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Northgate Information Solutions Limited (Northgate) is a market leader in providing specialist software, outsourcing and information technology (IT) services to the human resources, local government, education and public safety markets.

Northgate currently employs over 8,000 staff in 46 countries across five continents.

NorthgateArinso, the HR division of Northgate, serves approximately 1,000 multinational customers, which includes more than 20% of Global Fortune™ 500, 4,500 large/medium customers and approximately 10,500 small/medium enterprise (SME) customers worldwide.

Globally over 20m employees are managed on a NorthgateArinso software or service, either through one of the eight major business process outsourcing (BPO) service delivery centres, on one of our HR and payroll proprietary software solutions or on one of 800+ enterprise resource planning (ERP) based HR implementations.

In the UK Northgate's services are used in the administration of over £21bn in council tax and benefits, providing key software for handling 90% of emergency calls and providing supporting IT for over 350,000 teachers and students. The many corporate organisations Northgate works closely with include 95% of the UK local authorities and all of the UK's regional police forces.

The original company was founded in 1969 and since that time Northgate has built up 40 years' experience in the IT industry.

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 and proven 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 ISO27001 accredited data centres.

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Northgate has three operating divisions:

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### Delivering Excellence in HR

NorthgateArinso, the HR division of Northgate Information Solutions, was created in 2007 following the acquisition of Arinso International, thus creating a merged entity with more than half a century of combined HR expertise.

NorthgateArinso is a leading global Human Resources software and services provider offering innovative HR business solutions to employers of all sizes, including Global Fortune™ 500 companies and many public sector organisations.

Our vision is simple: we want to be the trusted partner of HR decision makers for improving HR service delivery through smarter processes and more efficient technologies. We help HR executives optimise their HR service delivery through smarter process and more efficient technology, supporting key HR areas like workforce administration, payroll, benefits, recruitment, learning and talent management.

NorthgateArinso's 4,500 employees are dedicated to HR excellence through strategic business consulting, best-of-breed software solutions, outsourcing services and systems integration. NorthgateArinso has offices in 31 countries.



### Making Change Work

Northgate Public Services is an innovative provider of transformation and improvement services to the public sector. It is committed to high quality public services that place individuals and their communities at their heart. Its knowledge and understanding of people's needs are core to its business; as too, is its depth and breadth across public services.

Northgate's task is to enhance public value through the intelligent use of people and technology; to understand why and what change is necessary; to provide new thinking leading to improved

performance; and to link company rewards with realisable outcomes for the communities for whom it works.

The public services business has the strength and breadth to provide complex and innovative solutions to the challenges facing public services at a time of unprecedented demand and need. Our services are designed to meet the changing needs and expectations of citizens for high quality services built around individual needs. From supporting the National Health Service and the welfare state, helping the police prevent crime, assisting local councils to build places that people are proud to live in, strengthening the security services' fight against terrorism and Government's attempts to combat climate change, Northgate's services touch most people's lives everyday.



### Making IT Work

Northgate Managed Services provides infrastructure services to both public and private sector organisations and specialist managed services in the education, government and utilities sectors.

We work in partnership with our customers to gain a deep understanding of their objectives and design, implement and deliver services and solutions to meet these needs. Our goal is to make IT work harder for our customers, delivering efficiencies and unlocking the potential of IT to transform organisations.

### Managed Services

Our IT Infrastructure Library (ITIL) based, accredited Information and Communications Technology (ICT) managed services offer customers a range of options from outsourcing a single element of their IT to a full outsource including TUPE transfer of staff. Our partnership ensures that customers continue to exploit the full potential of IT with the flexibility to respond to changing market conditions.

### Infrastructure Services

Northgate's range of infrastructure services and solutions help organisations meet ever increasing demands on IT as a key business tool. Working with our customers we help to solve their business issues from protecting their infrastructure and data, to exploiting convergence technologies, protecting the environment while reducing costs and improving efficiencies.



# Market Leader

### Financial Highlights (including pro forma financial highlights for the year ended 30 April 2008)

For the year ended 30 April 2009 the financial information is based on a full year's audited statutory results. For the year ended 30 April 2008 the financial information is based on pro forma unaudited financial information<sup>1</sup>.

To enable the users of the accounts to better understand the performance of the Group, the adjusted operating profit for continuing operations for the year ended 30 April 2009, pro forma for the year ended 30 April 2008 and for the statutory period ended 30 April 2008 has been prepared on an adjusted basis, which adds back items typically adjusted for by users of the accounts, which means before significant restructuring, one-off incident, property provisions, amortisation of acquired intangibles and option related costs. The one-off incident relates to costs associated with the loss of our head office in December 2005 following the Buncefield explosion, which has taken a number of years to resolve.

An adjusted operating profit before depreciation of property, plant and equipment and amortisation of other intangible assets is also presented for all periods.

	Year ended 30 April 2009 Statutory (audited)	Year ended 30 April 2008 Pro forma (unaudited)
Revenue	. m	£542.8m
Adjusted operating profit before depreciation and amortisation	. m	£103.6m
Adjusted operating profit	. m	£77.5m
Significant restructuring, one-off incident, property provisions and amortisation of acquired intangibles and option related costs	£(76.8)m	£(63.3)m
<b>Group operating profit</b>	<b>. m</b>	<b>£14.2m</b>

### Statutory Financial Highlights

The statutory results of the enlarged Group for the prior period cover the period from incorporation on 3 December 2007 to 30 April 2008 and include trading of the acquired Group from 5 March 2008 to 30 April 2008. The summary results below are taken from the statutory financial statements set out on pages 36 to 55

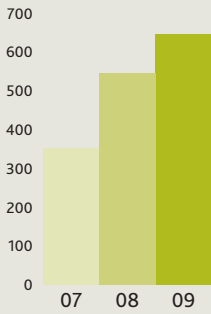
	Year ended 30 April 2009	Period ended 30 April 2008
Revenue	. m	£113.0m
Adjusted operating profit before depreciation and amortisation	. m	£32.0m
Adjusted operating profit	. m	£26.4m
Significant restructuring, one-off incident, property provisions and amortisation of acquired intangibles and option related costs	£(76.8)m	£(29.2)m
<b>Group operating profit/(loss)</b>	<b>. m</b>	<b>£(2.8)m</b>

<sup>1</sup> The Company was incorporated on 3 December 2007 as Northgate Holdings No. 5 Limited. On 5 March 2008 it acquired the Group headed by Northgate Information Solutions plc (the acquired Group) to form the enlarged Group. On 24 July 2008 Northgate Holdings No. 5 Limited changed its name to Northgate Information Solutions Limited and Northgate Information Solutions plc changed its name to Northgate Information Solutions Holdings Limited. To assist investors and other stakeholders in understanding the performance of the enlarged Group, unaudited pro forma financial information has been prepared for the year ended 30 April 2008 to show the results from continuing operations of the acquired Group as if the acquisition of the acquired Group by the enlarged Group had always been in place.

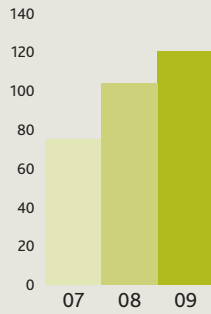
### Group

Operating profit grew by 16%

Revenue



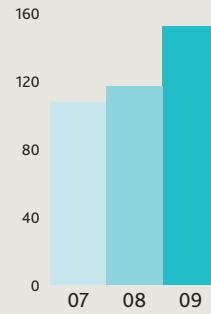
Operating profit



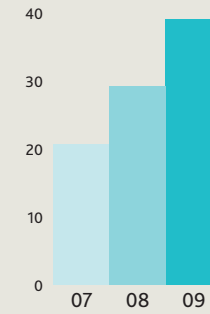
### Northgate Public Services

Northgate Public Services turnover up 30%  
Northgate Public Services profit up 33%

Revenue



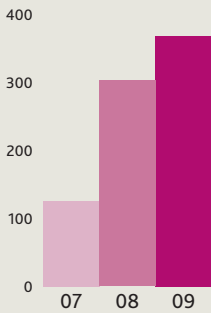
Operating profit



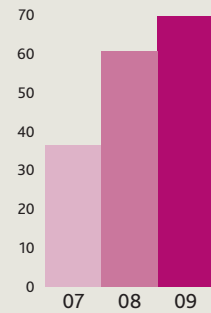
### NorthgateArinso (Human Resources)

NorthgateArinso turnover up 22%  
NorthgateArinso profit up 15%

Revenue



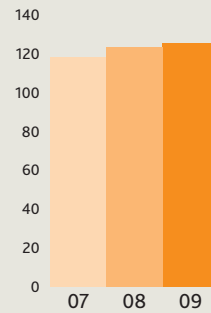
Operating profit



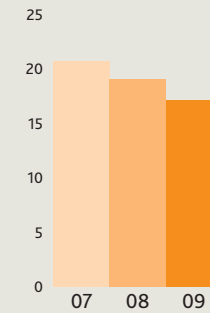
### Northgate Managed Services

Northgate Managed Services turnover up 2%

Revenue



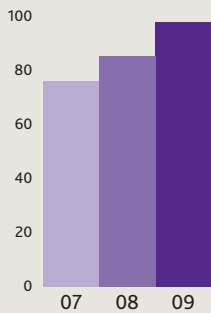
Operating profit



### Operating Cash Flow

Operating cash flow up 15%

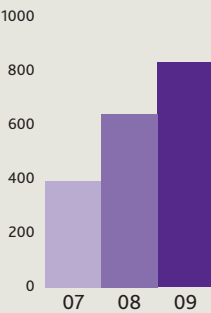
Cash flow



### Order Book

Order book up 20%

Order book





Chris Stone  
Group Chief Executive

I am pleased to be able to report another very successful year for Northgate Information Solutions.

We have continued to expand in all areas, despite the difficult economic conditions, which became increasingly apparent in our business as the year progressed.

Revenue for the year to 30 April 2009 rose 19% to £645.6m, driven by a contribution from Anite Public Sector (Anite PS) which was acquired at the end of October 2008, organic growth in the business and currency gains. Adjusted operating profit before depreciation and amortisation rose by 16% to £120.1m, thanks to strong performances from NorthgateArinso and Northgate Public Services, which included a six month's contribution from Anite PS.

The year was characterised by a number of important contract wins and the roll-out of recently awarded contracts in each division. As a result our overall order book grew by 20% to £826.5m, which included organic growth of 10% and the addition of the Anite PS order book.

The performance was particularly satisfying since this was Northgate's first full year under the ownership of funds advised by Kohlberg Kravis Roberts (KKR), which acquired the business under a scheme of arrangement on 5 March 2008. That ownership is proving to be one of our major strengths in the current environment; the fact we have a strong supportive shareholder is enabling us to invest in our business during the downturn when we are seeing substantial opportunities in a number of areas. I would also like to take this opportunity to thank all 8,088 of our staff once again for their continued hard work and for making this financial performance possible.

**Opportunity**

Perhaps the most important event of the year from a corporate perspective was our £50.8m (net cash outflow) acquisition of Anite Public Sector Holdings Limited (Anite PS), which was announced in August 2008 and completed on 31 October 2008. We had long recognised that this business would be an excellent fit with Northgate Public Services and would consolidate its position as the leading provider of innovative services to the public services market in the UK.

The opportunity arose to acquire the business and we were able to take advantage of it, with support from our long-term shareholders and other financial backers. Anite PS's leading position in social

care and corporate enterprise management information systems complement our leading position in revenues and benefits, citizen relationship management systems and housing. The combined business can now offer a full suite of services to local government housing and the not-for-profit sector. Anite PS's experience of advising on major business change and technology programmes within the criminal justice market also provides the division with an unrivalled capability of delivering business focused change programmes and integrated services.

Shortly before this, in July 2008, we acquired Techsas for a total consideration of £2.3m. This acquisition enables Northgate to provide proactive business process support and change management programmes to the policing and criminal justice markets and further enhances our capacity to provide end-to-end enterprise management of operational policing information in anticipation of customers' needs for better systems at lower cost.

Again this demonstrates how in-fill acquisitions can enhance our position in chosen markets and that we are able to identify and execute these types of transactions when the opportunity presents itself.

At the same time we continue to develop attractive organic growth opportunities. NorthgateArinso is seeing increasing demand from multinational clients, since many need to upgrade their HR platform before undertaking significant cost-saving programmes. Northgate Kendric Ash, the performance partnership subsidiary that we acquired in 2007, had an outstanding year and has now delivered savings worth more than £150m to public sector clients. Equally our education business that provides services to schools across the UK continues to enjoy strong organic growth as the Government invests in infrastructure and IT to transform the quality of education which children receive.

**Efficiency**

Whilst we took a series of steps to expand the business throughout the year we were well aware of the economic headwinds we have been driving against. As a result we undertook a comprehensive efficiency programme throughout the Group and focused on making a wide range of savings throughout all three of our divisions. Overall we reduced underlying headcount by 575, although the total number of Group employees rose by 1,093 to 8,088 during the year, largely as a result of acquisitions and people joining the Group in near and offshore locations to meet clients' outsourcing needs. Underlying overheads fell as a result of these and other non-payroll saving initiatives.

One area where we have made significant progress is in offshoring or "right-shoring" as we term it - where we aim to tap into highly skilled pools of local labour in centres that are conveniently close to our major customers. Part of this has involved establishing European Regional Delivery Centres in Katowice in Poland and Granada in southern Spain that offer both greater efficiency and lower cost so that our solutions remain competitive.

Our HR business was a particular focus of this overall efficiency programme as we worked hard to increase operating margins and

provide clients with competitive global solutions to meet their needs in a difficult trading environment. In the year as a whole the underlying operating margin of the HR business rose from 19.7% to 20.1% at constant currency rates. This drive on efficiency has allowed operating margin in the ex-Arinsio business to grow from 12.1% at the time of acquisition to 12.7% in the year to 30 April 2009.

We provide more details on our divisional performance on the following pages but here is a brief overview on each.

#### NorthgateArinsio

NorthgateArinsio had an excellent year, in which it benefited fully from the 2007 acquisition of Arinsio. This has transformed the business into a truly international provider of HR services. NorthgateArinsio now counts more than 20% of the Global Fortune™ 500 among its clients and delivers payroll services in more than 40 countries on all five continents.

During the year, we continued to win significant new clients and began to deliver services to other recently acquired ones, such as Cadbury.

In these difficult economic times, when many companies are looking at shrinking or reorganising their workforce, they view efficient HR systems and processes as an essential prerequisite. As a result we are now working more closely than ever with our clients to supply systems and services that meet their needs.

In February 2009, we were delighted to welcome Mike Ettling to the Group from Unisys to become NorthgateArinsio's CEO. Mike has an international track record in managing large global outsourcing and infrastructure businesses and is already making a significant impact in the development of NorthgateArinsio.

#### Northgate Public Services

Northgate Public Services had an outstanding year. Not only did it make great strides in integrating Anite PS as described previously, but it won a significant amount of new business in areas such as health and social care, business transformation partnerships and energy efficiency. In the former category we were very pleased to win a three-year contract to deliver Patient Related Outcome Measures (PROMs), a new system intended to collect and monitor patient feedback, which helps to re-establish Northgate in the healthcare sector.

The business is capitalising on its scale and leading technology to expand into other new and growing markets such as the assessment of energy efficiency and a breakthrough contract with The Insolvency Service. Increasingly we are finding that our core systems and leading IP are enabling us to tender for work in new areas and also tackle larger and more complex projects.

#### Northgate Managed Services

2008/2009 was largely a year of development for Northgate Managed Services as it continued to roll out some of the substantial Building Schools for the Future orders and also tender for a large number of contract renewals or extensions from existing clients. Due to economic conditions and the intense competition in the

UK IT sector, we witnessed a decline in revenues from our utilities and infrastructure operations, although this was more than offset by a 33% increase in revenues from education.

Looking ahead we were very pleased to win the renewal of our contract with Viridian post year end and with the volume of work we continue to see in the education sector. Overall, our pipeline of prospective new business remains strong, a direct result of the division's focus on organic growth.

