

30 June 2010

NORTHGATE PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 30 APRIL 2010

Northgate plc (“Northgate”, the “Company” or the “Group”), the UK and Spain’s leading specialist in light commercial vehicle hire, announces its preliminary results for the year ended 30 April 2010.

Underlying Financial Highlights

- Group operating profit⁽¹⁾ increased by 15.4% to £82.8m (2009 – £71.8m);
- Underlying profit before tax⁽²⁾ increased by 32.8% to £36.5m (2009 – £27.5m);
- Basic earnings per share⁽³⁾ decreased by 54.7% to 26.8p (2009 – 59.2p⁽⁴⁾), earnings⁽³⁾ increased by 47.2% to £28.2m (2009 – £19.2m);
- Net debt⁽⁵⁾ reduced by £288m to £598m (2009 – £886m);
- Return on capital employed⁽¹⁾ improved to 8.4% (2009 – 5.8%);
- Successful completion of debt refinancing and equity fundraising during the year.

Operational Highlights

- Average utilisation in the year of 91% in the UK (2009 – 88%) and 88% in Spain (2009 – 83%);
- Pricing improvement of 3% in the UK since April 2009;
- Benefited from strong used vehicle markets in both the UK and Spain;
- Closing fleet of 60,900 in the UK (2009 – 62,900) and 48,900 in Spain (2009 – 60,400);
- Reorganisation of the UK business underway.

Statutory Financial Highlights

- Profit from operations increased to £71.1m (2009 – loss of £117.5m);
- Profit before taxation of £9.6m after exceptional items of £21.9m (2009 – loss of £195.6m after exceptional items of £217.9m);
- Basic earnings per share increased to 23.1p (2009 – loss per share of 572.6p⁽⁴⁾);
- Profit for the year increased to £24.4m (2009 – loss of £185.7m).

⁽¹⁾ Stated before intangible amortisation of £5.0m (2009 - £5.3m), exceptional items of £6.7m (2009 - £3.1m) and impairment of £Nil (2009 - £180.9m).

⁽²⁾ Stated before intangible amortisation of £5.0m (2009 - £5.3m), exceptional items of £6.7m (2009 - £3.1m), impairment of £Nil (2009 - £180.9m) and exceptional interest expense of £15.2m (2009 - £33.8m).

⁽³⁾ Stated before intangible amortisation of £5.0m (2009 - £5.3m), exceptional items of £6.7m (2009 - £3.1m), impairment of £Nil (2009 - £180.9m), exceptional interest expense of £15.2m (2009 - £33.8m) and tax credit of £23.0m (2009 - £18.2m).

⁽⁴⁾ As restated for the bonus element of the ten for one Rights Issue at 7 pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.

⁽⁵⁾ Net debt taking into account the fixed swapped exchange rates for US loan notes.

Bob Mackenzie, Chairman, commented:

“Since the refinancing last year, we have met substantially all of our targets. Going forward, we will concentrate on doing simple things very well. We will complete the UK restructuring. We will develop further plans for Spain, which is already significantly more operationally efficient than the UK, and will continue to focus on margin.

Our aim is 90% utilisation and if we need to further reduce the fleet so be it. Maximising returns and charging fully for ancillary services will be our prime targets.

The Group has begun the new financial year in line with expectations.”

Full statement and results attached.

There will be a presentation to analysts at 9.30am today at RBS Offices, 135 Bishopsgate, London EC2.

For further information, please contact:

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Notes to Editors:

Northgate plc rents light commercial vehicles and sells a range of fleet products to businesses via a network of hire companies in the UK, Republic of Ireland and Spain. Their NORFLEX product gives businesses access to a flexible method to obtain as many commercial vehicles as they require.

Further information regarding Northgate plc can be found on the Company's website:

<http://www.northgateplc.com>

Chairman's Statement

I am pleased to present my first report since joining the Group in February. Let me start with an historical perspective.

By the end of the 2008 financial year the Group had aggressively expanded its fleet to a level of 68,600 vehicles in the UK and 62,750 in Spain, but some of this growth had been at the expense of margins. When the recession hit, utilisation levels fell in 2009 to 88% in the UK and 83% in Spain, compared to historic rates of over 90% and the problem was exacerbated by a dramatic fall in vehicle residual values in both the UK and Spain.

This put inordinate strain on the balance sheet and, at the beginning of the financial year, the Group raised £108m (£77m net of equity and debt arrangement fees) from a rights issue, thus refinancing its debt and securing the capital structure up until September 2012.

By the end of 2009 the UK fleet numbers had fallen to 62,900 vehicles and in Spain to 60,400. This process continued in 2010 with the UK fleet falling by 3% to 60,900 vehicles and in Spain falling by 19% to 48,900.

Going forward, the focus of the Group will be to maintain utilisation in excess of 90%, improve operating efficiency to reduce costs and to concentrate on increasing the Return on Capital Employed (ROCE), the key performance measure for the Group, above levels previously achieved.

The combination of the rights issue, strong cash generation and improved profitability has produced the following results for the year ended 30 April 2010:

- Underlying profit before tax⁽²⁾ increased by 32.8% to £36.5m (2009 – £27.5m);
- Net debt⁽⁵⁾ reduced by £288m to £598m (2009 – £886m);
- ROCE⁽¹⁾ 8.4% (2009 – 5.8%);
- Basic earnings per share increased to 23.1p (2009 – loss per share of 572.6p⁽⁴⁾).

The Board has debated the dividend issue long and hard and, on balance, has decided that it is not yet prudent to pay a dividend. The Company is facing difficult economic conditions in both the UK and Spain. There will be major government cutbacks which will reduce demand for some vehicle units, but our flexible model may well prove attractive to customers who struggle to raise the capital for outright purchase or do not wish to commit to long-term lease or contract hire. As we focus our efforts on SME customers we will carefully monitor debtor age profiles. We will continue to concentrate on conserving cash and paying down debt.

UK

Our underlying UK rental margin⁽⁶⁾ increased to 18.5%, compared to 12.8% in 2009 and utilisation rates in the UK averaged 91% (2009 – 88%). This was achieved by continuing the actions taken in 2009 to improve fleet management and to focus on hire rate improvement. This was alongside improved market conditions, particularly in the used vehicle market, where much improved residual prices for second-hand vehicles contributed £6.5m towards operating profit (2009 – £14.4m reduction in operating profit).

Historically, the Group had operated through 20 hire companies across the UK each with its own local brand and management. There was a great degree of rivalry between these businesses which did not always operate in the best interests of either the Group or the customer. By the end of August 2010, the 20 companies will become 12 business areas operating under the Northgate Vehicle Hire brand.

A decision was taken in April to commence a restructuring of the UK business to significantly improve our efficiency and establish a solid base for growing the business and improving customer service whilst also increasing the operating margin. Along with this radical overhaul of the UK operating structure, we see the opportunity for significant cost savings, for example in maintenance, repair and overheads.

An inordinate amount of time had been dedicated in trying to develop an IT system to meet the requirements of all the separate companies within the Group. This could not be achieved. We are now adopting standardised operating procedures for all of our units and have chosen a proprietary IT solution to meet our needs. The implementation of this Group wide IT system should be complete by April 2011. This will reduce our costs and give us much better information about the profitability of our activities, processes and services. Taken together with the consolidation of operating units and the Board changes set out below, this should result in annualised cost savings of over £10m from April 2011.

