

Northgate plc

Interim Results – Six months to 31 October 2008

9 December 2008



Good morning everyone. Welcome to the presentation of our results for the six months ended 31 October 2008.

Steve Smith

Group Chief Executive



For any of you who do not know me, my name is Steve Smith and I am the CEO of Northgate. Presenting with me today are Bob Contreras, the Group Finance Director, and Phil Moorhouse, MD of the UK business. Also with us is the newest member of our team, Paul Tallentire, Deputy Chief Executive. As Paul only joined the company one month ago, he will not be taking part in the presentation but he will be available afterwards to meet with you.

Agenda

- | | |
|-------------------------|----------------|
| • Group Summary | Steve Smith |
| • Operational review | |
| – Spanish business | Steve Smith |
| – UK business | Phil Moorhouse |
| • Financial performance | Bob Contreras |
| • Outlook | Steve Smith |

*Interim Results
Six months ended 31 October 2008*

Today's agenda follows our usual format; a Group summary and a more detailed review of the Spanish business by me, followed by a UK business review from Phil. Bob will then give further analysis of our financial performance and deal with treasury issues and our debt profile. I will then conclude with a comment on current trading and future prospects.

Group summary

- Tough trading environment
- Difficult used vehicle markets in the UK and Spain
- Utilisation rates under pressure
- 24% decrease in Group operating profit*
- EPS* decrease of 39%
- Dividend maintained at 11.5p (2007 – 11.5p)
- Successful renewal of banking facilities

* Pre amortisation charge and property profit

Interim Results

Six months ended 31 October 2008

As with many businesses, there has been a significant change in our trading since we last addressed you at the end of June. The deteriorating economic conditions in both territories in which we operate have impacted significantly on our results for the period. In particular, we have achieved lower values in disposing of used vehicles and suffered a reduction in the number of vehicles hired by existing customers.

The deterioration in the used vehicle market has seen market values fall by up to 15% in the UK and 20% in Spain, since the start of the year. The speed and severity of this fall has necessitated an additional depreciation charge of £2m in the UK and £8m in Spain. In the comparative reporting period, these adjustments were reductions of £6.9m and £0.2m respectively. The total impact on our profitability from this change between the two periods is therefore some £17m.

Despite the difficult used vehicle markets we have, however, been able to dispose of almost 12,000 vehicles in the UK and close to 6,000 in Spain, thereby continuing to generate cash.

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Although we have been able to win new rental business from both existing and new customers, we have seen a reduction in the number of vehicles hired by many customers. These returns have put unprecedented pressure on our utilisation levels over the period, such that for the first time we have to report utilisation below our target level of 90% in the UK. The UK utilisation level for the period averaged 88.8%. In Spain, we have lost the progress made since acquiring our first business there with utilisation falling back to 86.5%.

The used vehicle values and fall in utilisation are almost entirely responsible for the 24% fall in operating profit. In fact the reduction in vehicle values alone reduced operating profit by more than this amount. The adverse impact of these two factors was partly offset by the benefits of operating a larger average fleet period on period and efficiencies generated within the business.

In addition to the fall in operating profit, we have also suffered from a much higher interest charge, up 17% on the comparative period. This is, in part, due to the increase in the average debt but, of more impact, has been the increase in average borrowing costs caused by the rise in LIBOR and EURIBOR. The extra margin of c.0.6% which arose on the renewal of our facilities has not impacted on these results, since it only applied from September. The combination of the fall in operating profit and the higher interest charge has produced a fall in earnings per share of 39%.

Despite this fall the Board has decided to maintain the interim dividend at 11.5p per share, as it remains covered 2.3 times.

The key financial event of the period was the successful refinancing of the Group's bank facilities which completed in September. As at 31 October, the Group had headroom of over £186m, almost equivalent to the total of the facilities which will mature by December 2010. By then we anticipate we will have generated significant further cash to repay debt.

Whilst the refinancing removed considerable uncertainty around the financing of the business, it is unlikely that the trading difficulties currently faced by the business will disappear in the short term. We have therefore put in place a number of measures to address these issues and to position us to prosper when markets improve. Details of these measures and their impact on profitability will be explained during this presentation.