#### The Future

In a world dominated by economic uncertainty and recession, Northgate Information Solutions sits in a strong position. Not only does it own three market-leading businesses but it supplies vital IT and change management services to its clients in both the public and private sectors that are unlikely to feel the full force of the discretionary spending cutbacks that are currently so common in other business sectors. The Group often provides mission critical systems to clients that need support regardless of the economic outlook. We also provide a lot of outsourced services and change management services that save clients money. We expect these services to be in high demand during a period of economic decline.

We expect all three of our businesses to grow this year, based on their strong new business pipelines and a full contribution from recent acquisitions such as Anite PS.

Our goals for each business remain the same. We will continue to invest in NorthgateArinsio as it develops further scale and expertise in international markets. We are particularly keen for it to develop a larger presence in North America. We will capitalise on the strong platform that Northgate Public Services has created from the acquisition of Anite PS, widening and deepening our public service presence. In Northgate Managed Services we will take advantage of the excellent position the business has built in education, whilst developing the new business pipeline and securing firm contracts from the wealth of opportunities that are currently at our disposal.

Our three businesses complement each other well and continually share knowledge and expertise. At the same time it is reassuring to know that each could function extremely well as standalone businesses given their respective leadership positions. Our long-term shareholders and financing providers have been extremely supportive and together we continue to look for opportunities to develop the business.

Once again I would like to thank all our customers. We never forget the trust they place in us to run critical parts of their infrastructure and manage their data and we will continually look for ways to improve our service to them.

**Chris Stone**  
Group Chief Executive

19 August 2009

## PRO FORMA FINANCIAL RESULTS

### Basis of Preparation

For the year ended 30 April 2009, the financial information is based on a full year's audited statutory results. For the year ended 30 April 2008, the financial information is based on pro forma unaudited financial information<sup>2</sup>.

To enable the users of the accounts to better understand the performance of the Group, the adjusted operating profit for continuing operations for the year ended 30 April 2009 and year ended 30 April 2008 has been prepared on an adjusted basis, which adds back items typically adjusted for by users of the accounts, which means before significant restructuring, one-off incident, property provisions, amortisation of acquired intangibles and option related costs. The one-off incident relates to ongoing costs associated with the loss of our head office in December 2005 following the Buncefield explosion. An adjusted operating profit before depreciation of property, plant and equipment and amortisation of other intangible assets is also presented. Adjusted operating profits have been presented to add back items typically adjusted for by users of the accounts.

### Consolidated Income Statement

#### *For the Year Ended 30 April 2009 (Year Ended 30 April 2008: Unaudited Pro Forma Financial Information)*

	Before one-off incident 2009 £'000	One-off incident £'000	After one-off incident 2009 £'000	Before one-off incident 2008 £'000	One-off incident £'000	After one-off incident 2008 £'000
Continuing operations						
Revenue	,	-	,	542,782	-	542,782
Operating costs	( , )	(4,609)	( , )	(526,630)	(1,995)	(528,625)
Operating income	-	4,000	,	-	-	-
<b>Group operating profit</b>	,	(609)	,	16,152	(1,995)	14,157
<b>Operating profit before significant restructuring, one-off incident, property provisions, amortisation of intangibles, option related costs and depreciation</b>	,	-	,	103,626	-	103,626
Amortisation of other intangible fixed assets	( , )	-	( , )	(5,758)	-	(5,758)
Depreciation of tangible fixed assets	( , )	-	( , )	(20,330)	-	(20,330)
<b>Operating profit before significant restructuring, one-off incident, property provisions, amortisation of acquired intangibles and option related costs</b>	,	-	,	77,538	-	77,538
Significant restructuring and property provisions	( , )	(609)	( , )	(33,419)	(1,995)	(35,414)
Amortisation of acquired intangibles	( , )	-	( , )	(21,032)	-	(21,032)
Option related costs	( , )	-	( , )	(6,935)	-	(6,935)
<b>Group operating profit</b>	,	(609)	,	16,152	(1,995)	14,157
Financial income	,	-	,	1,976	-	1,976
Financial expenses	( , )	-	( , )	(47,198)	-	(47,198)
<b>Net financing costs</b>	( , )	-	( , )	(45,222)	-	(45,222)
Loss before tax	( , )	(609)	( , )	(29,070)	(1,995)	(31,065)
Tax credit	,	171	,	6,976	579	7,555
<b>Loss for the year</b>	( , )	(438)	( , )	(22,094)	(1,416)	(23,510)
<b>Attributable to:</b>						
Equity holders of the parent	( , )	(438)	( , )	(22,094)	(1,416)	(23,510)

<sup>2</sup> The Company was incorporated on 3 December 2007 as Northgate Holdings No. 5 Limited. On 5 March 2008 it acquired the Group headed by Northgate Information Solutions plc (the acquired Group) to form the enlarged Group. On 24 July 2008 Northgate Holdings No. 5 Limited changed its name to Northgate Information Solutions Limited and Northgate Information Solutions plc changed its name to Northgate Information Solutions Holdings Limited. To assist investors and other stakeholders in understanding the performance of the enlarged Group, unaudited pro forma financial information has been prepared for the year ended 30 April 2008 to show the results from continuing operations of the acquired Group as if the acquisition of the acquired Group by the enlarged Group had always been in place.

### Divisional Highlights

In order to better demonstrate the performance of the Group, the revenue and divisional operating profit for continuing operations has been prepared on an adjusted basis which adds back items typically adjusted for by users of the accounts, which means before significant restructuring, one-off incident, property provisions, amortisation of acquired intangibles and option costs.

#### Year Ended 30 April 2009 – Statutory, Audited

	Northgate Public Services £'000	Northgate Arinso (Human Resources) £'000	Northgate Managed Services £'000	Central £'000	Total £'000
Revenue	152,043	368,293	125,239	-	,
Divisional operating profit before depreciation and amortisation	39,017	69,643	17,126	(5,655)	,

#### Year Ended 30 April 2008 – Pro Forma, Unaudited

	Northgate Public Services £'000	Northgate Arinso (Human Resources) £'000	Northgate Managed Services £'000	Central £'000	Total £'000
Revenue	116,955	302,674	123,153	-	,
Divisional operating profit before depreciation and amortisation	29,246	60,458	19,084	(5,162)	,

#### Reconciliation Between Pro Forma and Statutory Financial Results

	2009 £'000	2008 £'000
Revenue – continuing operations		
Pro forma revenue	,	542,782
Relating to the pre-acquisition period	-	(429,748)
Statutory revenue (see page )	,	113,034
Adjusted operating profit – continuing operations		
Pro forma adjusted operating profit	,	77,538
Relating to pre-acquisition period	-	(51,089)
Adjusted statutory operating profit (see page )	,	26,449
Significant restructuring and property provisions	( , )	(21,789)
Amortisation of acquired intangibles	( , )	(7,417)
Option related costs	( , )	-
Statutory operating profit/(loss) (see page )	,	(2,757)



### Basis of Preparation

The results of Northgate's three divisions are presented in the divisional reviews on pages 11 to 19.

In order to better demonstrate the performance of the divisions within the enlarged Group, revenue and divisional operating profit for continuing operations have been prepared on an adjusted basis which adds back items typically adjusted for by users of the accounts, which means before significant restructuring, one-off incident, property provisions, amortisation of intangible assets, option related costs and depreciation of property, plant and equipment.



**Mike Ettling**  
Chief Executive,  
NorthgateArinso

### NorthgateArinso (Human Resources)

	2009	2008	% Change
Turnover	. m	£302.7m	21.7%
Divisional operating profit before depreciation and amortisation	. m	£60.5m	15.0%
Divisional operating margins	. %	20.0%	(5.5)%
Order book	. m	£415.4m	24%
Pipeline	. m	£963m	26%

NorthgateArinso is one of the world's leading global Human Resources software and services providers and offers innovative HR business solutions to 15,000 employers of all sizes, including Global Fortune™ 500 companies and many public sector organisations.

Our 4,500 employees are dedicated to HR excellence through strategic business consulting, outsourcing services, systems integration and best-of-breed software solutions. We have offices in 31 countries across five continents and deliver HR services to companies with a combined estimated total of 20m employees worldwide.

### Highlights for the Year

- Full-year contribution from Arinso operations; integration of NorthgateArinso complete.
- significant new business gains and delivery of Cadbury contract;
- rise in underlying margins at constant currency rates at original Arinso business;
- successful implementation of offshoring and "near shoring" programme that reduces costs whilst maintaining highest customer service levels;
- strong growth in revenue, operating profit, order book and pipeline; and
- wins SAP Pinnacle Award for outstanding contribution to Business Process Outsourcing.

### Trading Review

This was the year in which NorthgateArinso came of age. The acquisition of Arinso in 2007 gave us the platform to build a truly global HR systems business. In the year under review we began to deliver on its potential. The division was renamed NorthgateArinso in May 2008, as a strong statement to everyone about our determination to operate as a single business.

A full year's contribution from the Arinso business as well as a continuing flow of significant business wins plus currency gains helped to increase revenues by 21.7% to £368.3m, whilst operating profit rose a similar percentage to £69.6m. Organically at constant currency, revenue and operating profit grew by 4.7% and 6.8% respectively. Underlying operating margin at constant currency rates rose from 19.7% to 20.1%.

A major feature of the year was the trust that customers, both existing and new, placed in us. Thanks to our scale as well as our product range, NorthgateArinso is regarded by the HR community as a secure choice for managing critical HR systems.

Partly as a result of this, our new business record was strong. Our multinational service to Cadbury went live in 17 countries and we signed a number of notable new clients such as BNP Paribas, Schering Plough and Securex in Belgium, whilst in the UK we signed or re-signed a number of significant customers, including most recently Argos who agreed an eight-year contract with us to supply HR services to its 30,000+ employees. NorthgateArinso now provides HR services to one in three employees in the UK.

We have also continued to develop our product cycle and innovate in key areas of customer demand. Already in 2009 we have introduced a new key solution – euHReka OnDemand – targeted at the largest businesses across the globe, with a further key solution – ResourceLink Aurora – launched in June 2009. The key to both these new platforms is flexibility, speed and reduced cost as well as improved functionality. Each has already had positive feedback from clients.

In addition we are innovating in a number of areas, particularly in environmental awareness. We have teamed up with Carbon Footprint, the environmental consultancy, to add a CO<sub>2</sub> calculator onto the Empower HR platform to calculate the carbon consumption of business travel and in an increasing number of circumstances we are supplying clients with payslips printed on recycled paper.

Another successful development area is Reward Management where our systems can now reassure employers that they are paying the same rates to the same level of employees on different sites.

Our relationship with SAP continues to deepen and we were delighted last year to win a Pinnacle Award as a leading SAP partner for our contribution to Business Process Outsourcing (BPO). One of the key features of NorthgateArinso as we develop is our move towards full BPO as large organisations increasingly entrust us with their HR operations as a whole, enabling them to focus on their commercial activities.

### The Future

NorthgateArinso is looking to the future with confidence, despite the economic conditions. Many organisations are undergoing significant structural changes and need flawless HR systems to achieve change and we are seeing increasing demand from that area. HR is a vital system for any business, large or small, and while no business will ever be completely immune from economic reality, our services are some of the last to be affected by discretionary cuts.

Today we are one of the world's five largest HR providers and we are increasingly able to deliver competitive solutions to the world's largest businesses. One of our priorities though must be to develop our business in the US where we have been historically under-represented and where a high proportion of the world's largest corporations are based or have significant operations. We will continue to review options to develop our US presence in the course of the coming year.



### Clariant

Clariant, a world leader in speciality chemicals, wanted to harmonise the HR information systems of its numerous divisions and subsidiaries on five continents and decided to integrate the SAP HR and Payment module for all its entities around the world. In France in particular the Group had five industrial sites and as many payroll systems. The challenges of this project were twofold:

- A technical challenge: to meet the demand of the Clariant Group, which was to have as many applications as possible in SAP, in order to facilitate reporting on the basis of a common Group-wide database.
- A human challenge: to federate the HR teams representing the various establishments and thus lead to a degree of transparency in the payroll and administration systems.

Originally in 2000, Clariant in France launched an invitation to tender for the implementation of the Time Management, HR Development and Payroll Management modules and chose NorthgateArinso to carry out this project.

NorthgateArinso contributed its SAP expertise and project methodology by segmenting the tasks and by providing expert solutions based on the different possibilities offered by SAP. For the entire duration of the project (one year), NorthgateArinso managed the interfaces, carried out the statutory tests and parameterised the modules to be integrated with those already in place. The project was successfully launched in January 2002.

Since then NorthgateArinso's relationship with Clariant has continued to expand and evolve. In 2007, following the acquisition of the Masterbatches business from the CIBA Group by Clariant, NorthgateArinso integrated the 170 employees into the Clariant payroll system, in the space of two months.

After the completion of this project, Clariant and NorthgateArinso discussed the best way of maintaining the system put in place. It was decided in March 2007 that NorthgateArinso would provide Clariant with Europe-wide evolutive and legal maintenance. The operations department of NorthgateArinso is now in charge of specific parameterisations and constitutes the support service for the manager of the payroll module.

NorthgateArinso Switzerland, Great Britain, Germany and Spain, for their part, are responsible for the maintenance of the system put in place at local level. Clariant France continues to closely monitor developments in order to remain integrated within a European context.

“We have built a relationship of trust with NorthgateArinso, with whom we have worked for more than seven years. Throughout all the different projects that we have carried out together, we have been able to count on the HR expertise and the understanding of our needs offered by the NorthgateArinso experts.”

Christine Laval  
Deputy HR Manager at Clariant

# Growth





**David Meaden**  
Chief Executive,  
Northgate Public Services

**Northgate Public Services**

	2009	2008	% Change
Turnover	. m	£117.0m	29.9%
Divisional operating profit before depreciation and amortisation	. m	£29.2m	33.6%
Divisional operating margins	. %	25.0%	2.8%
Order book	. m	£128.1m	47%
Pipeline	m	£106m	61%

Northgate Public services provides transformation and improvement services to the public sector. It is committed to working in innovative partnerships that develop sustainable solutions which place the citizen at their heart.

Its knowledge, understanding and day-to-day hands-on experience of working with public services are key to its continuous success. The division works with 95% of local authorities, every police force, and a large number of health organisations, housing associations, utilities and transport companies throughout the UK.

The division's task is to enhance public value through the intelligent use of people and technology; to provide new thinking that leads to improved performance; to understand why and what change is necessary; and to link company rewards with positive outcomes for the communities it ultimately services. The division supports corporate and service transformation through sustainable performance partnerships. Its services embrace local government, environment and planning, energy efficiency, public safety and enforcement, health and social care, housing, revenues and benefits, financial management and transport.

**Highlights for the Year**

- Acquisition of Anite PS creates powerful new partner for public services;
- most successful financial year to date – revenues up 29.9% to £152.0m, profits up 33.6% to £39.0m;
- strong growth in order book and pipeline;
- major breakthroughs in health and social care business at the heart of the personalisation agenda;
- corporate transformation services at Blackburn with Darwen and Telford & Wrekin; and
- innovation in IP leads to major Insolvency Service contract.

**Trading Review**

This year has been the most successful year in the history of Northgate Public Services. Revenues increased by 29.9% to £152.0m and profits increased by 33.6% to £39.0m. The business has grown through acquisition and organically. Underlying revenue and operating profit grew by 4.1% and 9.3% respectively.

Whilst the economic downturn has placed even further constraints on our clients, public expectation about the need for quality public services remains high. Delivering better for less has never been more important. Building services around people's needs requires radical transformation of traditional service delivery mechanisms. Northgate Public Services' knowledge and understanding of the changing problems and pressures facing our public service clients has given us renewed impetus to focus on providing our partners with new ways of improving services, whilst at the same time delivering cashable savings wherever practicable. Growth is focused on developing incremental partnerships which prove their value through performance and outcomes, and in which risk is increasingly shared or largely borne by us.

**Acquisitions**

The acquisition of Anite PS marked a watershed in our history. It provides the public services business with an innovative and powerful partner prepared to collaborate to combat the current economic, social and environmental challenges that we face. The division now has the agility and flexibility to respond to changing needs; the capacity and capability to deliver corporate transformation; the width and breadth across public services to promote place shaping partnerships between public bodies; and the size and scale to deliver major programmes based on a track record built on trust. Our clients' response has been overwhelmingly positive and we are actively engaged in consulting with them on future market developments. The acquisition of Techsas helped us to strengthen our case management services in the criminal justice arena.



