

28th June 2004

Northgate Information Solutions announces record results

Northgate Information Solutions plc ("Northgate"/"the Group") announces its preliminary results for the year ended 30 April 2004.

Financial results	03/04 (£m)	02/03 (£m)
Results*		
Turnover	136.5	85.2
Operating profit	11.6	5.1
Profit before tax**	4.1	5.7
Adjusted basic EPS	2.81p	1.83p
Statutory results		
(Loss)/Profit before tax	(10.1)	28.1
Basic EPS	(2.96)p	10.45p

**Management use results that exclude goodwill amortisation and exceptional items as the primary measure to provide a better comparison of underlying business performance. Exceptional items for 2004 include £11.2m of restructuring costs. The prior year included an exceptional profit of £28.5m relating to the sale of the healthcare business.*

*** Including goodwill amortisation, but excluding exceptional items*

Highlights

- Good organic revenue growth has been achieved across the group: 13% in public services, 19% in HR and 6% in corporate, delivering increased market share
- Strong organic growth in EBITA: 47% in public services, 43% in HR and 20% in corporate
- Acquisitions contributed £4.5m of EBITA
- 5 acquisitions have been delivered; Northgate now has market-leading positions in human resources systems and public services
- Carapeople, blue8, Hays CSG and PWA have all successfully integrated into the Group; the integration of RebusHR is ahead of schedule and largely complete
- Northgate has a strong, high quality customer base with excellent retention rates
- £11.6m of EBITA produced £13.7m of cash, a conversion ratio of 118%

Commenting on the results, Chris Stone, Chief Executive of Northgate, said:

"This has been a transformational year for Northgate Information Solutions and we are delighted with this set of results – the Group has seen growth from both its organic businesses and those acquired during the year and we believe we have now attained our goal of being the UK market-leading software and services provider to the Human Resources and public safety markets. The Group is now seeing the benefits of its increased scale, as it can compete for, and win, far broader contracts. The outlook is very positive for Northgate."

Nick Irens, Chairman, added:

"Northgate has demonstrated that it can integrate acquisitions quickly and successfully to deliver superior growth for its shareholders. We remain confident that there are significant growth opportunities available to the company in its chosen markets."

For further information:

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[An interview with Chris Stone, Chief Executive in video/audio and text will be available from this morning on www.northgate-is.com and on www.cantos.com.]

press release



Notes to editors

Northgate Information Solutions plc is listed on the London Stock Exchange and is included in the techMARK and FTSE 250 indices. For further information visit the Northgate Information Solutions Portal at <http://www.northgate-is.com>.

Northgate Information Solutions is a leading supplier of software applications and outsourcing solutions to the criminal justice, local government and human resources markets. Headquartered in Hemel Hempstead, Northgate now employs approximately 2,200 staff and has approximately 2,500 large/medium customers and almost 5,000 SME customers across the UK and Ireland. Northgate works closely with many corporate organisations, as well as approximately 30% of the UK's local authorities, and all of its police forces. Northgate's focus is on fully understanding application-specific processes, enabling organisations to increase their business process efficiency. Equally, Northgate manages customers' key systems, providing a broad range of outsourced solutions - available at client sites or hosted at its own secure data centre.

Northgate Information Solutions plc

CHAIRMAN'S STATEMENT

Strong financial performance

This has been a transformational year for Northgate Information Solutions, during which it has achieved very strong results. Since the acquisition of RebusHR in January, Northgate has improved its competitive position and is now a leader in all its chosen markets. Turnover from continuing operations has increased by 64% to £136.5 million (2003: £83.3 million) and trading has been and continues to be strong across the Group.

Operating profit from continuing operations before exceptional items and goodwill amortisation has more than doubled to £11.6 million (2003: £4.5 million), including organic profit of £7.1 million (2003: £4.5 million) and a pleasing first contribution of £4.5 million from the businesses acquired during the year. Removing the effect of exceptional items, profit before tax in 2004 was £4.1 million (2003: £5.7 million). After exceptional items of £14.2 million, net interest charges of £1.7 million and amortisation of goodwill of £5.9 million (2003: £0.3 million), Northgate reported a loss before tax, in line with expectations, of £10.1 million. The prior year profit before tax of £28.1 million was supported by an exceptional profit of £28.5 million relating to the sale of the healthcare business in July 2002.

