

For immediate release
26 June 2003

Northgate Information Solutions plc
Preliminary results for the year ended 30 April 2003

Northgate Information Solutions plc, a leading supplier of software applications and outsourcing solutions to the Public Sector, Human Resources and Corporate markets, today announces preliminary results for the year ended 30 April 2003.

Financial Highlights

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

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

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

Commenting on today's announcement, Chief Executive Chris Stone said:

"I am pleased with these results. During the year we have accelerated our strategic development, successfully disposing of the Health business and integrating Prolog Business Solutions Limited into our HR business. Since the year-end we have acquired Cara Payroll Group Limited and continue to seek further acquisitions to generate value for our shareholders as we grow our positions in the HR and public sector markets. As a result, we anticipate good levels of organic and acquisitive growth and have every confidence in the Group's medium and long-term prospects."

Chairman Nick Irens added:

"These are good results given the difficult market climate this year. We achieved an excellent price for the Health business, which has given us a strong balance sheet with which to target selective acquisitions. The business is now focused on market segments that offer good growth prospects, and we have funds to enhance our position in each of these areas."

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Northgate Annual Report & Preliminary Statement Chairman's Statement

Strong Financial Performance

I am pleased to report that the Group has achieved a good result this year, despite the difficult market climate. Profit before tax stands at £28.1 million (2002: £8.7 million) primarily as a result of the sale of the Health business, with operating profit from continuing operations unchanged at £4.5 million. Particularly pleasing is the double-digit growth yielded by the HRS and Public Sector businesses, which are starting to deliver on their strong growth potential.

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

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

Significant Strategic Progress

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

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

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

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

Employees

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

Northgate's Future

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

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

Nick Irens
Chairman
26 June 2003

Chief Executive's Review

The year to 30 April 2003 has been a year of transition as we made steps to accelerate our strategic development. The most important of these was the sale of our Health business for £31.4 million (net of expenses) in July 2002. Whilst the Health market provided some opportunities for growth, the Board decided that the Group should focus on its other divisions, where it believed (and continues to believe) there are better growth prospects for the Group. The Board was clear that the Group could make better progress in these other markets if we had funds to support an aggressive development programme and we took the opportunity to realise an excellent price for the Health business, allowing us to build up a significant cash balance. We went on to make our first significant acquisition in the HR market, Prolog Business Solutions Limited ("Prolog"), for £4.6 million in November 2002.

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

The overall performance of the Group is the result of:

- Continued progress in implementing a clear and consistent strategy
- Strong growth in our focus activity of Software Applications
- Good growth in the Human Resources Business Process Outsourcing market
- Strong operational management
- Excellent people

Divisional Activities

Public Sector

For the full year Public Sector revenues in our continuing business, following the sale of the Health business, grew by 23.9%, and profits grew by 11.1%.

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

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

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

Local Government

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

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

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

Criminal Justice

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

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

Human Resources Systems

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

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

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

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

Corporate Sector

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

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

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

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

Strategic update

In line with our strategy, we continue to build a strong business based on the Group's applications and managed services in the Local Government, Criminal Justice, Human Resources and Corporate markets. The business has been operating for 33 years, and continues to benefit from the strength of our experience and contacts in each market.

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

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

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

Our managed services offerings are designed to reduce the cost of IT ownership for our clients, whilst assuring them of known service levels. They also generate valuable recurring revenues for the Group, often over 5 years or more.

In line with our strategy, the Board identified the BPO market as one that would particularly benefit from these two competencies. As a result the Group has substantial prospects for delivering further

value to its shareholders through targeting selected contracts in this arena. 2002/2003 saw continued progression by the Group in this market with further wins in HR Process Outsourcing, and our first steps into Local Government Process Outsourcing. After a disappointing experience with large scale Public Private Partnerships with Dacorum Borough Council we have focused our approach in the BPO market to concentrate on areas where we have strong applications that allow us to deliver service underpinned by the high levels of functionality within our own products. We believe that this will attract new customers and allow us to realise a fair share of the value that our products and services can create.

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

Outlook

I would like to thank our customers and shareholders for their support over the past 12 months. I would also like to thank my colleagues, who have demonstrated great commitment over the past year. We have a dedicated and highly skilled workforce and these good results are a credit to their commitment to the business.

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

Chris Stone
Chief Executive
26 June 2003

Group Finance Director's Review

Overview

Group trading for the year ended 30 April 2003 shows strong progress in our core markets of Local Government, Criminal Justice and Human Resources. This has been offset in part by a difficult Corporate market place, where costs have been tightly controlled.

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

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

Operating Results

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

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

The 2002/2003 financial year saw our order book grow (excluding the Health business) by over 4% to £101.5 million. This reflects the growing importance of our Managed Service and Outsourcing work that will help to support future earnings.

Results by market sector were:

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

Exceptional Items

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

Discontinued Operations

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

Cash and Financing

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

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

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

Accounting Policies

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

Taxation (FRS19)

The Group has significant tax trading losses of £26.3 million, which will be utilised in the coming years. A deferred tax asset of £4.7 million (2002: £nil) has thus been recognised in line with FRS 19.

Pensions

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

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

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

Corporate Governance and Risk Management

During the year to 30 April 2003, the Group has complied with all the provisions of the Combined Code on Corporate Governance, as incorporated within the Listing Rules. Significantly, we have continued to identify and evaluate operational and other risks faced by the Group, implementing changes where required to reduce risk to manageable levels. We believe that this, together with our culture of financial control, underpins the quality of earnings.

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

Earnings per Share

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

Dividend Policy

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

Shareholders' Funds

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

John Stier
Group Finance Director
26 June 2003

Northgate Information Solutions plc

GROUP PROFIT AND LOSS ACCOUNT For the year ended 30 April 2003

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

EARNINGS PER ORDINARY SHARE

Basic	10.45p	3.00p
Diluted	10.33p	2.91p
Adjusted Basic	1.83p	1.60p
Adjusted Diluted	1.81p	1.56p

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

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 April 2003

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

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS
For the year ended 30 April 2003

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

Northgate Information Solutions plc

BALANCE SHEETS

At 30 April 2003

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

GROUP STATEMENT OF CASH FLOWS
For the year ended 30 April 2003

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

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
For the year ended 30 April 2003

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

Northgate Information Solutions plc

NOTES

At 30 April 2003

1. TURNOVER AND SEGMENTAL ANALYSIS

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

Turnover and operating profit

By market sector:

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

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

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

		Year ended 30 April 2003 Profit/(loss) £'000	Year ended 30 April 2002 Profit/(loss) £'000
Amortisation of goodwill			
Continuing operations	Human Resources Systems	(296)	(102)
	Corporate Sector	(17)	-
		(313)	(102)
Operating exceptional items			
Continuing operations	Administration	(5,180)	3,497
	Public Sector	(29)	(243)
	Human Resources Systems	(188)	-
	Corporate Sector	(598)	(1,197)
		(5,995)	2,057
Profit on sale or termination of operations			
Discontinued operations	Sale of health business	28,451	-

NOTES
At 30 April 2003

2. EXCEPTIONAL ITEMS

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

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

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

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

3. RECONCILIATION OF GROUP OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

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

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

4. BASIS OF INFORMATION

The contents of this announcement do not constitute the Company's statutory accounts for the year ended 30 April 2003 but are derived from those accounts. Statutory accounts for the year ended 30 April 2002 have been delivered to the Registrar of Companies and those for the year ended 30 April 2003 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts; their reports were unqualified and did not contain statements under section 237 (2) or (3) of the Companies Act 1985.