We are also establishing a national sales team to concentrate on our core SME customers.

Spain

Our Spanish business operates in an extremely difficult environment, particularly in the construction and related sectors. Despite approximately 60% of our business coming from these sectors we have made progress in a number of operational areas. Improved fleet management has, in turn, improved average utilisation. Indeed utilisation in the last two months of the year averaged 90%. A major contributory factor has been the successful introduction of a used vehicle disposal capability based on our UK experience. We introduced a retail website and further developed our wholesale disposal channel. As a

direct consequence we were able to dispose of 19,800 vehicles (an increase of 50% on the previous year) at higher residual values.

In Spring 2009, the Record head office in Castellón was closed and its operations were integrated into the Fualsa head office in Madrid. I have to report that this resulted in considerable operating problems. This compounded the bad debt situation which was already under pressure from high levels of bankruptcy within the local economy. The bad debt charge for the year increased to €10.3m (2009 – €3.7m). Both the CEO and CFO in Spain have been replaced and our new team in Spain has made an excellent start and is concentrating on resolving the inherited administration problems. The bad debt charge in the second half of the year was reduced by €1.3m compared to the first half of the year and there was a significant improvement in debt collection resulting in a €50.6m (35.2%) reduction in Spanish debtors compared with 31 October 2009.

Balance sheet

During the year net debt has reduced by £288m to £598m. This was primarily as a result of the rights issue proceeds of £77m (net of equity and debt arrangement fees), continued strong EBITDA (earnings before interest, taxation, depreciation and amortisation) of £306m and working capital of £39m, with net interest payments of £48m and net capital expenditure on vehicles of £110m being £61m lower than in the previous year.

It is important that the Group has secure financing to support the business across the economic cycle. At 30 April 2010 we had net debt⁽⁷⁾ of £598m, which gave us headroom of £240m on our committed debt facilities of £865m. Net debt to EBITDA was 2.0 (2009 – 2.5) and headroom on all covenants improved since the date of refinancing.

Our committed facilities mature in September 2012 and we will assess the appropriate timing of refinancing well ahead of its maturity.

Board changes

On becoming Chairman one of my first tasks, with the assistance of the Nominations Committee, has been to decide on the future management structure of the Group.

The Chief Executive, Steve Smith, originally intended to retire on 31 July 2009 but had agreed to stay on to guide the Group through its refinancing, Placing and Rights Issue during very difficult trading conditions. Having successfully completed the task, Steve stood down on 31 March 2010. I would like to thank him not only for his efforts in the last twelve months but also for more than twenty years of dedicated service. He was very helpful in introducing me to the Group when I became Chairman.

Alan Noble founded the business in February 1981 and was the driving force behind its early growth. Regrettably due to ill health, he retired from the business on 31 March 2010. I would like to thank him for his many years of dedicated service to the Group.

As part of the review, Phil Moorhouse, UK Managing Director, agreed to bring forward his retirement from 31 December 2010 to 31 March 2010. I would like to personally thank Phil for the objective insights into the UK business which he has given me.

Bob Contreras, our Group Finance Director since June 2008, was appointed Chief Executive on 7 June 2010. I am confident that he will drive the business forward, implement the necessary changes agreed by the Board and focus on maximising returns over the coming years. We are currently conducting a thorough search for a Finance Director and will make an announcement in due course.

Paul Tallentire, the Deputy Chief Executive, decided that his future lay outside the Group and we thank him for his contribution and wish him well for the future.

Current trading and future outlook

Since the refinancing last year, we have met substantially all of our targets. Going forward, we will concentrate on doing simple things very well. We will complete the UK restructuring. We will develop further plans for Spain, which is already significantly more operationally efficient than the UK, and will continue to focus on margin.

Our aim is 90% utilisation and if we need to further reduce the fleet so be it. Maximising returns and charging fully for ancillary services will be our prime targets.

The Group has begun the new financial year in line with expectations.

⁽⁶⁾ Calculated as operating profit before intangible amortisation of £2.3m (2009 - £2.6m), exceptional items of £5.8m (2009 - £0.8m) and impairment of £Nil (2009 - £61.5m), divided by revenue of £312.0m (2009 - £334.7m), excluding vehicle sales.

⁽⁷⁾ Net of £27m of unamortised arrangement fees.

Operational Review

Group

After the severe economic downturn in the latter part of 2008, the Group began the implementation of several operational measures in order to improve performance. In particular, in February 2009, the Board approved a three-year strategic plan, which was effective from May 2009. That plan focused on the following key performance improvements in both the UK and Spain:

- Improved fleet management;
- Pricing increases;
- Cost reduction; and
- Improvement in vehicle disposal capabilities.

We are pleased that we have been able to meet substantially all of our targets for the year ended 30 April 2010, as explained in more detail below, despite a backdrop of continuing economic uncertainty, and generate a much improved return on capital employed⁽¹⁾ of 8.4% (2009 – 5.8%).

The Group also successfully refinanced its debt and completed a placing and rights issue in the year. The financial stability that these measures produced will allow the Group to focus on the implementation of longer-term operational improvements.

United Kingdom hire of vehicles

The successful management of fleet utilisation, from an average of 88% in the previous financial year to 91% in the current financial year, combined with improvements achieved in pricing, operational efficiencies and increases in used vehicle residual values have led to an increase in operating margin⁽⁶⁾ from 12.8% to 18.5%.

Vehicle fleet and utilisation

We managed the UK fleet size down by 3% to 60,900 vehicles at 30 April 2010 (2009 – 62,900). However, the closing number of vehicles on hire fell by only 600 compared to 30 April 2009 and utilisation for the year averaged 91% (2009 – 88%), better than anticipated in our three-year plan. As part of our goal to increase return on capital employed, utilisation remains a key area of focus, at all stages of the economic cycle, and therefore we aim to maintain an average rate of at least 91% going forward.

As part of the process to increase utilisation we purchased 18,800 vehicles in the year

(2009 – 16,900) but increased the average age of the fleet from 19.4 months to 20.8 months. Whilst this does not represent a significant ageing of the fleet, it has made a contribution to the substantial level of operating cash generation of the Group in the year, as referred to in the Financial Review.

Hire rates

Average hire revenue per vehicle in the year was 0.6% higher than in the previous year. However, since increased hire rates were specifically targeted in the final quarter of the previous financial year, the increase in revenue has been in excess of 3%. This is a combination of increased headline hire rates with both new and existing customers, as well as initiatives to improve the levels of recharges in areas such as collection and delivery and damage recovery.

Depot network

As part of the ongoing rationalisation of operating costs and increased efficiency, we reduced the network of hire locations by 15 from 80 to 65 during the year. This is part of the continuing move towards a structure of larger hubs with a smaller number of satellite locations. Customer accounts managed by those closed branches have been transferred elsewhere within the network.

As part of the ongoing focus on efficiency, headcount has reduced by 131 (6%) since the start of the financial year. The full year saving in payroll costs in relation to these individuals is approximately £2.6m.

We have also driven additional efficiencies in our vehicle repair workshops, with a 1% reduction in the net maintenance cost of each of our vehicles in the year, compared to 2009; this is despite the slight increase in the ageing of the fleet during the year noted above.