Net debt has been reduced since the completion of the RebusHR deal from £64.0 million to £57.1 million. This is due to strong trading across the Group and focused working capital management. Exceptional items of £14.2 million include £5.0 million of Employee Share Option Scheme charges and £11.2 million of restructuring costs. The restructuring costs mainly arose through redundancy programmes to integrate acquired businesses into the Group, and the associated rationalisation of the Group's property portfolio.

Strategic transformation

During the year, Northgate has made several successful acquisitions, in line with its strategy to become a significant player in each of its chosen markets, most recently with the acquisition of RebusHR in January. In the first half of the year the Group acquired Carapeople, blue8 and Hays CSG, and in November PWA was added. These businesses have now been successfully integrated and have significantly strengthened Northgate's capabilities in the small to medium enterprise (SME) payroll and public safety markets. This combination of products gives the Group an impressive competitive position in its chosen markets. The acquisition of RebusHR has transformed the Human Resources division: the customer base is strengthened and the business has increased in scale. The integration of RebusHR is ahead of schedule and largely complete; the business has also performed better during the integration period than was originally forecast, making a welcome profit contribution before exceptional items and goodwill amortisation of £1.7 million to this financial year.

Employees

This strong set of results is a reflection of the commitment and hard work of all our employees. Their performance has been particularly impressive given the change the Group has undergone during the year. I would like to thank all our employees personally for their ongoing dedication to the business.

At the Board level, we have been delighted to welcome five new Directors this year: Sir Stephen Lander, Nick Starritt and David Hodgson have joined the Group as Non-Executive Directors; David Meaden and Malcolm Aldis, the current Managing Directors of our Public Services and Human Resources divisions, have been appointed to the Board as Executive Directors. I know their experience will be invaluable to Northgate as the business goes forward.

Outlook

The Group has been focused on ensuring that RebusHR integrates smoothly, and this has now been largely completed. As a result, we are now well positioned to deliver on the targets we set ourselves at the time of the acquisition. In addition to this, as the Board continues to seek opportunities to create value for shareholders, it will consider further bolt-on acquisitions, when they arise and on a case-by-case basis. Your Board remains confident that there are significant growth opportunities available to the company in its chosen markets.

The utilisation of resources in the implementation of this growth strategy will deliver substantial shareholder value, and accordingly, the Directors have decided that the payment of a dividend is not appropriate at this time.

Nick Irens
Chairman

press release



28th June 2004

Northgate Information Solutions plc

CHIEF EXECUTIVE'S REVIEW

This year has marked a real step change for the Group and has seen Northgate Information Solutions take a significant step toward realising its strategy to become the leading player in providing software and IT services to the Human Resources, local government and public safety markets. Northgate has successfully completed its integration of Carapeople, blue8, Hays CSG and PWA, and the integration of RebusHR is well ahead of the Group's original expectations. The Group has now achieved market-leading positions in each of its chosen growth markets.

The increased scale of the business as a whole brings the Group greater visibility. Northgate can now compete for, and win, far broader contracts and it has become the strategic partner of choice for many of its customers. Its enlarged suite of software products brings greater opportunities for delivering value to customers and strengthening its relationship with them. These key partner relationships are particularly important as they give greater insight into future product development opportunities. One example of this is Northgate's work in the emerging area of complex data integration solutions for public sector agencies.

Public Services

Northgate's Public Services division has shown significant growth throughout the year, with revenues up 47% from £40.8 million to £60.0 million, which includes a 13% increase in turnover at an organic level. Operating profit from existing continuing operations before exceptional items and amortisation of goodwill was £5.1 million (2003: £3.4 million). This represents organic growth of 47%.

Our Front Office solutions product has been a significant growth driver, with 30 new clients won during the year, bringing the total number of Front Office customers to 37. Front Office is a product which Northgate developed: the company identified the market opportunity and made a significant investment to design and build this product. Last year, Northgate won more than 50% of all the contract opportunities in the market, demonstrating the success of its development strategy. Looking ahead, there is a healthy pipeline of contracts for which Northgate is bidding and the outlook for Front Office is excellent. Since the year end we have achieved preferred supplier status with eight further Local Authorities. The Group is positive about the opportunities for similar progress with the new Assert product, which addresses the market need for simplified benefits assessment.

