INTERIM REPORT

SIX MONTHS ENDED 31 OCTOBER 2006

NORTHGATE plc

HIGHLIGHTS

> GROUP REVENUE FOR THE YEAR INCREASED BY 48% TO £262.1M (2005 - £176.9M)
> PROFIT BEFORE TAX UP BY 34% TO £37.8M (2005 - £28.3M)
> UNDERLYING PROFIT BEFORE TAX* INCREASED BY 38% TO £39.7M (2005 - £28.7M)
> ADJUSTED EARNINGS PER SHARE* INCREASED BY 25% TO 39.1P (2005 - 31.3P)

*Stated before amortisation of intangible assets

		2006	2005
Vehicle fleet	– UK	**65,300**	52,400
	– Spain	**51,000**	21,500
Group profit from operations		**£53.1m**	£37.2m
Profit before tax		**£37.8m**	£28.3m
Earnings per share		**37.1p**	30.7p
Dividend per share		**10p**	9p
Net assets per Ordinary share		**475p**	372p

DIRECTORS

Philip Rogerson	Non-executive Chairman
Stephen Smith ACA	Chief Executive Officer
Jan Astrand	Non-executive
Tom Brown	Non-executive
Phil Moorhouse FCCA	Managing Director UK Rental
Gerard Murray ACA	Finance Director
Alan Noble	Executive Director

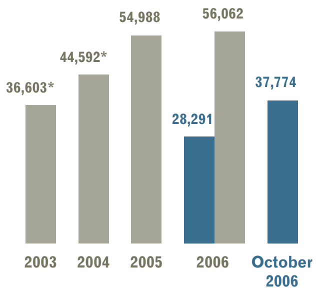
SECRETARY AND REGISTERED OFFICE

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

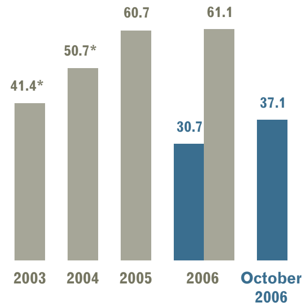
REGISTRARS

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

Group profit before tax (£000)
* UK GAAP basis

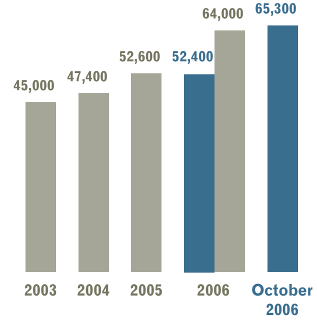


Earnings per share (p)
* UK GAAP basis

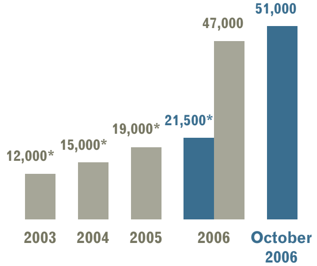


Final
Interim

Vehicle Fleet - UK



Vehicle Fleet - Spain
* Fualsa fleet only



CHAIRMAN'S STATEMENT

IN THE SIX MONTHS TO 31 OCTOBER 2006, THE GROUP CONTINUED TO EXECUTE THE KEY ELEMENTS OF ITS THREE YEAR STRATEGIC PLAN, ANNOUNCED IN JANUARY 2006, AND AIMED AT MAINTAINING ANNUAL DOUBLE-DIGIT EARNINGS GROWTH. IN THE UK THE STRATEGIC PLAN ENVISAGED UTILISING THE CAPACITY IN THE GROUP'S NETWORK TO INCREASE THE FLEET BY BOTH SELECTIVE ACQUISITIONS, IN WHAT IS STILL A FRAGMENTED MARKET, AND THROUGH ORGANIC GROWTH. AT THE SAME TIME THE INTRODUCTION OF FLEET MANAGEMENT PRODUCTS WAS AIMED AT ENHANCING RETURNS.

The acquisition of Arriva Vehicle Rental ("AVR") on 3 February 2006 was in line with this stated strategy. The integration of AVR was completed at the beginning of this financial year enabling a restructuring of the UK business to commence. This restructuring, which is now complete, has created a functional, rather than geographic, management structure for the business. As well as improving productivity, as evidenced by higher utilisation in the period, it leaves us better able to deliver improved and consistent customer service.