Restructuring

The latter part of the financial year has seen the commencement of a restructuring of the UK business. A key part of this restructuring is the reduction in the number of hire companies from 20 to 12, as well as the movement to a single common brand. “Northgate Vehicle Hire” will replace the existing local brands of each of the hire companies. It is expected that this restructuring will be completed during the first half of the financial year ending 30 April 2011.

Once the overall rationalisation of the business is complete, it is anticipated that the ongoing cost savings will be approximately £10m per annum from April 2011 with total

implementation costs by that date of a similar amount, the majority of which has been incurred in the year ended 30 April 2010.

Used vehicle sales

There has been a significant improvement in the resale values achieved for used vehicles during the financial year, mainly due to the recovery in market prices.

During the year, a total of 22,700 vehicles (2009 – 23,400) were sold with the retail and semi-retail channels accounting for 19% (2009 – 18%) of those disposals.

The improvement in the values achieved for the vehicles disposed, above our expectations, has been reflected in a decrease of £6.5m (2009 – £14.4m increase, as restated) in the depreciation charge.

IT

The UK will complete the roll-out of the Group-wide Enterprise Resource Planning (“ERP”) system by April 2011 as part of the restructuring of that business. This will cover operations, asset management and finance and will be used as a basis to improve customer service and reduce costs through further operational efficiencies.

Fleet Technique

Fleet Technique, which manages fleet on behalf of those of our customers that own their own vehicles, increased its level of operating profit to £1.3m (2009 – £0.9m), despite the number of jobs managed slightly falling by 1.9% to 86,500 (2009 – 88,200). The Fleet Technique business continues to add value to the Group as a whole as we leverage its systems capability to coordinate external repairs for the vehicle rental business.

Spain hire of vehicles

Improved fleet management together with significant improvements in our used vehicle disposal capability, despite challenging economic conditions, has led to current fleet utilisation in excess of 90% and better residual values achieved for used vehicles when sold. Alongside this, ongoing operational efficiency improvements have offset reductions in vehicles on hire and hire rates charged per vehicle, as well as a higher incidence of bad debts to maintain the operating margin at 12.7% (2009 – 12.7%).

Vehicle fleet and utilisation

As anticipated in the three-year plan, the total fleet fell from 60,400 vehicles at 30 April 2009 to 48,900 vehicles at 30 April 2010. Of this fall, vehicles on hire fell by 6,400 and we reduced the fleet by a further 5,100 vehicle to increase utilisation. The average utilisation rate for the financial year was 88% (2009 – 83%) and utilisation at the year end exceeded 90%.

One of the reasons for the achievement of 90% utilisation in the last quarter of the year was the focus on a reduction in the number of vehicles under repair, from 9% at December 2009 to 4% at April 2010.

Another factor in achieving this increased utilisation level was the continued low level of vehicle purchases, with only 9,100 vehicles purchased in the year (2009 – 8,800). This, in conjunction with the level of vehicle disposals explained below, resulted in an increase in the average age of the fleet from 25.5 to 27.2 months.

The increase in average age of vehicles has caused an increase in the average repair cost per vehicle of 5% compared to the prior year. The planned reduction in average age of the fleet, combined with further operational efficiencies, should see a reduction in this cost going forward.

Hire rates

The economic conditions have remained challenging in Spain. In the first half of the year, utilisation levels were maintained partly through the hire of unutilised vehicles to holiday rental companies whilst we developed the used vehicle sales capability necessary to execute the fleet reduction programme set out in our strategic plan. The rates charged for those vehicles were lower than our core average hire rate. However, as with the UK, we sought to increase the revenue generated from each vehicle on hire, through a combination of minimum threshold rates for new vehicles as well as targeted price increases with some existing customers. The success we had in this area in the latter part of the financial year was not, however, sufficient to fully offset the discounts offered earlier in the year. Consequently, the full year revenue per vehicle on hire is some 2.4% lower than the previous financial year.

Going forward, our improvement of utilisation rates means that there is no anticipation of significant rate discounts on future rentals to holiday companies.

Depot network

During the year, the size of the hire network has remained at 32 sites. This is after the actions taken in the previous financial year to reduce the size of the network from 37 to 32 sites whilst maintaining geographical coverage across the country.

Sector focus

Given the relatively high proportion of Spanish customers that operate in the construction industry, compared to the UK, significant focus is being directed towards diversifying the business into other sectors, in light of the particular difficulties experienced by companies operating in the Spanish construction sector. The proportion of the Spanish revenue derived from customers in the construction industry in the year ended April 2010 was 55% compared to 57% in the previous year. We are targeting further progress in the year ending 30 April 2011.

Used vehicle sales

A key objective of our strategic plan, announced in 2009, was the improvement of our Spanish vehicle disposal capabilities to a level closer to those in our UK business.

In the year ended 30 April 2010, we have improved the quality and the overall capability of our vehicle disposal operations such that we were able to dispose of 19,800 vehicles (2009 – 13,200), at an average of 1,650 vehicles per month, an increase of 50% compared to the previous year. The reliance on export sales has been reduced from 21% to 8%.

This improvement, which was above our expectations, along with a modest increase in the general market prices for used vehicles, has been reflected in a lower increase of €4.8m (2009 – €21.0m, as restated) in the depreciation charge.

Bad debts

The incidence of bad debt has increased in Spain in the year ended 30 April 2010 to €10.3m compared with €3.7m in the previous financial year. However, the second half of the year saw an improvement with a bad debt expense of €4.5m compared to €5.8m in the first half. Significant work is ongoing in the area of receivables collection with days' sales outstanding of 109 in our Spanish business at April 2010 compared to 138 at April 2009.

Cost Reduction

We continue to focus on increasing the efficiency of our operation. We have achieved total cost savings of 9% (€3.7m) in staff costs and overheads, excluding bad debt charges explained above, compared to the previous year.

Financial Review

Financial reporting

Group

A summary of the Group's underlying financial performance for 2010, with a comparison to 2009, is shown below:

	2010	2009
	£m	£m
Revenue	749.6	770.5
Profit from operations ⁽¹⁾	82.8	71.8
Net interest expense ⁽⁸⁾	(46.3)	(44.3)
Profit before tax ⁽²⁾	36.5	27.5
Profit after tax ⁽³⁾	28.2	19.2
Basic earnings per share ⁽³⁾	26.8p	59.2p ⁽⁴⁾

Group revenue in 2010 decreased by 2.7% to £749.6m (2009 – £770.5m) or 4.4% at constant exchange rates.

Net underlying cash generation⁽⁹⁾ was £184.6m (2009 – £171.9m) after net capital expenditure of £114.4m (2009 – £179.6m) resulting in closing net debt (with fixed swapped exchange rates for US loan notes) of £598.3m (2009 – £886.4m).

On a statutory basis, operating profit has increased to £71.1m (2009 – operating loss of £117.5m) with profit before tax increasing to £9.6m (2009 – loss before tax of £195.6m). Basic earnings per share increased to 23.1p (2009 – loss per share of 572.6p). Net cash from operations, including net capital expenditure on vehicles for hire, increased by 9% to £188.5m (2009 – £173.6m), with net debt falling by 34% from £935.5m at 30 April 2009 to £615.1m at 30 April 2010.

⁽⁸⁾ Stated before exceptional items of £15.2m (2009 - £33.8m).

⁽⁹⁾ Net increase in cash and cash equivalents before financing activities.