“Reinforcing our relationship with Northgate, we can ensure that the Newborn Hearing Screening Programme continues to work effectively as an invaluable public health service for clinicians, newborn babies and their families.”

Prof Adrian Davis OBE  
for the NHS Newborn Hearing  
Screening Programme

### Making Change Work in Times of Need

The enlarged public services business now has the strength and breadth to provide more complex and innovative solutions to the challenges facing public services at a time of unprecedented demand and need. With its additional capacity and capability, our services are designed to meet the changing needs and expectations of the citizen for high quality services built around individual needs. From supporting the National Health Service and the welfare state, helping the police prevent crime, assisting local councils to build places that people are proud to live in, strengthening the security services' fight against terrorism and Government's attempts to combat climate change, Northgate's services touch most people's lives every day.

In an innovative three-year contract where risk is transferred to the contractor, Northgate is now responsible for administering and aggregating the data obtained from Patient Reported Outcome Measures (PROMs). PROMs are an important part of the government's strategy to improve the quality of care in the NHS. The improvement of clinical quality and outcomes are at the heart of NHS reforms. Making quality of care the key organising principle of the NHS was a key recommendation of High Quality Care for All, the NHS Next Stage Review Final Report – an extensive review of the health service which reported last year.

This contract builds upon our work in delivering innovative solutions for NHS Screening Programmes. This year we extended our partnership with the Newborn Hearing Screening Programme, widely recognised as the most advanced hearing screening programme in the world.

### Organic Growth

Organic growth has been fuelled by the further development of new areas of business such as health and social care services, business transformation partnerships and energy efficiency.

It has also been supported by our internal innovation programme. This has identified new methods of sharing risk, new uses for existing intellectual property, and new public value added services to offer our clients at this time of increasing need.

The acquisition of Anite PS has given us the opportunity to innovate and further develop our health and social care service around the needs of the citizen and the issue of personalisation. This year we made two significant breakthroughs. We won the three-year contract for Patient Related Outcome Measures (PROMs). These measure the success of operations as reported by patients themselves. They help make the patient a participant in healthcare delivery, rather than simply a recipient. We also successfully supported three of our clients – Hampshire and Lincolnshire County Councils and Westminster City Council – in gaining additional Government funding under the Government's Common Assessment Framework (CAF) for Adults Demonstrator Site Programme (DSP). These authorities are working in partnership with Northgate to develop solutions that will promote personal budgets, the streamlining of assessments and the growth of self service and self-directed support, helping citizens have greater control over

their lives and the care that they receive. We have extended our work in preventative services for health. In addition to the Newborn Hearing Screening Programme, we have been awarded the contract to administer the physical screening of infants. We look forward to developing our three-year innovation partnership with the Association of Directors of Adult Social Services (ADASS) aimed at promoting and encouraging information exchange between the public and private sectors to deliver positive social care outcomes.

This year has seen exponential growth in the business transformation services that we offer to the public sector. These move away from the traditional outsourcing model. Instead, they focus on the public service client's need for positive outcomes in delivery, and the effective and efficient use of resources to meet these demands. Typically, the commercial model links 100% of fees to the delivery of agreed outcomes with full fee rebates if these are not delivered, and a guarantee that cashable savings identified through our work will cover the cost of fees. We have successfully won enterprise-wide transformation programmes with Blackburn with Darwen and Telford & Wrekin. Other significant contracts are with Hammersmith & Fulham Homes to deliver the Decent Homes programme and significant efficiency savings by 2010, and an extended partnership with the London Borough of Croydon which we anticipate will provide us with future opportunities for shared growth.

Our energy performance services are dedicated to combating climate change. Our energy assessor services now cover every region in the UK and every type of building covered by certificates. These include commercial property, private property and public buildings. We also expanded our services to the social housing sector and have built a solid base of clients. Our focus increasingly will be on how we can work with our partners to deliver energy efficiency savings on an individual and community needs basis.

Innovation in what we deliver, how we deliver and how we charge for delivery is helping to create much needed breakthroughs in business as part of our expansion. Innovation in the use of our intellectual property led to a breakthrough contract with The Insolvency Service. Our five-year partnership is designed to transform services and enhance the efficiency and effectiveness of the redundancy payments service, as part of The Insolvency Service's Enabling the Future programme. An increasing number of our contracts are based on outcomes, as are the services we deliver. Our Single Person Discount Review Service offers authorities a completely self-funded service, where payments are only made for cancellations of single person discounts from cashable savings.

The underlying growth within our traditional business areas results from a number of factors including our increasing engagement at a strategic level with more complex and larger contracts, the growing number of collaborations that we enjoy with larger organisations at a national and local level, and new clients from the private sector who recognise the value of the services that we have to offer.

This year saw the launch of CJ Know How – a unique performance management system for the criminal justice service. Northgate is working in partnership with Logica to provide this service to the Office for Criminal Justice Reform. It was also announced this year by the National Police Improvement Agency that the two would work together on the design, build and operation of the Police National Database (PND).

“I have confidence in Northgate's Guardian solution because of its flexibility and the fact that I do not have to continually spend money to keep up to date with the latest developments. This flexibility allows those who need it to get the information they need when they need it.”

Alan Goodwin, Deputy Chief Constable, Derbyshire Constabulary

We delivered a growing range of our services to Service Birmingham including planning, building control, housing and benefits. In housing we continued to perform well with significant partnerships established, including our work in Australia with both New South Wales and Australian Capital Territories.

Increasingly, our services are being taken up by the private and not-for-profit sector as the landscape of public services shifts. In areas as diverse as transport, energy efficiency and communications control, the private sector is increasingly looking to us to deliver. Our communications control equipment is now used by Heathrow Terminal 5, Virgin Trains, Network Rail, London Underground and Manchester Metronet.

### Outlook

We are confident that the business will continue to grow despite further constraints in public services spending. Our confidence is based on our ability to successfully manage and administer an expanding business and to deliver new propositions which meet the changing needs of the public services market. We will continue to pursue acquisitions which add value to our clients and strengthen our business. We will form new partnerships to strengthen our understanding of the markets and the public policy implications of what we do.

Northgate's commitment to innovation, its experience, knowledge and skill, combined with its track record on delivery ideally place it to take advantage of the new opportunities to radically transform services. These must prevent harm and promote well-being; support locally empowered services which are nationally accountable and transparent; and deliver efficiency and effectiveness at the same time.

In all areas of public services, there is increasing emphasis on transformation, personalised services, improvement in the quality of service outcomes provided to the public and in public satisfaction. We have embraced the fact that traditional delivery mechanisms are increasingly under review and that innovation and new models for organising and improving delivery are required. We aim to consolidate the significant steps we have taken this year, into further propositions that will strengthen our clients' ability to meet the severe challenges they face over future years, to work in partnership to deliver stronger public services that are better for less.

“Sustainable transformation is at the heart of our vision for Birmingham, and our partnership with Northgate will radically improve services and make a real difference to people's lives. e-Planning is a key element of our wider transformation programme to provide the local services that the public deserves.”  
Cllr Paul Tilsley, Deputy Leader of Birmingham City Council





**Andy Ross**  
Chief Executive,  
Northgate Managed Services

**Northgate Managed Services**

	2009	2008	% Change
Turnover	. m	£123.2m	1.6%
Divisional operating profit before depreciation and amortisation	. m	£19.1m	(10.5)%
Divisional operating margins	. %	15.5%	(11.6)%
Order book	. m	£113.4m	9%
Pipeline	m	£128m	52%

Northgate Managed Services provides infrastructure services to both public and private sector organisations and specialist managed services in the education, government and utilities sectors.

We work in partnership with our customers to gain a deep understanding of their objectives to design, implement and deliver services and solutions to meet these needs. Our goal is to make IT work harder for our customers, delivering efficiencies and unlocking the potential of IT to transform organisations. We have partnerships with leading technology organisations including Microsoft, Compuware, VMWare, Symantec, Cisco, Citrix, HP and Dell.

We work in a number of key sectors, including education, where we are a leading supplier of Information and Communications Technology (ICT) services and are delivering a number of key services under the Building Schools for the Future (BSF) programme. We also operate in energy and utilities, central and local government and commercial sectors where we have a wide range of long-term strategic partnerships with our clients.

**Highlights for the Year**

- Won significant new contracts and secured key renewals in the year across all sectors;
- awarded £29m contract to deliver ICT services to Kent County Council's BSF programme;
- awarded five-year, £45m contract renewal by Viridian post year end to provide ICT managed services;
- secured £26m, two-year extension to supply ICT services, including the management of 22,000 PCs in 285 schools in Northern Ireland; and
- new order pipeline grew during year by 52%.

**Trading Review**

The business grew revenue organically by 1.6% in 2008/2009 to £125.2m, with declining revenues in the Infrastructure Solutions and Utilities businesses offset by a 33% increase in Education revenues. Operating profit declined in both absolute and relative terms by £2.0m to £17.1m mainly due to investment in new contract roll-outs and highly competitive market conditions. Northgate Managed Services' reported and organic results are consistent with the business being UK based and not completing any acquisitions in the year. We have won a significant number of renewals and extensions with our existing clients over the last year helping to secure long-term earnings visibility. This led to our order book growing 9.4% to £124.1m at 30 April 2009. Margins are under pressure however reflecting the price competitiveness of the current UK IT market. It is also a reflection of the current economic conditions where clients are reducing short-term spend on discretionary projects and technology refresh. To help combat this we have focused on driving efficiencies in the business over the last year and also continued to invest in our education business, which we see as a long-term source of growth for the business.

**BSF and Academies**

In Bristol we have completed implementation of all five phase 1 schools on time and to budget. We continue to work with the Local Education Partnership on the next phase of schools. The last school to open, Bridge Learning Campus, is an all through school including nursery, primary, secondary and special education needs (SEN) facilities with a vision of re-engaging the local community in education and supporting regeneration.

In Leicester all four schools are now operational with the Soar Valley and Beaumont Leys schools opening in June 2009, six weeks ahead of schedule.

In Kent, our largest BSF contract, we have been delivering interim services to 11 phase 1 schools and opened the first BSF school, Ifield, in April 2009.

We have been successful in expanding our education business to academies, winning new contracts with Hugh Christie Technology College, Havelock, Abraham Guest, Litherland and Trent Valley academies.

### **Energy and Utilities**

During the year we became preferred bidder for a contract renewal with Viridian. The contract has been signed post year end and solidifies our presence in this sector where we have already expanded to provide services to NI Water and Bord Gáis. We expect this to provide a platform for further growth going forwards.

### **Managed and Infrastructure Services**

During the year we launched a number of new product initiatives to meet the changing needs of clients. New infrastructure services under the Converge and Conserve product groups include Managed Print, Server and Desktop Virtualisation, Voice over IP (VOIP), Unified Messaging and Disposal Services and have been received well in the market. A number of contracts to provide these services have been secured over the last year especially for Virtualisation and VOIP services in both the private and public sectors.

Throughout the year we have made further investments in shared services centres, the creation of additional services under Converge and Conserve and the ongoing development of the N-able Managed Learning Environment for local authorities, schools and academies as our core offering in education.

### **Outlook**

Northgate Managed Services continues to work with its customers to reduce costs and improve efficiencies. We have a wide portfolio of customers in a range of sectors across the UK and are in a good position to withstand the impact of current economic conditions.

The education sector represents the greatest potential for growth in the UK and Ireland. Building on our early success in BSF we have been shortlisted in Hull, Blackburn with Darwen and Bolton and Hartlepool. We are also working on phase 2 projects in Bristol, Leicester and Kent. In the year we have extended our offering to academies and One School Pathfinders and plan to grow this part of the business in the year ahead.

Convergence technologies and the requirement to reduce energy costs and improve environmental impact provide good opportunities for our infrastructure services.

Sustained growth in the business will come from organic progress and through targeted acquisitions. To support long-term growth we invest in development of our staff and tools and processes to ensure our continued ability to compete in our chosen markets while focusing on improving internal efficiencies.



“Working with Northgate has ensured Bridge has robust, cost-effective and most importantly, personalised technologies matched to the learning needs of students. There has already been a positive change in students’ attitudes towards learning and even at this early stage, there has been a marked improvement in behaviour and attendance.”

Mark Davies  
Chief Executive, Bridge Learning Campus

### **Building Schools for the Future in Bristol**

Bristol City Council was the first local authority to benefit from the government’s investment in new buildings and ICT as part of the BSF programme in England. In July 2006, Northgate were awarded a five-year £8.9m contract to provide ICT managed services to the first five schools.

In Bristol the programme’s objectives include increasing parental engagement, providing safer schools, creating active learners, enabling personalised and collaborative learning, and providing 24/7 access to resources. BSF encourages an integrated approach which combines new buildings, ICT and opportunities for innovative ways of organising teaching and learning to support these objectives.

The ICT Managed Service includes: N-able, Northgate’s integrated Managed Learning Environment; the provision, management and support of school based infrastructure; local and wide area network and curriculum software.

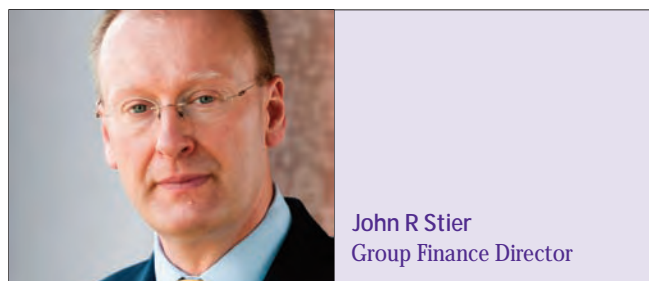
As part of its work with Bristol City Council, Northgate supplies ICT managed services to Bridge Learning Campus. Bridge opened its doors in January 2009 to provide education for every learner in South Bristol, from primary school through to higher education. The 1,450 place campus is one of the first of its kind in the UK, encompassing a primary school, secondary school, special school, student support centre and dedicated Bridge College Centre offering all levels of vocational qualifications for 14 to 19 year old students and adults.

Bridge’s teachers have access to high-speed internet and a virtual learning environment at their fingertips and make regular use of multimedia resources such as YouTube to engage students in lessons. The close relationship with Northgate has resulted in technology being tailored and personalised to student learning needs. Students are particularly engaged with the technologies put in place to aid online learning and collaboration such as the managed learning environment and voting systems.

As staff and students regularly move between classrooms and buildings it is vital that they can communicate and collaborate easily between locations. Each building is wireless-enabled allowing students to access their work from different locations and offers flexibility for teachers to share resources. The provision of a managed learning environment also allows them to access their work from home, the library or anywhere with an internet connection. Many students also have handheld devices to access their learning on the move.



The future



The results of the Group were pleasing with solid organic growth across the business, healthy operating margins, strong order intake and an ability to finance and integrate a major acquisition in a challenging economy.

#### Overview

Cash flow has once again been good, with the Group generating net cash from operating activities before pension deficit contributions of £97.3m. This has grown 15% in the last year (2008: £84.8m)<sup>3</sup>. This has demonstrated our continuing ability to generate substantial amounts of cash from the Group, which will help fund further growth and reduce debt over time. Net cash flow was minus £(7.5)m (2008: inflow £5.8m) due to funding costs, restructuring and a continuing investment in capital expenditure in the Group.

Work carried out under long-term contracts continues to underpin Northgate. The strength of the order book continues to be good with the order book increasing by 20% (10% organically) to £826.4m (2008: £690.1m adjusted to constant currency) driven by strong trading, acquisitions and the business securing increasingly long-term partnerships with clients. The NorthgateArinso HR and Managed Services divisions saw excellent organic growth in the order book whilst the Public Services order book increased largely due to the acquisition of Anite PS. The Public Services order book is expected to grow well organically in 2009/2010 as a number of opportunities close. In addition to the strong growth in order book, Northgate increased its pipeline of opportunities, particularly in large global outsourcing deals with a number of preferred bidder opportunities being secured. Over the year our pipeline of opportunities grew from £1,197m to £1,575m which bodes well for the future success of the Group.

#### Operating Results

##### Reported

Group revenue of £645.6m was derived from continuing activities (2008: £542.8m). This was delivered through a combination of organic growth, favourable exchange rates and the acquisition of Anite PS, which contributed £29.7m of revenue.