Spanish business KPIs

	2008	2007
Fleet size	64,800	59,500
Network	36	36
Utilisation	86.5%	90%
Revenue per vehicle p.a.	€5,011	€5,125
IAS (increase)/reduction to depreciation for disposals	(€10.1m)	€0.27m
Operating margin*	15.5%	22.9%
Operating margin* excluding IAS adjustment	21.9%	22.8%

* Pre amortisation charge and property profit

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Moving on now to Spain.

While the fleet has grown 9% over the comparative period, the movement in the current financial year, although still growth, is a more modest 3%. This demonstrates that, although we have seen existing customers return vehicles due to a downturn in their own activity, we have been successful in winning business with new customers. We do not, however, expect to retain this growth over the full year as, in order to improve utilisation, we expect to have to downsize the fleet.

The network of depots, although the same as at 31 October 2007, has reduced by one since 1 May with the closure of Orense. We are planning a further rationalisation of depots in the second half which I will explain on the next slide.

The pressure on utilisation has come from a reduction in volume from existing customers, particularly smaller businesses, which has been compounded by a weakening used vehicle sales market. Due to the latter we have not been able to dispose of vehicles at the rate we would desire in order to compensate for the fall in rental demand.

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Average utilisation has therefore fallen to 86.5%, some 3.5% below the previous period, and approximately the level being achieved when we made our first investment in Fualsa in 2002.

Hire rates have remained broadly stable over the six months under review. The reduction in revenue per vehicle is accounted for by the 3.5% fall in utilisation. We are however currently modestly discounting rates to try to rent otherwise unutilised stock and to encourage customers to extend hires on vehicles beyond our normal age profile. The latter has been particularly successful with the vast majority of customers accepting an extension to the vehicle replacement cycle of up to 36 months, with limited discounts on extended vehicles. New business for new vehicles continues to be secured at good rates.

During the period, we sold 5,700 vehicles compared to 6,600 in 2007. The reduction in overall volume is despite a significant increase in exports, and demonstrates the difficulties being experienced in the Spanish domestic market. The residual values achieved for these disposals have also seen a marked decline with an additional depreciation charge of £8m. Part of this figure relates to the additional provision on unsold vehicle stocks at the period end and the slow stock turn in Spain where we continue to depreciate vehicles whilst in stock. The actual losses on vehicles at point of disposal are around £800.

As a consequence of the above, we have seen our operating margin fall by c.7%. By far the largest impact was the reduction in vehicle values which if excluded would have limited this fall to less than 1%, indicating the strength of the underlying rental business.

So what actions have we taken to date and what further actions do we plan to take in the short term?

Spanish business

Actions taken

- Ageing of the fleet commenced August
- Significant reduction in vehicle purchases
- Development of used vehicle sales channels
- Merger of common services
- Appointment of new Spanish MD November 2008

*Interim Results
Six months ended 31 October 2008*

We continue to believe there will be opportunities to renew growth when more companies look to rental as an option for acquiring their vehicle fleets and this demand begins to outweigh the reduced demand from existing customers. However, we are currently in the initial challenging trading environment of the recession and therefore need to put in place detailed actions to improve operational performance until such time as growth is resumed.

As always, the key objective is to maximise utilisation through efficient fleet management. Whilst we cannot control the overall demand which will inevitably be driven by the economic climate, we can seek to influence the proportion of fleets looking to rental as an option and improve our ability to match our fleet size to demand, through an increased disposals capability.

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On the rental front, we will continue to market our Sale and Rentback product and seek to encourage customers to accept vehicles with a slightly older age profile.

The vehicle sales structure we now have in place should give us the capability to increase volume and we are therefore targeting 8,000+ disposals in the next six months. Combined with a reduction in vehicle purchasing and assuming no further material reduction in the rented fleet, we should start to see utilisation improve.

Similarly, whilst not having control over used vehicle prices, the reduction in our stock levels, the improvement of the channels to market and the ageing of the fleet will help mitigate any further fall in residual values. These actions will also assist in the achievement of our cash generation target.

Finally, we are also taking further action on our cost base. In particular, we are planning to accelerate the merger process of the two companies to achieve an integrated back office by the end of this financial year. We also plan to close a number of sites and transfer the customers to other delegations. The expected impact of these measures will not be positive in the current financial year, with transactional costs of £1.7m being partly offset by £0.5m of benefit. They will however produce savings of over £3m on an annualised basis thereafter.