UK

The composition of the Group's UK revenue and profit from operations is set out below:

	2010	2009
	£m	£m
Revenue		
Vehicle rental	312.0	334.7
Fleet Technique	16.2	18.0
Vehicle sales	114.3	115.9
	442.5	468.6
Profit from operations⁽¹⁰⁾		
Vehicle rental	57.7	42.8
Fleet Technique	1.3	0.9
	59.0	43.7

⁽¹⁰⁾ Excluding amortisation of intangible assets of £3.0m (2009 - £3.1m), exceptional items of £5.8m (2009 - £0.9m) and impairment of £nil (2009 - £61.5m).

The reduction in the average number of vehicles on hire of 5.8% has contributed to a decrease in rental revenue of 6.8% to £312m (2009 – £335m).

The revenue impact of a decrease in vehicles on hire was partially offset by a 0.6% improvement in hire rates reflecting a more focused strategy on removing low margin business.

The recovery in residual values of used vehicles contributed £6.5m of the profit from operations which is reflected as a reduction in the depreciation charge for the year.

Operating margins (excluding intangible amortisation and exceptional items, and vehicle sales revenue) were as follows:

	2010	2009
UK overall	18.0%	12.4%
Vehicle rental	18.5%	12.8%
Fleet management	7.8%	5.2%

The UK vehicle rental operating profit margin⁽⁶⁾ has increased to 18.5% (2009 – 12.8%). This is due to increased utilisation achieved through more efficient fleet management, improved hire rates as mentioned above, targeted cost savings and increases in used vehicle residual values.

Spain

The revenue and operating profit generated by our Spanish operations are set out below:

	2010 £m	2009 £m
Revenue		
Vehicle rental	235.5	257.0
Vehicle sales	71.6	45.0
	307.1	302.0
Profit from operations⁽¹¹⁾		
Vehicle rental	30.0	32.6

The reduction in average vehicles on hire of 10.0% contributed to a decrease in rental revenue of 8.4% (7.2% at constant exchange rates).

Residual value improvement and an improved sales capability with 19,800 vehicles sold (2009 – 13,200), reduced the decrease in profit from operations to £2.6m.

The Spanish operating margin (excluding intangible amortisation, exceptional items and vehicle sales revenue) was as follows:

	2010	2009
Operating margin ⁽¹²⁾	12.7%	12.7%

⁽¹¹⁾ Excluding amortisation of intangible assets of £2.0m (2009 - £2.1m), exceptional credit of £(0.1)m (2009 – charge of £2.3m) and impairment of £nil (2009 - £119.4m).

⁽¹²⁾ Calculated as profit from operations⁽¹¹⁾ divided by vehicle rental revenue.

Vehicle rental revenue and profit from operations in 2010, expressed at constant exchange rates, would have been lower than reported by £9.8m and £1.3m respectively.

Vehicle hire rates were lower in the year primarily due to the rental of unutilised vehicles to holiday rental companies at lower than average rates. The hire rate is now recovering as a more highly utilised fleet means that higher margin business can be targeted.

The incidence of bad debts in Spain had a significant adverse impact on operating margins with a charge of £9.1m (2009 – £3.1m), equivalent to 3.9% of operating margin (2009 – 1.2%). Whilst the economic environment in Spain is expected to remain challenging the level of bad debts is targeted to fall following management actions to tighten credit risk and control procedures.

Return on capital employed

Group return on capital employed, calculated as Group profit from operations (excluding intangible amortisation and exceptional items) divided by average capital employed (being shareholders' funds plus net debt⁽⁵⁾) was 8.4% (2009 – 5.8%). This represents a substantial improvement on the prior year, and underlines the Group's success in applying its current strategy of maximising returns in the medium term through more efficient fleet management and improving hire rates.

Group return on equity, calculated as profit after tax (excluding intangible amortisation and exceptional items) divided by average shareholders' funds, was 12% (2009 – 5%).

Exceptional items

During the year, £2.6m for the deferral of covenant testing and other fees were incurred as well as the write off of unamortised financing fees of £3.8m, all of which relate to the borrowing facilities replaced in September 2009.

Financing fees of £8.8m also arose due to the issuance of "make-whole" notes to the private placement noteholders as a result of the partial repayment of existing notes and in respect of future scheduled borrowing amortisations.

Other exceptional items amounting to £6.7m consisted of restructuring costs of £6.3m, mainly in respect of the UK, and £0.4m of net property losses, which comprised £0.8m of losses in the UK and a £0.4m profit related to the disposal of a property in Spain.

Interest

Net finance charges for the year before exceptional items were £46.3m (2009 – £44.3m).

The charge includes £5.9m of non-cash interest from borrowing fees amortised in the year (2009 – £1.9m).

Net cash interest has decreased by £2.0m to £40.4m, mainly as a result of the reduction in average net debt offset by the increase in borrowing costs.

Taxation

The Group's effective tax charge for its UK and overseas operations is (153)% (2009 – 5%), including the impact of exceptional items referred to above, and the recognition of £15.5m previously unrecognised deferred tax assets (2009 – £21.7m derecognised).

Excluding the impact of exceptional items, deferred tax asset recognition and intangible amortisation, the Group effective tax rate is 23% (2009 – 30%). This is lower than the previous year primarily as a result of a £2.6m tax credit in respect of prior years. Excluding this impact the underlying Group effective tax rate is 30% (2009 – 30%).

The Group's treasury operations, part of which are based in Malta, have not had a significant effect upon the Group's effective tax charge for the year.

Earnings per share

Basic earnings per share, before amortisation and exceptional items, were 26.8p (2009 – 59.2p, restated for July 2009 rights issue and placing). Basic statutory earnings per share were 23.1p (2009 – loss of 572.6p restated).

Dividend

The Directors do not recommend the payment of a dividend in relation to the Ordinary shares for the year ended 30 April 2010 (2009 – 11.5p).

Balance sheet

Net tangible assets at 20 April 2010 were £281.1m (2009 – £155.3m), equivalent to a tangible net asset value of 211.4p per share (2009 – 478.9p per share as restated).

Gearing at 30 April 2010 was 213% (2009 – 571%), which demonstrates that the capital structure following refinancing is in a position to be able to meet the Group's medium term goals.

Cash flow

A summary of the Group's cash flows is shown below:

	2010	2009
	£m	£m
Underlying operational cash generation	345.7	406.5
Net capital expenditure	(114.4)	(180.1)
Net taxation and interest payments	(46.7)	(54.6)
Net underlying cash generation ⁽⁹⁾	184.6	171.9
Proceeds from issue of share capital	108.3	-
Refinancing fees	(31.4)	-
Dividends	-	(19.3)
Termination of swaps	-	(42.3)
Other	(0.7)	(2.7)
Net cash generated	260.8	107.6
Opening net debt ⁽⁵⁾	886.4	902.9
Net cash generated	(260.8)	(107.6)
Financing fees paid and amortised as well as issue of make whole notes	(18.2)	0.7
Exchange differences	(9.1)	90.4
Closing net debt⁽⁵⁾	598.3	886.4

Underlying operational cash generation (as defined in the table above) of £345.7m, coupled with tight control over capital expenditure and £108.3m of equity, raised as part of the Group's refinancing, are the main factors which have enabled the Group to reduce net debt by £288m in the year to a closing position of £598.3m (with loan notes stated at their fixed currency amounts).