Group operating profit before one-off items, depreciation, amortisation of intangibles and option related costs (EBITDA) of £120.1m grew by 15.9% (2008: £103.6m). This was driven by organic revenue growth, Northgate continuing to drive operational efficiencies, the contribution of Anite PS and currency gains of £3.1m. EBITDA margin remained constant at 19%.

##### Underlying

Revenue grew organically over the year by 4.2% adjusting for exchange rate movements and acquisitions made in the year. HR grew by 4.7% in 2009, driven by strong growth in Europe and UK ResourceLink sales offsetting a contraction in the US market where the economic downturn impacted negatively. In Public Services, revenue grew organically by 4.1% with the business continuing to make progress providing outsourced services around our in-house IP. In Managed Services revenue grew 1.6% as work secured by our Education business continued to be delivered.

On a like-for-like basis, adjusting for acquisitions and at constant currency EBITDA grew organically by 4.7% to £120.1m (2008: adjusted £114.7m). HR grew by 6.8% to £67.9m (2008: adjusted £63.6m), PS grew by 9.3% to £39.8m (2008: adjusted £36.4m) and MS contracted slightly by 9.1% to £18.0m (2008: £19.8m) due to pricing pressure on contract renewals and a small number of contracts not being renewed with clients. Group costs increased slightly to £5.7m (2008: £5.1m).

After one-off costs of £20.8m (2008: £35.4m), amortisation of acquired intangibles of £47.3m (2008: £21.0m), and option related costs of £8.7m (2008: £6.9m), the Group recorded an operating profit of £15.2m (2008: £14.2m). Net financing costs increased to £120.4m (2008: £45.2m) as the Group took on additional debt to buy Anite PS, had the full-year impact on its new capital structure following the take private of Northgate and recorded a £35.0m charge on the fair value of derivative financial instruments. £53.6m of these financing costs are non-cash charges in the year. Loss on ordinary activities before tax was £105.2m (2008: £31.1m).

##### Acquisitions

On 31 October 2008, the Group completed the acquisition of Anite PS for a total consideration of £59.7m and a net cash outflow of £50.8m after cash in the business is considered. This acquisition has made our Public Services business the true market leader in its chosen markets. We also acquired one further business, Techsas Limited, for a total net cash outflow of £1.2m. The acquisition of Anite PS demonstrates the commitment of our long-term shareholders and other financing partners to support the business in adding long-term value to the Group, both organically and through acquisitions. The Anite PS acquisition was identified by the Group as offering high synergy opportunities and complementary products and services helping to continue to transform the Public Services division.

<sup>3</sup> All previous year comparative results discussed in the Group Finance Director's review refer to the performance of the enlarged Group based on pro forma financial information, which has been prepared to show the results from continuing operations of the acquired Group as if the acquisition of the acquired Group by the enlarged Group had always been in place.

## One-off Items

During the year the Group recorded one-off costs of £20.8m (2008: £35.4m). Redundancy and restructuring costs amounted to £19.0m and resulted in a headcount reduction of 575 people as the Group continues to drive cost efficiencies across the globe. The balance was mainly property costs due to the Group rationalising its property portfolio. During the year the Group made a full and final third-party settlement in relation to compensation following the Buncefield explosion which has brought the one-off incident charge associated with this to a conclusion.

## Cash and Financing

During the year the Group experienced strong cash flow from operations, generating £97.3m (2008: £84.8m) of net cash from operating activities before pension deficit payments. Net cash flow declined with a net outflow of £7.5m (2008: inflow £5.8m) due to higher bank interest on increased financing. A net cash outflow of £79.2m was spent on acquisition activities (2008: £226.4m (excluding the purchase of the acquired Group)), as the Group acquired Anite PS and Techsas Limited, spent £22.1m as part of concluding the take private of Northgate and £5.1m was spent on deferred consideration from small acquisitions. This left the Group with £766.7m of net debt at 30 April 2009 (2008: £653.0m), and headroom of £135.2m under its facilities at 30 April 2009 (2008: £140.9m). Over the next three years the business has fixed 88%, 81% and 68% respectively of its interest costs to minimise the impact on the business of interest rates rising across the globe.

## Investment in the Business

Northgate continues to invest in its infrastructure and product offerings. Over the year £36.7m was invested in product development (2008: £30.1m) as the Group continues to develop its product set.

## Accounting Policies

Northgate continues to account under International Financial Reporting Standards (IFRS) as adopted by the EU.

## Taxation

The Group has £34.6m of trading losses (2008: £43.2m), predominantly in the UK and £88.6m of UK non-trading losses at 30 April 2009 (2008: £63.8m). The UK trading losses are expected to be largely utilised over the next two to five years. The non-trading tax losses arose from the acquisition of Rebus HR in a previous financial period and unutilised costs of financing put in place to support the take private of Northgate and the acquisition of Anite PS. Non-trading losses are not expected to be used in the short term and no deferred tax asset has been recognised.

A net deferred tax liability of £83.5m (2008: liability £87.2m) has been recognised. This mainly relates to deferred tax on intangible assets recorded in the balance sheet.

## Pensions

During the year the Group restructured its two defined benefit pension schemes into four schemes to more closely align with the Group's divisional structure. This included the creation of the Northgate Public Services Pension Scheme, the Northgate Managed Services Pension Scheme and the Northgate HR Pension Scheme (the Northgate Schemes) in addition to the existing Rebus Group Pension Scheme. All schemes were closed to new members in 2001. All staff joining the Group since 2001 have been offered a money purchase pension plan as part of their benefits.

The schemes underwent a triennial valuation in October 2007, which showed an aggregate liability of £80.0m. The Group made deficit payments of £32.5m including a one-off payment of £25.0m to reduce this deficit during 2008. In addition a further payment of £3.0m was made in 2008/2009 towards the Group's pension scheme liabilities. The Group agreed a payment profile with the scheme trustees which should see this deficit repaid over the next ten years. This has no impact on future profitability, with the liability being recorded in full on the balance sheet.

Contributions for future service in these schemes were £3.5m in 2009 (2008: £3.7m).

The Northgate Schemes showed an IAS19 (adjusted for IFRIC14) deficit of £21.2m at the balance sheet date (2008: £17.3m), and the Rebus Scheme had an IAS19 (adjusted for IFRIC14) deficit of £16.7m at the same date (2008: £17.6m).

Over the year scheme assets have performed relatively well in a challenging market; the Northgate assets declined by 12.3% to £156.7m (2008: £178.6m), and the Rebus assets fell by 10.8% to £60.4m (2008: £67.7m).

Northgate continues to be actively involved with its pension scheme trustees to diversify investments, and improve the certainty of investment returns. During the year the Group reviewed with the trustees the pension scheme assets held. At 30 April 2009, 19.8% (2008: 22.3%) of assets are held in equities.

## Corporate Governance and Risk Management

We have a strong framework of corporate governance in place across the business and continue to identify and evaluate operational and other risks faced by the Group. Changes are implemented where required to reduce risk to manageable levels and continuously improve the control environment. We believe that this, together with our strong culture of financial control, underpins the quality of earnings in the Group.

## Total Equity

Total equity at 30 April 2009 was £325.2m (2008: £425.5m).

John R Stier

Group Finance Director

19 August 2009

A responsible business is a well-run business – able to respond to the challenges of the day, and to meet the needs of the future.

Northgate is committed to embedding responsibility into the way we govern, manage and perform as a business, as well as how we build and maintain relationships with our customers and with people and communities across the world.

Our mission is to promote sustainable, efficient and effective organisations in the markets in which we operate, to support progressive public services which break down inequalities, and to reach out to those most disadvantaged in our communities. Our approach is inclusive – seeking to involve our employees and engage the people with whom we work. Our priorities have been dominated by two challenges this year – the economic downturn and climate change. Our corporate responsibility programme has never been more important.

## Our Policy

Northgate is committed to sustainable growth which promotes social, economic and environmental improvement. We deliver strong financial performance and sustainable value and aim for the highest standards of integrity, ethical behaviour and corporate governance. We aim to conduct our business in a manner that is environmentally and socially responsible, to develop services which increase business productivity and competitiveness and contribute to promoting social inclusion and community justice.

## Our Governance

The corporate responsibility programme is overseen by the Group's Corporate Responsibility Innovation Group. Its task is to focus on developing innovative responses and actively achieving sustainable outcomes for the benefit of the Group and the global communities in which it operates.

The Corporate Responsibility Innovation Group is responsible for:

- reviewing services, identifying areas for improvement and establishing timetables for action;
- involving employees in the embedding of corporate responsibility practice;
- overseeing the establishment of an effective measurement system; and
- developing shared targets and performance indicators.

This year, the group was led by Dave Meaden, who is responsible to the Board for corporate responsibility issues. The group met on a monthly basis throughout the year, developed a number of workstreams and agreed a key number of performance indicators, details of which are discussed below.

Corporate responsibility management is integrated into the risk management process so that the programme is closely aligned to business need and imperatives and is managed effectively through the individual units up to the Board.

The Group's Corporate Responsibility Taskforce, composed of champions who represent senior management of all business units, meets on a six-monthly basis. It provides information about the work of the divisions, comments on the work of the Innovation Group and provides feedback and support for the work of the Group.

The Employee Consultation Group (ECG) is consulted on policy and major initiatives taken under the programme.

## ActNow

ActNow is Northgate's innovative response to the sustainability challenge faced by governments, companies and individuals everywhere. ActNow is a programme that believes each one of us can do something now, however small, to help deliver value and build sustainable and healthy communities.

The programme seeks to embed sustainable practice into the Group's day-to-day activities and into the relationships that the Group has with a wide and diverse set of communities and stakeholders. It is a long-term approach committed to continuous improvement.

ActNow proactively engages with employees to raise the necessary awareness, understanding, support and involvement of the programme, helping to embed a wide range of corporate responsibility policies through raising awareness of these and supporting the various workstreams established by the Corporate Responsibility Innovation Group.

This year, a new global ActNow intranet was launched across the business. This enables employees to access essential information on our corporate responsibility policy and other policies covering areas such as business values, human rights and environmental policies. It also highlights current Group initiatives taking place under the programme.

ActNow focuses on six key areas of work:

- providing sustainable services for customers;
- promoting sustainable procurement;
- responding to climate change and improving environmental performance;
- promoting diversity within the workplace;
- engaging with employees and customers; and
- supporting local communities.

## Performance Measurement

In each of the work areas performance indicators have been established with clear targets for improvement. We aim to roll these indicators out globally and report performance against these targets annually going forwards.

Area of Work	Objective	Target	Timescale
<b>Sustainable services</b>	Enhancement of energy efficiency services to customers – critical to building a sustainable business, reducing cost and the carbon footprint of customers.	20% increase in energy efficient services.	2008/2011
<b>Sustainable procurement</b>	Raise supplier awareness of social, ethical and environmental issues.	100% of new suppliers surveyed on corporate responsibility.	2008
	Co-ordinated approach to procurement to create efficiency savings, reduce carbon footprint and promote reputation.	50% of existing suppliers made aware of sustainable procurement policy. – 75% – 100%	2009 2010 2011
<b>Climate change</b>	Reduction of car travel as part of business travel.	Reduce UK business car mileage per employee by 20%.	2008/2012
	Reduction of Company's CO <sub>2</sub> emissions.	Reduction in Company's per capita CO <sub>2</sub> emissions by 20%.	2008/2012
<b>Diversity</b>	Building an organisation that is responsive to different communities across the globe.	100% of new permanent UK employees receive corporate induction diversity training.	2008/2010
<b>Employee engagement</b>	Engagement with corporate responsibility programme.	Consult with 100% of UK employees on programme development by 2009.	2009
	Ensure new employee awareness of corporate responsibility values, policies and programme.	100% of UK permanent new starters will receive corporate responsibility training during their corporate induction.	2010
<b>Customer engagement</b>	Engagement with corporate responsibility programme.	50% of customers provided with information about corporate responsibility practices.	2009
		– 75% – 98%	2010 2011
<b>Community support</b>	Promote employee involvement in corporate community activities via Community Link.	Increase take up of Community Link with active engagement of 10% of employees. – 30%	2010 2011
	Improve access to payroll giving for employees.	2% of employees take up payroll giving. – 5% – 10%	2009 2010 2011
<b>Thought leadership</b>	Establish benchmark for how Northgate can add to public value.	Carry out research on public return on investment.	2009

In some areas we have already reached our 2009 targets. In others we have much further to go, and will intensify our activity in these priority areas over the coming years.

## Our Markets

### *The Economy*

The economic downturn has created an added stimulus for the Group to ensure that it provides customers with continuously improving, efficient and effective services, at the same time as reviewing the way it conducts its partnerships.

Our services continue to reach out to those most in need in our communities, in health and social care, housing, revenues and benefits, public safety and protection. We are committed to encouraging and promoting wider corporate community involvement in the delivery of our services and in engaging in dialogue and activity with the wider community in which our services are based. Our work through Community Link and other community based initiatives supports us in this (see below).

This year Northgate extended the number of risk reward partnerships with public authorities, designed to provide public authorities with cashable savings at a time when they need them most. These arrangements link fees to performance and prioritise the transfer of skills to employees. They offer an innovative approach for the public sector in sharing risk with the private sector.

### Climate Change

Technology has a powerful role to play in meeting the challenge of climate change. This year, NorthgateArinso partnered with Carbon Footprint, the leading environmental consultancy, to launch a new carbon emissions calculator. This enables employees to calculate their CO<sub>2</sub> emissions for business travel when submitting expenses. Its objective is to help enhance awareness of how much business travel contributes to carbon emissions and to assist employers in reducing business travel helping to cut costs. NorthgateArinso also helped the Royal Borough of Kensington and Chelsea produce recycled payslips for individuals unable to access the council's online HR service.

Energy efficiency and savings can be obtained through minimising the need for paper and printing and the introduction of mobile solutions provides employees with greater flexibility and sustainable methods of working. Northgate's managed print solution has helped one local council, Hartlepool, to save £100,000 every year simply by modernising the way printing is handled within the organisation, rationalising the overall number of printers – from 550 to 159 – used by the organisation and using green print defaults. Northgate's electronic record and documents solution helped one large single-tier local authority to remove 555 filing cabinets containing over 5.5 million documents, releasing over 11,500 sq ft of valuable office space, providing an annual financial saving in floor rent alone of £220,000 and cutting carbon emissions at the same time.

Northgate's energy efficiency accreditation services expanded rapidly this year. Northgate now operates in all of the energy assessor accreditation schemes in all regions of the UK. This includes:

- Domestic Energy Assessor (DEA) – for domestic existing properties for sale or rent;
- Commercial (non dwelling) Energy Assessor (NDEA) – for non-domestic buildings for sale, rent or on-construction;
- Display Energy Certificate Assessment (DECEA) – for public buildings (not required in Scotland); and
- On-Construction Domestic Energy Assessor (OCDEA) – for new build domestic properties.

Northgate's customers now include public and private sector bodies, registered social landlords and private landlords. The focus is increasingly on how the issuing of an energy performance certificate can lead to practical action to ensure that the appropriate energy efficiency steps are taken within individual households, across landlords' estates, or on a community and needs-based level.

As a company, we aim to reduce car travel journey per employee by 20%, reduce unnecessary meetings and promote the use of video conferencing through the extension of integrated facilities throughout our entire estate.

We encourage employee well-being through encouraging alternative methods of travel including cycling and walking.

We have introduced diesel throughout our corporate car fleet, and are seeking to further provide incentives for employees to further reduce the carbon footprint of their travel arrangements.

We have put in place targets for reducing our carbon emissions and complying with the forthcoming Carbon Reduction Commitment. As a first step, we have made continuous strides in collecting the necessary management information from our estate portfolio in collaboration with our suppliers, with a view to establishing clear benchmarks for measuring performance.

### Our Other Stakeholders

#### ***Sustainable Procurement***

Our intention is to integrate sustainability issues into our entire procurement process: in the identification of needs, the evaluation of options, the evaluation of tenders and in post-contract management. This year we introduced sustainable procurement mechanisms for integrating corporate responsibility criteria into group-wide procurement for facilities management, fleet and travel.

#### ***Our Communities***

This year we continued to pursue community engagement with organisations such as the The Peace Alliance, The Prince's Trust and Business in the Community (BITC). We regularly contribute to public policy debate through policy responses to government and support for public policy research.

