



# INTERIM REPORT

SIX MONTHS ENDED 31 OCTOBER 2004



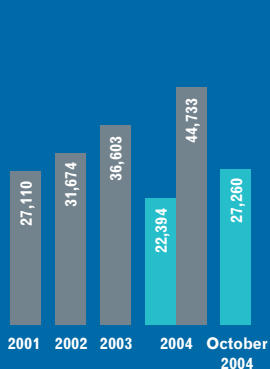
**Commercial vehicles for business**

# HIGHLIGHTS

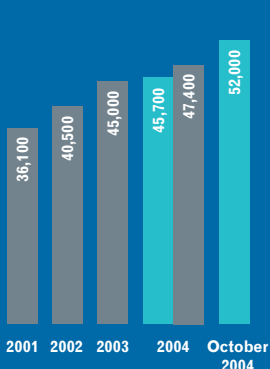
	2004	2003
Vehicle fleet - UK	52,000	45,700
- Spain*	17,000	13,500
Group operating profit	£37.3m	£28.0m
Profit before tax	£27.3m	£22.4m
Earnings per share	29.1p	25.1p
Dividend per share	8.0p	7.0p
Net assets per share	317p	270p

\*Fualsa, the Group's Spanish subsidiary, was a joint venture in 2003.

Group profit before tax



Vehicle Fleet – UK



● Interim  
● Final

Vehicle Fleet – Spain





## ● Directors

**Michael Waring**, Non-executive Chairman  
**Stephen Smith**, ACA, Chief Executive Officer  
**Jan Astrand**, Non-executive  
**Martin Ballinger**, Non-executive  
**Philip Moorhouse**, FCCA, Managing Director UK Rental  
**Gerard Murray**, ACA, Finance Director  
**Alan Noble**, Executive Director  
**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

We are now 18 months through our Strategy for Growth for the three years to 30 April 2006, details of which were set out in our 2003 Report and Accounts. The six months to 31 October 2004 have continued the excellent start we reported for the year to 30 April 2004, with earnings per share increasing by 15.9% to 29.1p (2003 – 25.1p). This increase is driven by a number of factors including the increase in the contribution from Fualsa, our Spanish operation which became wholly owned on 3 May 2004, the high level of fleet growth in both the UK and Spain and the improved profit from UK used vehicle sales. As a result of this fleet growth we have further consolidated our position as market leader in the UK and made progress towards achieving the same status in Spain.

## ● Results

Turnover, including the contribution from the wholly owned Spanish subsidiary Fualsa, increased by 19.3% to £222.6m (2003 – £186.5m, excluding Fualsa turnover).

Profit before goodwill amortisation of £0.51m (2003 – £0.16m) and taxation increased by 23.2% to £27.8m (2003 – £22.6m).

Earnings per share increased by 15.9% to 29.1p (2003 – 25.1p) reflecting the increase in profit before taxation and the full period effect of 3.04m new shares issued as a result of a 5% Cash Placing on 14 January 2004.

The composition of the Group's UK turnover and operating profit as between hire activities and used vehicle sales, is set out below:–

### United Kingdom

	31 October	
	2004	2003
	£000	£000
<b>Turnover</b>		
Hire	141,254	125,941
Used vehicle sales	46,619	60,591
<b>UK Turnover</b>	<b>187,873</b>	186,532
<b>Operating profit</b>		
Hire	29,510	26,093
Used vehicle sales	2,152	1,975
Goodwill amortisation	(179)	(38)
<b>UK Operating profit</b>	<b>31,483</b>	28,030
<b>Operating margins (excluding goodwill)</b>		
UK overall	16.9%	15.0%
Hire	20.9%	20.7%
Used vehicle sales	4.6%	3.3%

UK hire turnover increased by 12.2% reflecting the increase in the UK fleet to 52,000 (2003 – 45,700). Margins have been maintained as the network has been expanded through branch openings and selective acquisitions. The focus on margin remains a crucial element for the remaining period of our three year Strategy for Growth.