A total of £299.1m was invested in new vehicles in order to replace fleet. This was partially funded by £189.4m of cash generated from the sale of used vehicles, with other net capital expenditure of £4.7m.

After capital expenditure and payments of interest and tax of £46.7m, net cash generated from operations was £184.6m, which represents a 7.4% improvement on the prior year (2009 – £171.9m).

Borrowing facilities

The new financing arrangements came into effect in September 2009 and comprise committed secured facilities of £865m, giving headroom of £240m compared to debt (gross of £27m of unamortised arrangement fees) of £625m at 30 April 2010.

The Group's facilities are shown below:

	Bank facilities	US loan notes	Total facilities
	£m	£m	£m
Facility	652	213	865
Drawn	412	213	625
Headroom	240	-	240

Maturity	Sept-12	Nov-12 to Dec-16

The maturity of US loan notes is subject to the successful renewal of bank facilities on or before September 2012.

US loan notes bear fixed interest of 8.6%. A proportion of bank debt is fixed at 5.6% giving an overall fixed rate debt of 7.1%. Including floating rate debt, the overall cost of the Group's borrowings is 5.9%.

In order to satisfy the terms of the revised facilities, the Group successfully raised £108m of equity (net of equity fundraising costs) by way of a placing and rights issue. From the amount raised, £93m was used to repay existing facilities (including private placement notes).

Since the initial refinance, the Group has repaid scheduled amortisations of c.£15m. This, coupled with the underlying cash generation of the business, has resulted in total borrowing repayments of £255m in the year.

Further scheduled debt repayments of £80m are due to be made by December 2010, along with a further amortisation of c.£55m due to provisions of the financing agreement requiring certain excess cash to be used to pay down facilities and private placement notes. The remaining bank facilities are due to mature in September 2012.

There are four financial covenants under the Group's facilities as follows:

1. Interest cover ratio

A minimum ratio of earnings before interest and taxation ("EBIT") to net interest costs tested quarterly on a rolling historic 12-month basis. The covenant ratio ranges between 1.04 and 1.39.

Interest cover at 30 April 2010 was 1.92 with EBIT headroom, all else being equal, of c.£28m, at that time.

2. Minimum tangible net worth

Minimum tangible net worth, i.e. net assets excluding goodwill and intangibles, tested monthly. This covenant has been set at 80% of the net tangible assets at 30 April 2009 as adjusted for write off of previous refinancing fees, the proceeds of the placing and rights issue and 80% of budgeted retained profits under the strategic plan.

Headroom at 30 April 2010 was c.£51m.

3. Loan to value

The ratio of total consolidated net borrowings to the book value of vehicles for hire, debtors and freehold property, tested monthly. The ratio may not exceed 85%.

Loan to value at 30 April 2010 was 67% giving net debt headroom, all else being equal, of c.£176m, at that time.

4. Debt leverage cover ratio

A maximum ratio of net debt to earnings before interest, tax, depreciation and amortisation ("EBITDA"), tested quarterly on a rolling historic 12-month basis. The covenant ratio ranges between 2.25 and 2.51.

Debt leverage cover at 30 April 2010 was 2.04 with EBITDA headroom, all else being equal, of c.£51m, at that time.

Treasury

The function of Group Treasury is to mitigate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements to secure finance at minimum cost and to invest cash assets securely and profitably. Treasury operations manage the Group's funding, liquidity and exposure to interest rate risks with a framework of policies and guidelines authorised by the Board of Directors.

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using more complex financial instruments.

Credit risk

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit agencies. Deals are authorised only with banks with which dealing mandates have been agreed and which maintain a Double A rating. Individual aggregate credit exposures are limited accordingly.

Liquidity and funding

The Group has sufficient funding facilities to meet its normal funding requirements in the medium term as discussed above. Covenants attached to those facilities as discussed above are not restrictive to the Group's operations.

Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Operating subsidiary undertakings are financed by a combination of retained earnings, loan notes and bank borrowings, including medium term bank loans.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure. As discussed above, gearing at 30 April 2010 was 213% compared to 571% at 30 April 2009.

Interest rate management

The Group's bank facilities agreements incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering 50% to 75% of its borrowings at any time. The proportion of gross borrowings hedged into fixed rates was 71% at 30 April 2010 (2009 – 28%).

Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (58%) is generated in pounds sterling. The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

The average and year end exchange rates used to translate the Group's overseas operations were as follows:

	2010	2009
	£ : €	£ : €
Average	1.13	1.18
Year end	1.15	1.12

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euro to Sterling at each reporting date. The hedges are considered highly effective in the current and prior year and the exchange differences arising on the borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

The Group has in issue US dollar-denominated loan notes which bear fixed rate interest in US dollars. The payment of this interest and the capital repayment of the loan notes at maturity expose the Group to foreign exchange risk. To mitigate this risk, the Group has entered into a series of Sterling/US dollar cross-currency swaps. The effective start dates and termination dates of these contracts are the same as the loan notes against which hedging relationships are designated. The Group will have interest cash outflows in pounds sterling and interest cash inflows in US dollars over the life of the contracts. On the termination date of each of the contracts, the Group will pay a principal amount in pounds sterling and receive a principal amount in US dollars.

Going concern

In determining whether the Group's 2010 accounts should be prepared on a going concern basis the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowings facilities and the risks and uncertainties relating to its business activities in the current economic climate.

The key risks and uncertainties of the Group are outlined below. Measures taken by the Directors in order to mitigate those risks are also outlined.

The Directors have reviewed trading and cash flow forecasts as part of their going concern assessment, including reasonably possible downside sensitivities, which take into account the uncertainties in the current operating environment.

The Group has sufficient headroom compared to its committed borrowing facilities and against all covenants as detailed in this report.

Having considered all the factors above impacting the Group's businesses, including reasonably possible downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group's financing facilities for the foreseeable future.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2010 accounts.

Principal risks and uncertainties

The operation of a public company involves a number of risks and uncertainties across a full range of commercial, operational and financial areas. The principal risks and uncertainties that have been identified as being capable of impacting the Group's performance over the next financial year are set out below.

Customers and reduction in demand

The construction industry and other key markets of the Group have been particularly sensitive to the downturn in the economic climate which has led to a decline in the number of vehicles rented in recent periods.

A further decline could affect the profitability and cash generation of the business.

The underlying macro-economic conditions have also increased the risk of customer failure, particularly in Spain, which may lead to the occurrence of increased bad debt charges.

The Group generates a large proportion of revenue from customers in the construction industry but is seeking to diversify its customer base across a range of market segments.

Should there be a further significant economic downturn the flexible nature of the Group's business model enables vehicles to be placed with other customers. Alternatively, utilisation can be maintained through a combination of a decrease in vehicle purchases and increase in disposals, which although affecting short-term profitability, generates cash and reduces debt levels.

An economic downturn also presents opportunities to increase rentals to customers wishing to benefit from the Group's flexible renting solutions, either due to a lack of available finance or an unwillingness to commit to long term rental.

No individual customer contributes more than five per cent of total revenue generated, and credit analysis is performed on new customers to assess credit risk.

Vehicle holding costs

The overall holding cost of a vehicle is affected by the pricing levels of new vehicles and the disposal value of vehicles sold.

The Group purchases substantially all of its fleet from suppliers with no agreement for the repurchase of vehicle at the end of its hire life cycle. The Group is therefore exposed to fluctuations in residual values in the used vehicle market.