We recognise the invaluable community contribution that our employees make in delivering public services and their involvement in wider community activities. Our aim is to support them through policies and practices relating to social investment and charitable contributions which maximise the social rewards from such investment.

This year we have extended employee participation in Community Link, in which all Northgate permanent employees are entitled to participate. The scheme entitles every Northgate employee to one day's paid leave each year to participate in a team community-related activity.

In Northern Ireland, particular emphasis has been placed on education. There has been a 5% take up of the scheme, with measures in place to reach the 10% target next year (see table 1 on targets). Initiatives have included participation in BITC Cares Challenge – a programme which promotes employee volunteering in the community. Two teams from Northgate painted a classroom for two local primary schools. Individual employees participate in BITC Time to Read/Time to Compute, assisting 8-11 year olds from three schools with literacy skills and ICT skills. This provides support to the teaching staff but also impacts positively on the child's overall confidence and abilities. Northgate also works with the trade body Momentum on its Career Connections programme. This has been designed to develop effective partnerships between

companies in the ICT industry and secondary schools. Northgate is partnering with a number of local secondary schools offering workshops on career advice and providing access to a range of employees. It also set up interview panels in local schools, providing students with the chance to experience a real job interview.

Feedback from our employees is overwhelmingly positive when they do participate:

*"I always wanted to volunteer and I am delighted that we now have the opportunity to get involved through work."*

*"I have learned more about the people that I work with and the ethos behind the company."*

*"The appreciation from the children and teachers was overwhelming and it has really motivated me to become more involved with future Community Link days."*

Over the coming year we anticipate strengthening this programme in the UK as a whole and rolling it out throughout our global operations. Here, take up has been slower than in Northern Ireland, but employees have participated in a range of events. These include taking part in the Osbourne Clarke Business Challenge, a half marathon to raise money for charity; refurbishing the local Mencap office in Hemel Hempstead; and supporting the Friends of Chernobyl's Children charity by spending a day with children from Belarus.

#### **The Future**

We see our task to embed responsibility in day-to-day practice as an ambitious one. It is one that is integral to building a successful, sustainable organisation fit for the future. We have made great headway this year.

Next year we are committed to doing everything possible to reach our targets, to continuously improve our performance and to collaborate with all of our stakeholders to ensure that the Northgate community, as a whole, promotes responsible behaviour for a better world.

## DIRECTORS

### Todd A Fisher, aged 44, Non-Executive Chairman

Mr Fisher is a partner in the London office of KKR & Co Ltd, a leading global alternative asset manager. He currently serves the role of Chief Administrative Officer for KKR globally and sits on KKR's global Investment Committee.

Prior to joining KKR in 1993, Mr Fisher worked for Goldman Sachs & Co in New York. He also serves on the boards of Rockwood Holdings, Inc, a NYSE listed global specialty chemical company, and Maxeda NV, a Dutch non-food retail company where he is Vice Chairman. Mr Fisher has a BA from Brown University, an MA from Johns Hopkins University, and an MBA from The Wharton School, University of Pennsylvania.

### Chris M R Stone, aged 46, Group Chief Executive

Mr Stone was appointed a Director and Chief Executive of Northgate Information Solutions plc (now Northgate Information Solutions Holdings Limited) 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.

### John R Stier, aged 43, Group Finance Director

Mr Stier was promoted to Group Finance Director of Northgate Information Solutions plc (now Northgate Information Solutions Holdings Limited) on 15 May 2003. Prior to joining Northgate, he held senior financial positions with Thames Water plc and Shanks plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

### Mateusz M Szeszkowski, aged 37, Non-Executive Director

Mr Szeszkowski joined KKR in 2007 and has been directly involved in the investment in Northgate. He also serves on the board of AVR, a Dutch waste management company.

Prior to joining KKR, Mr Szeszkowski worked for Goldman Sachs & Co in London, and prior to that for Orange Ventures in London, Boston and San Francisco.

Mr Szeszkowski was also a consultant at the Boston Consulting Group and has a BA in Economics from the University of British Columbia and an MBA from the Harvard Business School.

The Company believes that effective corporate governance is a fundamental aspect of a well run company and as a private company is committed to the guidelines and recommendations set out in the "Guidelines for Disclosure and Transparency in Private Equity" issued in November 2007 (commonly referred to as the "Walker Report"). The Company utilises the practices which were used by its previous Group in its listed environment and the high standards previously applied by Northgate have continued to be maintained throughout.

The following paragraphs set out the Group's key governance structures and internal controls and processes through which the Group operates.

### The Board of Directors

The Board of the Group's controlling entity, Northgate Information Solutions Limited, has remained unaltered during the past year and consists of Todd Fisher, Non-Executive Chairman of the Board, Mateusz Szeszkowski, Non-Executive Director, Chris Stone, Group Chief Executive, and John Stier, Group Finance Director. The Directors' biographies appear on page 27 of this report. The Board has the necessary range of backgrounds, qualities and experience to lead and maintain effective control over Northgate's activities.

The Board discharges its responsibilities by providing leadership of the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. It sets the Group's strategic aims, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management performance.

The Board has adopted a schedule of matters which are specifically reserved for its decision. These were reviewed and updated during 2009 to take into account the significant growth throughout the Group. Such matters include, but are not limited to, the final approval of the annual budget and strategy, major acquisitions and disposals, material contracts and any changes to the Company's financing arrangements. It has also adopted a framework of delegated commercial and operational authorities which define the scope of the Group Chief Executive's powers and those of subsidiary management.

The Board of Directors' intention is to meet at least ten times a year at formal Board meetings, where performance across all three divisions is reviewed and decisions are taken on matters such as potential new initiatives for the Group, significant acquisitions and new business opportunities. There are processes in place to facilitate discussion and decision making and Directors have access to the advice and services of the Group Company Secretary. In addition operational meetings will take place regularly to support the governance of the business which the Directors attend.

### The Audit Committee

The terms of reference of the Audit Committee, including its role and the authority delegated to it by the Board, are reviewed annually and are available from the Group Company Secretary.

The Committee assists the Board in fulfilling its overview responsibilities, primarily reviewing the reporting of financial and non-financial information, the systems of internal control and risk management and the audit process. It comprises Todd Fisher and Mateusz Szeszkowski. The Committee intends to meet at least four times a year and the Group Chief Executive, the Group Finance Director, the Group Internal Audit Manager and our Auditors, KPMG Audit Plc will attend the meetings by invitation.

Northgate has an internal audit function that provides the Audit Committee with independent, objective assurance regarding internal controls and risk management processes. Northgate has adopted and implemented a formal "whistleblowing" policy and process that allows staff to raise concerns, in confidence, regarding possible improprieties in financial reporting or other matters. There are arrangements in place for the investigation and follow up of any matters raised.

In addition to their statutory audit responsibilities, the Group will on occasion use the Group's Auditors for other work that they are well placed to undertake. This includes work in respect of acquisitions and disposals, pension scheme and other ancillary audit work and tax compliance. In such circumstances, due consideration is given by the Committee to the impact of the assignment on the independence of the Auditors and to their qualifications to carry out the role. The Group Finance Director, John Stier, reviews all potential work and discusses this with the Committee where appropriate. Having given consideration to the extra work undertaken by the Auditors and after careful discussion with the responsible audit Directors and the Executive Directors, the Audit Committee is satisfied as to the independence of the statutory Auditors. In addition to the above, the other work of the Audit Committee on areas such as risk assessment and internal controls is described below.

### Responsibility for Internal Controls and Risk Management

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 its stakeholders with a responsible assessment and mitigation of risks. This includes reviewing financial, operational and compliance controls and risk management procedures, which themselves include the security and controls around its customers and in-house data. 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 the Group's 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 (which only applies to UK listed companies but is used for best practice).

### 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 which formally defines 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; and
- 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; and
- systems of internal control primarily through agreeing the scope of the internal audit programme and reviewing its findings, reviews of the annual 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 during the year reviewed the effectiveness of the Group's systems of internal control.

### 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.

## Report of the Directors

The Directors present their report and financial statements for the year ended 30 April 2009. The Company was incorporated on 3 December 2007 as Northgate Holdings No. 5 Limited. On 5 March 2008 it acquired the Group headed by Northgate Information Solutions plc (the acquired Group) to form the enlarged Group. On 24 July 2008 Northgate Holdings No. 5 Limited changed its name to Northgate Information Solutions Limited and Northgate Information Solutions plc changed its name to Northgate Information Solutions Holdings Limited.

## 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 applications software including hardware and associated installation, maintenance services, facilities management and software support together with the development and supply of applications development tools. The three operating divisions specialise in the provision of these services in the following markets:

- Human Resources and Payroll;
- Local Government;
- Emergency Services; and
- Education.

A general review of the operations of the Group and its future prospects is included in the Group Chief Executive's review, divisional reviews and Group Finance Director's review on pages 6 to 22.

## Directors

The Directors of the Company at the date of this report are shown on page 27.

At the year end, 30 April 2009, the Directors were Mateusz Szeszkowski (appointed 14 December 2007), Todd Fisher (appointed 1 July 2008), Chris Stone (appointed 1 July 2008) and John Stier (appointed 1 July 2008). Pontus Pettersson also served on the Board during the period but resigned 1 July 2008 when the Board was reshaped to include Chris Stone and John Stier.

## Auditors

KPMG Audit Plc were appointed by the Board as Auditors of the Group during the year. KPMG Audit Plc has confirmed its willingness to continue in office as Auditors of the Company and in accordance with Section 487 of the Companies Act 2006, a resolution to re-appoint it will be proposed at a future meeting of the Board.

## Basis of Preparation

The Group's audited consolidated financial statements for the year ended 30 April 2009 are prepared in accordance with International Financial Reporting Standards as adopted by the EU (Adopted IFRSs). The Company's audited financial statements for the year ended 30 April 2009 are prepared in accordance with UK GAAP.

## Financial Performance and Development

Operating profit before significant restructuring, property provisions, depreciation of tangibles and amortisation of intangibles was £120.1m (2008: £32.0m). After significant restructuring and

property provisions of £20.8m (2008: £21.8m), option related costs of £8.7m (2008: £nil) and amortisation of acquired intangibles of £47.3m (2008: £7.4m) the Group operating profit was £15.2m (2008: loss of £2.8m). Included within significant restructuring and property provisions are written off transaction costs of £1.5m (2008: £13.6m) relating to the take private of Northgate, £17.2m (2008: £7.4m) of restructuring costs and £2.1m (2008: £0.8m) of property costs. The Group's loss before taxation was £105.2m (2008: £9.5m). The loss after taxation was £94.0m (2008: £8.0m). Full results for the period are shown in the Group Consolidated Income Statement on page 36.

## Net Financing Costs

Net financing costs of £120.4m (2008: £6.8m) include costs of £84.4m (2008: £10.6m) to service debt raised to finance the acquisition of Northgate Information Solutions plc, a debit of £35.0m (2008: credit £4.2m) relating to unfavourable movement in the fair value of derivative financial instruments, finance charges payable under finance leases of £0.9m (2008: £nil) and £0.1m (2008: £0.4m costs) of other net finance expense.

## Taxation

Net tax was a credit of £11.2m (2008: £1.5m).

## Cash Flow

Net cash from operating activities before taxes paid was £97.3m (2008: £53.6m) after one-off pension contributions of £3.0m (2008: £25.0m). Overall cash and cash equivalents decreased to £40.5m (2008: £47.9m) as a result of net investment and financing activities, operating cash flow and taxes paid.

## Shareholders' Equity

Shareholders' equity at the year end totalled £325.2m (2008: £425.5m).

## Dividend Policy

The Board reviews the dividend policy in conjunction with a policy of retaining significant funds for future growth.

## Pensions

During the year the Group restructured its two defined benefit pension schemes into four schemes to more closely align with the Group's divisional structure. This included the creation of the Northgate Public Services Pension Scheme, the Northgate Managed Services Pension Scheme and the Northgate HR Pension Scheme in addition to the existing Rebus Group Pension Scheme. The new schemes have been funded from existing pension assets with liabilities being allocated according to the membership of each scheme. The new Trustee of each scheme is the corporate trustee, Northgate Pension Trustees Limited, whose Directors are comprised of the former trustees of the two defined benefit pension schemes. In each case member nominated Directors are only entitled to vote on matters that affect the scheme for which they have been nominated. To minimise administration the Trustee has adopted a common approach wherever practical to management across all four schemes.

The Company has established a joint working group with the Investment Sub-Committee of the Trustee to carry out a detailed review of investment strategy in light of current market conditions.

The outcome of this review has led to the adoption of a liability driven investment strategy aimed at protecting returns over the long term whilst mitigating the effects of short term volatility. The Company is committed to working with the Trustee to keep the investment strategy under regular review and to explore ways of managing the pension assets and liabilities efficiently in the current economic climate.

All schemes are closed to new members and all staff joining the Group since 2001 have been offered a money purchase pension plan as part of their benefits.

The schemes underwent a triennial valuation in October 2007, which showed an aggregate liability of £80.0m. Since this valuation the Company has paid in aggregate across all four schemes deficit contributions of £31.4m. The Group is contributing £4.0m per annum going forward increasing to £6.9m per annum from 2011 until 2017 to reduce this deficit. The Company is committed to having a sustainable recovery plan in place to remove the deficit from each scheme over an agreed period.

The Group pension schemes showed an IAS19 deficit of £37.9m at the balance sheet date.

#### Issue of Share Capital

There were no changes to the issued share capital during the period.

#### Risks and Uncertainties

The Board has overall responsibility for the Group's approach to assessing risk and recognises that creating value is the reward for taking and accepting risk. Executive management implements the Board's policies on risk and control and presents assurance on compliance with these policies. Further independent assurance is provided by an internal audit function which operates across the Group, and through external Auditors. 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.

The Company's financial assets and liabilities mainly comprise cash, bank borrowings, trade payables and receivables and other payables and receivables arising directly from operations.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, principally trade and other receivables.

The Group actively seeks to manage its exposure to movements in foreign currency exchange rates through the use of financial instruments in accordance with the Group's Banking and Treasury policy, or by means of specific adjustment mechanisms agreed with its customers and suppliers. On a quarterly basis Group Treasury will also assess the impact of currency risks upon the value of short-term assets, liabilities and potential cash flows and implement hedging strategies where appropriate to mitigate these risks.

The main operational risks are:

#### **Integration of Acquisitions**

Northgate continues to be acquisitive and has a good track record for integrating the acquisitions it has made. Careful planning of acquisitions and integration strategies are undertaken at the earliest possible stage in an acquisition to mitigate this risk.

#### **Economic and Market Risk**

The economic environment can affect the performance of the Group's businesses in terms of both sales and costs. Through development of our products and services the Group works to ensure that we deliver value to all our customers. The Group works hard to mitigate the impact of external cost pressures on our customers and the Group's overall profitability through the delivery of cost savings.

#### **International Operation**

Northgate has operations in many international markets. Our strategy is to expand our international operations. As the Group grows through acquisition and we expand our geographical coverage, we continually review all relevant requirements to ensure appropriate policies and controls are developed. Our compliance programme seeks to ensure that local operating companies manage and review local rules and regulations on an ongoing basis.

#### **Corporate Governance**

Detailed statements of the Company's corporate governance principles and the Group's systems of internal control are set out in corporate governance on pages 28 to 29.

#### **Resources**

In order to meet customer needs and optimise efficiency Northgate utilises a variety of resources.

#### **Employees**

The Group has a very dedicated and loyal skilled workforce. Average length of service is seven years.

#### **Recruitment**

During the period, 442 new employees were recruited into Northgate's UK operations, with a further 1,150 new hires joining elsewhere across the globe. In addition, approximately 350 contractors were also employed predominantly on customer-related projects providing a flexible resource pool.

#### **Reward**

Northgate's reward strategy aims to reinforce the link between employee and business performance. In addition to a competitive basic salary, total reward may include variable pay elements such as bonuses, commission, recognition awards and long-term incentive plans. Northgate also offers benefits and prerequisites appropriate to the local employment marketplace.

#### **Communications**

Northgate recognises the value of regular and structured two-way communication. It produces internal publications such as InTouch magazine and Northgate News which keep employees informed about matters affecting them. The divisions also issue their own news bulletins and maintain their own external websites.