In May 2006 the Group successfully concluded the purchase of the remaining 51% of Record Rent a Car S.A. ("Record" or "Record Rent") thus strengthening its leading position in the growing Spanish vehicle rental market. Demand for our product in Spain continues to be strong and we remain confident of achieving the 15% annual fleet growth targeted in our Strategic Plan. Having now appointed a single management team we expect to make further progress in integrating the operations of our two Spanish businesses in the second half of the financial year.

The Group's financial results for the six months to 31 October 2006 are summarised as follows:

- Vehicle rental and associated revenue up by 48% to £262.1m (2005 – £176.9m);
- Underlying profit before tax* up by 38% to £39.7m (2005 – £28.7m); and
- Adjusted earnings per share* up by 25% to 39.1p (2005 – 31.3p).

**Stated before amortisation of intangible assets.*

The Board has declared an 11% increase in the interim dividend to 10p per share (2005 – 9p) indicating its confidence in the Group's future prospects. This dividend is payable on 8 February 2007 to shareholders on the register at the close of business on 19 January 2007.

As announced on 14 November 2006, Martin Ballinger retired from the Board due to ill health. His personal contribution to the success of the business was significant and my colleagues and I wish to express our warmest thanks to him. I have assumed the Chairmanship of the Group on a temporary basis until such time as a successor is appointed.

RESULTS

UK revenue increased by 23.9% reflecting the strategic acquisitions of Fleet Technique Limited ("FTL") and AVR coupled with organic growth represented by an increase of 3.4% in vehicles on hire. The UK fleet size, as at 31 October 2006, was 65,300 vehicles (2005 – 52,400). Margins have improved as a consequence of obtaining operational gearing benefits from integrating the AVR fleet, achieving utilisation of 91% and as a result of residual values being better than the prior period. These benefits have been offset to some extent by a lower average hire rate and by costs associated with implementing the restructuring of the UK business.

From now onwards, the Spanish operations will be reported on as one enlarged business. The current period's results therefore represent both Fualsa and Record Rent, whereas the prior period financial results represent Fualsa only. The Group's share of profit after tax from its investment in Record for the prior period is shown in the consolidated income statement as 'Share of profit of associate'. Spain's revenue has increased by 151% as a result of the acquisition of the remaining 51% of Record Rent in May 2006 and further organic fleet growth in both Record Rent and Fualsa, the Group's original Spanish subsidiary. The fleet size of the enlarged Spanish business was 51,000 vehicles at 31 October 2006. The blended operating margin for the enlarged Spanish business is 21.6% (2005 – 22.9%).

The composition of Group revenue and profit from operations is set out below:

	2006 £000	2005 £000
Revenue		
UK Rental	170,609	143,218
UK Fleet management	6,799	–
Spain Rental	84,714	33,772
	262,122	176,990
Profit from operations		
UK Rental	36,450	29,850
UK Fleet management	370	–
Spain Rental	18,294	7,723
Intangible amortisation	(1,969)	(374)
	53,145	37,199
Operating margins (excluding intangible amortisation)		
UK Rental	21.4%	20.8%
UK Fleet management	5.4%	–
Spain Rental	21.6%	22.9%

The Group's results have been impacted by the increasing costs of debt finance for both Sterling and Euros with Euribor increasing by 0.75% and Sterling Libor by 0.5% since the start of the financial year. In December 2006 the Group concluded a Private Placement in the United States of America by issuing a series of unsecured loan notes with maturity periods of between seven and ten years in order to raise $335m of new finance. All of this new finance was immediately converted to a Sterling equivalent debt of £175m and the Group entered into a series of financial instruments to fix the rate of interest at an effective rate of 5.78% per annum for the period of the loan notes. This exercise has diversified the Group's source of debt finance and also increased the length of the overall term of its debt repayment profile. If these loan notes had been in issue at 31 October 2006 the proportion of the Group's net debt covered by fixed rate loans on a pro forma basis would have been 50%.

OPERATIONAL REVIEW

United Kingdom and Republic of Ireland

In the six months to 31 October 2006, the Group has benefited from the synergies arising out of the acquisition and integration of AVR and from restructuring the network in order to produce further efficiencies.

