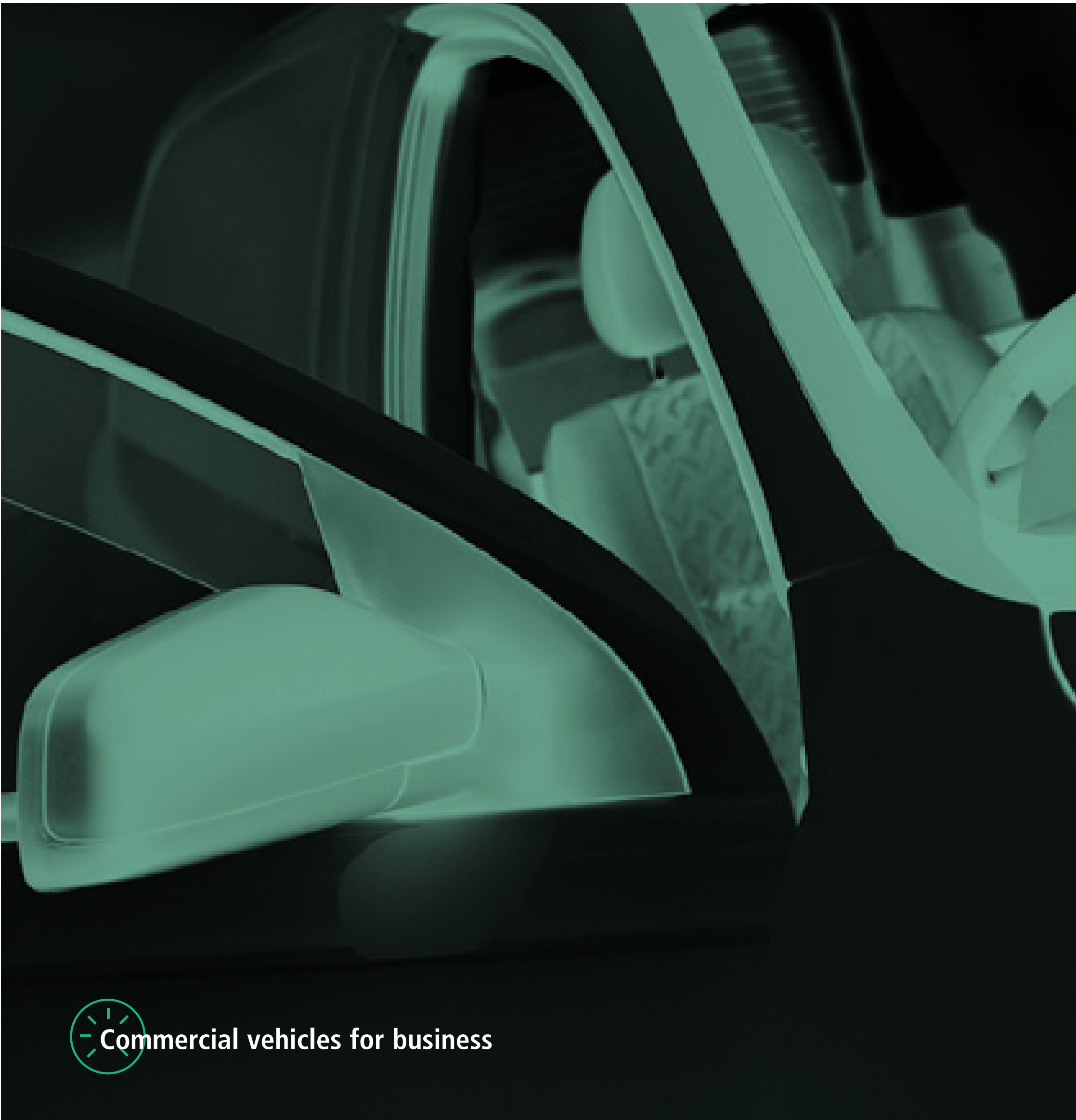
interim report

6 months ended 31 October 2002



Directors

Michael Waring, Non-executive Chairman
Jan Astrand, Non-executive
Philip Moorhouse, FCCA, Managing Director UK Rental
Gerard Murray, ACA, Finance Director
Alan Noble, Executive Deputy Chairman
Stephen Smith, ACA, Chief Executive Officer
Ronald Williams, FCA, Non-executive Deputy Chairman

