

interim report

6 months ended 31 October 2001



Directors

Michael Waring, Non-executive Chairman
Jan Astrand, Non-executive
Philip Moorhouse, FCCA, Finance Director
Alan Noble, Executive Deputy Chairman
Stephen Smith, ACA, Chief Executive Officer
Ronald Williams, FCA, Non-executive
Deputy Chairman

Secretary and Registered Office

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Registrars

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Highlights

	2001	2000	
Vehicle Fleet	38,450	34,750	+10.6%
Operating Profit	£23.3m	£21.6m	+ 7.7%
Profit Before Tax	£16.2m	£13.9m	+16.7%
Earnings per share	18.3p	15.9p	+15.1%
Dividend per share	4.65p	4.4p	+ 5.7%
Net Assets per share	218p	198p	+10.1%

Despite difficult economic conditions over the last six months, we have continued to make excellent progress. The robust nature of the Northgate business is demonstrated by increased turnover, healthy profits and an improved return for our investors. We have also further expanded the geographic coverage of the business.

chairman's statement

Introduction

We are now half way through our five year Strategy for Growth the goal of which is to double the size of Northgate's business by 30 April 2004. We remain firmly on track to deliver this goal.

The business has continued its development and demonstrated its robust qualities while generating an improved return for investors, despite the difficult economic conditions during the last half year.

Results

Turnover increased by 5% from £129.7m to £136.5m. Operating profits increased by 8% to £23.3m (2000: £21.6m). Pre-tax profits were up by over 16% to £16.2m (2000: £13.9m). The result is an earnings per share up by 15% to 18.3p (2000: 15.9p).

Once again, these results have been achieved without any increase in gearing which has actually reduced from 174% at 30 April 2001 to 166%. This confirms our contention that the strong cash flows generated by our business allow us to be self-funding at current levels of growth.

Lower interest rates, in conjunction with this lower gearing, have benefited us through a reduced interest charge. Interest cover increased to 3.3 times (2000: 2.8 times).



Dividend

The Board has declared an interim dividend of 4.65p (2000: 4.40p) per share, an increase of 5.7%, payable on 9 February 2002 to shareholders on the register as at the close of business on 18 January 2002.

Operational review

The network continues to expand and, since the year end, we have added locations in Aberdeen, Chester, Hunslet, Kendal, Morecambe, Rochdale and Scunthorpe, bringing our total number of active hire sites to 55. With further properties currently under negotiation, we expect to achieve our target of 60 locations by 30 April 2002.

Coupled with the expansion of the network, continued demand for our rental product NORFLEX has resulted in the fleet increasing by 2,350 units to 38,450 vehicles as at 31 October 2001. Utilisation of the fleet remains tightly controlled and averaged 90% in the six month period.

Despite both low interest rates and a low inflation rate, a combination which makes price increases difficult, we are pleased to report that we have been able to maintain hire rates at their year end levels and therefore not lost the progress made in the previous year.

A stronger market for our used vehicles combined with the ongoing improvements made in the marketing of our used stock has led to an increased contribution from this area of operation.

The markets

We remain of the view that the UK market is far from mature and that we will continue to grow the fleet size beyond that envisaged in our five year Strategy for Growth.

In our April 2001 operational review, we referred to research on the commercial vehicle rental market we had commissioned

from Datamonitor and, in particular, to companies moving closer to the concept of "usership" rather than "ownership".

During the period, there has been speculation in the press that a number of substantial corporate fleets are examining alternative vehicle acquisition strategies. The format these deals finally take remains to be seen but this publicity has ensured businesses of all sizes will be made more aware of the benefits of outsourcing using a product such as NORFLEX.

We are continuing to investigate opportunities in Europe to enable us to take our first step in that market and begin the process of replicating our success in the UK. However, as always, we will proceed with caution.

People

The commitment of our employees is a major contributor to our growth and we are delighted they are now afforded the opportunity to share in the rewards.

In its first year of operation, some 26% of those employees eligible to join participated in our All Employee Share Scheme. For its second year, commencing in January 2002, this has increased to 38%, representing a significant proportion of our workforce who have a direct interest in the success of our business.

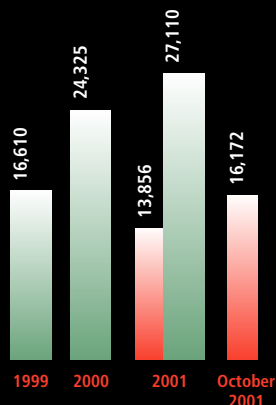
Current trading and outlook

There is a high degree of uncertainty over the direction the UK economy will take in the next six months. In such a climate, the dynamics of a rental business, and particularly one with the flexibility of Northgate, are extremely attractive to both customers and investors alike.

