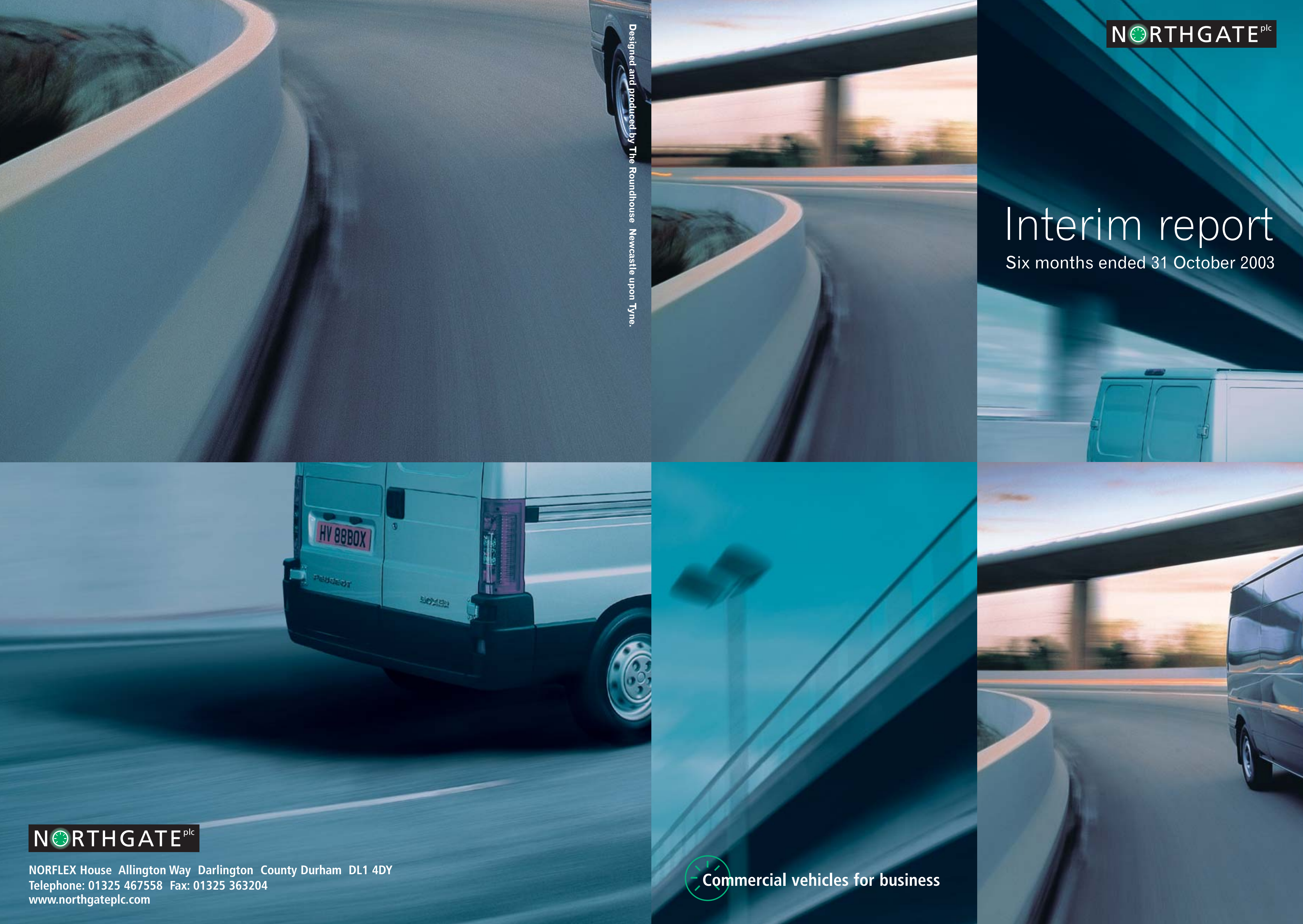

NORTHGATE plc

Interim report

Six months ended 31 October 2003

Commercial vehicles for business

NORTHGATE plc

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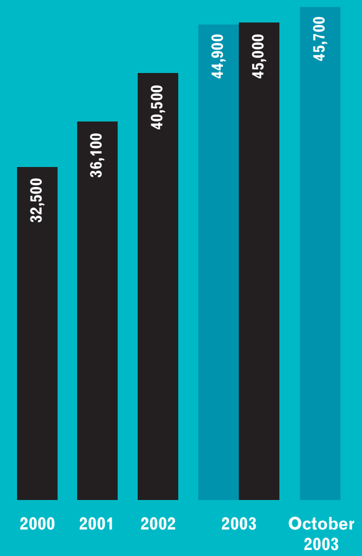
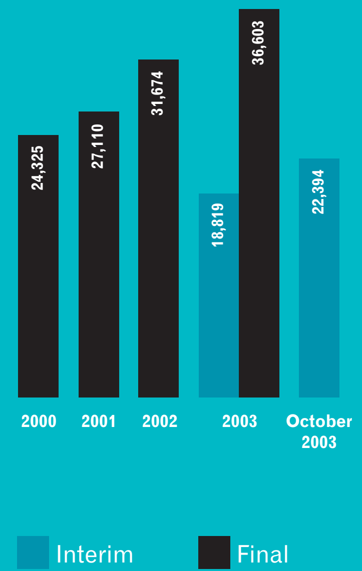
www.northgateplc.com

Designed and produced by The Roundhouse Newcastle upon Tyne.

Vehicle Fleet



Profit before tax



Highlights

	2003	2002
Vehicle fleet	45,700	44,900
Group operating profit	£28.0m	£25.4m
Profit before tax	£22.4m	£18.8m
Earnings per share	25.1p	21.3p
Dividend per share	7.0p	4.9p
Net assets per share	270p	242p

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

Secretary and Registered Office
David Henderson, FCIS
Norflex House
Allington Way
Darlington DL1 4DY
Tel: 01325 467558

Registrars
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 0870 1623100

Chairman's Statement

Introduction

As announced in our 2003 Report and Accounts published in July 2003, we have embarked on a further Strategy for Growth with specific targets in place for the three years ending April 2006. The increase in earnings per share of 17.8% to 25.1p (2002 - 21.3p) for the period on which we are reporting represents an excellent start. Once again, our business model has demonstrated its robust nature in dealing with the challenging market conditions that were experienced during the summer and to which I specifically referred in my trading statement at the time of our AGM in September 2003. In addition credit is due to management for taking prompt action through concerted marketing combined with cost reductions, whilst at the same time ensuring that hire rates and our policy of maintaining fleet utilisation were not compromised.

Results

Turnover (excluding the contribution from the Spanish joint venture, Fualsa) increased by 16.8% to £186.5m (2002 - £159.7m).

Profit before tax increased by 19.0% to £22.4m (2002 - £18.8m) and before goodwill amortisation by 17.2% to £22.5m (2002 - £19.2m).

Earnings per share increased by 17.8% to 25.1p (2002 - 21.3p).

The Group's UK businesses reported an operating margin of 15.0% (2002 - 15.9%). This reduction in operating margin was solely driven by the turnover mix of the Group. Hire company turnover increased by 5.2% and turnover from the sale of used vehicles by 51.5%. Turnover from used vehicle sales generates the lowest operating margin for the Group and consequently any increase in this turnover in excess of the increase in hire turnover has the effect of reducing the Group's overall operating margin. The operating margin of the hire companies increased to 20.7% (2002 - 19.8%). We continually strive to increase our efficiencies and would expect further margin improvement in our hire companies in the future.