All employees have access to a Group intranet which acts as the central repository for business news.

### **Employee Survey**

The Group conducts biennial employee surveys through a professional employee opinion consultancy to maintain a strong employee dialogue.

Overall, our colleagues have shown a very good level of satisfaction working for Northgate.

The results also show that our people are loyal, motivated and willing to go the "extra mile" to help drive the business forward. We have an excellent commitment to our customers, are proud to work here and strongly believe that we have a great future ahead of us.

### **Employee Relations**

151 Northgate employees are covered by union recognition agreements (with either GMB or Unite) and all UK employees have the opportunity to elect members to an Employee Consultation Group (ECG). The ECG meets formally with the Company's management on a quarterly basis to discuss issues of importance. The Group also has a number of works councils and employee groups in place across the globe to ensure effective communication takes place with all employees.

### **Learning and Development**

Northgate is committed to investing in its people and offers a wide range of internal training programmes for employees through a variety of different methods including instructor led training, e-learning programmes and webinars. The e-learning modules also provide an excellent method for the organisation to promote awareness in specific areas such as data security and diversity in the workplace.

All employees have an appraisal at least once a year and have the opportunity to provide feedback as part of the performance management process. Individuals are also offered job-related technical training consistent with their personal development plans as part of the performance management process.

### **Financial**

Northgate has access to sources of capital that are sufficient to develop the business. Its funds are provided by a syndicate of 12 leading banks and under the current agreements Northgate can call on up to £135.2m of unused facilities at 30 April 2009 (30 April 2008: £140.9m). These arrangements, coupled with the cash-generative and recurring nature of the business, give confidence over Northgate's financial strength, and provide the basis on which future investment decisions can be taken.

### **Locations**

In order to maximise customer responsiveness and to manage risk, Northgate operates from a range of different locations around the UK and abroad. In addition to primary offices in the UK we have offices in a total of 31 locations across the world in five continents.

### **Health and Safety**

Northgate has an established health and safety policy that focuses on the ability to measure performance and to pursue continuous

improvement in managing health and safety. The policy is reviewed regularly by the Audit Committee.

An Advisory Committee, that includes representatives from across Northgate, meets regularly to ensure that health and safety matters are continually addressed. The Health and Safety Manager chairs this committee.

Consultation with employees is maintained through appointed health and safety representatives at each location. Bulletins and other guidance documents are regularly distributed and Health and Safety has been established as a separate module on the Northgate Management Training Programme.

An annual conference and training day is also held for health and safety representatives. Future training for representatives will be to Chartered Institute of Environmental Health standards and will be certificated.

### **Accidents**

During the period there were two minor reportable injuries within Northgate. The two incidents were investigated fully and required no further action.

### **Environment**

The Group is committed to developing a sustainable business which minimises its environmental impact. Northgate's environmental policy provides that the Company will:

- manage efficient environmental management systems;
- minimise environmental risk and prevent pollution;
- conform to the statutory requirements placed upon it;
- promote efficiency in energy use and waste management;
- educate our employees in carrying out their environmental responsibilities;
- encourage our suppliers and other stakeholders to use energy and resources efficiently;
- reflect the environmental concerns and statutory obligations of the Group's customers in the solutions that the Group provides; and
- reduce carbon emissions.

In accordance with its policy objectives the Group has in place the following initiatives:

- a green travel plan, promoting an all diesel company car fleet;
- having video conference equipment in its principal offices thus reducing the need to travel;
- recycling waste products where economically practical;
- making every effort to conserve energy by good management of electrical, heating and cooling services; and

- rewarding employees through the Group Employee Suggestion Scheme for initiatives that improve Group environmental performance.

## Equal Opportunities and Diversity

### **Disabled Persons**

It is the Group's policy to treat people with disabilities on an equal basis for employment, development and promotion. 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. An Equality Survey is conducted every two years.

### **Donations**

During the period, the Group made no charitable or political donations.

### **Relationships with Key Stakeholders**

Northgate manages its relationships with its key stakeholder groups as follows:

#### **Customers**

Northgate's customers have a nominated individual through which all customer contact is managed. Larger customers have dedicated account managers, or teams that focus directly on customer needs. A number of active user groups are in place where customers can provide feedback on product performance, future requirements and issues of strategic significance.

#### **Suppliers and Partners**

Northgate performs reviews of its key suppliers and partners on a regular basis to ensure that maximum performance and value are being obtained and that risk and reward are equitably shared. Northgate negotiates clear agreements within which the Group and its suppliers operate.

#### **Local Communities**

Northgate has active involvement in the communities it operates within. This ranges from maintaining close relationships with local councils to sponsoring a range of community-based activities through our Community Link programme.

### **Information Security and Data Protection**

Information Security and Data Protection have become very high profile topics within the media during the past year. The Group has always taken the threat of loss of its customers' data very seriously and it continually monitors its own IT security systems and processes and the physical security of its offices and data centres.

Northgate has invested in an Information Security Management System (ISMS) which meets the guidelines of ISO 27002 and associated codes of practice. This code of practice encourages the assessment of risk and creation of security controls and countermeasures that help secure the information we process on behalf of our stakeholders. We accept that processes can be improved upon and we apply continuous improvement as an approach to security issues within the framework of this internationally recognised standard.

A management review of the ISMS is completed at least annually by the Information Security Steering Group (ISSG), a group that is comprised of representatives from each of the Northgate divisions.

This review is supported with regular internal audits undertaken by the Internal Audit and Security teams. External audits of the ISMS are completed by third parties, such as BSI, to meet the registration and certification requirements of ISO 27001, the internationally recognised security management standard. Northgate achieved this certification in May 2003 for its principal data centre and has subsequently maintained the certification whilst expanding its scope to cover other critical data processing activities.

Other recent security initiatives include the roll out across the Group of encryption for all laptops and desktops for all users regardless of grade, job type or type of data they may hold; the Company has been running a series of security awareness workshops; and all staff are required to complete an online Northgate Security e-learning module.

Northgate has continued to update and abide by its Data Protection Policy and a Data Protection Steering Group (DPSG) was appointed during the period. The DPSG's principal role is to ensure that Northgate complies with its legal and moral duty to handle personal data properly and confidentially at all times irrespective of whether it is held on paper or by electronic means and for its entire lifecycle. The DPSG will be conducting a data protection audit during the next period and is currently considering the implications of the new British Standard for Data Protection, BS 10012:2009.

Northgate is a member of the Intellect Technology Association and recently participated in a roundtable on the Information Commissioner's Office's new initiative, the Personal Information Promise. This is a declaration of intent from an organisation's senior level to commit to data protection. The aims of the initiative are to improve compliance with the Data Protection Act and help restore public trust and confidence in those who are entrusted with personal information. The promise itself lists a number of key commitments that senior figures will make on behalf of their organisations to protect personal information. Northgate is currently considering the adoption of the promise for the whole organisation.

### **Important Events Since the Period End**

Except for any matters referred to elsewhere in this report and accounts, there have been no other important events affecting the Company or any of its subsidiary undertakings since the end of the financial period.

### **Disclosure of Information to Auditors**

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's Auditors are unaware; and each Director has taken all the steps he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's Auditors are aware of that information.

This report of the Directors was approved by the Board of Directors on 19 August 2009.

**John D Richardson**  
Company Secretary

19 August 2009

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law, they have elected to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period.

In preparing each of the Group and parent company 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;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;

- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



# CONSOLIDATED INCOME STATEMENT

for the year ended 30 April 2009

	Notes	Year ended 30 April 2009			Period from 3 December 2007 to 30 April 2008		
		Before one-off incident 2009 £'000	One-off incident 2009 £'000	After one-off incident 2009 £'000	Before one-off incident 2008 £'000	One-off incident 2008 £'000	After one-off incident 2008 £'000
Revenue		,	-	,	113,034	-	113,034
Operating costs	3	( , )	( , )	( , )	(115,458)	(333)	(115,791)
Operating income		-	,	,	-	-	-
<b>Group operating profit/(loss)</b>		,	( )	,	(2,424)	(333)	(2,757)
<b>Operating profit before significant restructuring, one-off incident, property provisions, amortisation of intangibles, option costs and depreciation</b>		,	-	0,131	32,019	-	32,019
Amortisation of other intangible fixed assets		( , )	-	( , )	(2,209)	-	(2,209)
Depreciation of tangible fixed assets		( , )	-	( , )	(3,361)	-	(3,361)
<b>Operating profit before significant restructuring, one-off incident, property provisions, amortisation of acquired intangibles and option costs</b>		,	-	,	26,449	-	26,449
Significant restructuring and property provisions	1	( , )	( )	( , )	(21,456)	(333)	(21,789)
Amortisation of acquired intangibles		( , )	-	( , )	(7,417)	-	(7,417)
Option related costs		( , )	-	( , )	-	-	-
<b>Group operating profit/(loss)</b>		,	( )	,	(2,424)	(333)	(2,757)
Financial income		,	-	,	4,420	-	4,420
Financial expenses		( , )	-	( , )	(11,177)	-	(11,177)
<b>Net financing costs</b>		( , )	-	( , )	(6,757)	-	(6,757)
<b>Loss before tax</b>		( , )	( )	( , )	(9,181)	(333)	(9,514)
Tax credit		,		,	1,461	97	1,558
<b>Loss for the year/period</b>		( , )	( )	( , )	(7,720)	(236)	(7,956)
<b>Attributable to:</b>							
Equity holders of the parent		( , )	( )	( , )	(7,720)	(236)	(7,956)

The notes on pages 40 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE  
for the year ended 30 April 2009

	Notes	Year ended 30 April 2009 £'000	Period from 3 December 2007 to 30 April 2008 £'000
Foreign exchange translation differences		( , )	-
IFRIC14 Movement in pension deficit	7	( , )	-
Deferred tax - IFRIC14 movement			-
Actuarial losses on defined benefit pension schemes	7	( , )	(8,806)
Deferred tax on actuarial losses on defined benefit pension schemes			2,642
Net expense recognised directly in equity		( , )	(6,164)
Loss for the period		( , )	(7,956)
<b>Total recognised income and expense for the period</b>		<b>( , )</b>	<b>(14,120)</b>
Attributable to:			
Equity holders of the parent		( , )	(14,120)

The notes on pages 40 to 55 are an integral part of these consolidated financial statements.

# CONSOLIDATED BALANCE SHEET

as at 30 April 2009

	Notes	2009 £'000	2008 Restated £'000
<b>Non-current assets</b>			
Goodwill		,	742,686
Other intangible assets		,	467,659
<b>Total intangible assets</b>		,	1,210,345
Property, plant and equipment		,	59,686
Other receivables		,	19,205
<b>Total non-current assets</b>		,	1,289,236
<b>Current assets</b>			
Inventories – goods for resale		,	3,059
Trade and other receivables		,	198,852
Other financial assets	10(f)	,	1,260
Cash and cash equivalents		,	47,949
<b>Total current assets</b>		,	251,120
<b>Total assets</b>		,	1,540,356
<b>Non-current liabilities</b>			
Interest-bearing loans and borrowings	6	,	673,574
Employee benefits	7	,	34,867
Provisions	8	,	9,864
Deferred tax liabilities		,	87,208
Other financial liabilities	10(f)	,	-
<b>Total non-current liabilities</b>		,	805,513
<b>Current liabilities</b>			
Interest-bearing loans and borrowings	6	,	27,344
Provisions	8	,	14,181
Taxation		,	8,689
Trade and other payables		,	256,142
Other financial liabilities	10(f)	,	3,007
<b>Total current liabilities</b>		,	309,363
<b>Total liabilities</b>		,	1,114,876
<b>Net assets</b>		,	425,480
<b>Equity</b>			
Issued share capital			100
Capital contribution		,	439,500
Retained earnings		( , )	(14,120)
<b>Equity shareholders' funds</b>		,	425,480

The notes on pages 40 to 55 are an integral part of these consolidated financial statements.

Approved by the Board of Directors on 19 August 2009 and signed on its behalf by:

John R Stier  
Director

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 April 2009

	Year ended 30 April 2009 £'000	Period from 3 December 2007 to 30 April 2008 £'000
<b>Cash flows from operating activities</b>		
Loss for the period	( , )	(7,956)
Adjustments for:		
Amortisation of acquired intangibles	,	7,417
Amortisation of other intangibles	,	2,209
Exceptional intangible impairment		-
Depreciation	,	3,361
Loss on sale of fixtures and fittings, property, equipment and intangibles		269
Net financing costs	,	6,757
Tax credit	( , )	(1,558)
<b>Net cash from operating activities before changes in working capital and provisions</b>	,	10,499
Foreign exchange movements	( )	8,267
Change in trade and other receivables	,	31,486
Change in inventories	( , )	8,771
Change in trade and other payables	,	(14,552)
Change in provisions and employee benefits	,	9,139
Additional pension deficit contributions	( , )	(25,000)
<b>Net cash from operating activities before taxes paid</b>	,	28,610
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, fixtures and fittings, equipment and intangibles	,	145
Acquisition of subsidiary, net of cash acquired	( , )	(574,629)
Acquisition of intangible assets	( , )	(3,238)
Acquisition of property, plant and equipment	( , )	(8,374)
<b>Net cash used in investing activities</b>	( , )	(586,096)
<b>Net cash from operations after investing activities</b>	( , )	(557,486)
Taxes paid	( , )	(1,848)
<b>Net cash from operations after investing activities and before financing activities</b>	( , )	(559,334)
<b>Cash flows from financing activities</b>		
Interest received	,	2,491
Interest paid	( , )	(12,416)
Cash flows treated as finance costs - loan arrangement fees	( , )	(28,680)
Issue of shares	-	100
Capital contributions	-	439,500
Loan from immediate parent undertaking	,	-
Increase in borrowings	,	709,259
Repayment of borrowings	( , )	(502,773)
Payment of finance lease liabilities	( , )	(198)
<b>Net cash from financing activities</b>	,	607,283
Cash and cash equivalents at 1 May	,	45,754
Net decrease in cash and cash equivalents	( , )	-
Effect of foreign exchange rate movements on cash held	,	2,195
<b>Cash and cash equivalents at 30 April</b>	,	47,949

The notes on pages 40 to 55 are an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

## 1 One-off Items

During the period the Group recorded one-off costs of £20.8m (period ended 30 April 2008: £21.8m) (see note 3) which related to restructuring within the Public Services, Northgate Arinso (HR) and Managed Services businesses, vacant property provisions and integration costs for a number of acquisitions.

## 2 Acquisition of Subsidiaries

Year ended 30 April 2009

On 31 October 2008, the Group purchased 100% of the ordinary shares of Anite Public Sector Holdings Limited, for a net cash outflow of £50,751,000 and a total consideration of £59,691,000 (including cash acquired and legal and professional fees).

### Acquiree's Net Assets at the Acquisition Date

	Book value on acquisition £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible fixed assets	'	'	'
Property, plant and equipment	'	( )	'
Inventories		-	
Trade and other receivables	'		'
Cash and cash equivalents	'	-	'
Deferred tax liabilities	-	( , )	( , )
Trade and other payables	( , )	( )	( , )
Provisions	( )	( , )	( , )
Net identifiable assets and liabilities	'	'	'
Goodwill on acquisition			'
Consideration (excluding legal fees)			'
Legal and professional fees			'
Total consideration			'
Less:			
Cash acquired			( , )
Accrued transaction costs			( )
Net cash outflow			'

Fair value adjustments relate to identifiable intangibles relating to the value of customer contracts and relationships, order backlog, technology based assets and trade names. Other adjustments include recognition of deferred tax liabilities associated with the intangible assets in addition to adjustments to align the accounting policies with that of Northgate.

Goodwill has arisen on Group acquisitions and represents future economic benefits arising from assets for which the recognition of a discrete intangible asset is not permitted or that cannot be identified individually and recognised separately and therefore is measured as a residual. Management consider that a significant value remains in the value of employees and technical knowledge.

The acquiree's revenue and operating profit before one-off and non-recurring charges since acquisition to the year end were £29,744,000 and £8,434,000.

## 2 Acquisition of Subsidiaries continued

Year ended 30 April 2009

On 22 July 2008, the Group purchased 100% of the ordinary shares of Techsas Limited, for a net cash outflow of £1,248,000 and a total consideration of £2,303,000 (including cash acquired, legal and professional fees and deferred consideration).