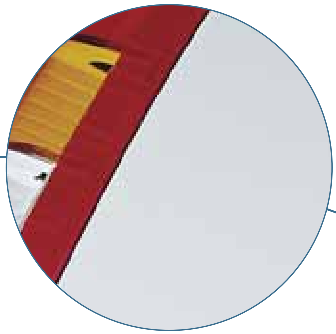
The acquisition of AVR became unconditional on 3 February 2006 and in the three months to 30 April 2006 the acquired business was integrated into the core UK operation. This involved a net reduction of some 21 locations and 400 employees acquired with the AVR business. Customer retention since the acquisition, both through the transitional phase and subsequently, has been excellent. The portfolio of non-utilised properties that arose from the integration process has steadily been reduced such that by 31 December 2006 there remained only seven leasehold properties to be disposed.

In June 2006 the Group announced a restructuring of its UK business. This restructuring has streamlined the number of hire companies from 35 to 20 to give fewer, but larger, business units, whilst retaining the existing geographic network of locations.

The restructuring was complete by the end of the calendar year 2006. The costs associated with the streamlining changes effected by 31 October 2006 and recognised in the income statement were £0.5m. The Board expects a number of efficiencies to accrue in future periods as a result of this restructuring, the most important being an overall improvement in fleet utilisation. The current period saw some improvement with an average fleet utilisation in the UK of 91% (2005 – 90%).

The average number of vehicles on hire has increased by 3.4% since the beginning of the financial period broadly in line with the assumption in the Group's Strategic Plan of 5% per annum growth in the UK. The growth is made up of a combination of the improvement in the utilisation rate and growth in the vehicle fleet. Vehicles on hire in the UK have continued to grow throughout November and December 2006 in line with our expectations.

Competitive pressures on hire rates have always existed in the UK market place but were particularly evident in the prior financial year when the average revenue per vehicle decreased by 3%. Whilst the situation improved from February 2006 with the decline in hire rates abating, some of the reduction in rates in the prior financial year automatically fed through to this period. In addition to this effect, the acquired AVR business had lower average hire rates than the core Northgate business because of its different mix of fleet and customers. Consequently it was expected that the assimilation of this business would lower the overall hire rate being achieved in the UK. The combined effect of these two issues is that hire rates are, as expected, on average 3% lower than in the prior period.



We sold 11,400 vehicles (2005 – 11,300) in the six months under review. The Group has continued to concentrate on developing its retail and semi-retail channels to market in order to maximise the residual values that it can achieve on disposal. The proportion of vehicle disposals that were made through these channels increased to 16% (2005 – 11%) exceeding the Group's medium term objective of 15%. The market for used light commercial vehicles has been favourably influenced by the shortage of new product in some sectors of the market. This is as a consequence of the majority of manufacturers delaying the introduction of their new vehicle models in order to introduce Euro IV compliant engines with regard to fuel emissions. The new models were introduced towards the end of the period being reported. As a result, fleet operators retained more of their existing fleet than normal in order to acquire the Euro IV compliant models when they became available. The combined effect of favourable market conditions created by the short supply of used product and the Company's achievement in increasing the proportion of retail and semi-retail sales, gave rise to a profit of £2.4m (2005 – loss of £0.4m) which under IAS 16 was adjusted against the vehicle depreciation charge for the period.

This is the first six month period that the Group has included the results from FTL, a fleet management company acquired in January 2006. The initial priority for this business was the relocation of its operations to more suitable premises, which was completed in August 2006. Consequently, further actions to achieve some of the planned synergies between the Group's UK rental operations and FTL were deferred until after this relocation was complete. Nevertheless the £0.4m profit from operations of FTL was in line with the Board's expectations for the business and we remain confident of a more significant contribution in the future.

CONTINENTAL EUROPE

The Group acquired the remaining 51% of the share capital of Record Rent on 11 May 2006 for a consideration of €72.7m (£49.8m) to add to the initial 49% of the share capital that had been acquired on 5 August 2005. The total consideration paid for Record Rent was, therefore, €128.1m (£88.7m). This acquisition strengthened the Group's position as the leader in the growing Spanish vehicle rental market with a combined fleet size for Fualsa and Record of 47,000 vehicles at that time.

Following the acquisition of Record Rent, a process was begun to consider both internal and external candidates for the position of CEO of the enlarged Spanish business. In September 2006 Fernando Pemartin, formerly Managing Director of Record Rent, was appointed as CEO for Spain. Subsequent to his appointment he has structured a management team to take the business forward. Certain vehicle purchasing and disposal synergies are currently being achieved but some of the more substantial efficiencies will only be realised when Fualsa and Record operate on common IT platforms. This is expected to be achieved in the second half of the calendar year 2007.