The Group's share of Fualsa's operating profit for the six months increased to £2.2m as against £0.8m in the comparative period: the latter period, however, represented only four months of trading following the Group's initial investment in July 2002. This strong performance has been achieved in part as a result of fleet growth and the operational gearing benefit of higher volumes across a relatively stable cost base. This figure does include, however, non-recurring profits estimated to be £0.57m (2002 - £0.20m) on the disposal of vehicles acquired prior to 1 January 2001 to which historically excessive depreciation rates had been applied. Depreciation rates complying with revised fiscal legislation have been applied to vehicles purchased since 1 January 2001 and have resulted in more sensible levels of profit per unit on disposal, similar to those generated in the UK.

Fualsa's total debt at 31 October 2003 of €116m is ahead of expectations but the increase arises almost entirely from funding the excellent fleet growth during the period.

The Group's total gearing, which excludes Fualsa's debt, has reduced to 164.9% (2002 - 189%) reflecting the cash generative characteristics of the Group's operating model. Interest cover is 3.8 times (2002 - 3.6 times). If it were assumed that the Group's option to acquire an additional 40% of Fualsa's share capital had been exercised at the maximum consideration of €22.3m and paid in cash on 31 October 2003, the resulting consolidated balance sheet of the Group would have gearing of 223% on a pro-forma basis.

Dividend

The Company's dividend payments to shareholders have historically been proposed broadly on the basis of 30% of the total being paid as an interim and 70% as a final. The Board has noted that a larger proportion of listed companies of a comparative size have a dividend profile that is nearer to a 40% interim and a 60% final. The dividend proposals for this year and subsequent years will aim to move closer to this market practice.

The Board has therefore declared an interim dividend of 7.0p (2002 - 4.9p) per share, payable on 13 February 2004 to shareholders on the register at the close of business on 23 January 2004.

Operational Review

UNITED KINGDOM AND REPUBLIC OF IRELAND

In the period from 1 May to 31 August 2003, as a result of weaker growth in the economy and stronger competition, we reduced the fleet from 45,000 vehicles at 30 April 2003 to just over 44,000 at the end of August. This was done in order to comply with our policy of achieving utilisation levels of 90%. Since the start of September 2003, however, through a combination of concerted marketing, which has reconfirmed in the mind of many users the considerable benefits of our hire product, Norflex, and an improved business climate, demand has returned to more normal levels and fleet growth has resumed such that, at 31 October 2003, the vehicle fleet had reached 45,700 vehicles.

In order to compensate for the lower than expected growth in the summer of 2003, the Group's cost base was reviewed with the aim of securing savings through operational efficiencies. As part of this process, a decision was taken to defer the opening of some new locations in the short term.

We remain confident in our ability to continue to grow the rental fleet and expand the network in the UK and thereby achieve the targets set in our Strategy for Growth.

Hire rates remained relatively stable over the period, reflecting the Group's resistance to discounting rates in order to maintain fleet growth.

These factors have combined to produce the increase in the underlying operating margin of hire companies to 20.7% (2002 - 19.8%).

Our depreciation policy, when combined with improved marketing and a stable residual market, has led to a similar level of contribution per vehicle from our vehicle sales activities as in the prior period but, on account of the significant increase in vehicle units sold during this period, the overall contribution from this division has increased compared to 2002.

CONTINENTAL EUROPE

Fualsa, our joint venture in Spain, continues to perform strongly.

Since 1 May 2003, the fleet has grown by 12.5% to reach 13,500 vehicles at 31 October 2003. This represents growth of 25% on the comparative fleet size at 31 October 2002. During the past twelve months, the network has been expanded to eight hire sites with new locations in Malaga and Barcelona. Additional properties have now been acquired for new hire sites in Madrid (North) and Santander. Utilisation at 88.4% is close to the UK average.

The excellent performance of the Fualsa business and the considerable long-term potential that exists highlight the quality of this investment. It is highly probable therefore, that the Group will exercise its option to purchase a further 40% of the equity in Fualsa by 31 May 2004. Based on the expected result for Fualsa for the year to 31 December 2003, it is likely that the consideration to be paid in exercising this option will reach the maximum payable under the terms of the purchase contract of €22.3m.