## Fualsa

	31 October		Joint
	Company		venture
	(100%)	(100%)	(40%)
	2004	2003	2003
	£000	£000	£000
<b>Turnover</b>			
Hire	<b>25,828</b>	20,615	8,246
Used vehicle sales	<b>8,891</b>	9,005	3,602
<b>Fualsa Turnover</b>	<b>34,719</b>	29,620	11,848
<b>Operating profit</b>			
Hire	<b>5,727</b>	3,800	1,520
Used vehicle sales	<b>417</b>	1,771	708
Goodwill amortisation	<b>(335)</b>	-	(118)
<b>Fualsa Operating profit</b>	<b>5,809</b>	5,571	2,110
<b>Operating margins (excluding goodwill)</b>			
Fualsa overall	<b>17.7%</b>	18.8%	18.8%
Hire	<b>22.2%</b>	18.4%	18.4%
Used vehicle sales	<b>4.7%</b>	19.7%	19.7%

This is the first period that Fualsa has been reported on as a wholly owned subsidiary. The reported operating margin of Fualsa excluding goodwill amortisation has reduced to 17.7% (2003 – 18.8%) reflecting the non-recurring profits on the disposal of vehicles realised in the prior period of £1.43m, of which the Group's share of the joint venture was £0.57m. These vehicles acquired before 1 January 2001 had excessive depreciation rates applied to them. The table above sets out the turnover and operating profit for Fualsa as a whole for both the current and prior periods and for our interest in it as a joint venture for the prior period only. The joint venture amounts are shown as 40% of those of the company along with the charge for goodwill.

Following the acquisition of the remaining 60% of Fualsa on 3 May 2004, the Group's borrowings now reflect UK borrowings, the consideration for this acquisition (paid and deferred) and the first time consolidation of the underlying debt of Fualsa.

The net debt of the Group as at 31 October 2004 totals £410m (2003 – £271m) with the majority of the increase compared to the prior year arising from the first time consolidation of Fualsa. The strong fleet growth in both Spain and the UK has also contributed to this increase. Consequently, the Group's gearing has increased to 218.0% (2003 – 171.8%). The prior year comparative for gearing has been amended from 164.9% to reflect our decision that the gearing ratio going forward will be calculated as net debt (including cash balances) as a percentage of shareholders' funds but after the deduction of goodwill. Following the acquisition of Fualsa, this new basis for

calculating shareholders' funds materially changes the gearing ratio. Whilst gearing has increased, the Group's interest cover has remained stable at 3.7 times (2003 – 3.8 times).

The source of funding for the Group has historically been a mixture of hire purchase contracts and bank loans. With the Fualsa acquisition introducing further sources of funding, we have taken the opportunity to rationalise the loan arrangements of the Group. On 10 January 2005 the Company entered into a series of unsecured, revolving, bilateral facilities with major UK and European banks to provide an aggregate facility to the Group of £565m over one, three and five year terms. These new facilities will replace those facilities that existed at 31 October 2004.

## ● Dividend

Following the change last year to a dividend profile of broadly a 40% interim and a 60% final dividend, the Board has declared an interim dividend of 8.0p (2003 – 7.0p) per share, payable on 11 February 2005 to shareholders on the register as at the close of business on 21 January 2005.

## ● Operational Review

### UNITED KINGDOM AND REPUBLIC OF IRELAND

In the six months to 31 October 2004, we are pleased to report very strong demand for our product Norflex. This demand has resulted in our fleet increasing from 47,400 at the end of April to 52,000 at 31 October 2004 with UK hire turnover increasing by 12.2%. The acquisition of Foley Self Drive Limited on 1 August 2004 accounted for 850 vehicles of this increase.

Our hire locations continue to expand to fleet sizes greater than anticipated in our strategic plan and, as a consequence, we are unlikely to need to open the planned 100 locations by April 2006. Since 1 May 2004, we have opened three new sites and, including those gained through the acquisition of Foley, now operate from 76 locations.

Notwithstanding the growth in the fleet, the strong demand for our product has also resulted in utilisation being just over our targeted level of 90% throughout the period.

Hire rates have softened slightly as a result of continued competitor activity in the rental sector and our focus on fleet growth. As we indicated in the Operational Review of our 2004 Report and Accounts, rising interest rates should give us the opportunity to increase our hire rates or alternatively win business from contract hire competitors. Our decision was to focus on the latter as evidenced by fleet growth of 8%, excluding the acquisition of Foley, in the six months to 31 October 2004. As contract hire companies tend to operate at rates at the bottom end of our range the impact of this new business has been to slightly reduce our average hire rate.