I would now like to pass you over to Phil who will present a detailed review of the UK business.

Objectives for the near term

- Adjust fleet size to improve utilisation
- Increase used vehicle disposals
- Maximise cash generated through fleet management
- Accelerate integration activities

*Interim Results
Six months ended 31 October 2008*

Looking firstly at the actions taken to date.

The key to returning to our previous levels of profitability are to improve vehicle sales performance and increase utilisation levels.

To assist with both objectives, we commenced ageing our fleet in August. This action has the dual effect of: (i) reducing the values we need to achieve for our disposals (since their book value is lower) and (ii) reducing the number of vehicles we have to sell by deferring the replacement of vehicles, and thereby allowing ongoing disposals to deal with the reduction in the rented fleet, i.e. improving utilisation. As at the end of October, the fleet had aged by an average of around two months since 1 May.

The other consequence of ageing the fleet is to reduce purchases of new vehicles. Since August we have only purchased approximately 50% of our expected volumes.

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This is showing through in cash generation and debt reduction which Bob will cover later.

We have also made progress with the development of the used vehicle sales channels to both increase volume and improve pricing.

Following the opening of Barcelona in October, we now have a completed network of dedicated used vehicle sales locations. These sites are in Barcelona, Madrid, Murcia and Seville, giving good geographic coverage and enabling better stock control. We have also increased significantly our export capability, such that 1,620 vehicles or 28% of our total disposals were sold outside Spain. To date, however, many of these sales have been through auctions and our aim now is to develop a network of traders in order to both improve pricing and further increase volume.

The proportion of sales through retail and semi-retail channels remains low compared to the UK. The recently completed website, similar to Van Monster in the UK, and the dedicated site network referred to above will provide a platform for increasing sales through these channels.

Following the successful move to a common IT platform in May, we have merged activities which were duplicated in the two companies to obtain the available synergies. In particular, we have integrated common support services in IT, HR, purchasing and fleet administration.

Finally, in November, we reorganised elements of the management structure including the appointment of a new managing director for the Spanish business.

Phil Moorhouse

UK Managing Director



Thanks, Steve. Good morning, everyone.

UK business

- Utilisation at 88.8%
- Significant change in residual market
- Profit from operations* down to £27.9m (2007 – £38.7m)

** Pre amortisation charge and property profit*

*Interim Results
Six months ended 31 October 2008*

Since the start of the financial year, we have seen a reduction in volume from our existing customers, which has put unprecedented pressure on utilisation. As a consequence, we have achieved an average utilisation rate of 88.8%, over 1% behind our target level.

In addition, there has been a significant decline in vehicle residual values, albeit from an unsustainably high level in the comparative period.

The impact on operating profit of these two issues is over £10m.

UK business KPIs

	2008	2007
Fleet size	69,100	65,800
Network	82	89
Utilisation	89%	91%
Revenue per vehicle p.a.	£5,091	£5,258
IAS (increase)/reduction to depreciation for disposals	£(2.0)m	£6.9m
Rental operating margin*	15.7%	22.6%
Rental operating margin* excluding IAS adjustment	16.8%	18.5%

* Pre-amortisation charge and property profit

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As at 31 October, the Group had 21 hire companies operating through a network of 82 locations. The decrease in the number of locations since 1 May is due to the closure of branches in Hunslet, Luton, Nottingham and Rochester. This continues our policy of seeking to reduce costs by merging branches where we no longer consider there are prospects of reasonable growth.

As mentioned in the previous slide, we have experienced significant returns from our existing customers, the scale of which we have not seen since the last recession in 1991.

When combined with a simultaneous decline in the used vehicle market, it has been difficult for us to adjust our fleet sufficiently rapidly to deal with the volume of off-hires and this has therefore impacted our utilisation rate.

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The high level of churn has, however, been compensated by winning new business such that the vehicle fleet has actually increased modestly in the six months from 68,600 to 69,100. Compared to the six months to 31 October 2007, the average vehicle fleet was approximately 3,300 higher.

Hire rates have remained broadly stable throughout the period. In the last few months we have, however, been slightly more aggressive on pricing but only in respect of short-term deals on otherwise unutilised vehicles. The reduction in revenue per vehicle, shown on the slide, is accounted for almost entirely by the fall in utilisation.