Secretary and Registered Office

David Henderson, FCIS
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Tel: 01325 467558

Registrars

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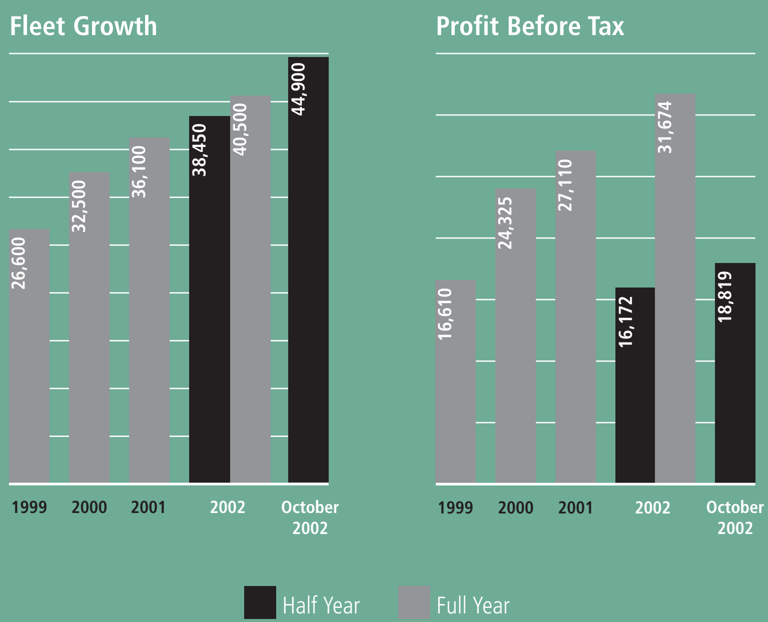
Highlights

	2002	2001
Vehicle fleet	44,900	38,450
Group operating profit	£25.3m	£23.3m
Profit before tax	£18.8m	£16.2m
Earnings per share	21.3p	18.3p
Dividend per share	4.90p	4.65p
Net assets per share	242p	218p



CHAIRMAN'S STATEMENT

Introduction

The six months to 31 October 2002 have seen us move ever closer to achieving our aim of doubling the size of our UK business by 2004. In addition, in July 2002 we made our first step into continental Europe with the purchase of 40% of the equity of Fualsa, Spain's second largest van rental business.

Results

Excluding the contribution from Fualsa, turnover increased by 17% to £159.7m (2001: £136.5m), operating profit was higher by 9% at £25.3m (2001: £23.3m), while pre-tax profits rose 13% to £18.3m (2001: £16.2m). Our 40% shareholding in Fualsa contributed positively to earnings during the initial four months period of ownership with Northgate's share of turnover being £5.1m, operating profit £0.8m and profit before tax £0.5m.

The overall earnings per share, including the contribution from Fualsa, was 21.3p (2001: 18.3p), an increase of 16%.

Gearing has increased to 189% (30 April 2002: 170%), principally as a result of the investment in Fualsa and the acquisition of Target Vehicle Rental Limited ("Target") in October 2002. The underlying cash flows in the business remain strong with EBITDA up by 14% to £74.5m, (2001: £65.6m), and interest cover improving to 3.6 times (2001: 3.3 times).

Dividend

In line with our policy of progressive dividends, the Board has declared an interim dividend of 4.9p (2001: 4.65p) per share, an increase of 5%, payable on 7 February 2003 to shareholders on the register at the close of business on 17 January 2003.

Operational Review

United Kingdom and Ireland

Since 1 May 2002, we have continued to expand our network and now operate from 70 locations. We have opened new branches in Andover, Grimsby, Northampton and Telford. In addition, the acquisition of Target on 1 October 2002 brought us six new locations in the key M40 corridor area.

These new locations, coupled with the continued national trend to outsourcing, for which our Norflex product is ideally suited, have enabled our fleet to grow organically by 3,300 vehicles. When added to the 1,100 vehicles acquired as a result of purchasing Target, aggregate fleet growth in the period since 1 May 2002 was 11%, with a total fleet size of 44,900 as at 31 October 2002.

In our five year Strategy for Growth, announced in 1999, we estimated we would need a network of 100 UK locations to operate successfully a 50,000 vehicle fleet. Experience to date, however, has shown that we are achieving more vehicles per location than we originally envisaged and that, as a consequence, we can operate a 50,000 vehicle fleet from a smaller number of outlets.