Since May 2006 the fleet size has increased by 8.5% to 51,000 vehicles in line with the Board's expectations of 15% per annum organic growth. At the same time fleet utilisation has averaged over 90% (2005 – 88%). Hire rates are not experiencing the same competitive pressures as the UK since the market in Spain is growing at a much faster rate. The residual value market remains steady and in line with the levels experienced at the end of the last financial year. The disposal proceeds for the 6,300 vehicles sold (2005 – 2,200) were therefore in line with our expectations and gave rise to a profit on disposal of £0.96m (2005 – £0.98m) which has been adjusted against vehicle depreciation in accordance with IAS 16.

Whilst there have been no locations added to the network in the period, we have relocated our branches in Cadiz and Malaga to larger premises and have further relocations planned to accommodate future growth.

CURRENT TRADING AND OUTLOOK

Trading in both the UK and Spain is in line with expectations and the Board remains confident of a satisfactory outcome for the full financial year.

Philip Rogerson
Chairman

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	Notes	Six months to 31.10.06 (Unaudited) £000	Six months to 31.10.05 (Unaudited) £000	Year to 30.4.06 (Audited) £000
Revenue	2	262,122	176,990	372,609
Cost of sales		(177,102)	(116,326)	(248,051)
Gross profit		**85,020**	**60,664**	**124,558**
Administrative expenses (excluding amortisation)		(29,906)	(23,091)	(50,733)
Amortisation		(1,969)	(374)	(1,227)
Total administrative expenses		(31,875)	(23,465)	(51,960)
Profit from operations	2	**53,145**	**37,199**	**72,598**
Investment income		1,072	1,009	2,047
Finance costs		(16,443)	(11,108)	(22,125)
Share of profit before taxation of associate		–	1,702	4,964
Share of taxation of associate		–	(511)	(1,422)
Share of profit of associate		–	1,191	3,542
Profit before taxation		**37,774**	**28,291**	**56,062**
Taxation	3	(11,200)	(8,345)	(15,468)
Profit for the period		**26,574**	**19,946**	**40,594**

Profit for the period is wholly attributable to equity holders of the parent Company.
All results arise from continuing operations.

	Notes	Six months to 31.10.06 (Unaudited)	Six months to 31.10.05 (Unaudited)	Year to 30.4.06 (Audited)
Basic earnings per Ordinary share	4	**37.1p**	**30.7p**	**61.1p**
Diluted earnings per Ordinary share	4	**37.0p**	**30.5p**	**60.6p**

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	Six months to 31.10.06 (Unaudited) £000	Six months to 31.10.05 (Unaudited) £000	Year to 30.4.06 (Audited) £000
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(2,281)	365	1,303
Foreign exchange differences on retranslation of interest in associate	–	(237)	413
Foreign exchange differences on revaluation reserve	(11)	–	–
Net foreign exchange differences on long term borrowings held as hedges	1,875	(91)	(1,571)
Net fair value gains on cash flow hedges	435	1,027	2,956
Share options fair value amount (charged) credited directly to equity	(202)	63	20
Net deferred tax (charge) credit recognised directly in equity	(159)	807	882
Actuarial (losses) gains on defined benefit pension scheme	(112)	–	356
Net (expense) income recognised directly in equity	**(455)**	**1,934**	**4,359**
Profit attributable to equity holders	26,574	19,946	40,594
Total recognised income and expense for the period	**26,119**	**21,880**	**44,953**