An increase in the holding cost of vehicles, if not recovered through hire rate increases, would affect profitability, shareholder return and cash generation.

Risk is managed on new pricing by negotiating fixed pricing terms with manufacturers a year in advance. Flexibility is maintained to make purchases throughout the year under variable supply terms.

Flexibility in our business model allows us to determine the period over which we hold a vehicle and therefore in the event of a decline in residual values we would attempt to mitigate the impact by ageing out our existing fleet, as has been the case in the current year.

Competition and hire rates

The Group operates in highly competitive markets with competitors often pursuing aggressive pricing actions to increase hire volumes. The market is also fragmented with numerous competitors at a local and national level. Low barriers to entry mean that local competitors often attempt to enter the market through lower pricing.

As our business is highly operationally geared therefore any increase or decrease in hire rates will impact profit and shareholder return to a greater effect.

The Group is now more strongly focused on maximising return on capital therefore hire rates are not being reduced below certain hurdle rates. In co-ordinating this policy with fleet management, utilisations are being maintained at higher rates.

The current lack of access to capital in the market is enabling us to pursue this strategy without facing significant price competition. Prices are also benchmarked against competitors to ensure that we remain competitive.

Access to capital

The Group requires capital to both replace vehicles that have reached the end of their useful life and for growth in the fleet. Additionally, due to the level of the Group's indebtedness, a significant proportion of the Group's cash flow is required to service its debt obligations. In order to continue to access its credit facilities the Group needs to remain in compliance with its financial covenants throughout the term of its facilities. Current facilities are due to mature in September 2012. There is a risk that the Group cannot successfully extend its facilities past this date. Failure to access sufficient financing or meet financial covenants could potentially adversely affect the prospects of the Group.

Financial covenants are reviewed on a monthly basis in conjunction with cash flow forecasts to ensure on-going compliance. If there is a shortfall in cash generated from operations and/or available under its credit facilities the Group would reduce its capital requirements.

The Group believes that its existing facilities provide adequate resources for present requirements.

The Group is currently assessing options to refinance facilities past September 2012.

The impact of access to capital on the wider risk of going concern is considered above.

IT systems

The Group's business involves a high volume of transactions and the need to track assets which are located at numerous sites.

Reliance is placed upon the proper functioning of IT systems for the effective running of operations. Any interruption to the Group's IT systems would have a materially adverse effect on its business.

Prior to any material systems changes being implemented the Board approves a project plan. The project is then led by a member of the executive team; with an ongoing implementation review being carried out by internal audit and external consultants where appropriate. The objective is always to minimise the risk that business interruption could occur as a result of the system changes.

Additionally, the Group has an appropriate business continuity plan in the event of interruption arising from an IT systems failure.

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2010**

	Underlying 2010 £000	Statutory 2010 £000	Underlying 2009 £000 (As restated)	Statutory 2009 £000 (As restated)
Revenue: hire of vehicles and fleet management	563,698	563,698	609,645	609,645
Revenue: sale of vehicles	185,875	185,875	160,887	160,887
Total revenue	749,573	749,573	770,532	770,532
Cost of sales	(599,045)	(599,045)	(642,592)	(642,592)
Gross profit	150,528	150,528	127,940	127,940
Administrative expenses (excluding exceptional items, impairment of assets and intangible amortisation)	(67,709)	(67,709)	(56,173)	(56,173)
Exceptional administrative expenses	–	(6,720)	–	(3,123)
Impairment of assets	–	–	–	(180,921)
Intangible amortisation	–	(4,990)	–	(5,254)
Total administrative expenses	(67,709)	(79,419)	(56,173)	(245,471)
Profit (loss) from operations	82,819	71,109	71,767	(117,531)
Interest income	770	770	6,438	6,438
Finance costs (excluding exceptional items)	(47,048)	(47,048)	(50,691)	(50,691)
Exceptional finance costs	–	(15,216)	–	(33,830)
Total finance costs	(47,048)	(62,264)	(50,691)	(84,521)
Profit (loss) before taxation	36,541	9,615	27,514	(195,614)
Taxation	(8,295)	14,741	(8,327)	9,912
Profit (loss) for the year	28,246	24,356	19,187	(185,702)

Profit (loss) for the year is wholly attributable to equity holders of the parent Company. All results arise from continuing operations.

Underlying profit excludes exceptional items and impairment of assets as set out in Note 7, as well as intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share

Basic	2	26.8p	23.1p	59.2p	(572.6)p
Diluted	2	26.4p	22.8p	57.9p	(560.0)p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2010**

	2010	2009
	£000	£000
Amounts attributable to equity holders of the parent Company		
Profit (loss) attributable to equity holders	24,356	(185,702)
Other comprehensive income		
Foreign exchange differences on retranslation of net assets of subsidiary undertakings prior to inception of net investment hedging relationship	–	(4,976)
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after initial inception of net investment hedging relationship	–	51,118
Net foreign exchange differences on long term borrowings held as hedges between initial inception and subsequent change in level of net investment hedging relationship	–	(37,556)
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after subsequent change in level of net investment hedging relationship	(3,929)	(18,108)
Net foreign exchange differences on long term borrowings held as hedges after subsequent change in level of net investment hedging relationship	3,929	5,299
Foreign exchange difference on revaluation reserve	(35)	158
Net fair value losses on cash flow hedges	(14,681)	(7,801)
Deferred tax credit recognised directly in equity relating to cash flow hedges	4,110	839
Actuarial losses on defined benefit pension scheme	(221)	(109)
Deferred tax credit recognised directly in equity relating to defined benefit pension scheme	(8)	31
Total other comprehensive income for the year	(10,835)	(11,105)
Total comprehensive income for the year	13,521	(196,807)

**CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2010**

	2010	2009	2008
	£000	£000	£000
		(As restated)	(As restated)
Non-current assets			
Goodwill	3,589	3,589	83,152
Other intangible assets	20,449	23,875	28,475
Property, plant and equipment: vehicles for hire	741,543	848,654	1,012,259
Other property, plant and equipment	86,512	89,917	81,960
Total property, plant and equipment	828,055	938,571	1,094,219
Financial instrument assets	14,622	–	3,361
Deferred tax assets	18,409	17,138	–
	885,124	983,173	1,209,207
Current assets			
Inventories: vehicles held for resale	18,406	19,809	30,566
Inventories: other	4,527	5,397	6,606
Trade and other receivables	142,175	182,975	189,727
Financial instrument assets	–	65,028	142
Current tax asset	–	4,006	–
Cash and cash equivalents	85,343	80,036	48,763
	250,451	357,251	275,804
Total assets	1,135,575	1,340,424	1,485,011
Current liabilities			
Financial instrument liabilities	–	9,904	244
Trade and other payables	86,687	76,781	87,197
Current tax liabilities	16,439	5,572	15,728
Short term borrowings	153,349	92,621	8,414
	256,475	184,878	111,583
Non-current liabilities			
Financial instrument liabilities	8,794	–	2,883
Long term borrowings	547,061	922,931	934,357
Deferred tax liabilities	17,600	49,391	37,082
Retirement benefit obligation	539	465	553
	573,994	972,787	974,875
Total liabilities	830,469	1,157,665	1,086,458
NET ASSETS	305,106	182,759	398,553
Equity			
Share capital	66,475	3,527	3,527
Share premium account	113,269	67,972	67,972
Revaluation reserve	1,330	1,365	1,207
Own shares	(891)	(2,302)	(9,006)
Merger reserve	67,463	67,463	67,463
Hedging reserve	(5,720)	4,851	7,110
Translation reserve	(5,656)	(5,656)	3,817
Capital redemption reserve	40	40	40
Retained earnings	68,796	45,499	256,423
TOTAL EQUITY	305,106	182,759	398,553