Undoubtedly, the largest impact on our result has been the movement in the depreciation charge arising out of the marked deterioration in the used vehicle market – which I will cover in detail in the next slide.

As can be seen, the depreciation movement of £8.9m has been the main driver behind the fall in the operating margin. Had there been no depreciation adjustment in either year, the operating margin would have fallen by 1.7%, effectively the reduction in the utilisation level.

Vehicle sales

- Sold 11,700 vehicles (2007 – 13,800)
- Increased retail proportion to 20% (2007 – 19%)
- Sharp decline in residual values
- IAS 16 adjustment to depreciation arising from disposals

	2008	2007
Depreciation (increase)/reduction	£(2.0)m	£6.9m
Units	11,700	13,800
Adjustment per vehicle	(171)	500

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The used vehicle market has experienced a marked deterioration during the period under review. Despite the difficult market, we sold 11,700 vehicles, not far behind last year's record number.

We have also maintained progress in developing our retail and semi-retail channels to market, with 20% of disposals being through these channels.

However, we have not been immune from the significant drop in the market values of used vehicles which commenced early this year. This swing is particularly marked in the comparison with 2007 as, at that time, we were experiencing one of the strongest used vehicle markets we have seen, driven in particular by a shortage of supply. As expected, the supply shortages ended in December 2007. Following this in 2008 economic concerns intensified, and the effects of the credit crunch on the availability of finance, began to cause a decrease in demand. The consequence of these two factors has been a reduction in used vehicle prices of up to 15%, between January and October. This equates closely to the movement from a £500 reduction to a £171 increase in our depreciation charge per vehicle.

Fleet Technique Limited

- Specialist fleet management business
- Increase in jobs managed to over 40,000
- Operating profit increased to £0.4m (2007 – £0.3m)
- Assistance with major rental contracts

*Interim Results
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Fleet Technique Limited (“FTL”), our fleet management subsidiary, continued to make progress, increasing the number of jobs carried out in the period to over 40,000 (2007 – 34,400). FTL now manages the vast majority of external maintenance spend for the UK business, along with managing warranty support when provided for vehicles sold through the Group’s retail channel, thereby helping to control net operating costs. An increase in external turnover of 17% produced an operating profit of £0.4m (2007 – £0.3m) and an operating margin of 4.1% (2007 – 4.2%).

FTL also continues to assist us in winning rental contracts with larger corporates by giving us the capability to provide a full offering to these customers.

Actions taken and current priorities



- Reduction in used vehicle stocks
- Fleet management opportunities
- Generation of cash through reduced purchases
- Reduction in costs
- Some branch rationalisation
- Increased marketing and sales activities

*Interim Results
Six months ended 31 October 2008*

Unsurprisingly, the key actions taken and current priorities are similar to those in Spain.

In the current climate our priorities are to continue to win new business and to maintain our 'on-rent' count, whilst managing our assets effectively to maximise cash generation. From a high level of used vehicle stocks in the middle of the year, we have been able to reduce this by some 3,000 vehicles, which now brings our stock in line with the rate of disposal. In turn this will enable us to manage vehicle defleets and to improve our utilisation of the fleet.

There are opportunities to identify selective defleets suitable for the retail market which are profitable and are off-setting the more problematic trade disposals. This retail element represents some 20% of sales and we will continue to promote this segment of the business.

At the same time as managing defleets, we have extended our vehicle holding periods which will enable us to reduce capital expenditure by over 40% in the second half of the year whilst still satisfying customer demand.

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We have reviewed all locations and cost centres throughout the business. This has, or will, result in some branch mergers, several closures and a reduction of some 10% of the workforce.

This in itself should not significantly impact on business activities. The results of these actions will result in a network across the UK of 77 locations.

Although the cost reductions will have minimal effect on this current year they will have a £5m benefit in the next financial year.

Whilst we are clearly in a very difficult economic climate, we are convinced that a flexible, risk free product such as Norflex is precisely what the market needs as contract hire pricing increases and lack of funding becomes an issue for many businesses.

The timing of this is clearly uncertain but we are continuing to promote the benefits of our product to the market. In particular, offering potential customers who own their fleet the opportunity through 'Sale and Rentback' to access the Norflex product.

To close, what are our priorities for the year ahead?