The blue8 and Hays CSG businesses continue to enhance Northgate's leadership position in the criminal justice and public safety sectors, as the product range available positions the Group as a key strategic partner and gives Northgate better traction in maintaining its customer relationships. Northgate has made excellent progress in combining the technologies acquired with blue8 and Hays CSG, which were primarily targeted at the criminal justice sector prior to acquisition, to create improved solutions for its enlarged customer base. This progress is exemplified by recent wins in the area of complex data management for local authorities.

The Home Office's Penalty Notice for Disorder scheme has now been successfully rolled out and implemented with 42 police forces. The strength of the Northgate brand has also increased the number of customers for the NMIS product. Under Hays' ownership, 20 forces committed to using the product over a five-year period. Since Northgate acquired it last August, it has increased the number of contracts to 38.

Human Resources

Northgate is now the market leader in the UK HR software sector. Total revenue increased by 173% from £18.9 million to £51.5 million, with revenues growing organically by 19% to £22.5 million (2003: £18.9 million) and the businesses acquired over the past year contributing an additional £29.0 million of turnover. Operating profit before exceptional items and amortisation of goodwill was £6.7 million; of this, underlying organic growth increased by 43% from £2.6 million in 2003 to £3.7 million and Northgate's acquisitions over the period contributed an extra £3.0 million of profit.

The acquisition of RebusHR has transformed the HR division into a business of substantial scale in human resources services and has nearly doubled its total number of customers. It can now compete with global suppliers of enterprise software to even the largest application customers and is well placed to take advantage of opportunities to offer its HR applications and outsourcing services across international markets where the opportunities arise. A number of Northgate's UK-based customers with international operations have asked the Group to provide software into their other markets. In addition, the newly acquired PWA business has a European distributor network to which the Group now has access. Northgate has the most comprehensive range of software and service offerings of any HR focused vendor and is able to address the needs of the smallest up to the largest company, employing from 5 to over 300,000 employees.

Northgate Information Solutions plc

CHIEF EXECUTIVE'S REVIEW (*continued*)

Northgate's ResourceLink product continues to consolidate its position as a leading integrated payroll, personnel and pensions administration software product in the UK, winning 33 new clients over the past year. RebusHR's established product range continues to perform well and ahead of the expectations set for the business at the time of acquisition. The Group won a recent three-year payroll outsourcing contract with Customs and Excise, worth £3million. This contract combined RebusHR's payroll processing capability with the ResourceLink product, demonstrating the combined strength of the enlarged HR business.

Corporate Sector

Following the completion of our planned withdrawal from low-margin hardware reselling, and the consequent reduction in revenues over the previous two years, our corporate sector division has achieved better than expected revenue growth of 6% during the year. New name business has included a contract to provide Sun support for Cable & Wireless, as a partner with Hewlett Packard.

The division has also continued to reduce costs and to improve profitability, with operating profit before exceptional items and amortisation of goodwill growing by 20% to £1.4 million (2003: £1.2 million). Whilst it is a small player in this market, the business remains profitable and cash generative, and Northgate continues to manage this business to maintain its profitability. In particular, this business continues to add value to the other Northgate divisions through the outsourcing expertise that corporate brings to non-corporate clients, in addition to the corporate sector's stand alone business.

The future

I would like to thank our shareholders and customers for their support during a period of change. I would also like to thank all our employees for their dedication and professionalism – this is a very good set of results and they should be proud of what they have achieved.

Northgate developed market-leading positions in its chosen markets in line with its stated strategy. Its acquisition programme has delivered the opportunity to create sustained growth. With strong recurring revenues from the high quality and growing customer list, an exceptionally high client retention rate, and generally improving IT market conditions, the Group is well positioned to build the next phase of Northgate's future. Consequently, I am confident that the company will achieve another excellent result in 2005.

The outlook for Northgate is very positive as the Group continues to deliver value to its customers and to create value for its shareholders. Strong levels of growth, both organic and acquisitive, are expected to continue as the group leverages its leading UK positions in the Human Resources and public safety markets.

Chris Stone

Chief Executive
28th June 2004

Northgate Information Solutions plc

GROUP FINANCE DIRECTOR'S REVIEW

Overview

The year to 30 April 2004 has been a period of transformation and growth for Northgate Information Solutions. During the year we completed 5 acquisitions and continued to enjoy strong growth from the local government, emergency services and human resources markets.

Cash flow has been strong, with the Group generating £13.7 million of cash from an operating profit before exceptional items and amortisation of goodwill of £11.6 million. This has helped to support our acquisition programme.

