. Trading in the second half has started well and we are confident of achieving another satisfactory outcome for the year as a whole. The outlook for the Group is good.



Chris Stone
Chief Executive
6 December 2005

Consolidated income statement *(unaudited)*

for the six months ended 31 October 2005

	6 months ended 31 October 2005 £'000	<i>6 months ended 31 October 2004 £'000</i>
Revenue	162,664	96,816
Operating costs	(144,637)	(83,060)
Group operating profit	18,027	13,756
Operating profit before amortisation of capitalised customer relationships and option costs	23,265	14,679
Amortisation of capitalised customer relationships	(3,640)	0
Option costs	(1,598)	(923)
Group operating profit	18,027	13,756
Financial income	287	23
Financial expenses	(8,481)	(3,695)
Net financing costs	(8,194)	(3,672)
Share of profit of associates	170	103
Profit before tax	10,003	10,187
Tax expense	(3,443)	(2,821)
Profit for the period	6,560	7,366
All profit is attributable to the equity holders of the parent.		
Earnings per ordinary share		
Basic	1.22p	1.50p
Diluted	1.18p	1.44p

Consolidated statement of recognised income and expense

(unaudited) for the six months ended 31 October 2005

	6 months ended 31 October 2005 £'000	<i>6 months ended 31 October 2004 £'000</i>
Foreign exchange translation differences	133	(162)
Net gain/(loss) on actuarial valuation of pension liability	4,882	(9,326)
Income and expense recognised directly in equity	5,015	(9,488)
Profit for the period	6,560	7,366
Total recognised income and expense for the period	11,575	(2,122)

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

Consolidated balance sheet *(unaudited)*

as at 31 October 2005

	31 October 2005 £'000	30 April 2005 £'000	31 October 2004 £'000
Assets			
Goodwill	347,792	347,779	234,466
Other	79,518	80,595	2,279
Total intangible assets	427,310	428,374	236,745
Property, plant and equipment	55,763	58,765	29,600
Investments in associate	1,457	1,294	1,189
Trade and other receivables	10,514	10,358	9,411
Deferred tax asset	3,043	6,324	22,928
Total non-current assets	498,087	505,115	299,873
Inventories	2,669	2,961	368
Trade and other receivables	76,517	84,306	46,620
Cash and cash equivalents	25,532	28,739	2,098
Total current assets	104,718	116,006	49,086
Total assets	602,805	621,121	348,959
Liabilities			
Interest-bearing loans and borrowings	120,797	132,048	7,664
Employee benefits	53,043	60,466	70,596
Provisions	2,748	4,276	5,073
Total non-current liabilities	176,588	196,790	83,333
Interest-bearing loans and borrowings	76,079	70,193	45,679
Provisions	7,302	10,533	3,931
Taxation payable	3,749	4,069	6,040
Trade and other payables	153,013	166,312	77,210
Total current liabilities	240,143	251,107	132,860
Total liabilities	416,731	447,897	216,193
Net assets	186,074	173,224	132,766
Equity			
Issued capital	53,434	53,277	49,517
Share premium	92,560	91,494	71,438
Merger reserve	68,401	68,401	68,401
Hedging reserve	(32)	0	0
Translation reserve	360	227	(162)
Retained earnings	(28,649)	(40,175)	(56,428)
Total equity	186,074	173,224	132,766

Consolidated cash flow statement *(unaudited)*

for the six months ended 31 October 2005

	<i>6 months ended</i> 31 October 2005 £'000	<i>6 months ended</i> 31 October 2004 £'000
Cash flows from operating activities		
Profit for the period	6,560	7,366
Amortisation of customer relationships	3,640	0
Amortisation of other intangibles	1,833	1,043
Depreciation	8,111	1,875
Loss on sale of property, plant and equipment	44	101
Share based payment expense	1,598	923
Financial income	(287)	(23)
Financial expenses	8,481	3,695
Share of profits of associate	(170)	(103)
Tax expense	3,443	2,821
Operating profit before changes in working capital and provisions	33,253	17,698
Decrease in trade and other receivables	7,693	5,892
Decrease/(increase) in inventories	292	(15)
Increase in trade and other payables	(8,774)	(5,760)
Decrease in provisions and employee benefits	(5,951)	(4,225)
Cash generated from operations	26,513	13,590
Interest received	287	0
Interest paid	(6,609)	(2,342)
Taxes paid	(2,730)	20
Net cash from operating activities	17,461	11,268
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	0	141
Acquisition of subsidiary, net of cash acquired	(5,155)	(1,253)
Acquisition of intangible assets	(4,415)	(1,928)
Acquisition of property, plant and equipment	(5,126)	(2,071)
Net cash from investing activities	(14,696)	(5,111)
Cash flows from financing activities		
Decrease in borrowings	(5,918)	(3,216)
Payment of finance lease liabilities	(73)	(232)
Disposal of investment in own shares	19	0
Net cash from financing activities	(5,972)	(3,448)
Net (decrease)/increase in cash and cash equivalents	(3,207)	2,709
Cash and cash equivalents at 1 May	28,739	(611)
Cash and cash equivalents at 31 October	25,532	2,098