The combination of the factors above has resulted in an operating margin (excluding goodwill amortisation) consistent with our expectations for the hire companies of 20.9% (2003 – 20.7%).

Used vehicle sales turnover declined to £46.6m (2003 – £60.6m), as a result of a reduction in the number of vehicles sold to 7,800 vehicles (2003 – 10,900). The number of vehicles sold in each period is driven by both planned disposals and our management of utilisation. The operating margin on used vehicle sales improved to 4.6% (2003 – 3.3%) giving rise to an improved contribution per vehicle sold of £276 (2003 – £181). In November 2003 the Group opened a remarketing centre in Carnaby with an objective to increase the proportion of retail and semi retail vehicle sales which attract slightly higher margins. This proportion increased to 11% (2003 – 4%) of total vehicles sold in the six months to 31 October 2004. The total volume of vehicle sales is expected to be higher in the second half of the financial year. Given the fact that the number of semi retail and retail vehicles are to a great extent limited by the supply of suitable vehicles, the proportion of total sales represented by these vehicles will be lower for the full financial year. We therefore expect the profit per vehicle to fall in the second half of the year and be more in line with prior periods.

### CONTINENTAL EUROPE

Following the exercise of our options on 3 May 2004 to acquire the remaining 60% of the equity in Fualsa, this is the first period where we report on Fualsa as a subsidiary undertaking.

Since 1 May 2004, the vehicle fleet has grown by over 13% to reach 17,000 vehicles at the end of October 2004. When compared to the fleet at 31 October 2003, the annual growth rate of 26% is very satisfactory indeed. Since the start of the financial year, new locations have been opened in La Coruna and Murcia with two more locations expected to open in Cadiz and Badajoz later this month. These new openings will give us a network of 14 locations to serve our customers across Spain. Utilisation has continued to improve and averaged over 89% during the period, achieving our 90% objective for the first time in early September 2004.

Fualsa hire turnover has increased by 25.3% in line with fleet growth. Hire operating margin (excluding goodwill amortisation) has improved to 22.2% (2003 – 18.4%) reflecting the fact that the vast majority of vehicles on the fleet in the current period were acquired after 1 January 2001 and, as a result, have had lower rates of depreciation applied to them. This has had the effect of improving operating margins for hire and at the same time generating more sensible levels of profit per vehicle on disposal of £219 (2003 – £803), broadly in line with vehicle disposal profits achieved in the UK. Turnover from Fualsa vehicle sales declined marginally to £8.9m (2003 – £9.0m) on slightly reduced sales of 1,900 vehicles (2003 – 2,200).

## ● Personal Note

Following the publication of these results I shall be stepping down as Chairman and as a Director of your Company. Martin Ballinger, previously Chief Executive of Go-Ahead Group PLC, will be taking over as non-executive Chairman.

Northgate's ethos and culture of service to its customers, the main drivers for its success to date, are deeply entrenched throughout the Company and its employees. It has a strong and committed management team under the leadership of Steve Smith, the CEO, and a dedicated staff who strive to provide first class service to our customers. On behalf of shareholders, I wish to thank them all for their efforts and their support over the years. I also wish to thank the members of the Board for their support and in particular Ron Williams, the Deputy Chairman, whose wisdom and experience have been invaluable during the period in which Northgate's market capitalisation has grown from £170 million to over £500 million.

There are many unsung heroes at Northgate who diligently perform the less than glamorous tasks behind the scenes without public recognition. I would therefore like to take this, my final opportunity, to thank each and every one of them for their contribution to Northgate's success. Finally I wish Martin Ballinger, the Board, the management team and all our staff every success for the future and I thank shareholders for their support over the years.

## ● Current Trading and Outlook

We are encouraged by the continued strong growth in our core UK hire business, confirming our view that the UK market is by no means mature and that plenty of opportunity still exists to grow our business. Furthermore, the investment being made to position Fualsa in the Spanish commercial vehicle rental market for the future is proceeding according to plan. Our experience to date has confirmed our opinion that future prospects for the development of our business in Spain are significant.