We have continued to increase the work carried out under long-term contracts, helping to underpin future earnings.

Operating Results

Group turnover of £136.5 million (2003: £85.2 million) increased by £51.3 million, driven by strong organic growth and acquisitions. Turnover from existing operations grew by £10.3 million to £93.6 million (2003: £83.3 million), through strong demand for our Front Office, Penalty Notice for Disorder and ResourceLink products. Acquisitions contributed a further £42.9 million.

Group operating profit, before exceptional items and goodwill amortisation, of £11.6 million grew by 129% (2003: £5.1 million). Organic revenue growth increased operating profit before exceptional items and goodwill amortisation by 56% to £7.1 million (2003: £4.5 million) whilst acquisitions contributed £4.5 million. 2003 trading was supported by a £0.5 million contribution from our health business, which was sold in July 2002. After goodwill amortisation of £5.9 million (2003: £0.3 million) and exceptional items of £14.2 million (2003: £6.0 million), the Group recorded an operating loss of £8.5 million (2003: £1.2 million).

Our order book grew substantially during the year to £185.8 million (2003: £101.5 million). It grew organically by 7.3% to £108.9 million and was boosted by our acquisition programme. At any point in time our contracted and run rate revenue now underpins over 60% of the Group's income for the following 12 months.

Results by market sector (including acquisitions) were:

- Public Services turnover of £60.0 million (2003: £40.8 million) grew 47%, with an accompanying increase in operating profit before exceptional items and goodwill amortisation of £3.2 million to £6.6 million (2003: £3.4 million). Organic growth accounted for £5.4 million of the turnover increase and £1.6 million of the profit increase, primarily driven by demand for our Front Office application and the national roll out of our Penalty Notice for Disorder software to the UK police forces.

There were two acquisitions in the year; Hays CSG was acquired on the 8th August 2003, and blue8 was acquired on the 16th July 2003 for a total net consideration of £16.0 million. These contributed £13.8 million of turnover and £1.5 million of operating profit before exceptional items and goodwill amortisation.

- Human Resources also enjoyed strong organic growth whilst gaining a market leading position from our acquisition programme. Turnover of £51.5 million increased by £32.6 million (2003: £18.9 million) whilst operating profit before exceptional items and goodwill amortisation grew £4.1 million to £6.7 million (2003: £2.6 million).

Organic revenue growth was 19%, increasing turnover to £22.5 million. This increased operating profit before exceptional items and goodwill amortisation by 43% to £3.7 million.

During the year we acquired Carapeople, PWA and RebusHR for a total consideration of £193.2 million. This has allowed the business to develop critical mass and a strong product offering, positioning it well for further growth. HR acquisitions generated £29.0 million of turnover and an operating profit before exceptional items and goodwill amortisation of £3.0 million

- Corporate Sector sales of £25.8 million increased by 6% (2003: £24.3 million), leading to a higher operating profit before exceptional items and goodwill amortisation of £1.4 million (2003: £1.2 million), an increase of 20%. This was generated through demand for IT outsourcing, supported by firm cost management.

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GROUP FINANCE DIRECTOR'S REVIEW (*continued*)

Exceptional Items

An exceptional charge of £14.2 million (2003: £6.0 million) was recorded in the year, predominantly through restructuring businesses acquired (2004: £11.2 million, 2003: £1.2 million). A £5.0 million charge (2003: credit of £0.2 million) was also recorded for our employee share option scheme and reflects a significant change in our share price. This rose by 196% to 68 pence during the year.

Finally a £2 million vacant space provision was released. This was recorded in 2003 with our head office at Hemel Hempstead being under utilised. In September 2003 we acquired the property, reducing ongoing rental costs by £2 million per annum. We have also substantially improved the Group's occupancy of this property as we have grown.

Cash and Financing

During the year the Group experienced strong cash flow from operations, generating £13.7 million. This has been used along with debt facilities and the issue of shares (£122.3 million) to fund our acquisition programme. We invested £210.2 million in acquisitions in the year; the most substantial being RebusHR (£176.1 million). This left the Group with £57.1 million of net debt at 30 April 2004 (2003: net funds £39.3 million).

In December 2003 Northgate put in place an £88 million five-year syndicated loan facility. This, combined with our strong cash flow, will provide funds for further growth.