Firstly we aim to achieve further modest fleet growth. Utilisation, as ever, remains our most important key performance measure and getting back to our 90% level will be our priority.

We expect to continue with the development of our fleet management business, both in its own right and also as an important feature of our full vehicle solution proposition to customers.

Finally, the combined impact of tightening credit markets and a worsening economic climate may well produce potential opportunities and we believe we remain well positioned to take advantage of any such opportunities.

Thank you; and let me now hand you over to Bob.

Bob Contreras

Group Finance Director



Good morning everybody. Over the next few slides I will cover the financial performance of the Group in the first six months, together with our cash flows and treasury management.

Financial summary

	2008	2007	Change
Profit before tax (£m)*	26.5	44.2	(40)%
Profit from operations (£m)*			
— UK	27.9	38.7	(28)%
— Spain	19.5	23.3	(16)%
Interest cover	2.1x	3.5x	
Gearing	308%	290%	
Adjusted earnings per share*	29.7p	48.4p	(39)%
Dividend per share	11.5p	11.5p	

*Pre intangible amortisation of £2.6m (2007 - £1.8m) and exceptional property profit of £0.5m in the UK in 2007 and £1.0m in Spain in 2007

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The underlying profit before tax and amortisation of intangibles has reduced by 40% to £26.5m. The major negative components of this £17.6m decrease are:

- Utilisation below prior year totalling £7m;
- A £17m year on year change in residuals, £9m in the UK and £8m in Spain;
- An increase in net interest costs of £3m;
- These negatives have been compensated by a higher year on year fleet size and cost reductions.

Due to the reduction in profitability and increased interest costs interest cover has reduced to 2.1 times from 3.5 times for the six months; 2.4 times for the preceding 12 months.

The Group's absolute net debt has decreased by £39m since the year-end. Consequently, compared to the year-end, our gearing ratio has reduced from 312% to 308%.

In line with the reduction in profitability, adjusted earnings per share has decreased by 39% to 29.7p. The Board has maintained the interim dividend at 11.5p per share payable on 16 January.

Profit from operations - Group

	UK £m	Spain £m	2008 Total £m	2007 Total £m	Change %
Revenue	183.8	125.7	309.5	279.0	11
Profit from operations*	27.9	19.5	47.4	62.0	(24)
Finance costs (net)			(20.9)	(17.8)	(17)
Underlying PBT			26.5	44.2	(40)

*Pre intangible amortisation of £2.6m (2007 - £1.8m) and exceptional property profit of £0.5m in the UK in 2007 and £1.0m in Spain in 2007

Interim Results
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Analysing the contribution of the UK and Spain; the UK represents 59% of the Group's revenue and Group operating profit for the period.

Both operations have a similar level of operating margin at c.15.5%.

The interest charge in the period benefited from a net £3.1m currency credit arising mainly from the retranslation of borrowings.

Profit from operations - UK

	FTL £m	Vehicle Rental £m	Total £m
Revenue	8.6	175.2	183.8
Profit from operations*	0.4	27.5	27.9
Operating margin* – 2008	4.1%	15.7%	15.2%
Operating margin* – 2007	4.2%	22.6%	21.8%
Operating margin** – 2008	-	16.8%	16.2%

* Pre amortisation charge and property profit

** Pre amortisation charge, property profit and depreciation adjustment

Interim Results

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Looking at the UK's results in more detail I have split out the UK revenues and profits between FTL, the Group's fleet management company, and the UK rental business.

FTL is not capital intensive and has a lower margin than the core UK rental business. A 17% increase in revenues has been achieved on stable operating margins.

The UK rental margin has declined from 22.6% to 15.7%. If the adjustment to depreciation resulting from residuals is excluded the margin has decreased from 18.5% to 16.8%, more or less equivalent to the fall in utilisation described earlier.

Profit from operations - Spain

	2008 £m	2007 £m	
Revenue	125.7	101.5	24%
Profit from operations*	19.5	23.3	(16)%
Operating margin*	15.5%	22.9%	
Operating margin**	21.9%	22.8%	

* Pre amortisation charge and property profit

** Pre amortisation charge, property profit and depreciation adjustment

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Spanish revenues have increased by 24%; 7% in constant currencies. Operating profits have benefited £2.6m due to the Euro's strength. The operating margin decline is mainly due to the reduction in residuals as, excluding this, the margins have held up reasonably well given the trading environment.