Since the end of the period, trading has remained strong and the Board is confident of the outcome for the full financial year. We expect to continue to make good progress towards the achievement of our objectives set out in our three year Strategy for Growth.

### **Michael Waring**

**Chairman**

**10 January 2005**

# CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2004

	Notes	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 (Unaudited) £000	Year to 30.4.04 (Audited) £000
<b>Turnover</b>				
– continuing operations		187,873	186,532	355,624
– acquisitions		34,719	–	–
– joint venture		–	11,848	23,461
Turnover: Group and share of joint venture		222,592	198,380	379,085
Less: share of joint venture's turnover		–	(11,848)	(23,461)
<b>Group turnover</b>	1	222,592	186,532	355,624
<b>Cost of sales</b>				
– continuing operations		(134,914)	(137,819)	(261,255)
– acquisitions		(23,073)	–	–
Total cost of sales		(157,987)	(137,819)	(261,255)
<b>Gross profit</b>				
– continuing operations		52,959	48,713	94,369
– acquisitions		11,646	–	–
Total gross profit		64,605	48,713	94,369
<b>Administrative expenses</b>				
– continuing operations		(21,297)	(20,645)	(38,552)
– acquisitions		(5,502)	–	–
– goodwill amortisation		(514)	(38)	(71)
Total administrative expenses		(27,313)	(20,683)	(38,623)
<b>Group operating profit</b>				
– continuing operations		31,483	28,030	55,746
– acquisitions		5,809	–	–
<b>Total operating profit</b>	1	37,292	28,030	55,746
Share of joint venture's operating profit		–	2,228	4,578
Amortisation of goodwill on joint venture investment		–	(118)	(236)
<b>Profit on ordinary activities before interest and taxation</b>		37,292	30,140	60,088

	Notes	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 (Unaudited) £000	Year to 30.4.04 (Audited) £000
Interest payable, net – Group		<b>(10,032)</b>	(7,105)	(14,069)
– joint venture		–	(641)	(1,286)
<b>Profit on ordinary activities before taxation</b>		<b>27,260</b>	22,394	44,733
Tax on profit on ordinary activities – Group	2	<b>(8,500)</b>	(6,668)	(12,914)
– joint venture		–	(446)	(389)
<b>Profit for the financial period</b>		<b>18,760</b>	15,280	31,430
Dividends – non-equity Preference shares		<b>(13)</b>	(13)	(25)
– equity Ordinary shares		<b>(5,136)</b>	(4,233)	(11,039)
<b>Profit transferred to reserves</b>		<b>13,611</b>	11,034	20,366
Earnings per Ordinary share – basic	3	<b>29.1p</b>	25.1p	50.9p
Diluted earnings per Ordinary share	3	<b>28.8p</b>	25.0p	50.8p
Dividends per Ordinary share		<b>8.0p</b>	7.0p	17.6p

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE SIX MONTHS ENDED 31 OCTOBER 2004

	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 (Unaudited) £000	Year to 30.4.04 (Audited) £000
<b>Profit for the financial period</b>	<b>18,760</b>	15,280	31,430
Revaluation of land	<b>579</b>	–	–
Foreign exchange differences	<b>944</b>	(125)	(290)
<b>Total recognised gains and losses for the financial period</b>	<b>20,283</b>	15,155	31,140