### Acquiree's Net Assets at the Acquisition Date

	Book value on acquisition £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible fixed assets			
Trade and other receivables		-	
Cash and cash equivalents		-	
Corporation tax	( )	-	( )
Deferred tax liabilities	-	( )	( )
Trade and other payables	( )	-	( )
Net identifiable assets and liabilities			
Goodwill on acquisition			,
Consideration (excluding legal fees)			,
Legal and professional fees			,
Total consideration			,
Less:			
Deferred consideration			( )
Cash acquired			( )
Net cash outflow			,

Fair value adjustments relate to identifiable intangibles relating to the value of customer contracts and relationships, order backlog, technology based assets and trade names.

Goodwill has arisen on Group acquisitions and represents future economic benefits arising from assets for which the recognition of a discrete intangible asset is not permitted or that cannot be identified individually and recognised separately and therefore is measured as a residual. Management consider that a significant value remains in the value of employees and technical knowledge.

The acquiree's revenue and operating profit since acquisition to the year end were £829,000 and £248,000.

### Further Movements in Goodwill Since Last Period End

Also included within additions to goodwill for the year are additional consideration relating to the purchase of Northgate Information Solutions (Holdings) Ltd of £16,188,000 and additional transaction costs on other acquisitions from the last period of £114,000. Acquisitions of subsidiaries, net of cash acquired, in the consolidated cash flow statement also includes deferred consideration of £5,000,000 paid for Kendric Ash Limited and additional transaction costs related to the purchase of Northgate Information Solutions plc of £5,900,000.

# NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

## 2 Acquisition of Subsidiaries continued

Period ended 30 April 2008

On 5 March 2008, the Group purchased 100% of the ordinary shares of Northgate Information Solutions plc (now known as Northgate Information Solutions Holdings Ltd), for a net cash outflow (including cash acquired) of £573,031,000 and a total consideration of £597,437,000 (including legal and professional fees).

### Acquiree's Net Assets at the Acquisition Date

	Book value on acquisition (Restated) £'000	Fair value adjustments £'000	Provisional fair value (Restated) £'000	Final fair value (Restated) £'000
Intangible fixed assets	,	,	,	,
Property, plant and equipment	,	-	,	,
Inventories	,	-	,	,
Trade and other receivables	,	-	,	,
Cash and cash equivalents	,	-	,	,
Interest-bearing loans and borrowings	( , )	-	( , )	( , )
Deferred tax liabilities*	,	( , )	( , )	( , )
Trade and other payables	( , )	-	( , )	( , )
Taxation	( , )	-	( , )	( , )
Provisions	( , )	-	( , )	( , )
Employee benefits*	( , )	-	( , )	( , )
Net identifiable assets and liabilities	( , )	,	( , )	( , )
Goodwill on acquisition				,
Consideration (excluding legal fees)				,
Legal and professional fees				,
Total consideration				,
Less:				
Cash acquired				( , )
Net cash outflow				,

\* Employee benefits has been adjusted for revision to the pension scheme deficit liability under IFRIC 14 of £(4.6)m and recognition of associated deferred tax asset of £1.3m.

Fair value adjustments relate to identifiable intangibles relating to the value of customer contracts and relationships, order backlog, technology based assets and trade names.

Goodwill has arisen on Group acquisitions and represents future economic benefits arising from assets for which the recognition of a discrete intangible asset is not permitted or that cannot be identified individually and recognised separately and therefore is measured as a residual. Management consider that a significant value remains in the value of employees and technical knowledge.

## 2 Acquisition of Subsidiaries continued

Period ended 30 April 2008

On 1 April 2008 the Group purchased 100% of the ordinary shares of AST Check Limited, for a net cash outflow of £1,598,000 (including cash acquired) and a total consideration of £6,904,000 (including legal and professional fees). In addition, up to £5,194,000 of additional consideration could become payable, depending on future performance of the business over three years.

### Acquiree's Net Assets at the Acquisition Date

	Book value on acquisition £'000	Fair value adjustments £'000	Provisional fair value £'000	Final fair value £'000
Intangible fixed assets	-	,	,	,
Property, plant and equipment		-		
Trade and other receivables		-		
Cash and cash equivalents		-		
Deferred tax liabilities	( )	( , )	( , )	( , )
Trade and other payables	( )	( )	( )	( )
Taxation	( )	( )	( )	( )
Net identifiable assets and liabilities		,	,	,
Goodwill on acquisition				,
Consideration (excluding legal fees)				,
Legal and professional fees				
Total consideration				,
Less:				
Cash acquired				( )
Deferred consideration discounted to present value				( , )
Net cash outflow				,

Fair value adjustments relate to identifiable intangibles relating to the value of customer contracts and relationships, order backlog, technology based assets and trade names. Other adjustments include recognition of deferred tax liabilities associated with the intangible assets in addition to adjustments to align the accounting policies with that of Northgate.

Goodwill has arisen on Group acquisitions and represents future economic benefits arising from assets for which the recognition of a discrete intangible asset is not permitted or that cannot be identified individually and recognised separately and therefore is measured as a residual. Management consider that a significant value remains in the value of employees and technical knowledge.

The acquiree's revenue and operating profit since acquisition to the year ended 30 April 2008 was £103,000 and £52,000.

# NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

## 3 Operating Costs

	Year ended 30 April 2009			Period from 3 December 2007 to 30 April 2008		
	Before one-off incident	One-off incident	After one-off incident	Before one-off incident	One-off incident	After one-off incident
	2009 £'000	2009 £'000	2009 £'000	2008 £'000	2008 £'000	2008 £'000
Change in inventories of goods for resale	( , )	-	( , )	8,771	-	8,771
Purchase of goods for resale, raw materials and consumables	,	-	,	9,729	-	9,729
Other external operating charges	,	-	,	29,768	-	29,768
Staff costs						
- wages and salaries	,	-	,	28,836	-	28,836
- social security costs	,	-	,	2,312	-	2,312
- other pension costs defined contribution	,	-	,	815	-	815
- other pension costs defined benefit	,	-	,	515	-	515
Depreciation of owned assets	,	-	,	2,522	-	2,522
Depreciation of assets held under finance leases	,	-	,	839	-	839
Amortisation of development costs	,	-	,	1,151	-	1,151
Amortisation of other intangible assets	,	-	,	1,058	-	1,058
Exceptional impairment charge - development costs		-		-	-	-
Amortisation of acquired intangibles	,	-	,	7,417	-	7,417
Significant restructuring and property provisions	,	,	,	21,456	333	21,789
Option compensation costs	,	-	,	-	-	-
Loss on sale of fixed assets		-		269	-	269
				115,458	333	115,791

Included within significant restructuring and property provisions are £18.1m of restructuring costs and £3.0m of property costs. Also included within the above are costs for a one-off incident of £4.6m (period ended 30 April 2008: £0.3m) which were incurred as a result of Northgate's loss of its head office and principal data centre in Hemel Hempstead. These costs relate to additional property costs that the Group incurred as a direct result of that incident.

Other operating income of £4.0m (2008: £nil) has been recognised in relation to the settlement of a third-party claim in relation to compensation following the Buncefield explosion which has brought the one-off incident to a conclusion.

## 4 Directors' Emoluments

	Year ended	Period from
	30 April 2009 £'000	3 December 2007 to 30 April 2008 £'000
Total emoluments	,	-

## 5 Staff Numbers

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

	Year ended 30 April 2009 number	Period from 3 December 2007 to 30 April 2008 number
Sales and marketing		948
Customer services	,	3,806
Applications software support and research and development	,	1,460
Accounting and administration		754
	,	6,968

## 6 Interest-bearing Loans and Borrowings

	2009 £'000	2008 £'000
<b>Non-current liabilities</b>		
Secured bank loans	,	665,713
Finance lease liabilities	,	7,861
	,	673,574
<b>Current liabilities</b>		
Secured bank loans	,	23,498
Secured loan notes	-	90
Finance lease liabilities	,	3,756
	,	27,344

The Group's net bank loans are secured by a cross guarantee and a fixed and floating charge over the assets of the Company and its material subsidiaries. The interest rate applicable to the sterling denominated bank loans is LIBOR plus a margin which varies between 1.5% and 8.5%, depending on the business ratio of debt to EBITDA. The interest rate applicable to the euro denominated bank loans is EURIBOR plus a margin which varies between 1.5% and 3.5%, depending on the business ratio of debt to EBITDA. All bank loans at the period end are due in sterling or euros. Details of the repayment profile are shown in note 10(d). The Group's loan notes are secured by a bank guarantee.

Group bank loans are stated net of unamortised issue costs of £30.9m (period ended 30 April 2008: £27.9m). Issue costs, together with the interest expenses, are allocated to the income statement at a constant rate on the carrying amount. Group bank loans are subject to the following covenant restrictions:

- Ratio of consolidated net borrowings to consolidated EBITDA
- Ratio of cash flow to consolidated debt service (interest plus mandated repayments)
- Ratio of consolidated EBITA to consolidated net interest
- Value of capital expenditure in each financial year

All covenants are based on International Financial Reporting Standards (IFRS). Failure to meet the covenant restrictions results in all amounts outstanding becoming immediately due and payable. There have been no breaches in covenants in the period or since the inception of the loans.

## NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

### 6 Interest-bearing Loans and Borrowings continued

#### Finance Lease Liabilities

Finance lease liabilities are payable:

	Minimum lease payments 2009 £'000	Interest 2009 £'000	Principal 2009 £'000	Minimum lease payments 2008 £'000	Interest 2008 £'000	Principal 2008 £'000
Less than one year	,	,	,	4,525	769	3,756
Between one and five years	,	,	,	8,568	707	7,861
				13,093	1,476	11,617

Under the terms of the lease arrangements, no contingent rents are payable.

### 7 Employee Benefits

The Group operates four defined benefit pension schemes for its employees, the Northgate Public Services Pension Scheme, the Northgate Managed Services Pension Scheme and the Northgate HR Pension Scheme all disclosed as the "Northgate Scheme" and the existing Rebus Group Pension Scheme ("the Rebus Scheme"). Benefits are related to salary close to retirement or leaving service (if earlier) and also to years of pensionable service. Assets are held in separate, trustee-administered funds. Employer contributions to the schemes are determined on the basis of regular valuations undertaken by independent, qualified actuaries. The schemes are closed to new employees who are instead eligible to join the defined contribution section of the Northgate Scheme or another defined contribution scheme. As the schemes are closed to new entrants for pension accrual, under the method used to calculate pension costs in accordance with IAS19, the cost as a percentage of covered pensionable payroll will tend to increase as the average age of the membership increases.

The accounting numbers are based on updated funding valuations carried out as at 31 October 2007 for the Northgate Scheme and the Rebus Scheme and have been updated by Lane, Clarke and Peacock to take account of the requirements of IAS19 to assess the assets and liabilities of the schemes at 30 April 2009.

The Group has adopted the revisions to IAS19 which were published in December 2004. As permitted by the revised standard, actuarial gains and losses are recognised immediately in the period in which they occur outside income and expense through the statement of recognised income and expense.

	Northgate Scheme 2009 £'000	Rebus Scheme 2009 £'000	Total 2009 £'000	Northgate Scheme 2008 £'000	Rebus Scheme 2008 (Restated) £'000	Total 2008 (Restated) £'000
Present value of defined benefit obligations	,	,	,	195,870	80,667	276,537
Fair value of plan assets	( , )	( , )	( , )	(178,571)	(67,734)	(246,305)
IFRIC 14 adjustment*	-	,	,	-	4,635	4,635
Recognised liability for defined benefit obligation	,	,	,	17,299	17,568	34,867

\* Comparatives have been restated for revision to the pension scheme deficit liability under IFRIC 14.

## 7 Employee Benefits continued

### Movements in the Present Value of Defined Benefit Obligations

	Northgate Scheme 2009 £'000	Rebus Scheme 2009 £'000	Total 2009 £'000	Northgate Scheme 2008 £'000	Rebus Scheme 2008 £'000	Total 2008 £'000
At 1 May	,	,	,	-	-	-
Acquisitions through business combinations	-	-	-	185,918	78,172	264,090
Current service cost	,	,	,	401	114	515
Interest cost	,	,	,	1,750	714	2,464
Actuarial (gains)/losses	( , )	( , )	( , )	8,428	1,954	10,382
Benefits paid	( , )	( , )	( , )	(627)	(287)	(914)
At 30 April	,	,	,	195,870	80,667	276,537

### Movements in the Fair Value of Plan Assets

	Northgate Scheme 2009 £'000	Rebus Scheme 2009 £'000	Total 2009 £'000	Northgate Scheme 2008 £'000	Rebus Scheme 2008 £'000	Total 2008 £'000
At 1 May	,	,	,	-	-	-
Acquisitions through business combinations	-	-	-	157,786	57,985	215,771
Expected return on plan assets	,	,	,	1,403	526	1,929
Actuarial (losses) and gains	( , )	( , )	( , )	1,020	556	1,576
Contributions by employer	,	,	,	18,989	8,954	27,943
Benefits paid	( , )	( , )	( , )	(627)	(287)	(914)
At 30 April	,	,	,	178,571	67,734	246,305

### Expense Recognised in the Consolidated Income Statement

	Northgate Scheme 2009 £'000	Rebus Scheme 2009 £'000	Total 2009 £'000	Northgate Scheme 2008 £'000	Rebus Scheme 2008 £'000	Total 2008 £'000
Current service costs	2,767	767	3,534	401	114	515
Operating costs	,	,	,	401	114	515
Interest on obligation	,	,	,	1,750	714	2,464
Expected return on plan assets	( , )	( , )	( , )	(1,403)	(526)	(1,929)
Financial expenses	,	,	,	347	188	535
Total recognised in income statement	,	,	,	748	302	1,050

Net actuarial losses recognised directly in equity before deferred tax were £1,221,000 (period to 30 April 2008: £8,806,000).

## NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

### 7 Employee Benefits continued

#### Liability for Defined Benefit Obligations

The principal actuarial assumptions at the balance sheet date were:

	Northgate Scheme 2009 %	Rebus Scheme 2009 %	Northgate Scheme 2008 %	Rebus Scheme 2008 %
Discount rate	.	.	6.2	6.0
Expected return on plan assets	.	.	5.7	5.7
Future salary increases	.	.	3.6-4.6	3.6
Retail price inflation	.	.	3.6	3.6
Future pension increases (2.5% LPI)	.	.	2.3	2.3
Future pension increases (5% LPI)	.	.	3.5	3.5

The post-retirement mortality assumptions (based on PA92 tables) allow for future improvements in mortality. The assumed life expectancy for a male active member reaching age 65 at the accounting date is 22.0 years (period to 30 April 2008: 21.7 years). Allowance has been made for further improvements to mortality, whereby the assumed life expectancy of a male member on reaching age 65 in 20 years' time is 25.0 years (period to 30 April 2008: 24.7 years).

The expected rate of return on the pension plan assets is determined as the Group's best estimate of the long-term return of the major asset classes – equities, bonds, gilts, active currency, property, hedge funds and cash – weighted by the actual allocation of assets among the categories at the measurement date. The expected rate of return is calculated using geometric averaging.

#### Fair Value of Plan Assets

	Northgate Scheme 2009 £'000	Rebus Scheme 2009 £'000	Total 2009 £'000	Northgate Scheme 2008 £'000	Rebus Scheme 2008 £'000	Total 2008 £'000
Equities	,	,	,	41,563	13,439	55,002
Bonds	,	,	,	86,539	31,274	117,813
Active currency	,	,	,	5,105	1,866	6,971
Property	-	-	-	11,000	4,000	15,000
Fund of hedge funds	,	,	,	14,790	5,412	20,202
Cash	,	,	,	19,574	11,743	31,317
At 30 April	,	,	,	178,571	67,734	246,305

Over the next year, the Group will pay additional contributions of £3.0m to the UK defined benefit schemes – £1.8m to the Northgate Scheme and £1.2m to the Rebus Scheme – aimed at removing the deficit of the schemes over time. There are additional contributions to the defined contribution scheme (see below).