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2010**

	Note	2010 £000	2009 £000 (As restated)
Net cash from operations including net capital expenditure on vehicles for hire	5 (a)	188,525	173,591
Investing activities			
Interest received		770	7,183
Proceeds from disposal of other property, plant and equipment		1,805	1,813
Purchases of other property, plant and equipment		(4,617)	(9,234)
Purchases of intangible assets		(1,849)	(936)
Payment of deferred consideration		–	(519)
Net cash used in investing activities		(3,891)	(1,693)
Financing activities			
Dividends paid		–	(19,302)
Repayments of obligations under finance leases		(37)	(331)
Repayments of bank loans and other borrowings		(255,422)	(107,174)
Debt issue costs paid		(31,358)	–
Increase in bank loans and other borrowings		–	30,873
Proceeds from issue of share capital		108,245	–
Proceeds from sale of own shares		–	1,373
Payments to acquire own shares for share schemes		(674)	(4,057)
Settlement of financial instruments		–	(9,646)
Termination of financial instruments		–	(32,666)
Net cash used in financing activities		(179,246)	(140,930)
Net increase in cash and cash equivalents		5,388	30,968
Cash and cash equivalents at 1 May		80,036	48,763
Effect of foreign exchange movements		(81)	305
Cash and cash equivalents at 30 April	5 (b)	85,343	80,036

The above cash generated from operations is stated after the following net capital expenditure on vehicles for hire:

	2010 £000	2009 £000
Purchases of vehicles	(299,144)	(320,395)
Proceeds from disposal of vehicles	189,409	149,190
	(109,735)	(171,205)
Cash generated from operations excluding net capital expenditure on vehicles for hire	298,260	344,796

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2010**

	Share capital and share premium	Own shares	Hedging reserve	Translation reserve	Other reserves	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Total equity at 1 May 2008	71,499	(9,006)	7,110	3,817	68,710	256,423	398,553
Share options fair value charge	–	–	–	–	–	788	788
Share options exercised	–	–	–	–	–	(1,600)	(1,600)
Profit attributable to equity holders	–	–	–	–	–	(185,702)	(185,702)
Dividends paid	–	–	–	–	–	(19,359)	(19,359)
Purchase of own shares	–	(4,057)	–	–	–	–	(4,057)
Sale of own shares	–	5,241	–	–	–	–	5,241
Transfers between equity reserves	–	5,520	4,703	(5,250)	–	(4,973)	–
Other comprehensive income	–	–	(6,962)	(4,223)	158	(78)	(11,105)
Total equity at 1 May 2009	71,499	(2,302)	4,851	(5,656)	68,868	45,499	182,759
Share options fair value charge	–	–	–	–	–	1,154	1,154
Share options exercised	–	–	–	–	–	(1,984)	(1,984)
Issue of Ordinary share capital (net of expenses)	108,245	–	–	–	–	–	108,245
Profit attributable to equity holders	–	–	–	–	–	24,356	24,356
Purchase of own shares	–	(674)	–	–	–	–	(674)
Sale of own shares	–	2,085	–	–	–	–	2,085
Transfers between equity reserves	–	–	(969)	969	–	–	–
Other comprehensive income	–	–	(9,602)	(969)	(35)	(229)	(10,835)
Total equity at 30 April 2010	179,744	(891)	(5,720)	(5,656)	68,833	68,796	305,106

Other reserves comprise the capital redemption reserve, revaluation reserve and merger reserve.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2010

1. SEGMENTAL ANALYSIS

	UK Hire	Spain Hire	Fleet Technique	Corporate	Total
	2010	2010	2010	2010	2010
	£000	£000	£000	£000	£000
Revenue: hire of vehicles and fleet management	311,992	235,500	16,206	-	563,698
Revenue: sale of vehicles	114,321	71,554	-	-	185,875
Total revenue	426,313	307,054	16,206	-	749,573
Operating profit (loss)	57,704	29,983	1,266	(6,134)	82,819
Exceptional items	(5,779)	127	-	(1,068)	(6,720)
Intangible amortisation	(2,272)	(2,013)	(705)	-	(4,990)
Profit from operations	49,653	28,097	561	(7,202)	71,109

	UK Hire	Spain Hire	Fleet Technique	Corporate	Total
	2009	2009	2009	2009	2009
	£000	£000	£000	£000	£000
Revenue: hire of vehicles and vehicle management	334,685	256,967	17,993	-	609,645
Revenue: sale of vehicles	115,883	45,004	-	-	160,887
Total revenue	450,568	301,971	17,993	-	770,532
Operating profit (loss)	42,839	32,605	931	(4,608)	71,767
Impairment of assets	(61,487)	(119,434)	-	-	(180,921)
Other exceptional items	(846)	(2,277)	-	-	(3,123)
Intangible amortisation	(2,560)	(2,142)	(552)	-	(5,254)
(Loss) profit from operations	(22,054)	(91,248)	379	(4,608)	(117,531)

2. EARNINGS PER SHARE

	Underlying 2010	Statutory 2010	Underlying 2009 (As restated)	Statutory 2009 (As restated)
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	£000
Earnings for the purposes of basic and diluted earnings per share, being net profit (loss) attributable to equity holders of the parent*	28,246	24,356	19,187	(185,702)
Number of shares**				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	105,374,935	105,374,935	32,428,634	32,428,634
Effect of dilutive potential Ordinary shares: – share options	1,605,626	1,605,626	734,523	734,523
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	106,980,561	106,980,561	33,163,157	33,163,157
Basic earnings per share	26.8p	23.1p	59.2p	(572.6)p
Diluted earnings per share	26.4p	22.8p	57.9p	(560.0)p

* Underlying earnings for the purposes of basic and diluted earnings per share have been restated to exclude the tax effect of intangible amortisation. The tax effect of intangible amortisation in the year is £1,438,000 (2009 - £1,514,000)

** Prior year number of shares adjusted for the bonus element of the ten for one Rights Issue at 7 pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.

3. TAXATION

The current tax creditor of £16,439,000 at 30 April 2010 (2009 - £5,572,000) includes a total amount of £13,422,000 (2009 - £nil) that is considered unlikely to give rise to a cash outflow within twelve months of the balance sheet date but is shown in the balance sheet as a current liability in order to satisfy the requirements of IAS 1.

The expected cash outflow in respect of corporate tax in the twelve months following the 30 April 2010 balance sheet date is, therefore, £3,017,000.

4. DIVIDENDS

The Directors do not propose an Ordinary dividend in respect of the year ended 30 April 2010 (2009 - 11.5p per Ordinary share).

5. NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 APRIL 2010

	2010	2009
	£000	£000
(a) Net cash from operations including net capital expenditure on vehicles for hire		(As restated)
Profit (loss) from operations	71,109	(117,531)
Adjustments for:		
Depreciation of property, plant and equipment	229,752	294,659
Impairment of assets	–	180,921
Exchange differences	58	28
Amortisation of intangible assets	4,990	5,254
Gain on disposal of property, plant and equipment	(491)	(82)
Share options fair value charge	1,154	788
Operating cash flows before movements in working capital and net capital expenditure on vehicles for hire	306,572	364,037
Decrease in inventories	832	1,334
Decrease in receivables	31,826	18,293
Increase in payables	6,511	22,871
Cash generated from operations before net capital expenditure on vehicles for hire	345,741	406,535
Income taxes repaid (paid)	835	(10,698)
Interest paid	(48,316)	(51,041)
Cash generated from operations before net capital expenditure on vehicles for hire	298,260	344,796
Purchases of vehicles	(299,144)	(320,395)
Proceeds from disposal of vehicles	189,409	149,190
Net cash from operations including net capital expenditure on vehicles for hire	188,525	173,591

(b) Cash and cash equivalents

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

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

	2010	2009
	£000	£000
Cash in hand and at bank	85,343	27,757
Short term investments	–	52,279
Net cash and cash equivalents	85,343	80,036

6. ANALYSIS OF CONSOLIDATED NET DEBT

	2010 £000	2009 £000
Cash at bank and in hand	85,343	27,757
Short term investments	-	52,279
	85,343	80,036
Bank loans	(473,367)	(736,584)
Loan notes	(223,324)	(263,560)
Vehicle related finance lease obligations	-	(37)
Cumulative preference shares	(500)	(500)
Property loans and other borrowings	(3,219)	(14,871)
	<u>(615,067)</u>	<u>(935,516)</u>

The above consolidated net debt includes loan notes translated into Sterling at exchange rates prevailing on balance sheet dates. If the loan notes are presented at the fixed exchange rates at which they are swapped with counterparties, then consolidated net debt is £598,291,000 (2009 - £886,446,000).

7. EXCEPTIONAL ITEMS

During the year, the Group recognised exceptional items in the income statement made up as follows:

	2010 £000	2009 £000
Restructuring costs	6,324	3,123
Net property losses	396	-
Impairment of assets	-	180,921
Exceptional administrative expenses	6,720	184,044
Covenant deferral fees	2,199	1,164
Make-whole premium on US loan notes	8,842	-
Write off of unamortised fees relating to old debt facilities	3,751	-
Other financing fees	424	-
Termination of interest rate swaps	-	32,666
Exceptional finance costs	15,216	33,830
Total pre-tax exceptional items	21,936	217,874
Tax charge on exceptional items	(6,142)	(38,417)
Net (recognition) derecognition of deferred tax assets	(15,456)	21,692
Exceptional net tax credit	(21,598)	(16,725)

Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £6,324,000 (2009 - £3,123,000), of which £6,065,000 (2009 - £846,000) arose in the United Kingdom and £259,000 (2009 - £2,277,000) in Spain.

Net property losses

Net property losses were £396,000 (2009 - £nil), of which a £782,000 loss (2009 - £nil) arose in the United Kingdom and a £386,000 profit (2009 - £nil) arose in Spain.

Covenant deferral fees

In the early part of the year, the Group was engaged in renegotiating the terms of certain of its borrowings. As a result, the Group incurred fees of £2,199,000 (2009 - £1,164,000) payable to certain lenders to defer testing of covenants at 31 July 2009.

Make-whole premium on US loan notes

As part of the refinancing of its borrowings, the Group incurred fees of £8,842,000 (2009 - £nil) in relation to "make-whole" notes issued to the private placement noteholders, which arise from the amortisation of the existing notes during the year and in respect of future scheduled borrowing amortisations.

Unamortised fees

Unamortised financing fees of £3,751,000 (2009 - £nil) were written off in respect of the borrowing facilities which were replaced in September 2009.

Other financing fees

Other financing fees of £424,000 (2009 - £nil) were payable relating to the refinancing of borrowings in September 2009.

8. BASIS OF PREPARATION

The results for the year ended 30 April 2010, including comparative financial information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations adopted by the European Union.

Northgate plc ("the Company") has adopted all IFRS in issue and effective for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in July 2010.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 April 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies and those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

The financial information presented in respect of the year ended 30 April 2010 has been prepared on a basis consistent with that presented in the annual report for the year ended 30 April 2009, with the exception of the following changes in accounting policy:

(a) Change to policy in respect of attributable costs to sell used vehicles

A change in accounting policy was adopted in the year so that certain costs which are directly attributable to the sale of used vehicles are taken into account in determining the net residual value on disposal and, therefore, are adjusted against depreciation charges. There is no impact on the profit of the Group. As a result of this change, depreciation is increased by £12,052,000 (2009 - £11,336,000), cost of sales is increased by £4,035,000 (2009 - £3,246,000) and administrative expenses are reduced by £4,035,000 (2009 - £3,246,000). There is no change to net cash from operations. Proceeds from disposal of vehicles have reduced by £12,052,000 (2009 - £11,336,000). There is no impact on the consolidated balance sheet.

(b) Change to property, plant and equipment policy

A change in accounting policy was adopted in the year so that certain costs incurred to bring vehicles for hire into use previously classified as inventory in the balance sheet have been classified within property, plant and equipment (vehicles for hire). As a result of this change, property, plant and equipment is increased and inventory is reduced by £4,559,000 (2009 - £5,553,000). There is no impact on the profit of the Group. As a result of this change, depreciation is increased by £4,963,000 (2009 - £5,118,000). There is no net change to cost of sales. There is no change to net cash from operations. Purchases of vehicles has increased by £3,973,000 (2009 - £5,132,000), and change in inventories has decreased by £990,000 (2009 - increased by £14,000).

The Group has adopted the following standards and interpretations which are mandatory for the first time for the financial year beginning 1 May 2009.

(c) IFRS 8 (Operating Segments)

The Group has determined operating segments in accordance with this standard for the first time and these are as shown in Note 1.

(d) Amendment to IAS 16 (Property, Plant and Equipment) and consequential amendment to IAS 7 (Statement of Cash Flows)

In accordance with amendments made to IAS 16 by the International Accounting Standards Board, used vehicles are now required to be shown within inventories rather than non-current assets held for sale, as previously required. As a result, non-current assets classified as held for sale has decreased and inventory has increased by £18,406,000 (2009 - £19,809,000).

The sales proceeds obtained for those assets are now required to be recognised within revenue, the impact of which can be seen in Note 1. As a result of this change, cost of sales has increased by an amount equal to revenue from sale of vehicles in both years. In accordance with IAS 7, the associated cash flows, in respect of sales and purchases of vehicles, are now recognised within operating cash flows in the consolidated cash flow statement rather than investing cash flows, as previously required.

(e) Amendments to IAS 1 (Presentation of Financial Statements)

The Group is now required to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. This replaces the statement of recognised income and expense.

There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements.

In accordance with IAS 1, derivative financial instruments with maturity dates greater than twelve months from the balance sheet date have been classified as non-current assets and non-current liabilities rather than current assets and current liabilities. This is with the exception of those derivatives with maturity dates greater than twelve months from the balance sheet date which are expected to be settled within twelve months, which are stated as current assets and liabilities, as appropriate.

Deferred tax assets have been reclassified as non-current assets in accordance with IAS 1.

In accordance with IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors), prior period comparatives have been restated accordingly, as a result of the above changes in accounting policy.