# CONSOLIDATED BALANCE SHEET

31 OCTOBER 2004

	Notes	31.10.04 (Unaudited) £000	31.10.03 As restated (Unaudited) £000	30.4.04 As restated (Audited) £000
<b>Fixed assets</b>				
Intangible assets		15,679	1,344	1,981
Tangible assets				
Vehicles for hire		516,697	374,325	379,346
Other fixed assets		33,633	23,271	23,342
		<b>566,009</b>	<b>398,940</b>	<b>404,669</b>
<b>Investment in joint venture:</b>				
Share of gross assets		–	45,823	50,389
Share of gross liabilities		–	(37,250)	(40,215)
Goodwill on investment less amortisation		–	4,411	4,293
		–	12,984	14,467
<b>Total fixed assets</b>		<b>566,009</b>	<b>411,924</b>	<b>419,136</b>
<b>Current assets</b>				
Stocks		18,773	9,666	15,285
Debtors		87,257	62,141	56,382
Cash at bank and in hand		22,570	22,787	46,160
		<b>128,600</b>	<b>94,594</b>	<b>117,827</b>
<b>Creditors: amounts falling due within one year</b>		<b>200,926</b>	<b>181,940</b>	<b>133,756</b>
<b>Net current liabilities</b>		<b>(72,326)</b>	<b>(87,346)</b>	<b>(15,929)</b>
<b>Total assets less current liabilities</b>		<b>493,683</b>	<b>324,578</b>	<b>403,207</b>
Creditors: amounts falling due after more than one year	6	280,749	154,005	208,079
Provisions for liabilities and charges		9,302	7,005	6,821
		<b>203,632</b>	<b>163,568</b>	<b>188,307</b>
<b>Capital and reserves</b>				
Called up share capital		3,706	3,550	3,702
Share premium account		62,201	45,854	61,829
Revaluation reserve		602	23	23
Merger reserve		4,721	4,721	4,721
Own shares held	8	(1,515)	(775)	(1,330)
Profit and loss account		133,917	110,195	119,362
<b>Shareholders' funds</b>	5	<b>203,632</b>	<b>163,568</b>	<b>188,307</b>
Attributable to equity shareholders		203,132	163,068	187,807
Attributable to non-equity shareholders		500	500	500
		<b>203,632</b>	<b>163,568</b>	<b>188,307</b>

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2004

		Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 As restated (Unaudited) £000	Year to 30.4.04 As restated (Audited) £000
	Notes			
<b>Cash inflow from operating activities</b>	4	<b>92,019</b>	74,553	157,203
<b>Returns on investments and servicing of finance</b>		<b>(9,357)</b>	(7,157)	(14,679)
<b>Taxation</b>		<b>(7,775)</b>	(4,490)	(11,279)
<b>Capital expenditure and financial investment</b>				
Purchase of vehicles for hire		<b>(134,107)</b>	(113,725)	(215,129)
Sale of vehicles for hire		<b>49,183</b>	58,280	106,771
Other items, net		<b>(2,140)</b>	(3,131)	(4,333)
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(87,064)</b>	(58,576)	(112,691)
<b>Acquisitions</b>	6	<b>(19,360)</b>	–	(1,092)
<b>Equity dividends paid</b>		<b>(6,764)</b>	(6,754)	(11,005)
<b>Cash (outflow) inflow before use of liquid resources and financing</b>		<b>(38,301)</b>	(2,424)	6,457
<b>Management of liquid resources</b>				
Cash withdrawn from (placed on) deposit		–	18	(205)
<b>Financing</b>				
Issue of Ordinary shares (net of expenses)		<b>376</b>	224	16,351
Purchase of investments (net)				
– purchase of own shares	8	–	(526)	(1,081)
Increase (decrease) in borrowings		<b>47,136</b>	(804)	93,833
Capital element of vehicle loans and hire purchase payments		<b>(124,030)</b>	(116,910)	(263,310)
Cash inflow from vehicle loans and hire purchase agreements		<b>78,680</b>	102,260	169,577
<b>Net cash inflow (outflow) from financing</b>		<b>2,162</b>	(15,756)	15,370
<b>(Decrease) increase in cash for the period</b>		<b>(36,139)</b>	(18,162)	21,622

# RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2004

	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 (Unaudited) £000	Year to 30.4.04 (Audited) £000
<b>(Decrease) increase in cash for the period</b>	<b>(36,139)</b>	(18,162)	21,622
<b>Financing</b>			
(Increase) decrease in borrowings	<b>(47,136)</b>	804	(93,833)
Capital element of vehicle loans and hire purchase payments	<b>124,030</b>	116,910	263,310
Cash inflow from vehicle loans and hire purchase agreements	<b>(78,680)</b>	(102,260)	(169,577)
Cash (withdrawn from) placed on deposit	—	(18)	205
Change in net debt resulting from cash flows	<b>(37,925)</b>	(2,726)	21,727
Vehicle loans and hire purchase agreements acquired with subsidiary undertakings	<b>(66,808)</b>	—	(3,271)
Other net debt acquired with subsidiary undertakings	<b>(28,144)</b>	—	—
New vehicle loans	<b>(13,528)</b>	—	—
Deferred consideration in respect of Fualsa (Note 6)	<b>(10,354)</b>	—	—
Foreign exchange differences	<b>(3,108)</b>	52	96
<b>Movement in net debt for the period</b>	<b>(159,867)</b>	(2,674)	18,552
<b>Opening net debt</b>	<b>(249,826)</b>	(268,378)	(268,378)
<b>Closing net debt</b>	<b>(409,693)</b>	(271,052)	(249,826)