Cash flow and debt management

- Cash flows
- Source of funds
- Group facilities and maturity profile
- Interest rate hedging
- Covenants

*Interim Results
Six months ended 31 October 2008*

Moving on to treasury matters I will cover our cash flows, funding structure, interest rate management and covenants.

Operating cash flows

	2008	2007
	£m	£m
Operating profit	44.8	61.7
Depreciation	134.9	101.5
Amortisation	2.6	1.8
Working capital movement	22.1	(8.4)
Other movements	0.2	(1.5)
Cash generated from operations	204.6	155.1
Interest paid	(25.4)	(19.8)
Taxation paid	(5.2)	(5.9)
Underlying cash flow after interest and tax	174.0	129.4

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Underlying cash flow after tax and interest was £174m, some £45m above the comparative period. Net debt reduced by £39m since the year-end and, given our anticipated vehicle purchases, we expect a further £50m in net debt reduction by the year-end, measured in constant currencies.

Fleet

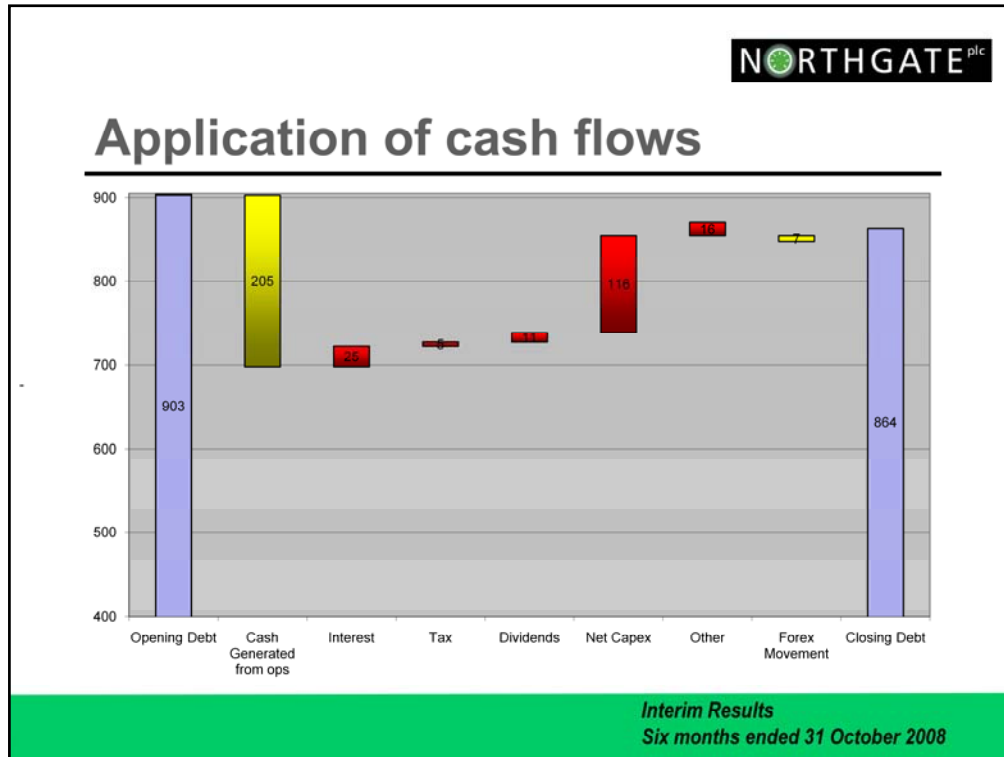
	2008 UK		2008 Spain		2008 Total	
	No.	£000	No.	£000	No.	£000
Vehicle purchases	11,100	120,187	6,700	67,121	17,800	187,308
Vehicle sales	11,700	61,707	5,700	20,961	17,400	82,668
Fleet depreciation						132,721
Other depreciation						2,160

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Set out on this slide are the component parts of the Group's vehicle expenditure. Vehicle purchases have declined by £49m compared to the prior year period as a result of the 30% reduction in purchases. Balanced against this, vehicle disposals have declined by c.£22m.

Note: the figures on the slide are the actual costs and ignore the creditor movements reflected fully in the cashflow statement.

We anticipate Group vehicle purchases being some 40% lower than the first half in the second half of the year.