Accounting Policies

The Group has applied accounting principles in the year to 30 April 2004 consistent with the prior year. No new accounting standards have been adopted.

Northgate will adopt International Financial Reporting Standards (IFRS) with effect from 1 May 2005. The implementation of IFRS is a major change process for which we have established a project team and to which we are dedicating a considerable resource. We expect that the Group will be fully prepared for the transition in 2005, though the implementation plan is dependent upon the completion of the standard-setting process by the International Accounting Standards Board (IASB) and the endorsement of such standards by the Council of the European Union.

The impact of the transition to IFRS on our reported results is being assessed. As we move to the new standards, we will ensure that we maintain transparency in our reporting so that our underlying performance remains visible.

Taxation (FRS19)

The Group has £33.7 million of UK trading and £52.1 million of UK non-trading losses at 30 April 2004 which will help to support our strong cash flow over the next few years. The non-trading tax losses arose from the acquisition of RebusHR.

A deferred tax asset of £7.1 million (2003: £4.7 million) has been recognised in line with FRS19.

Pensions

The Group has two defined benefit pension schemes, one which originates from the RebusHR business acquired in January 2004. Both are now closed to new members.

The Northgate pension scheme had a SSAP24 funding review carried out at 31 March 2002 which showed a deficit of £3.2 million. The RebusHR pension scheme had a SSAP24 funding review carried out during November 2003 which showed a funding shortfall of £18 million. The Group is contributing approximately £2.1 million per annum to these deficits.

Applying FRS 17 rules to these schemes shows a deficit of £40.3 million after tax at 30 April 2004 (2003: £52.3 million, including the RebusHR scheme as at 23 January 2004). This has declined by 23% during the year through investment performance and Northgate's funding programme. The funding of both schemes is currently deemed reasonable but will remain under review along with the Group's overall pension provision to its employees.

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GROUP FINANCE DIRECTOR'S REVIEW (*continued*)

Risk Management

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.

Earnings per Share

Adjusted basic earnings per share, which is calculated on profit before exceptional items, discontinued activities, and deferred tax, is 2.81 pence, up 53.6% on the prior year (2003: 1.83 pence). Basic earnings per share, which includes goodwill amortisation and exceptional costs, showed a loss of 2.96 pence. This compares to a profit of 10.45 pence in 2003. 2003 was supported by an exceptional profit of £28.5 million from the disposal of our health business.

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 2004, of £162.1 million show a significant increase over the funds of £46.1 million at 30 April 2003, driven by strong trading and the issue of £122.3 million of shares to fund our acquisition programme.

John Stier

Group Finance Director
28th June 2004

Northgate Information Solutions plc

GROUP PROFIT AND LOSS ACCOUNT
For the year ended 30 April 2004

	Note	Year ended 30 April 2004	Year ended 30 April 2003
		£'000	£'000
Turnover			
Existing operations		93,611	83,297
Acquisitions		42,853	-
Continuing operations		136,464	83,297
Discontinued operations		-	1,918
Group turnover	1	136,464	85,215
Operating costs		(144,953)	(86,456)
Operating profit before exceptional items and amortisation of goodwill :			
Continuing Operations	1	11,593	4,525
Discontinued Operations	1	-	542
		11,593	5,067
Exceptional items	2	(14,166)	(5,995)
Amortisation of goodwill	1	(5,916)	(313)
Group Operating Loss		(8,489)	(1,241)
Existing operations (after goodwill amortisation and exceptional items of £3,972,000 (2003: £6,308,000))			
		3,106	(1,783)
Acquisitions (after goodwill amortisation and exceptional items of £16,110,000)			
		(11,595)	-
Continuing Operations		(8,489)	(1,783)
Discontinued Operations		-	542
Operating Loss		(8,489)	(1,241)
Share of operating profit of associates		59	-
Group operating loss, including associates		(8,430)	(1,241)
Profit on sale or termination of operations			
- Discontinued operations		-	28,451
(Loss)/Profit on ordinary activities before interest		(8,430)	27,210
Interest receivable		295	1,227
Interest payable and similar charges		(1,951)	(328)
(Loss)/Profit on ordinary activities before taxation		(10,086)	28,109
Taxation (charge)/credit on profit on ordinary activities		(7)	1,637
Retained (loss)/profit for the financial year		(10,093)	29,746
(LOSS)/EARNINGS PER ORDINARY SHARE			
Basic		(2.96)p	10.45p
Diluted		(2.86)p	10.33p