Reconciliation to movement in net debt

for the six months ended 31 October 2005

	<i>30 April</i> 2005 £'000	<i>Cash flow</i> £'000	<i>Other non- cash changes</i> £'000	31 October 2005 £'000
Cash at bank and in hand	28,739	(3,207)	0	25,532
Debt due within one year	(70,073)	1,573	(7,500)	(76,000)
Debt due after one year	(132,009)	4,345	6,874	(120,790)
Finance leases due within one year	(120)	73	(32)	(79)
Finance leases due after one year	(39)	0	32	(7)
	(173,502)	2,784	(626)	(171,344)

1. Basis of preparation

EU law (IAS Regulation EC 1606/2002) requires that the next annual consolidated financial statements of the Company, for the year ending 30 April 2006, be prepared in accordance with International Financial Reporting Standards adopted for use in the EU ("IFRSs").

This interim statement has been prepared on the basis of the recognition and measurement requirements of IFRSs in issue that either are endorsed by the EU and effective (or available for early adoption) at 30 April 2006 or are expected to be endorsed and effective (or available for early adoption) at 30 April 2006, the Group's first annual reporting date at which it is required to use adopted IFRSs. Based on these adopted and unadopted IFRSs, the Directors have made assumptions about the accounting policies expected to be applied, which were set out in a market release dated 7 November 2005 relating to the restatement of financial information under IFRS, when the first annual IFRS financial statements are prepared for the year ending 30 April 2006.

In particular, the Directors have assumed that the following IFRSs issued by the International Accounting Standards Board and IFRIC Interpretations issued by the International Financial Reporting Interpretations Committee will be adopted by the EU in sufficient time that they will be available for use in the annual IFRS financial statements for the year ending 30 April 2006:

IAS 19 Revised - Employee Benefits

In addition, the adopted IFRSs that will be effective (or available for early adoption) in the annual financial statements for the year ending 30 April 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period will be determined finally only when the annual financial statements are prepared for the year ending 30 April 2006.

Transitional arrangements

The accounting policies have been applied to all periods presented except for those relating to the recognition, measurement, disclosure and presentation of financial instruments, all matters dealt with in IAS 32 and 39. The Group has taken an exemption to apply IAS 32 and 39 from 1 May 2005. Prior to this date, financial instruments have been accounted for under UK GAAP. A reconciliation of equity on adoption of IAS 32 and 39 at 1 May 2005 is provided in note 5.

From 1 May 2005 the Group has adopted IAS 32 and 39 which is a change of accounting policy. This only impacts our policy in respect of 'derivative financial instruments and hedge accounting' the revised policy is set out below.

In addition, the Group has taken the following optional exemptions from the full retrospective application of IFRS accounting policies:

- Business combinations - the provisions of IFRS 3 'Business combinations' have been applied prospectively from 1 May 2004. Northgate has chosen not to restate business combinations that took place before the date of transition.
- Employee benefits - the accumulated actuarial gains and losses in respect of employee defined benefit plans have been recognised in full through reserves.
- Exchange differences - the Group has applied the IFRS 1 exemption from the requirement for retrospective application of IAS 21 'The Effects of Changes in Foreign Exchange Rates' in respect of cumulative translation differences. This means that the Group has elected not to classify any retained earnings arising prior to 1 May 2004 within its cumulative translation differences, which are therefore, deemed to be zero at the transition date.
- Share-based payments - Northgate has applied the option not to apply IFRS 2 to equity instruments granted on or before 7 November 2002.

Derivative financial Instruments (from 1 May 2005)

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational and investment activities.

Derivative financial instruments are recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

Notes to the report

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2. Segment information

6 months to 31 October 2005

	Public Services £000	Human Resources £000	Managed Services £000	Group Costs £000	Total £000
Turnover	48,514	56,118	58,032	0	162,664
Divisional operating profit	8,030	14,163	2,603	(1,531)	23,265
Amortisation of customer relationships	(1,685)	0	(1,955)	0	(3,640)
Share option costs	(441)	(507)	(313)	(337)	(1,598)
Group operating profit	5,904	13,656	335	(1,868)	18,027

6 months to 31 October 2004

	Public Services £000	Human Resources £000	Managed Services £000	Group Costs £000	Total £000
Turnover	22,445	54,854	19,517	0	96,816
Divisional operating profit	2,075	12,759	1,623	(1,778)	14,679
Amortisation of customer relationships	0	0	0	0	0
Share option costs	(255)	(293)	(181)	(194)	(923)
Group operating profit	1,820	12,466	1,442	(1,972)	13,756

3. Taxation

The tax charge for the six months ended 31 October 2005 has been based on the estimated effective tax rate for the full year of 34% (six months ended 31 October 2004: 28%).