The chart sets out the component parts of the movement in our net debt and the application of cash flows. Net debt has decreased by £39m due mainly to the increase in operating cash generated and the reduction in net capex mentioned earlier.

Note: The US Private Placement debt is fixed in Sterling through cross-currency hedges so we are protected against the weakness in Sterling relative to the US Dollar i.e. we have a fixed Sterling liability. In relation to our Euro borrowings, the Euro/Sterling at 31 October was relatively unchanged from 30 April. Also please note that our refinanced bank facilities have Euro as their base currency so the facility level is protected against future exchange rate movements which was not the case previously.

Group facilities – maturity profile

	£m
September 2009	23
January 2010	60
December 2010	131
September 2011	256
September – November 2012	216
September – November 2013	253
December 2016 – January 2017	111
	1,050*
Net debt at 31 October 2008	864

* Excludes £10m overdraft facility

*Interim Results
Six months ended 31 October 2008*

We can review our facilities for their maturity profile and compare them with our net debt position at 31 October 2008.

In September we successfully renewed and re-profiled the majority of our banking facilities. Prior to the renewal £769m of our total committed facilities matured by January 2010; now only £83m of our facilities mature by this date. The Group's aggregate committed facilities now total £1,050m, compared to net debt of £864m at 31 October 2008; giving headroom of £186m.

Interest rate hedging

		£m	*Average Rate %
Loan notes fixed rate debt:	%		
December 2006		176	5.78
November 2007		34	5.19
Sterling fixed rate debt		10	7.13
Euro fixed rate debt		374	5.32
Total fixed rate debt	69	594	5.49
Floating debt - Sterling		17	
Euro		253	
Total net debt	100	864	

**Including margin*

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As at 31 October some 68% of our net debt was covered by interest rate swaps at an average rate of 5.49% including margin. With the new facilities the uplift to this average is c.25bps. Some 17% of our interest rate swaps expire by 2012.

We therefore have £334m of gross floating rate debt. Taking into account cash deposits each 1% reduction in EURIBOR/LIBOR benefits us by £2.7m per annum.

Covenants

	31 October 2008
Net tangible assets not less than £170m	£281m
Gearing not greater than 400%*	308%
Ratio of net debt to EBITDA not greater than 3.5	2.4
Interest cover not less than 1.75	2.4

*Calculated excluding goodwill and other intangible assets

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Finally, both our bilateral facilities and US placement funding are subject to a number of key financial covenants. Set out on this slide is our position at 31 October 2008. The key covenant is interest rate cover which is measured on a rolling 12-month basis tested quarterly which at 31 October 2008, the last time it was tested, was 2.4 times. This is the covenant most susceptible to a decline in profitability and the measures we have taken re: fleet size, cost base etc. together with declining interest rates, aim to ensure ongoing compliance.

Now I'll pass you back to Steve.

Outlook

- Current trading and short-term plans
- Other territories
- Creation of new 3-year Plan
- Position the Group for future growth

*Interim Results
Six months ended 31 October 2008*

Thank you Bob.

So, in summary, a very difficult six months trading for the business. However it is important to note the significant adverse impact of the fall in vehicle residual values; a £17m swing period on period. Excluding this there would have been virtually no fall in operating profit despite the difficult market we have operated in.

Looking forward we do not expect conditions to improve in the short term and our focus will remain firmly on measures to:

- i. improve utilization in both territories;
- ii. ensure a better vehicles sales performance in Spain;
- iii. deliver the planned cost reductions;

and from these actions the consequent generation of cash.

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The likelihood of a period of lower interest rates will also assist in improving profitability.

In previous statements, we had indicated our intention to expand into a new territory in the current calendar year. Given the significant changes which have taken place within the financial markets and the worsening outlook for the global economy, these plans have been put on hold. We will aim to keep abreast of developments in these markets until such time as it is appropriate to reconsider entering them.

It is also our intention to rewrite our strategic plan early in the new calendar year, with a view to a new plan commencing 1 May 2009. We will keep you advised of progress.

Without doubt refinancing our bank facilities removed considerable uncertainty around the financing of the business. We now have to focus on delivering the necessary measures to sustain profitability and position the business for growth when markets improve.

Northgate plc

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Thank you for your attention, we would now be pleased to answer your questions.