

PRESS RELEASE

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FLEETS SHOULD NOT IGNORE SALE AND RENTBACK TO BOOST BUSINESS IN SLOWING ECONOMY

Economic uncertainty typically drives demand for long-term commercial vehicle hire, but few companies have considered a sale and rentback arrangement for their existing van fleets, according to research by Britain's largest vehicle rental company.

As the credit crunch continues to bite and with fleet budgets under ever-increasing scrutiny, a survey of 507 fleet users revealed that 81% of them have never considered a sale and rentback financial arrangement for all or part of their commercial vehicle fleet.

This is despite a multitude of benefits including an immediate cash injection into their business that could be used to fund development of core activities at a time when businesses are finding it more difficult to obtain credit at competitive rates. Simultaneously, firms will also benefit from the removal of expensive depreciating assets from their balance sheet.

In addition, by entering into a sale and rentback arrangement with Northgate Vehicle Hire, which provides flexible rental solutions under the Norflex banner, customers would benefit from the ultimate freedom in managing their vehicle fleet as there would be no contractual commitment or early termination penalties associated with contract hire.

Contracts and financial penalties for breaking those arrangements are one of the hallmarks of vehicle leasing and contract hire. However, 89% of customers surveyed said it was important for them to have access to commercial vehicles to meet both short-term and long-term fleet requirements without any contractual obligations.

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Small and medium-sized businesses - those with less than 250 employees - were particularly concerned not to be hooked into long-term fleet arrangements in a slowing economy, according to the analysis.

Northgate Vehicle Hire managing director Phil Moorhouse said: "In a slowing economy businesses are less likely to either buy vehicles or enter into fixed, long-term contracts. Therefore, rental is more beneficial to companies needing to reduce their exposure to any possible economic downturn.

"A sale and rentback arrangement gives companies a double benefit of an initial cash injection into their business and the bonus of rental flexibility moving forward."

"Although, 12% of companies surveyed said they had considered a sale and rentback arrangement for their commercial vehicle fleet, the concept remains in its infancy."

Mr Moorhouse said: "Sale and leaseback has been a staple offering from contract hire and leasing companies for a number of years but they will require a long-term contractual commitment by the customer. However, it is a relatively new initiative in the rental sector.

"With known monthly budgeted costs and no residual value risk attached to the vehicle, we believe businesses should increasingly view rental as a method of vehicle acquisition rather than being burdened with a fixed cost that ownership entails.

Additionally, businesses can increase the number of vans they require in the event of business levels rising or, in the event of a slowdown, cut their fleet size without any financial penalty. In one smart move companies are eliminating the financial and residual value risks of operating a fleet of vans.

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 **Northgate Vehicle Hire Limited**
Norflex House, Allington Way Darlington DL1 4DY
Telephone 0870 240 2434
Facsimile 01325 381 009
E-mail pressofficer@northgateplc.com
Website www.northgateplc.com

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Often, economic slowdown means that companies put a hold on capital expenditure which invariably results in them extending fleet replacement cycles.

Such a move, says Mr Moorhouse, is false economy. "Companies that extend replacement cycles because they cannot afford to buy new vehicles due to a reduction in business inevitably find that they become more expensive to operate as running and maintenance costs rise commensurate with the age of the vehicle," he said.

The Northgate fleet is continually being updated with the latest range of vehicle models from a range of manufacturers. Therefore, explained Mr Moorhouse, customers can be assured that we can work with them to lower vehicle emission levels, reduce carbon footprint and ensure vans are equipped with the very latest safety features. All Northgate's vehicles are serviced and maintained in accordance with schedules laid down by manufacturers through their own national network of 60 workshops.

ABOUT NORTHGATE PLC

Northgate plc, quoted on the London Stock Exchange and a FTSE 250 company, is Europe's leading light commercial vehicle rental business with extensive operations in the UK, Republic of Ireland and Spain. There are plans to extend this coverage into new markets.

In the UK and Ireland, Northgate has a network of 21 local hire companies operating from some 90 depots with a rental fleet in excess of 65,000 vehicles, most of which are light commercial vehicles.

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The company's core business has been to provide business and corporate customers with NORFLEX – a completely flexible vehicle rental package which gives customers the ultimate freedom in managing their vehicle fleet without any contractual commitment or early termination penalties backed up by the largest support infrastructure offered by any UK rental company

Since developing NORFLEX as a market-leading vehicle rental brand, Northgate has also extended its service offering to include:

- Fleet Technique, which manages on behalf of fleet owners the maintenance and administration for more than 15,000 vehicles. More information can be found at www.fleet-technique.co.uk
- Van Monster, which operates from six main sites offering retail and trade customers a wide range of quality used vans with some 1,500 vehicles in stock most of which are less than three-years-old. For further information go to www.vanmonster.com
- easyVan is a low cost van rental partnership between Northgate and easyCar providing more than 120 convenient locations through the UK. Visit easyVan.com for more details.

For more information on the Northgate Group please go to www.northgateplc.com or contact:

For further information contact:

Ashley Martin (telephone 01733 390691 or 07801 434338) or Arthur Dalziel (0121 445 6633 or 07775 751596) at AWD Communications Ltd.

**Ross Clarkson, marketing director, Northgate, on 01325 467558 or 07850 588721
ross.clarkson@northgateplc.com**