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Adjusted Basic
Adjusted Diluted

2.81p
2.71p

1.83p
1.81p

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GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 April 2004

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2003 £'000</i>
(Loss)/Profit for the financial year	(10,093)	29,746
Currency translation differences on foreign currency net investments	195	245
Total recognised (losses) and gains for the year	(9,898)	29,991

RECONCILIATIONS OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 30 April 2004

	<i>Group</i>		<i>Company</i>	
	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2003 £'000</i>	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2003 £'000</i>
(Loss)/Profit for the financial year	(10,093)	29,746	(14,315)	791
Other recognised gains for the year	195	245	-	-
Adjustment to deferred purchase consideration	-	(200)	-	(200)
Credit/(charge) in respect of share related awards	3,598	(236)	-	-
New share capital issued (net of expenses)	122,296	169	122,296	169
Increase in shareholders' funds	115,996	29,724	107,981	760
Opening shareholders' funds	46,076	16,352	105,729	104,969
Closing shareholders' funds	162,072	46,076	213,710	105,729

Northgate Information Solutions plc

BALANCE SHEETS
At 30 April 2004

	<i>Note</i>	Group 30 April 2004 £'000	<i>Group 30 April 2003 £'000</i>	Company 30 April 2004 £'000	<i>Company 30 April 2003 £'000</i>
Fixed assets					
Intangible assets		231,727	6,788	-	-
Tangible assets		29,446	5,032	-	-
Investments in associate		1,093	-	-	-
Other investments		1,020	1,098	245,665	78,626
		263,286	12,918	245,665	78,626
Current assets					
Stocks - goods for resale		353	424	-	-
Debtors – due within one year		51,835	22,212	34,569	30,940
Debtors – due after one year		16,711	11,880	-	-
Cash at bank and in hand		2,447	39,377	-	1,063
		71,346	73,893	34,569	32,003
Creditors: amounts falling due within one year		(68,160)	(11,077)	(51,629)	(4,887)
Net current assets/(liabilities)		3,186	62,816	(17,060)	27,116
Total assets less current liabilities		266,472	75,734	228,605	105,742
Creditors: amounts falling due after more than one year		(14,183)	(48)	(14,067)	-
Provisions for liabilities and charges	3	(29,923)	(6,792)	-	-
Accruals and deferred income		(60,294)	(22,818)	(828)	(13)
Net assets		162,072	46,076	213,710	105,729
Capital and reserves					
Called up share capital		49,507	28,713	49,507	28,713
Share premium account		71,386	38,123	71,386	38,123
Merger reserve		68,401	162	68,401	162
Profit and loss account		(27,222)	(20,922)	24,416	38,731
Shareholders' funds – equity		162,072	46,076	213,710	105,729

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GROUP STATEMENT OF CASH FLOWS
For the year ended 30 April 2004

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2003 £'000</i>
Net Cash Inflow from Operating Activities	13,730	4,131
Returns on investments and servicing of finance	(583)	1,181
Taxation	(351)	(737)
Capital expenditure	(20,982)	(2,707)
Acquisitions and disposals	(96,889)	26,058
Net (outflow)/inflow before financing	(105,075)	27,926
Financing	65,087	(417)
(Decrease)/Increase in cash in the year	(39,988)	27,509

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET (DEBT)/FUNDS
for the year ended 30 April 2004

	<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2003 £'000</i>
(Decrease)/Increase in cash in the year	(39,988)	27,509
(Increase)/Decrease in borrowings	(55,972)	451
Repayment of capital element of finance lease rentals	192	44
Change in net (debt)/funds resulting from cash flows	(95,768)	28,004
Exchange differences	-	(19)
Finance Leases acquired with subsidiary undertakings	(630)	(163)
Movement in net (debt)/funds	(96,398)	27,822
Net funds at start of year	39,258	11,436
Net (debt)/funds at end of year	(57,140)	39,258

Northgate Information Solutions plc

NOTES

At 30 April 2004

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 interest arising on sales of equipment and software licenses on deferred payment terms.