CONSOLIDATED BALANCE SHEET

31 OCTOBER 2006

	31.10.06 (Unaudited) £000	31.10.05 (Unaudited) £000	30.4.06 (Audited) £000
Non-current assets			
Goodwill	72,247	12,599	44,582
Other intangible assets	28,288	4,533	18,208
Property, plant and equipment: vehicles for hire	812,753	545,517	643,824
Other property, plant and equipment	65,039	40,080	50,236
Total property, plant and equipment	877,792	585,597	694,060
Interest in associate	–	38,915	41,927
	978,327	**641,644**	**798,777**
Current assets			
Inventories	8,065	8,443	8,918
Trade and other receivables	164,144	99,728	116,939
Cash and cash equivalents	12,231	7,288	24,048
	184,440	**115,459**	**149,905**
Non-current assets held for sale	18,110	10,588	14,705
TOTAL ASSETS	**1,180,877**	**767,691**	**963,387**
Total current liabilities	207,022	77,023	107,323
Non-current liabilities			
Long term borrowings	606,496	441,716	518,485
Deferred tax liabilities	28,034	9,270	15,846
Retirement benefit obligation	1,429	–	1,444
	635,959	**450,986**	**535,775**
TOTAL LIABILITIES	**842,981**	**528,009**	**643,098**
NET ASSETS	**337,896**	**239,682**	**320,289**
Equity			
Share capital	3,555	3,223	3,538
Share premium account	66,746	63,980	64,998
Revaluation reserve	1,043	1,054	1,054
Merger reserve	67,463	4,721	67,463
Own shares reserve	(3,755)	(2,582)	(3,331)
Hedging reserve	3,391	1,027	2,956
Translation reserve	1,221	1,519	1,627
Retained earnings	198,232	166,740	181,984
TOTAL EQUITY	**337,896**	**239,682**	**320,289**

Total equity is wholly attributable to equity holders of the parent Company.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	Notes	Six months to 31.10.06 (Unaudited) £000	Six months to 31.10.05 (Unaudited) £000	Year to 30.4.06 (Audited) £000
Net cash from operating activities	6(a)	**104,582**	**72,250**	**172,178**
Investing activities				
Interest received		744	1,046	1,931
Proceeds from disposal of vehicles for hire		91,591	69,795	150,849
Purchases of vehicles for hire		(205,433)	(151,023)	(306,273)
Proceeds from disposal of other property, plant and equipment		1,523	218	3,307
Purchases of other property, plant and equipment		(5,348)	(3,804)	(12,208)
Purchases of intangible assets		(741)	(41)	(927)
Payment of Fualsa deferred consideration		(10,290)	–	–
Acquisition of subsidiary undertakings, including net cash and bank overdraft balances acquired	7	(49,540)	–	(130,047)
Purchase of interest in associate		–	(37,961)	(37,972)
Net cash used in investing activities		**(177,494)**	**(121,770)**	**(331,340)**
Financing activities				
Dividends paid		(9,848)	(7,665)	(13,459)
Repayments of obligations under finance leases		(38,828)	(21,260)	(36,994)
Repayments of bank loans and other borrowings		–	(48,660)	–
Increase in bank loans and other borrowings		105,753	94,258	130,988
Proceeds from issue of share capital		1,765	1,450	65,525
Proceeds from sale of own shares		23	–	511
Payments to acquire own shares		(447)	(111)	(1,371)
Net cash from financing activities		**58,418**	**18,012**	**145,200**
Net decrease in cash and cash equivalents		**(14,494)**	**(31,508)**	**(13,962)**
Cash and cash equivalents at the beginning of the period		20,259	34,057	34,057
Effect of foreign exchange movements		(227)	46	164
Cash and cash equivalents at the end of the period	6(b)	**5,538**	**2,595**	**20,259**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 OCTOBER 2006

	Six months to 31.10.06 (Unaudited) £000	Six months to 31.10.05 (Unaudited) £000	Year to 30.4.06 (Audited) £000
Amounts attributable to equity holders of the parent Company			
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(2,281)	365	1,303
Foreign exchange differences on retranslation of interest in associate	–	(237)	413
Foreign exchange differences on revaluation reserve	(11)	–	–
Net foreign exchange differences on long term borrowings held as hedges	1,875	(91)	(1,571)
Net fair value gains on cash flow hedges	435	1,027	2,956
Share options fair value amount (charged) credited directly to equity	(202)	63	20
Actuarial (losses) gains on defined benefit pension scheme	(112)	–	356
Net deferred tax (charge) credit recognised directly in equity	(159)	807	882
Net (expense) income recognised directly in equity	**(455)**	**1,934**	**4,359**
Profit attributable to equity holders	26,574	19,946	40,594
Total recognised income and expense for the period	**26,119**	**21,880**	**44,953**
Dividends	(9,853)	(7,645)	(13,437)
Issue of Ordinary share capital (net of expenses)	1,765	1,450	65,525
Net increase in own shares held	(424)	(111)	(860)
Net changes in total equity	**17,607**	**15,574**	**96,181**
Opening total equity	320,289	225,031	225,031
Transitional adjustment on adoption of IAS 32 & IAS 39	–	(923)	(923)
Opening total equity after adoption of IAS 32 & IAS 39	**320,289**	**224,108**	**224,108**
Closing total equity	**337,896**	**239,682**	**320,289**

UNAUDITED NOTES

1. Basis of preparation and accounting policies

The interim financial information for the six months ended 31 October 2006, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts and in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, that are endorsed, or are expected to be endorsed, by the European Commission.