The exercise of this option will obligate the Company to acquire the remaining 20% of Fualsa's share capital prior to 31 May 2006. The amount payable for this remaining 20% is dependent on the average profits after tax for calendar years 2004 and 2005: however, the maximum consideration payable is €14.9m.

NORTHGATE VEHICLE SOLUTIONS LIMITED

As outlined in the Operational Review in our last annual report, we continue to develop a number of complementary non-rental products both to produce a contribution to profitability and to differentiate us from our competitors. We are particularly pleased to report that this division has recently installed its 1,000th telematics product, Vehicle Insight, just over a year since its initial launch.

Current Trading and Outlook

Trading for the Group since the end of the period has been good and the Board is confident of the outcome for the full financial year.

The continued focus on UK growth opportunities and the prospect of an increased contribution from Fualsa as a subsidiary undertaking give the Board the confidence to reaffirm the objective announced in July 2003, of seeking to achieve double-digit annual earnings growth in the period to 30 April 2006 through the successful implementation of our Strategy for Growth.

Michael Waring
Chairman
13 January 2004

Consolidated Profit and Loss Account

FOR THE SIX MONTHS ENDED 31 OCTOBER 2003

	Notes	Six months to 31.10.03 (Unaudited) £000	Six months to 31.10.02 (Unaudited) £000	Year to 30.4.03 (Audited) £000
Turnover				
Continuing operations	1	**186,532**	159,712	337,875
Joint venture		**11,848**	5,074	14,514
Turnover: Group and share of joint venture		**198,380**	164,786	352,389
Less: share of joint venture's turnover		**(11,848)**	(5,074)	(14,514)
Group turnover		**186,532**	159,712	337,875
Cost of sales		**(137,819)**	(114,932)	(250,213)
Gross profit		**48,713**	44,780	87,662
Administrative expenses				
– general administrative expenses		**(20,645)**	(19,015)	(38,999)
– goodwill amortisation		**(38)**	(343)	(384)
Total administrative expenses		**(20,683)**	(19,358)	(39,383)
Group operating profit – continuing operations	1	**28,030**	25,422	48,279
Share of joint venture's operating profit	6	**2,228**	833	2,817
Amortisation of goodwill on joint venture investment	6	**(118)**	(78)	(197)
		30,140	26,177	50,899
Profit on disposal of property		**–**	–	736
Income from fixed asset investments		**202**	–	231
Interest payable, net – group		**(7,307)**	(7,046)	(14,415)
– joint venture	6	**(641)**	(312)	(848)
Profit on ordinary activities before taxation		**22,394**	18,819	36,603
Tax on profit on ordinary activities – group	2	**(6,668)**	(5,764)	(11,004)
– joint venture	6	**(446)**	(130)	(493)
Profit for the financial period		**15,280**	12,925	25,106
Dividends – non equity preference shares		**(13)**	(13)	(25)
– equity ordinary shares		**(4,233)**	(2,965)	(9,711)
Profit transferred to reserves		**11,034**	9,947	15,370
Earnings per Ordinary share - basic	3	**25.1p**	21.3p	41.4p
Diluted earnings per Ordinary share	3	**25.0p**	21.2p	41.2p
Dividends per Ordinary share		**7.0p**	4.9p	16.0p