## 7 Employee Benefits continued

### Scheme History

	2009 £'000	2008 £'000
Present value of defined benefit obligations	,	276,537
Fair value of plan assets	( , )	(246,305)
IFRIC 14 adjustment	,	4,635
Total scheme deficit	,	34,867
Reduction/(increase) in scheme liabilities due to change in assumptions	,	(10,382)
Actuarial (losses)/gains in scheme assets	( , )	1,576
Actuarial losses recognised in the statement of recognised income and expense	( , )	(8,806)
Cumulative actuarial losses recognised in the statement of recognised income and expense	( , )	(8,806)

### Defined Contribution Arrangements

The Group also operates various defined contribution arrangements for its UK and overseas employees. The contributions paid to defined contribution schemes amounted to £7,886,000 (period ended 30 April 2008: £815,000). The amount recognised as an expense was £7,886,000 (period ended 30 April 2008: £815,000). The amount paid into pension schemes for overseas employees was £2,719,000 (period ended 30 April 2008: £420,000). Amounts payable in respect of defined contribution arrangements at 30 April 2009 were £363,000 (2008: £203,000).

## 8 Provisions

	Property provisions £'000	Restructuring and other provisions £'000	Total £'000
At 1 May 2008	10,569	13,476	24,045
Exchange differences	-	6	6
Acquisitions through business combinations	1,254	2,485	3,739
Recognised in the income statement	1,735	9,784	11,519
Utilised in the period	(1,850)	(5,135)	(6,985)
At 30 April 2009	,	,	,
Current	3,774	20,616	24,390
Non-current	7,934	-	7,934
	,	,	,

### Property Provisions

The provision relates to Group properties that have either been sublet or are vacant. It consists of the discounted value of the differential between future liabilities on the property less any expected future sublet receipts extrapolated to the earliest break point in the contract. In addition, there is a dilapidations provision to make the property good at the end of the lease. This is made for all leased properties expiring within the next three years.

### Restructuring and Other Provisions

The Group has provided in full for the anticipated costs of restructuring certain divisions and is management's best estimate of this cost.

# NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

## 9 Net Debt

Net debt includes cash and cash equivalents, secured bank loans and loan notes and finance lease liabilities.

	Notes	30 April 2009 £'000	30 April 2008 £'000
Cash and cash equivalents		,	47,949
Secured bank loans and loan notes – current	6	( , )	(23,498)
– non-current	6	( , )	(665,713)
Other loans	6	–	(90)
Finance lease liabilities – current	6	( , )	(3,756)
– non-current	6	( , )	(7,861)
Other financial liabilities – current	10(f)	( , )	–
– non-current	10(f)	( , )	–
		( , )	(652,969)

## 10 Financial Instruments

The Group's financial assets and liabilities mainly comprise bank borrowings, cash, liquid resources and various items, such as trade and other receivables and trade and other payables that arise directly from operations.

The main market risks arising from the Group's operations are credit risk, interest rate risk, foreign exchange risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

The main purpose of the financial instruments is to provide a hedge against the interest rate risk for the Group's financial liabilities.

### a) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade and other receivables from customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

At the balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet, principally trade and other receivables. The Group provides credit to customers in the normal course of business and the amount that appears in the balance sheet is net of a provision for impairment of £3,284,000 (2008: £2,504,000). The provision for impairment is calculated based on the Group's policy based on age of the financial asset at each period end and specific doubtful debts. Past history suggests that no provision for impairment is required for trade and other receivables not past due.

The ageing of trade receivables at the year end was:

	30 April 2009 Gross £'000	30 April 2008 Gross £'000
Not past due	,	105,935
Past due 0-30 days	,	18,273
Past due 31-60 days	,	9,456
Past due 61-90 days	,	1,275
Past due 90 days and above	,	4,048
	,	138,987

In addition to the above at 30 April 2009, there were also other receivables (long-term debtors) of £41,375,000 (2008: £19,205,000). Included within debtors past due 90 days and above is an allowance for impairment of £3,284,000 (30 April 2008: £2,504,000).

## 10 Financial Instruments continued

The movement in the allowance for impairment in respect of trade and other receivables during the period was as follows:

	30 April 2009 £'000	30 April 2008 £'000
At 1 May	,	-
Acquisitions through business combinations	-	2,135
Impairment loss recognised		369
Utilised in the period	( )	-
	,	2,504

### b) Interest Rate Risk

Interest rate risk is the risk of increased net financing costs due to increases in market interest rates. The Group finances its operations and acquisitions through a mixture of retained profits, bank borrowings and equity. The Group's main interest rate risk therefore comes from its bank borrowings, which the Group borrows principally in sterling and euros.

The Group policy is to undertake interest rate hedging to protect itself against adverse investments in interest rates (see (g)). Any surplus cash is invested in short-term bank deposits at the prevailing rates of interest in order to achieve the market rate of return.

At 30 April 2009, the Group had interest rate hedges in place to remove its exposure to changes in interest rates for around two-thirds of its bank facilities for the next three years. The need for further interest rate hedges is reviewed by the Board of Directors annually. This is set out in detail in note 10(g). Due to the interest rate hedges in place the remaining interest rate risk is not materially sensitive to changes in interest rates.

At the period end the interest rate profile of the Group's interest-bearing financial instruments was:

	30 April 2009 £'000	30 April 2008 £'000
<b>Variable rate instruments</b>		
Secured bank loans	,	689,211

As noted above, interest rate hedges are in place to manage the risk from changing interest rates affecting the cost of these bank loans.

	30 April 2009 £'000	30 April 2008 £'000
<b>Fixed rate instruments</b>		
Secured loan notes	-	90
Finance lease liabilities	,	11,617
	,	11,707

# NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

## 10 Financial Instruments continued

### c) Foreign Exchange Risk

The Group operates internationally and is exposed to foreign currency risk on transactions denominated in a currency other than the functional currency and on the translation of the balance sheet and income statement of foreign operations into sterling. The currencies giving rise to this risk are primarily US dollars and euros. The Group has both cash inflows and outflows in these currencies that create a natural hedge.

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's cash inflows and outflows in a foreign currency. The Group also hedges any material foreign currency transaction exposure. The Group has treated €360m of the long-term funding of a subsidiary as a net investment hedge. At 30 April 2009 exchange rates, the long-term funding was £323.2m (2008: £283.6m) and the net investment shown in goodwill was £323.2m (2008: £283.6m).

Over the longer term, permanent changes in foreign exchange could have an impact on consolidation of foreign subsidiaries earnings. It is estimated that a general increase of one percentage point in the value of sterling against other currencies would have decreased the Group's profit before tax by approximately £122,000 (period ended 30 April 2008: £151,000).

### d) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial commitments as they fall due.

The Group's objective is to ensure that adequate facilities are available through use of bank loans and finance leases. The Group manages liquidity risk through regular cash flow forecasting and monitoring of cash flows, management review and regular review of working capital and costs.

The Group regularly monitors its available headroom under its borrowing facilities. At 30 April 2009, £135,200,000 (2008: £140,900,000) of undrawn facilities was available (see (e)).

In respect of the Group's interest-bearing financial liabilities, the table below includes details (at the balance sheet date) of the periods in which they mature.

30 April 2009	Notes	Book value £'000	Future cash flows £'000	Less than one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000
Secured bank loans	6	( , )	( , , )	( , )	( , )	( , )	( , )	( , )	( , )
Finance lease liabilities*	6	( , )	( , )	( , )	( , )	( , )	-	-	-
Trade and other payables		( , )	( , )	( , )	-	-	-	-	-
Interest rate collars/SWAPS	10(f)	( , )	( , )	( , )	-	( , )	( , )	-	-
Other financial liabilities	10(f)	( , )	( , )	( , )	( , )	( , )	( )	-	-
		( , )	( , , )	( , )	( , )	( , )	( , )	( , )	( , )
30 April 2008	Notes	Book value £'000	Future cash flows £'000	Less than one year £'000	One to two years £'000	Two to three years £'000	Three to four years £'000	Four to five years £'000	More than five years £'000
Secured bank loans	6	(689,211)	(1,152,352)	(62,723)	(66,906)	(75,251)	(81,829)	(89,242)	(776,401)
Secured loan notes*	6	(90)	(90)	(90)	-	-	-	-	-
Finance lease liabilities*	6	(11,617)	(13,250)	(3,954)	(3,942)	(3,033)	(2,321)	-	-
Trade and other payables		(47,919)	(47,919)	(47,919)	-	-	-	-	-
Interest rate collars/SWAPS	10(f)	(3,007)	(3,007)	-	(812)	(35)	(2,133)	(27)	-
		(751,844)	(1,216,618)	(114,686)	(71,660)	(78,319)	(86,283)	(89,269)	(776,401)

\* These liabilities bear interest at a fixed rate.

## 10 Financial Instruments continued

### e) Borrowing Facilities

The Group has syndicated senior and subordinated facility agreements with a number of banks and investment companies providing £621m and €360m of available funding. Of these facilities, the Group has the following available committed floating rate borrowing facilities at 30 April 2009 in respect of which all conditions precedent had been met at that date:

	2009 £'000	2008 £'000
Expiring between two and ten years	,	140,900

These long-term facilities have been arranged to help finance expansion of the Group's activities in line with the acquisition strategy in place.

### f) Fair Values of Financial Assets and Financial Liabilities

The fair values, together with the carrying amounts shown in the balance sheet, are as follows:

	Notes	Carrying amount		Fair value	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade and other receivables		,	155,688	,	155,688
Cash and cash equivalents		,	47,949	,	47,949
Interest rate collars/SWAPs – Assets		,	1,260	,	1,260
– Liabilities		( , )	(3,007)	( , )	(3,007)
Secured bank loans	6	( , )	(689,211)	( , )	(689,211)
Secured loan notes	6	–	(90)	–	(90)
Finance lease liabilities	6	( , )	(11,617)	( , )	(11,617)
Other financial liabilities		( , )	–	( , )	–
		( , )	(499,028)	( , )	(499,028)

### Estimation of Fair Values

The fair values of financial instruments reflect the market value at the balance sheet date. The market value of interest rate collars is determined from valuations provided by the issuing financial institution adjusted for credit risk. All other financial instruments are stated at their carrying values which are not materially different to the market value.

### g) Hedging

In respect of our overall borrowings this covers 87% of our interest exposure in 2008/2009, 88% in 2009/2010, 81% in 2010/2011, 68% in 2011/2012 and then 50% in 2012/2013. The average rate of interest fixed over the five-year period is in the range 3.89% to 5.13% for sterling and 3.78% to 4.34% for euros plus margin. Margin is payable under the Group's loan facilities dependent on the ratio of debt to EBITDA and ranges from 1.5% to 8.5%. The effect of the arrangement is to limit any detrimental interest rate moves for the next five years to the amount of debt not covered by these instruments. These positions are reviewed annually by the Board.

The Group also hedges any material foreign currency transaction exposure. In September 2008 it entered into a forward contract to buy €13.8m maturing September 2009. This hedged the euro cash flow exposure over the 12 months to 15 September 2009.

# NOTES TO THE CONSOLIDATED ACCOUNTS

for the year ended 30 April 2009

## 10 Financial Instruments continued

The Group undertakes interest rate hedging to protect itself against adverse movements in interest rates. Hedging is put in place when significant amounts of borrowing are incurred. A summary of the Group's interest rate hedging position (including interest rate hedges taken on as part of the "acquired group") is set out below. The figures quoted represent total interest costs including funding margin.

- i) In September 2003, the Group transacted an interest rate collar to reduce interest rate risk in respect of the funding for the purchase of the freehold of the Group's headquarters. The effect of the interest rate collar was to limit the interest payable on the appropriate amount to a rate between a floor of 4.37% and a ceiling of 6.0%. The amount covered was initially £12m, reducing gradually over time to reflect the expected repayment of the debt. This hedge was terminated in June 2008 following the take private of Northgate.
- ii) In June 2005, the Group borrowed a relatively significant amount in order to help fund the acquisition of Service and System Solutions Limited. Accordingly, further interest rate hedging was put in place. This hedging was effected partly by interest rate collars and partly by interest rate swaps. The Group transacted £55m of interest rate collars, for a period of five years, with a floor of 4.325% and a ceiling of 5.5%. The Group also transacted £80m of interest rate swaps, for a period of three years, which have the effect of fixing the rate payable on the appropriate amount of debt: the fixed rate payable was 4.76%. Again, the total amount hedged varied on an ongoing basis in order to match the expected repayment of the underlying debt. The interest rate swaps matured naturally in June 2008 and following the take private of the Group, the interest rate collars were also terminated in June 2008. Since then these have been superseded by the further hedging as detailed in (iv) below.
- iii) In June 2007, the Group acquired Arinso and raised a further substantial amount of debt for this purpose. As with the purchase of Service and System Solutions Limited, interest rate hedging was established to reduce exposure to adverse movements in rates, and again hedging was effected using a mixture of interest rate collars and interest rate swaps. Part of these hedges was denominated in euros to match the euro debt that was used to finance the acquisition. The Group transacted £86m and €144m of interest rate collars (with floors of 5.70% and 4.38% respectively, and ceilings of 6.60% and 5.30% respectively). In addition, the Group transacted £100m and €198m of interest rate swaps (paying a fixed rate of 5.85% and 4.34% respectively). Consistent with the strategy described above, the profile of both interest rate collars and interest rate swaps was sculpted to match the expected amount of underlying debt.
- iv) Following the take private of Northgate in March 2008, the Group raised additional finance. Consequently, supplementary interest rate hedging was effected in order to protect the Group from rises in interest rates. Additional interest rate swaps were transacted, totalling £200.5m (paying a fixed rate of 5.49%) and €67.6m (paying a fixed rate of 4.34%).
- v) In June 2008, the Group took advantage of temporary dislocation in the interbank markets by using interest rate swaps to reduce the overall interest rate payable on £284m and €306m of its debt, resulting in an overall reduction in interest payable of £1m.
- vi) Following the Anite PS acquisition, the Group entered into further hedges for £150m (paying an averaged fixed rate of 2.83%) and €50m (paying a fixed rate of 2.65%).

### h) Capital Management

The Group's objectives when managing capital (retained profits and bank borrowings) are to safeguard the Group's ability to continue as a going concern, support the growth of the business and to maintain an optimal capital structure to reduce the cost of borrowing. The Group finances its operations through a combination of retained profits, equity and bank borrowings (see note 6).

## 11 Accounting Estimates and Judgements

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

### Revenue Recognition

The revenue and profit of fixed price contracts is recognised on a percentage completion basis when the outcome of a contract can be estimated reliably. Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also make some estimates in the calculation of future contract costs, which are used in determining the value of amounts recoverable on contracts. Estimates are continually revised based on changes in the facts relating to each contract.

### Pensions

Details of the principal actuarial assumptions used in calculating the recognised liability for the defined benefit plans are given in note 7. Changes to the discount rate, mortality rates and actual return on plan assets may necessitate material adjustments to this liability in the future.

### Provisions

Provisions are recognised in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events which can be reasonably estimated. The timing of recognition requires the application of judgement to existing facts and circumstances, which can be subject to change. Note 8 to the accounts contains information about the assumptions made concerning the Group's provisions.

### Fair Value Measurement on a Business Combination

The measurement of fair values on a business combination requires the recognition and measurement of the identifiable assets, liabilities and contingent liabilities. The key judgements involved are the identification and valuation of intangible assets which require the estimation of future cash flows and the selection of a suitable discount rate.

### Impairment of Intangible Assets, including Goodwill

Following the acquisition of Northgate Information Solutions plc in 2007/2008, the Group has significant carrying values of goodwill and intangible assets, such as customer relationships, technology based assets and trade names and other marketing related assets. Goodwill and other intangible assets are tested annually for impairment. The impairment tests involve estimation of future cash flows and the selection of a suitable discount rate. These require an estimation of the value-in-use of the cash generating units to which the intangible assets are allocated.

### Taxation

The Group is subject to corporate taxes in numerous jurisdictions. Management is required to exercise significant judgement in determining the worldwide provision for corporate taxes. Certain transactions require the use of estimates and judgements to determine the financial effect where the ultimate tax determination is uncertain. When the final outcome of such matters is different from previous estimates, such differences will impact on the corporate tax in the period in which the determination is made.

## DIRECTORS AND ADVISORS

### Directors

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