Northgate plc ("the Group") has adopted all IFRS in issue, with the exception of IAS 34 (Interim Financial Reporting) which is not mandatory for UK groups.

The accounts for the year ended 30 April 2006 were prepared under IFRS and have been filed with the Registrar of Companies. They contained an unqualified audit report and did not include a statement under Section 237 (2) or (3) of the Companies Act 1985.

2. Segmental analysis

Business segments
For management purposes, the Group currently has one material business segment, which is the hire of vehicles.

As such, the Directors consider that this is the only business segment on which the Group should report.

Geographical segments
The Group's operations are located in the United Kingdom, Republic of Ireland and Spain.

The Directors consider the United Kingdom and Republic of Ireland to be a single geographical segment on the grounds that the results and net assets of operations in the Republic of Ireland are immaterial to the Group as a whole.

	Six months to 31.10.06 (Unaudited) £000	Six months to 31.10.05 (Unaudited) £000	Year to 30.4.06 (Audited) £000
United Kingdom and Republic of Ireland	177,408	143,218	300,771
Spain	84,714	33,772	71,838
Total revenue	**262,122**	**176,990**	**372,609**
United Kingdom and Republic of Ireland	35,791	29,744	58,149
Spain	17,354	7,455	14,449
Total profit from operations	**53,145**	**37,199**	**72,598**

3. Taxation

The charge for taxation for the six months to 31 October 2006 is based on the estimated effective rate for the year.

4. Earnings per share

	Six months to 31.10.06 (Unaudited)	Six months to 31.10.05 (Unaudited)	Year to 30.4.06 (Audited)
(a) Basic and diluted earnings per share The calculation of basic and diluted earnings per share is based on the following data:			
Earnings	**£000**	**£000**	**£000**
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to equity holders of the parent Company	**26,574**	**19,946**	**40,594**
Number of shares	**Number**	**Number**	**Number**
Weighted average number of Ordinary shares for the purposes of basic earnings per share	71,631,826	64,981,565	66,481,499
Effect of dilutive potential Ordinary shares: – share options	242,103	489,231	464,060
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	71,873,929	65,470,796	66,945,559
Basic earnings per share	**37.1p**	**30.7p**	**61.1p**
Diluted earnings per share	**37.0p**	**30.5p**	**60.6p**
(b) Earnings per share before amortisation and non-recurring restructuring costs	**£000**	**£000**	**£000**
Earnings for the purposes of basic and diluted earnings per share (above)	26,574	19,946	40,594
Amortisation (net of tax)	1,427	374	1,227
Non-recurring restructuring costs (net of UK corporation tax at 30%)	–	–	1,825
Earnings for the purposes of basic and diluted earnings per share before amortisation and non-recurring restructuring costs	**28,001**	**20,320**	**43,646**
Basic earnings per share before amortisation and non-recurring restructuring costs	**39.1p**	**31.3p**	**65.7p**
Diluted earnings per share before amortisation and non-recurring restructuring costs	**39.0p**	**31.0p**	**65.2p**

UNAUDITED NOTES

5. Dividends

The proposed interim dividend of 10p per Ordinary share was approved by the Board of Directors on 8 January 2007 and has not been included as a liability as at 31 October 2006.