Consolidated Balance Sheet

31 OCTOBER 2003

	Notes	31.10.03 (Unaudited) £000	31.10.02 (Unaudited) £000	30.4.03 (Audited) £000
Fixed assets				
Intangible assets		**1,344**	1,362	1,382
Tangible assets				
Vehicles for hire		**374,325**	360,728	366,976
Other fixed assets		**23,271**	20,650	21,574
Investments		**775**	1,071	409
		399,715	383,811	390,341
Investment in joint venture:				
Share of gross assets		**45,823**	27,731	38,450
Share of gross liabilities		**(37,250)**	(21,897)	(30,898)
Goodwill on investment less amortisation		**4,411**	4,597	4,529
		12,984	10,431	12,081
Total fixed assets		**412,699**	394,242	402,422
Current assets				
Stocks		**9,666**	9,155	10,328
Debtors		**62,141**	62,446	57,270
Cash at bank and in hand		**22,787**	23,342	31,545
		94,594	94,943	99,143
Creditors: amounts falling due within one year		**181,940**	172,644	185,758
Net current liabilities		**(87,346)**	(77,701)	(86,615)
Total assets less current liabilities		**325,353**	316,541	315,807
Creditors: amounts falling due after more than one year		**154,005**	163,235	155,592
Provisions for liabilities and charges		**7,005**	6,292	7,005
		164,343	147,014	153,210
Capital and reserves				
Called up share capital		**3,550**	3,542	3,545
Share premium account		**45,854**	45,491	45,635
Revaluation reserve		**23**	23	23
Merger reserve		**4,721**	4,721	4,721
Profit and loss account		**110,195**	93,237	99,286
Shareholders' funds	5	**164,343**	147,014	153,210
Attributable to equity shareholders		**163,843**	146,514	152,710
Attributable to non-equity shareholders		**500**	500	500
		164,343	147,014	153,210

Consolidated Cash Flow Statement

FOR THE SIX MONTHS ENDED 31 OCTOBER 2003

	Notes	Six months to 31.10.03 (Unaudited) £000	Six months to 31.10.02 (Unaudited) £000	Year to 30.4.03 (Audited) £000
Cash inflow from operating activities	4(i)	**74,553**	68,387	150,896
Returns on investments and servicing of finance		**(7,157)**	(6,864)	(13,847)
Taxation		**(4,490)**	(4,982)	(11,869)
Capital expenditure and financial investment				
Purchase of vehicles for hire		**(113,725)**	(106,261)	(216,858)
Sale of vehicles for hire		**58,280**	39,911	95,341
Other items, net		**(3,657)**	(2,973)	(3,457)
Net cash outflow from capital expenditure and financial investment		**(59,102)**	(69,323)	(124,974)
Acquisitions		**–**	(14,212)	(14,672)
Equity dividends paid		**(6,754)**	(6,275)	(9,240)
Cash outflow before use of liquid resources and financing		**(2,950)**	(33,269)	(23,706)
Management of liquid resources				
Cash withdrawn from (placed on) deposit		**18**	62	(191)
Financing				
Issue of Ordinary shares (net of expenses)		**224**	20	167
(Decrease) increase in borrowings		**(804)**	3,080	(7,226)
Capital element of vehicle related hire purchase payments		**(116,910)**	(75,385)	(170,458)
Cash inflow from new vehicle related hire purchase agreements		**102,260**	96,925	199,254
Net cash (outflow) inflow from financing		**(15,230)**	24,640	21,737
Decrease in cash for the period		**(18,162)**	(8,567)	(2,160)

Reconciliation of Net Cash Flow to Movement in Net Debt

	Six months to 31.10.03 (Unaudited) £000	Six months to 31.10.02 (Unaudited) £000	Year to 30.4.03 (Audited) £000
Decrease in cash for the period	**(18,162)**	(8,567)	(2,160)
Financing			
Decrease (increase) in borrowings	**804**	(3,080)	7,226
Capital element of vehicle related hire purchase payments	**116,910**	75,385	170,458
Cash inflow from new vehicle related hire purchase agreements	**(102,260)**	(96,925)	(199,254)
Cash (withdrawn from) placed on deposit	**(18)**	(62)	191
Change in net debt resulting from cash flows	**(2,726)**	(33,249)	(23,539)
Hire purchase agreements acquired with subsidiary undertakings	**–**	(11,547)	(11,547)
Foreign exchange differences	**52**	–	(393)
Movement in net debt for the period	**(2,674)**	(44,796)	(35,479)
Opening net debt	**(268,378)**	(232,899)	(232,899)
Closing net debt	**(271,052)**	(277,695)	(268,378)

Statement of Total Recognised Gains and Losses

FOR THE SIX MONTHS ENDED 31 OCTOBER 2003

	Six months to 31.10.03 (Unaudited) £000	Six months to 31.10.02 (Unaudited) £000	Year to 30.4.03 (Audited) £000
Profit for the financial period	**15,280**	12,925	25,106
Foreign exchange differences	**(125)**	–	626
	15,155	12,925	25,732

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 the Republic of Ireland and turnover relates to customers in the United Kingdom and the Republic of Ireland. The joint venture operates in all material respects in Spain.