The period under review has also seen continued tight control of the fleet, with utilisation averaging just over 90%, stable hire rates and profits being achieved from the sale of our used vehicles throughout the period. We anticipate that these levels of performance will continue in the second half of the year.

As noted in the Operational Review in our last annual report we continue to develop complementary non-rental products. Whilst remaining ancillary to the core business of van rental they will, over time, produce a contribution to our profits and help further differentiate us from our competitors. In particular, "Norfleet Vehicle Monitoring", our telematics product, has increased its brand awareness and we have installed over 300 units since launch.

Continental Europe

On 17 July 2002 we announced the purchase of 40% of the equity of Fualsa, the second largest van rental company in Spain, for a cash consideration of £9.8m. In addition, we have an option to acquire a further 40% by 31 May 2004 and the remaining 20% by 31 May 2006.

The contract was deliberately structured as a staged acquisition to give us a low risk entry into this new market and to allow us the opportunity to work closely alongside the current owners to better understand the business prior to taking full control.

Fualsa currently operates from six locations and has a fleet of 10,800 vehicles, up 8% in the four months since our investment.

To date, we are well satisfied with Fualsa's performance and greatly look forward to its progress in the future.

Management Appointments

The Board recognises the considerable progress Northgate has made in recent years and is mindful of the opportunities which exist in the future to grow the business significantly. We have therefore decided that it is appropriate to strengthen the executive management in order to allow Northgate to consolidate on the progress made and to ensure we are well prepared to take advantage of future opportunities.

With immediate effect, Phil Moorhouse, currently Northgate's Finance Director, will be promoted to the new position of Managing Director UK Rental. He will assume responsibility for the Group's commercial vehicle hire operations in the UK together with the development of our non-rental products. His appointment emphasises the importance attached to, and opportunities available for, the continued future growth of our UK business.

We welcome Gerard Murray, formerly Chief Executive and Finance Director of Reg Vardy plc, who today joins the Board of Northgate as Finance Director. He brings to Northgate a wealth of experience in the automotive industry and related sectors. We have no doubt that he will make a positive contribution to the future development of the company. There are no additional matters to be disclosed pursuant to paragraphs 6.F.2 (b) to (g) of the Listing Rules.

Current Trading and Outlook

Trading since the end of the period is in line with expectations and we remain confident of delivering the target set in our five year Strategy for Growth.

Finally, as our management reorganisation has illustrated, we remain firmly of the view that the UK market is far from mature and that we can continue to grow our UK business at an attractive rate well beyond April 2004. This growth, together with the expansion of the new continental European operation and further development of complementary non-rental products, will form the basis of our future Strategy for Growth on which we will update shareholders in our year end report.

Michael Waring

Chairman

8 January 2003

Consolidated Profit and Loss Account

for the 6 months ended 31 October 2002

	Notes	Six months to 31.10.02 (Unaudited) £000	Six months to 31.10.01 (Unaudited) £000	Twelve months to 30.4.02 £000
Turnover: Group and share of joint venture	1	164,786	136,466	277,829
Less: share of joint venture's turnover		(5,074)	–	–
Group turnover		159,712	136,466	277,829
Group operating profit	1	25,344	23,307	45,055
Share of joint venture's operating profit		833	–	–
		26,177	23,307	45,055
Interest payable, net – group		(7,046)	(7,135)	(13,381)
– joint venture		(312)	–	–
Profit on ordinary activities before taxation		18,819	16,172	31,674
Tax on profit on ordinary activities – group	2	(5,764)	(5,062)	(9,953)
– joint venture		(130)	–	–
Profit attributable to shareholders		12,925	11,110	21,721
Dividends – non-equity preference shares		(13)	(13)	(25)
– equity ordinary shares		(2,965)	(2,811)	(9,094)
Profit transferred to reserves		9,947	8,286	12,602
Earnings per ordinary share – basic	3	21.3p	18.3p	35.8p
Diluted earnings per ordinary share	3	21.2p	18.2p	35.6p
Dividends per ordinary share		4.90p	4.65p	15.0p

All current and prior year trading relates to continuing operations.