6. Notes to the consolidated cash flow statement

(a) Net cash from operating activities

	Six months to 31.10.06 (Unaudited) £000	Six months to 31.10.05 (Unaudited) £000	Year to 30.4.06 (Audited) £000
Profit from operations	53,145	37,199	72,598
Adjustments for:			
Depreciation of property, plant and equipment	98,022	65,674	136,209
Exchange differences	–	–	(16)
Amortisation of intangible assets	1,969	374	1,227
Gain on disposal of property, plant and equipment	(695)	(2)	(209)
Defined benefit pension credit	(236)	–	(386)
Share options fair value amount (charged) credited directly to equity	(202)	63	20
Operating cash flows before movements in working capital	**152,003**	**103,308**	**209,443**
Decrease (increase) in inventories	3,592	(1,725)	(2,191)
Increase in receivables	(10,401)	(6,195)	(1,131)
(Decrease) increase in payables	(13,093)	(3,948)	3,139
Cash generated by operations	**132,101**	**91,440**	**209,260**
Income taxes paid	(11,282)	(8,658)	(15,156)
Interest paid	(16,237)	(10,532)	(21,926)
Net cash from operating activities	**104,582**	**72,250**	**172,178**

6. Notes to the consolidated cash flow statement (continued)

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank, investments in money market instruments and bank overdrafts.

Bank overdrafts are included within cash equivalents on the grounds that they are repayable on demand and form an integral part of the Group's cash management.

Cash and cash equivalents, as described above, included in the cash flow statement comprise the following balance sheet amounts:

	31.10.06 (Unaudited) £000	31.10.05 (Unaudited) £000	30.4.06 (Audited) £000
Cash in hand and at bank	10,348	5,500	22,201
Short term investments	1,883	1,788	1,847
Gross cash and cash equivalents as reported	12,231	7,288	24,048
Bank overdrafts	(6,693)	(4,693)	(3,789)
Net cash and cash equivalents	**5,538**	**2,595**	**20,259**

UNAUDITED NOTES

7. Acquisitions of subsidiary undertakings

(a) Record Rent a Car S.A.
On 5 August 2005 the Group acquired a 49% share in Record Rent a Car S.A. ("Record"), a Company registered in Spain, for a cash consideration, payable to the vendors, of €54,800,000. In accordance with IAS 28, this investment, including associated costs, was accounted for as an associate under the equity method of accounting.

On 11 May 2006 the Group acquired the remaining 51% of the issued share capital of Record for a consideration of €72,700,000, payable to the vendors, under the share purchase agreement. The transaction has been accounted for under the purchase method of accounting in the six months ended 31 October 2006.

The detail relating to the 100% share of Record is shown below:

	(Unaudited) £000
Fair value of net assets acquired	59,106
Goodwill	29,584
Acquisition cost (including expenses)	**88,690**
Fair value of consideration:	
Cash payment for 100% share of Record (including expenses)	88,690
Net cash with subsidiary undertaking acquired	(299)
Purchase of investment in associate as at 30 April 2006	(38,385)
Cash outflow in the period on acquisition of Record	**50,006**

7. Acquisitions of subsidiary undertakings (continued)

(b) Northgate (AVR) Limited
On 3 February 2006 the Group acquired the entire issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) ("AVR") for an original cash consideration of £50,316,000, including goodwill of £28,055,000. The transaction was accounted for in accordance with the purchase method of accounting in the year ended 30 April 2006.

In the six months ended 31 October 2006 the Group paid a further £3,699,000 to the vendor under the terms of the sale and purchase agreement and further fair value adjustments were made totalling £4,028,000 as follows:

	(Unaudited) £000
Fair value of net assets acquired as originally stated in 2006 Annual Report	22,261
Further fair value adjustments made	4,028
Fair value of net assets acquired	**26,289**
Acquisition cost (including expenses) as originally stated in 2006 Annual Report	50,316
Net consideration adjustments with the vendor in the period	3,699
Acquisition cost (including expenses)	**54,015**
Goodwill as originally stated in 2006 Annual Report	**28,055**
Goodwill as at 31 October 2006	**27,726**
Proceeds from disposal of intangible assets to the vendor	4,165
Consideration adjustment offset against disposal proceeds of intangible assets	(3,699)
Net cash inflow in the period relating to the acquisition of AVR	**466**

In both of the above acquisitions, the fair values represent the Directors' current estimates of the net assets acquired. In accordance with IFRS 3, the values attributed may be revised as further information becomes available.

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 2006 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of recognised income and expense, the cash flow statement and related Notes 1 to 7. 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 International Standards on Auditing (UK and Ireland) 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 2006.

Deloitte & Touche LLP
Chartered Accountants
Leeds
8 January 2007

Designed by The Roundhouse 0191 222 1144

Registered office:
Norflex House, Allington Way, Darlington DL1 4DY
Telephone: 01325 467558 Fax: 01325 363204
www.northgateplc.com