4. Earnings per ordinary share

Basic earnings per share has been calculated based on the profit for the period of £6,560,000 (2004: £7,366,000) and by reference to 531,431,291 (2004: 492,721,413) ordinary shares being the weighted average number of shares in issue and ranking for dividend during the period, after excluding shares owned by the Northgate Employee Share Ownership Plan.

Diluted earnings per share has been calculated on the profit of £6,560,000 (2004: £7,366,000) and after including the effect of all dilutive potential ordinary shares, which increases the average number of shares to 553,809,886 (2004: 511,384,011).

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

	6 months ended 31 October 2005 £'000	6 months ended 31 October 2004 £'000
Profit for the period	6,560	7,366
Amortisation of customer relationships	3,640	0
Option costs	1,598	923
Deferred tax	204	190
Adjusted Group profit from continuing operations	12,002	8,479
Earnings per ordinary share		
Adjusted basic	2.26p	1.72p
Adjusted diluted	2.17p	1.66p

Notes to the report

(continued)

5. Statement of movement in equity

	<i>6 months ended</i> 31 October 2005 £'000	<i>6 months ended</i> 31 October 2004 £'000
Equity at 30 April	(39,948)	(55,431)
Adoption of IAS 39	(32)	0
	(39,980)	(55,431)
Recognised directly in equity	5,015	(9,488)
Profit for the period	6,560	7,366
Disposal of own shares	19	40
Credit in respect of share related awards	65	923
Equity at 31 October	(28,321)	(56,590)

6. Restatement of 30 April 2005 balance sheet

In accordance with IAS 22, the 30 April 2005 balance sheet has been restated to take into account revisions to the fair values on the Sx3 and MVM acquisitions. These principally comprise a provision on various contracts together with alignments to bring items in line with Northgate accounting policies. These amount to £5.1 million (net of tax). Due to the long term nature of the contracts some fair value adjustments made are still provisional.

7. Transition to IFRS

On 7 November 2005, the Group published an explanation of the impact of the transition to IFRS, restated comparative information for 30 April 2005 under IFRS and reconciliations from UK GAAP. This disclosure note reproduces information from the Group's previous announcement where it is required to be disclosed in these interim financial statements under IFRS 1 'First-time Adoption of International Financial Reporting Standards'.

The impact of the adoption of IAS 32 and 39 with effect from 1 May 2005 is set out below:

Derivative financial instruments

Under UK GAAP, derivative financial instruments to hedge against exposure to interest rate risks are not recognised.

Under IFRS, such assets and liabilities are recognised at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement.

The impact of adoption of IAS 32 and 39 was to recognise on the balance sheet the fair value of all the derivative financial instruments. The difference between the amounts recognised under UK GAAP and IFRS, £0.3 million, was taken through the income statement to equity.

Notes to the report

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7.1 Reconciliation of profit

	<i>6 months ended</i> 31 October 2004 £'000
UK GAAP	1,250
Goodwill	7,020
New intangibles	0
Share based payments	(1,148)
Development expenditure	382
Pension	(169)
Hedging	31
IFRS	7,366

7.2 Reconciliation of equity

	<i>30 April</i> 2005 £'000	<i>31 October</i> 2004 £'000	<i>1 May</i> 2004 £'000
UK GAAP	189,723	161,985	161,052
Goodwill	12,311	7,020	0
New intangibles	(481)	0	0
Share based payments	491	315	139
Development expenditure	1,978	1,595	1,213
Pension	(29,823)	(37,287)	(27,790)
Hedging	0	0	0
Other	(975)	(862)	(751)
IFRS	173,224	132,766	133,863

8. Section 240 statement

The comparative figures for the financial year ended 30 April 2005 are not the Company's statutory accounts for that financial year. Those accounts, which were prepared under UK Generally Accepted Accounting Practices, have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

Although the interim accounts are unaudited, the auditors have carried out a review and their report to the Group is set out on page 15 to this statement.

Independent Review Report to Northgate Information Solutions PLC

Introduction

We have been engaged by the Company to review the financial information set out on pages 6 to 14 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

As disclosed in note 1 to the financial information, the next annual financial statements of the Group will be prepared in accordance with IFRSs adopted for use in the European Union. This interim report has been prepared in accordance with the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards relevant to interim reports. The accounting policies that have been adopted in preparing the financial information are consistent with those that the directors currently intend to use in the next annual financial statements.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 Review of interim financial information issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Emphasis of matter

Without qualifying our review conclusion, we draw your attention to the following matter. As note 1 to the financial information explains, there is a possibility that the Directors may determine that some changes to the accounting policies adopted in preparing the financial information are necessary when the Group prepares its full annual financial statements for the first time in accordance with those IFRSs adopted for use in the European Union.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2005.

KPMG Audit Plc

Chartered Accountants

London

6 December 2005

Directors and advisers

DIRECTORS

Nicholas J Irens* (Chairman)
Christopher M R Stone (Chief Executive)
John R Stier
Malcolm S Aldis
David J Meaden
Jack R Fryer *
Sir Stephen J Lander *
Nick Starritt *
David C Hodgson *

* *Non-Executive*

SECRETARY

John R Stier, FCA

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