Statement of Total Recognised Gains and Losses

for the 6 months ended 31 October 2002

	Six months to 31.10.02 (Unaudited) £000	Six months to 31.10.01 (Unaudited) £000	Twelve months to 30.4.02 £000
Profit for the period	12,925	11,110	21,721
Prior period adjustment	–	865	865
Total gains recognised	12,925	11,975	22,586

Summary Consolidated Balance Sheet

31 October 2002

	Notes	31.10.02 (Unaudited) £000	31.10.01 (Unaudited) £000	30.4.02 £000
Fixed assets				
Vehicles for hire		360,728	312,787	325,116
Other fixed assets		21,721	18,106	19,666
Goodwill on acquisition of subsidiaries		1,362	146	142
Investment in joint venture:				
share of gross assets		27,731	–	–
share of gross liabilities		(21,897)	–	–
goodwill on investment less amortisation		4,597	–	–
		10,431	–	–
		394,242	331,039	344,924
Current assets				
Stocks		9,155	6,782	8,028
Debtors		62,446	54,318	54,925
Cash at bank and in hand		23,342	29,803	26,125
		94,943	90,903	89,078
Creditors: amounts falling due within one year		172,644	149,946	149,754
Net current liabilities		(77,701)	(59,043)	(60,676)
Total assets less current liabilities		316,541	271,996	284,248
Creditors: amounts falling due after more than one year		163,235	133,592	142,031
Provisions for liabilities and charges		6,292	5,821	5,170
		147,014	132,583	137,047
Capital and reserves	6	147,014	132,583	137,047

Consolidated Cash Flow Statement

for the 6 months ended 31 October 2002

	Notes	Six months to 31.10.02 (Unaudited) £000	Six months to 31.10.01 (Unaudited) £000	Twelve months to 30.4.02 £000
Net cash inflow from operating activities	4(i)	68,387	64,405	127,057
Returns on investments and servicing of finance		(6,864)	(6,754)	(13,265)
Taxation		(4,982)	(986)	(7,250)
Capital expenditure		(69,323)	(55,351)	(109,910)
Acquisitions	4(ii)	(14,212)	(717)	(6,150)
Equity dividends paid		(6,275)	(5,813)	(8,631)
Management of liquid resources		62	71	39
Financing		24,640	14,859	31,585
(Decrease)/increase in cash for the period		(8,567)	9,714	13,475

Reconciliation of Net Cash Flow to Movement in Net Debt

	Six months to 31.10.02 (Unaudited) £000	Six months to 31.10.01 (Unaudited) £000	Twelve months to 30.4.02 £000
(Decrease)/increase in cash for the period	(8,567)	9,714	13,475
(Increase)/decrease in borrowings	(3,080)	9,195	1,735
Capital element of vehicle related hire purchase payments	75,385	61,765	133,091
Cash inflow from new hire purchase agreements	(96,925)	(85,814)	(166,258)
Cash withdrawn from deposit	(62)	(71)	(39)
Change in net debt resulting from cash flows	(33,249)	(5,211)	(17,996)
Hire purchase obligations acquired with subsidiaries	(11,547)	(228)	(228)
Movement in net debt for the period	(44,796)	(5,439)	(18,224)
Opening net debt	(232,899)	(214,675)	(214,675)
Closing net debt	(277,695)	(220,114)	(232,899)

Unaudited **Notes**

1. Segmental Analysis

All trading activities relate to the business of vehicle hire. The group operates in all material respects in the United Kingdom and turnover relates to customers in the United Kingdom. The joint venture operates in all material respects in Spain.

2. Tax

The charge for taxation for the six months to 31 October 2002 is based on the estimated effective rate for the year.

3. Earnings per ordinary share

The calculation of basic earnings per ordinary share in respect of the six months to 31 October 2002 is based on the profit attributable to equity shareholders of £12,912,000 (31.10.01 – £11,097,000) (30.4.02 – £21,696,000) and the weighted average of 60,627,899 (31.10.01 – 60,532,803) (30.4.02 – 60,560,376) ordinary shares in issue (excluding those shares held by an employee trust in connection with the Long Term Incentive Plan and the All Employee Share Scheme).

Diluted earnings per ordinary share have been calculated on the basis of the earnings described above and assume that 154,500 shares remaining exercisable under the Goode Durrant Share Option Scheme had been fully exercised at the commencement of the relevant period, such that the weighted average number of shares is 60,911,999 (31.10.01 – 60,872,393) (30.4.02 – 60,876,578) (including those shares held by an employee trust in connection with the Long Term Incentive Plan and the All Employee Share Scheme).