# UNAUDITED NOTES

## 1. Segmental analysis

	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 (Unaudited) £000	Year to 30.4.04 (Audited) £000
United Kingdom and Republic of Ireland	<b>187,873</b>	186,532	355,624
Spain	<b>34,719</b>	–	–
<b>Total turnover</b>	<b>222,592</b>	186,532	355,624
United Kingdom and Republic of Ireland	<b>31,483</b>	28,030	55,746
Spain	<b>5,809</b>	–	–
<b>Total operating profit</b>	<b>37,292</b>	28,030	55,746

Prior to the acquisition of Furgonetas de Alquiler SA ("Fualsa") on 3 May 2004 (see Note 6), all turnover from the joint venture arose in Spain.

## 2. Tax

The charge for taxation for the six months to 31 October 2004 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 2004 is based on the profit attributable to equity shareholders of £18,747,000 (31 October 2003 – £15,267,000) (30 April 2004 – £31,405,000) and the weighted average of 64,446,161 (31 October 2003 – 60,809,093) (30 April 2004 – 61,647,279) Ordinary shares in issue (excluding those shares held by an employee trust in connection with the Group's various share schemes).

Diluted earnings per Ordinary share have been calculated on the basis of earnings described above and assume that 382,037 shares (31 October 2003 – nil) (30 April 2004 – nil), remaining exercisable under the Group's various share schemes, had been fully exercised at the commencement of the relevant period, such that the weighted average number of shares is 64,982,443 (31 October 2003 – 60,947,057) (30 April 2004 – 61,817,783), including 154,245 shares (31 October 2003 – 137,964) (30 April 2004 – 170,504) held by an employee trust in connection with the Group's various share schemes.

# UNAUDITED NOTES

## 4. Reconciliation of operating profit to net cash inflow from operating activities

	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 (Unaudited) £000	Year to 30.4.04 (Audited) £000
Group operating profit	<b>37,292</b>	28,030	55,746
Depreciation	<b>63,243</b>	48,706	98,547
Goodwill amortisation	<b>514</b>	38	71
Loss (profit) on sale of equipment and other fixed assets	<b>19</b>	(1)	(63)
(Increase) decrease in stocks	<b>(668)</b>	659	(4,922)
(Increase) decrease in debtors	<b>(828)</b>	(4,773)	1,450
(Decrease) increase in creditors	<b>(7,553)</b>	1,894	6,374
Net cash inflow from operating activities	<b>92,019</b>	74,553	157,203

## 5. Reconciliation of movements in shareholders' funds

	Six months to 31.10.04 (Unaudited) £000	Six months to 31.10.03 As restated (Unaudited) £000	Year to 30.4.04 As restated (Audited) £000
Profit for the financial period	<b>18,760</b>	15,280	31,430
Dividends	<b>(5,149)</b>	(4,246)	(11,064)
	<b>13,611</b>	11,034	20,366
Issue of Ordinary share capital (net of expenses)	<b>376</b>	224	16,351
Revaluation of land	<b>579</b>	–	–
Increase in own shares held	<b>(185)</b>	–	–
Foreign exchange differences	<b>944</b>	(125)	(290)
Net addition to shareholders' funds	<b>15,325</b>	11,133	36,427
Opening shareholders' funds (as originally stated)	<b>188,307</b>	153,210	153,210
Prior period adjustment (Note 8)	<b>–</b>	(775)	(1,330)
Opening shareholders' funds (as restated)	<b>188,307</b>	152,435	151,880
Closing shareholders' funds	<b>203,632</b>	163,568	188,307

## 6. Acquisitions

### Furgonetas de Alquiler SA ("Fualsa")

On 16 July 2002, the Group acquired a 40% share in Fualsa, a company registered in Spain, for a cash consideration of £10,170,000, including goodwill of £4,726,000. In the year to 30 April 2004, this investment was accounted for as a joint venture.