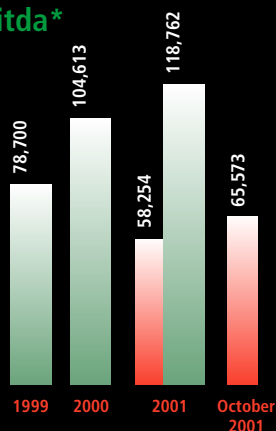
Trading since the end of the period is in line with expectations and we remain confident in our ability to grow the business in all areas and deliver our five year Strategy for Growth.

Michael Waring Chairman

Profit Before Tax

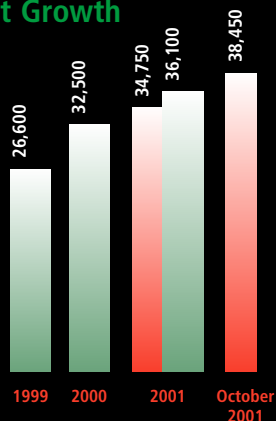


Ebitda*



* Earnings before interest, taxation, depreciation and amortisation.

Fleet Growth



■ Half Year ■ Full Year

Consolidated Profit and Loss Account

	Notes	Six months to 31.10.01 (Unaudited) £000	Six months to 31.10.00 Restated (Unaudited) £000	Twelve months to 30.4.01 Restated £000
Turnover	1	136,466	129,661	261,801
Operating profit	1	23,307	21,645	42,569
Interest payable, net		(7,135)	(7,789)	(15,459)
Profit on ordinary activities before taxation		16,172	13,856	27,110
Tax on profit on ordinary activities	2	(5,062)	(4,240)	(8,054)
Profit attributable to shareholders		11,110	9,616	19,056
Dividends – non-equity preference shares		(13)	(13)	(25)
– equity ordinary shares		(2,811)	(2,679)	(8,492)
Profit transferred to reserves		8,286	6,924	10,539
Earnings per ordinary share – basic	3	18.3p	15.9p	31.4p
Diluted earnings per ordinary share	3	18.2p	15.8p	31.3p
Dividend per ordinary share		4.65p	4.4p	14.0p

All current and prior year trading relates to continuing operations.

Statement of Total Recognised Gains and Losses

	Notes	Six months to 31.10.01 (Unaudited) £000	Six months to 31.10.00 Restated (Unaudited) £000	Twelve months to 30.4.01 Restated £000
Profit for the period		11,110	9,616	19,056
Prior period adjustment	5	865		
		11,975		

Summary Consolidated Balance Sheet

	31.10.01 (Unaudited)	31.10.00 Restated (Unaudited)	30.04.01 Restated
	£000	£000	£000
Fixed Assets			
Vehicles for hire	312,787	294,883	302,473
Other tangible assets and investments	18,106	13,525	15,880
Goodwill on acquisition	146	-	-
	<u>331,039</u>	<u>308,408</u>	<u>318,353</u>
Current Assets			
Stocks	6,782	8,245	6,685
Debtors	54,318	52,666	51,296
Investments	-	15	-
Cash at bank and in hand	29,803	16,772	24,263
	<u>90,903</u>	<u>77,698</u>	<u>82,244</u>
Creditors: amounts falling due within one year	149,946	123,122	133,869
Net current liabilities	<u>(59,043)</u>	<u>(45,424)</u>	<u>(51,625)</u>
Total assets less current liabilities	<u>271,996</u>	<u>262,984</u>	<u>266,728</u>
Creditors: amounts falling due after more than one year	133,592	136,307	136,620
Provisions for liabilities and charges	5,821	6,013	5,816
	<u>132,583</u>	<u>120,664</u>	<u>124,292</u>
Capital and reserves	<u>132,583</u>	<u>120,664</u>	<u>124,292</u>

Consolidated Cash Flow Statement

	Notes	Six months to 31.10.01 (Unaudited) £000	Six months to 31.10.00 Restated (Unaudited) £000	Twelve months to 30.4.01 Restated £000
Cash inflow from operating activities	4(i)	64,405	52,646	117,388
Returns on investments and servicing of finance		(6,754)	(7,793)	(15,266)
Taxation		(986)	1,480	695
Capital Expenditure		(55,351)	(48,844)	(95,926)
Acquisitions	4(ii)	(717)	-	-
Equity dividends paid		(5,813)	(5,498)	(8,166)
Management of liquid resources		71	76	23
Financing		14,859	7,271	19,873
Increase/(decrease) in cash for the period		9,714	(662)	18,621