4. Notes to the Cash Flow Statement

(i) Reconciliation of operating profit to net cash inflow from operating activities

	Six months to 31.10.02 (Unaudited) £000	Six months to 31.10.01 (Unaudited) £000	Twelve months to 30.4.02 £000
Group operating profit	**25,344**	23,307	45,055
Depreciation and amortisation	**49,153**	42,266	86,916
Increase in working capital	**(6,110)**	(1,168)	(4,914)
Net cash inflow from operating activities	**68,387**	64,405	127,057

(ii) Acquisitions

Cash outflow on investment in joint venture (see note 5(i))	**10,118**	–	–
Cash outflow on acquisition of subsidiary undertakings (see note 5(ii))	**4,094**	717	746
Cash outflow on acquisition of a business	**–**	–	5,404
	14,212	717	6,150

Unaudited **Notes** (continued)

5. Acquisitions

(i) Joint venture

In July 2002 the group acquired a 40% share in Furgonetas de Alquiler SA ("Fualsa"), a business in Spain, for a cash consideration of £10,118,000 including goodwill of £4,674,000. The investment is accounted for as a joint venture. The goodwill on the investment in Fualsa is capitalised and written off over a period of twenty years being the estimated useful economic life.

	£000
Book value of net assets acquired	5,444
Goodwill	4,674
Acquisition cost (including fees)	10,118
Satisfied by cash	10,118

(ii) Subsidiary undertakings

On 1 October 2002 the group acquired the entire issued share capital of Target Vehicle Rental Limited ("Target") for a cash consideration of £3,360,000 including goodwill of £1,362,000. On 1 July 2002 the group acquired the entire issued share capital of K.W. Sadler Car Hire (Cleethorpes) Limited ("KWS") for a cash consideration of £1,134,000 including goodwill of £200,000. Both acquisitions have been accounted for using acquisition accounting.

The goodwill on the acquisition of Target is capitalised and written off over a period of twenty years being the estimated useful economic life. The impact of these acquisitions on the results for the period is immaterial.

	Target £000	**KWS £000**	**Total £000**
Provisional fair value of net assets acquired	1,998	934	2,932
Goodwill	1,362	200	1,562
Acquisition cost (including fees)	3,360	1,134	4,494
Satisfied by cash	3,360	1,134	4,494
Cash equivalents in subsidiary undertakings purchased	(373)	(27)	(400)
Cash outflow on acquisition of subsidiary undertakings	2,987	1,107	4,094

6. Reconciliation of movements in shareholders' funds

	Six months to 31.10.02 (Unaudited) £000	Six months to 31.10.01 (Unaudited) £000	Twelve months to 30.4.02 £000
Profit for the period	**12,925**	11,110	21,721
Dividends	**(2,978)**	(2,824)	(9,119)
	9,947	8,286	12,602
Issue of ordinary share capital (net of expenses)	**20**	5	153
Net increase in shareholders' funds	**9,967**	8,291	12,755
Opening shareholders' funds:			
As previously reported	**137,047**	123,427	123,427
Prior period adjustment	**–**	865	865
As restated	**137,047**	124,292	124,292
Closing shareholders' funds	**147,014**	132,583	137,047

As a result of the adoption of Financial Reporting Standard 19 Deferred Taxation, a prior period adjustment of £865,000 in respect of deferred tax assets was incorporated in the financial statements to 31 October 2001 and 30 April 2002.

7. Basis of preparation

The interim results have been prepared on the basis of the accounting policies set out in the last annual report and accounts together with the new policy adopted during the period relating to the investment in the joint venture.

The figures for the year ended 30 April 2002 are extracted from the audited accounts for that year which have been delivered to the Registrar of Companies, and on which the auditors issued an unqualified report and which did not include a statement under section 237(2) or (3) of the Companies Act 1985.

Independent Review Report to Northgate plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 October 2002 which comprises the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and related notes 1 to 7 together with the reconciliation of net cash flow to movement in net debt. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

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

Review work performed

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

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2002.

Deloitte & Touche
Chartered Accountants
Leeds
8 January 2003

Designed and produced by The Roundhouse Newcastle upon Tyne.

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