On 3 May 2004, the Group exercised its option to acquire a further 40% of the share capital of Fualsa for a consideration of £15,150,000 under the share purchase agreement. On the same date, the Group also exercised its option to acquire the final 20% of the share capital of Fualsa. The consideration for this exercise is deferred until May 2006 and will be dependent upon the profit after tax of Fualsa for the calendar years 2004 and 2005. With effect from May 2004, Fualsa has been accounted for as a subsidiary undertaking and in accordance with acquisition accounting principles.

The detail relating to the 60% share of Fualsa, that was acquired on 3 May 2004, is as follows:

	£000
Fair value of net assets acquired	16,128
Goodwill	8,362
Acquisition cost (including expenses)	<b>24,490</b>
Fair value of consideration:	
Cash	15,150
Deferred consideration	9,340
	<b>24,490</b>
Cash payment made	15,150
Cash equivalents with subsidiary undertaking acquired	(90)
Cash outflow in period on acquisition of Fualsa	<b>15,060</b>

The total goodwill of £13,088,000, arising on this acquisition, comprises £4,726,000 relating to the 40% share and £8,362,000 relating to the 60% share of Fualsa. This is being amortised over a 20 year period from July 2002.

The actual deferred consideration of £10,354,000 is included within creditors falling due after more than one year.

# UNAUDITED NOTES

## 6. Acquisitions (continued)

### Foley Self Drive Limited ("Foley")

On 1 August 2004, the Group acquired the entire issued share capital of Foley for a cash consideration of £3,895,000, including goodwill of £1,557,000. The goodwill on the acquisition of Foley is capitalised and written off over a period of five years, being its estimated useful economic life. The transaction has been accounted for in accordance with acquisition accounting principles.

	£000
Fair value of net assets acquired	2,338
Goodwill	1,557
Acquisition cost (including expenses)	<b>3,895</b>
Fair value of consideration:	
Cash	3,895
Bank overdraft with subsidiary undertaking acquired	475
Cash outflow in period on acquisition of Foley	<b>4,370</b>

The results of Foley for the period 1 August 2004 to 31 October 2004 have not been included within acquisitions in the consolidated profit and loss account as, in the opinion of the Directors, they are immaterial to the results of the Group as a whole.

### F Herriman & Sons Limited ("Daman")

On 30 April 2004, the Group acquired the entire issued share capital of Daman for a cash consideration of £960,000, including goodwill of £670,000. During the period, the Group received £70,000 from the vendor, under the retention terms of the sale and purchase agreement.

In all of the above acquisitions, the fair values represent the Directors' current estimates of the net assets acquired. In accordance with FRS7, the values attributed may be revised as further information becomes available.

## 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, with the exception of the change in accounting policy referred to in Note 8.

The results for the year to 30 April 2004 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.

## 8. Prior period adjustment

On 1 May 2004, the Group changed its accounting policy in respect of investments in its own shares, in accordance with Urgent Issues Task Force Abstract 38. A prior period adjustment has been made to reflect this change in accounting policy. The impact of this change is to reduce both fixed asset investments and shareholders' funds by £775,000 at 31 October 2003 and £1,330,000 at 30 April 2004. Within the consolidated cash flow statement, the change in accounting policy has caused a reduction in the cash outflow on capital expenditure and financial investment and an increase in the cash outflow on financing of the same amounts. These amounts are £526,000 for the six months to 31 October 2003 and £1,081,000 for the year to 30 April 2004. There is no impact on the consolidated profit and loss account in any period.

The change in accounting policy gives rise to an own shares held reserve. This represents shares held by an employee trust in order to meet commitments under the Group's various share schemes.

The impact of the change in accounting policy in the current period is to reduce fixed asset investments by £185,000 and to increase the own shares held reserve by the same amount. There is no impact on the consolidated profit and loss account or consolidated cash flow statement in the current period.

# 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 2004 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 8 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 policies 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 2004.

**Deloitte & Touche LLP**  
**Chartered Accountants**  
**Leeds**  
**10 January 2005**

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# NOTES