Reconciliation of Net Cash Flow to Movement in Net Debt

Increase/(decrease) in cash for the period	9,714	(662)	18,621
Decrease in borrowings	9,195	16,928	26,968
Capital element of vehicle related hire purchase payments	61,765	48,294	103,745
Cash inflow from new hire purchase agreements	(85,814)	(63,254)	(141,334)
Cash withdrawn from deposit	(71)	(76)	(23)
Change in net debt resulting from cash flows	(5,211)	1,230	7,977
New hire purchase obligations	-	(8,916)	(8,916)
Hire purchase obligations acquired with subsidiaries	(228)	-	-
Movement in net debt for the period	(5,439)	(7,686)	(939)
Opening net debt	(214,675)	(213,736)	(213,736)
Closing net debt	(220,114)	(221,422)	(214,675)

Unaudited Notes

1. Segmental Analysis

All trading activities relate to the business of vehicle hire. The group operates in all material respects in the United Kingdom and turnover relates to customers in the United Kingdom.

2. Tax

The charge for taxation for the six months to 31 October 2001 is based on the estimated effective rate for the year.

3. Earnings per ordinary share

The calculation of basic earnings per ordinary share in respect of the six months to 31 October 2001 is based on the profit attributable to equity shareholders of £11,097,000 (31.10.00 – £9,603,000) (30.4.01 – £19,031,000) and the weighted average of 60,532,803 (31.10.00 – 60,557,282) (30.4.01 – 60,578,305) ordinary shares in issue (excluding those shares held by an employee trust in connection with the group's Long Term Incentive Plan and All Employee Share Scheme).

Diluted earnings per ordinary share have been calculated on the basis of the earnings described above and assume that 215,000 shares remaining exercisable under the Goode Durrant Share Option Scheme had been fully exercised at the commencement of the relevant period, such that the weighted average number of shares is 60,872,393 (31.10.00 – 60,801,236) (30.4.01 – 60,837,249) (including those shares held by an employee trust in connection with the group's Long Term Incentive Plan and All Employee Share Scheme).

4. Notes to Cash Flow Statement

(i) Reconciliation of Operating Profit to Cash Inflow from Operating Activities

	Six months to 31.10.01 (Unaudited) £000	Six months to 31.10.00 Restated (Unaudited) £000	Twelve months to 30.4.01 Restated £000
Operating profit	23,307	21,645	42,569
Depreciation	42,266	36,609	76,193
Increase in working capital	(1,168)	(5,608)	(1,384)
Other items	-	-	10
Net Cash inflow from operating activities	64,405	52,646	117,388

(ii) Acquisition

On 1 October 2001 the group acquired the entire share capital of Vickers (Northern) Limited, for a final consideration of £776,000, including goodwill of £146,000. The impact on the results for the period is immaterial.

Unaudited Notes (cont)

5. Reconciliation of movements in shareholder's funds

	Six months to 31.10.01 (Unaudited) £000	Six months to 31.10.00 Restated (Unaudited) £000	Twelve months to 30.4.01 Restated £000
Profit for the period	11,110	9,616	19,056
Dividends	(2,824)	(2,692)	(8,517)
	8,286	6,924	10,539
Issue of ordinary share capital (net of expenses)	5	323	336
Net increase in shareholders' funds	8,291	7,247	10,875
Opening shareholders' funds - As previously reported	123,427	112,804	112,804
Prior period adjustment	865	613	613
As restated	124,292	113,417	113,417
Closing shareholders' funds	132,583	120,664	124,292

As a result of the adoption of Financial Reporting Standard 19 Deferred Taxation, a prior period adjustment of £865,000, in respect of deferred tax assets, has been incorporated in the preparation of these financial statements.

The figures for the period to 31 October 2000 have been reclassified to reflect the impact of FRS15 as explained in full in the annual report and accounts to 30 April 2001.

6. Basis of preparation

The interim results have been prepared on the basis of the accounting policies set out in the last annual report and accounts as amended to reflect the adoption of FRS19.

The cashflow statement amounts for capital expenditure and financing for the six months ended 31 October 2000 and the year ended 30 April 2001 have been grossed up by £63,254,000 and £141,334,000 respectively to more fully reflect the cash flows arising from refinancing through Hire Purchase agreements. Previously these amounts were shown net. There is no impact on net cash flow or net debt.

The figures for the year ended 30 April 2001 are extracted from the audited accounts for that year which have been delivered to the Registrar of Companies, and on which the auditors issued an unqualified report and which did not include a statement under section 237(2) or (3) of the Companies Act 1985.

Independent Review Report to Northgate PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 October 2001 which comprises the profit and loss account, the balance sheets, the cash flow statement and related notes 1 to 6. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Director's responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based there on, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed.

A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 October 2001.

Deloitte & Touche

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9 January 2002



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