2. Tax

The charge for taxation for the six months to 31 October 2003 is based on the estimated effective rate for the year.

3. Earnings per share

The calculation of basic earnings per Ordinary share in respect of the six months to 31 October 2003 is based on the profit attributable to equity shareholders of £15,267,000 (31 October 2002 – £12,912,000) (30 April 2003 – £25,081,000) and the weighted average of 60,809,093 (31 October 2002 – 60,627,899) (30 April 2003 – 60,646,882) Ordinary shares in issue (excluding those shares held by an employee trust in connection with the Goode Durrant Long Term Incentive Plan and the All Employee Share Scheme).

Diluted earnings per Ordinary share have been calculated on the basis of earnings described above and assume that nil shares (31 October 2002 -154,500) (30 April 2003 – 102,000) 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 60,947,057 (31 October 2002 – 60,911,999) (30 April 2003 – 60,893,447) (including those shares held by an employee trust in connection with the Goode Durrant Long Term Incentive Plan and the All Employee Share Scheme).

4. Notes to the Consolidated Cash Flow Statement

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

	Six months to 31.10.03 (Unaudited)	Six months to 31.10.02 (Unaudited)	Year to 30.4.03 (Audited)
	£000	£000	£000
Group operating profit	**28,030**	25,422	48,279
Depreciation	**48,706**	48,732	99,691
Goodwill amortisation	**38**	343	384
(Profit) loss on sale of equipment and other fixed assets	**(1)**	(50)	3
Decrease (increase) in stocks	**659**	(958)	(2,124)
Increase in debtors	**(4,773)**	(5,685)	(1,557)
Increase in creditors	**1,894**	583	6,220
Net cash inflow from operating activities	**74,553**	68,387	150,896

5. Reconciliation of movements in shareholders' funds

	Six months to 31.10.03 (Unaudited)	Six months to 31.10.02 (Unaudited)	Year to 30.4.03 (Audited)
	£000	£000	£000
Profit for the financial period	**15,280**	12,925	25,106
Dividends	**(4,246)**	(2,978)	(9,736)
	11,034	9,947	15,370
Issue of Ordinary share capital (net of expenses)	**224**	20	167
Foreign exchange differences	**(125)**	–	626
	11,133	9,967	16,163
Opening shareholders' funds	**153,210**	137,047	137,047
Closing shareholders' funds	**164,343**	147,014	153,210

6. Joint Venture

	Six months to 31.10.03 (Unaudited)	Six months to 31.10.02 (Unaudited)	Year to 30.4.03 (Audited)
	£000	£000	£000
Share of operating profit	**2,228**	833	2,817
Share of interest payable, net	**(641)**	(312)	(848)
Contribution to profit before taxation	**1,587**	521	1,969
Share of tax on profit on ordinary activities	**(446)**	(130)	(493)
Contribution to profit after tax	**1,141**	391	1,476
Amortisation of goodwill on joint venture investment	**(118)**	(78)	(197)
Contribution to profit for the financial period	**1,023**	313	1,279

7. Basis of preparation

The results have been prepared on the basis of the accounting policies set out in the last annual report and accounts.

The results for the year to 30 April 2003 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 2003 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.

This report is made solely to the Company in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

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 polices and presentation applied to the interim figures are 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 2003.

Deloitte & Touche LLP
Chartered Accountants
Leeds
13 January 2004

Notes

Notes