Turnover and operating profit

By market sector:

	<i>Year ended 30 April 2004</i>		<i>Year ended 30 April 2003</i>	
	<i>Turnover £'000</i>	<i>Operating profit/(loss)* £'000</i>	<i>Turnover £'000</i>	<i>Operating profit/(loss)* £'000</i>
Existing Operations:				
Public Services	46,193	5,057	40,816	3,445
Human Resources	22,468	3,707	18,889	2,597
Corporate Sector	25,801	1,401	24,310	1,170
Acquisitions:				
Public Services	13,809	1,544	-	-
Human Resources	29,044	2,971	-	-
Less: intersegment turnover	(851)	-	(718)	-
Administration costs	-	(3,087)	-	(2,687)
Continuing operations	136,464	11,593	83,297	4,525
Discontinued operations	-	-	1,918	542
	136,464	11,593	85,215	5,067

* Operating profit/(loss) is stated before exceptional items and goodwill amortisation.

		<i>Year ended 30 April 2004 Profit/(Loss) £'000</i>	<i>Year ended 30 April 2003 Profit/(Loss) £'000</i>
Amortisation of goodwill			
Existing operations:			
	Human Resources	(583)	(296)
	Corporate Sector	(69)	(17)
Acquisitions:			
	Human Resources	(3,927)	-
	Public Services	(1,337)	-
		(5,916)	(313)

		<i>Year ended 30 April 2004 Profit/(Loss) £'000</i>	<i>Year ended 30 April 2003 Profit/(Loss) £'000</i>
Operating exceptional items			
Existing Operations:			
Administration	Share Option Scheme	(4,993)	246
	Abortive contract costs	-	(450)
	Property and Other Provisions	1,971	(4,610)
Reorganisation costs		(298)	(1,181)
Acquisitions:			
Public Services	Reorganisation costs	(794)	-
Human Resources	Reorganisation costs	(7,222)	-
	Property and Other Provisions	(2,830)	-
		(14,166)	(5,995)
Profit on sale or termination of operations			
Discontinued operations	Sale of health business	-	28,451

2. EXCEPTIONAL ITEMS

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

		<i>Year ended 30 April 2004 £'000</i>	<i>Year ended 30 April 2003 £'000</i>
Continuing operations:			
Other operating charges			
	- reorganisation costs	(8,314)	(1,181)
	- abortive contract costs	-	(450)
	- property and other costs	(859)	(4,610)
Wages and salaries			
	- provision for NI contribution on unapproved share option scheme	(1,266)	34
	- UITF17 provision for discount on share options	(3,727)	212
		(14,166)	(5,995)

The tax effect of the exceptional items primarily augments the Group's available tax losses, which will be relieved in subsequent periods.

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 £204,000 increase, being £200,000 in relation to the increase in share price and £4,000 due to additional share options becoming eligible for exercise. Similarly, if the share price were to decrease by 10% this would lead to a £200,000 reduction in the provision, being £200,000 in relation to the decrease in the share price and £nil due to share options becoming no longer eligible for exercise.

3. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Pensions and similar obligations</i> £'000	<i>Property provisions</i> £'000	<i>Restructuring provisions</i> £'000	<i>Provisions on share schemes</i> £'000	<i>Total</i> £'000
Group					
At 1 May 2003	-	6,571	202	19	6,792
Acquisitions	18,000	512	-	-	18,512
Profit and loss account	-	859	8,531	1,266	10,656
Utilised in period	(187)	(789)	(5,046)	(15)	(6,037)
At 30 April 2004	17,813	7,153	3,687	1,270	29,923

The Group has recognised a net property provision of £859,000 during the year to 30 April 2004 (2003: £4,361,000), primarily in relation to net lease payments that the Group is committed to make over remaining lease terms in relation to certain properties no longer fully occupied by the Group. With the acquisitions completed in the year the Group has inherited a number of vacant and partly sub-let leasehold properties. Provision has been made for the residual lease commitment, together with other outgoings, after taking into account existing sub-tenant arrangements.

The Group has, in accordance with FRS7, recognised a provision of £18,000,000 representing the deficit in the Northgate HR Limited pension scheme as a fair value adjustment on acquisition. This provision is expected to unwind over the average remaining service lives of the members of the scheme.

In addition, the Group has made provision for the expected costs of rationalisation of the Group's operations following the acquisitions made during the year. These costs are expected to be payable in the forthcoming year.

4. BASIS OF INFORMATION

The contents of this announcement do not constitute the Company's statutory accounts for the year ended 30 April 2004 but are derived from those accounts. Statutory accounts for the year ended 30 April 2003 have been delivered to the Registrar of Companies and those for the year ended 30 April 2004 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.