

# Northgate plc

## Interim results

Six months to 31 Oct 2004



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Good morning everyone. Welcome to the presentation of our results for the six months to 31 October 2004.



For those of you who have not met us before, my name is Steve Smith and I am CEO of Northgate. With me today are Phil Moorhouse – MD of the UK Rental business – and Ged Murray, Group Finance Director.

We are now 18 months through our Strategy for Growth for the three years to April 2006. The period under review has continued the excellent start we reported in July, with earnings per share increasing by just under 16% to 29.1p. This increase has been driven by a number of factors, but of particular significance are the following:

1. The increase in the contribution from Fualsa, our Spanish operation, as a result of the Group acquiring the remaining 60% of the equity on 3 May 2004. This is therefore the first period for which Fualsa is being accounted for as a subsidiary, as opposed to a joint venture in prior periods.
2. The strong fleet growth we have achieved in both the UK and Spain, as a result of which we have further consolidated our position as market leader in the UK and made progress towards our target of achieving the same status in Spain.
3. An improved contribution from used vehicle sales in the UK.

# Agenda

- 3 year plan
- UK Rental operations review
- Financial review
  - UK
  - Fualsa
- The future

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The format of today's presentation is as follows:

1. I will remind you briefly of the objectives and key targets of our 3-year Plan.
2. Phil will then review how the UK Rental business has performed in the 6 months.
3. Ged will then go through the numbers and, in particular, will explain the impact of Fualsa becoming a subsidiary, the refinancing of our borrowings and our ongoing management of the key financial risks.
4. I will conclude with a brief summary of the highlights of the period under review and give some thoughts on the remainder of our 3-year plan and beyond.



In March 2003, the Northgate Board approved a new 3-year Strategy for Growth for the Company based on three key areas of the business – UK Rental, Spain and non-rental products. The period was chosen primarily to coincide with the point at which we had the option to acquire full control of Fualsa.

Our UK Rental operation would remain the backbone of the business and continue to grow since we retain the view that the UK market is far from mature and that there remains significant potential for us to expand our business here.

The UK plan, to some extent, could have been considered as more of the same, with the key areas being to:

- mature the existing network;
- extend the network to approximately 100 locations, mainly through the addition of smaller branches;
- acquire small/medium size rental companies when the opportunity arose.

Growth in Fualsa was to be generated by:

- an extension of the network to 20 locations from the 8 sites as at 30 April 2003, with a resultant increase in market share;
- the development of a rental product similar to Norflex;
- the broadening of the customer base away from its construction bias through a marketing campaign to non-renters.

The third leg of our plan involved the development of non-rental products, the provision of which would allow us to cross sell to Northgate's existing customer base, thereby differentiating us from our competitors whilst, at the same time, producing a contribution to our bottom line.

So, in summary, the plan saw us aiming to achieve:

- 1) a vehicle fleet of 60,000 in the UK and 18,000 in Spain;
- 2) a network of 100 locations in the UK and 20 in Spain;
- 3) 100% ownership of Fualsa; and
- 4) an established portfolio of non-rental products.

Our objective was to achieve these targets and, other things being equal, translate these achievements into double digit annual earnings per share growth over the three financial years to April 2006.

To see how we are doing in the UK at the half way stage, I would now like to pass you over to Phil Moorhouse who will review our performance here for the six months to October 2004.

# Phil Moorhouse

*Managing Director  
UK Rental*



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# UK key points

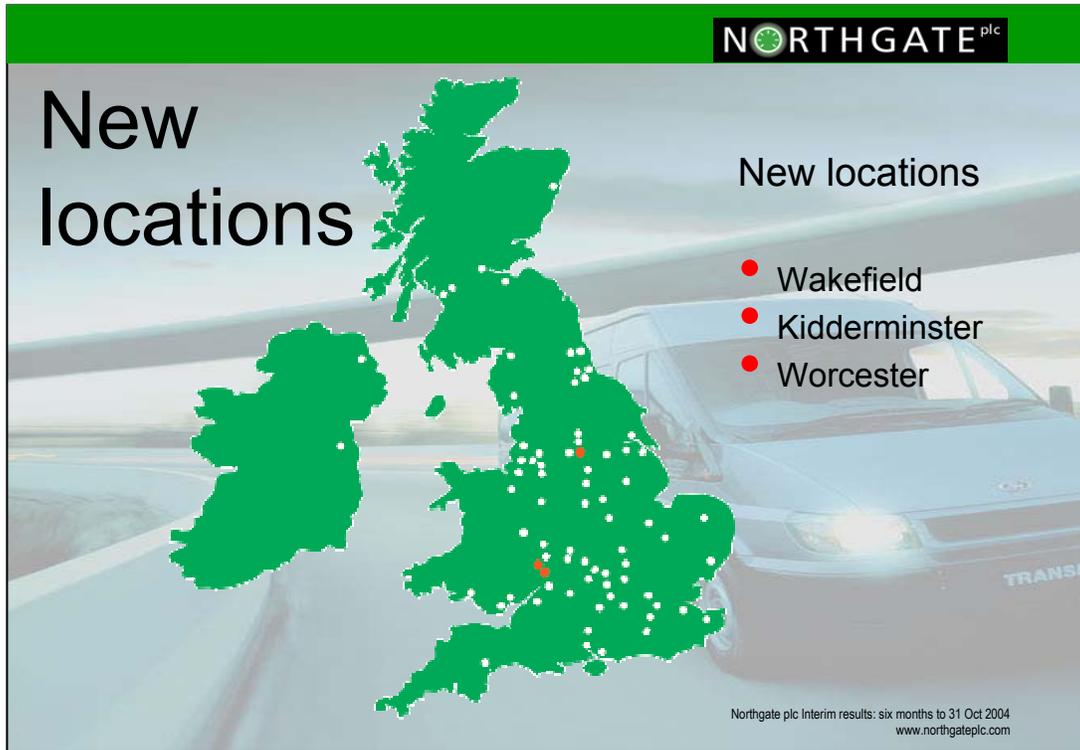
*Six months to 31 Oct 2004*

- Operating profit +12.8%
- Operating margin 20.9% (2003 - 20.7%)
- Fleet growth six months to 31 October
  - 2004 - 10%
  - 2003 - 2%
- Network of locations 76
- Closing fleet: 52,000

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Thank you Steve. Ged will be talking through the figures later in the presentation - what I would like to do is consider the operational issues behind the numbers.

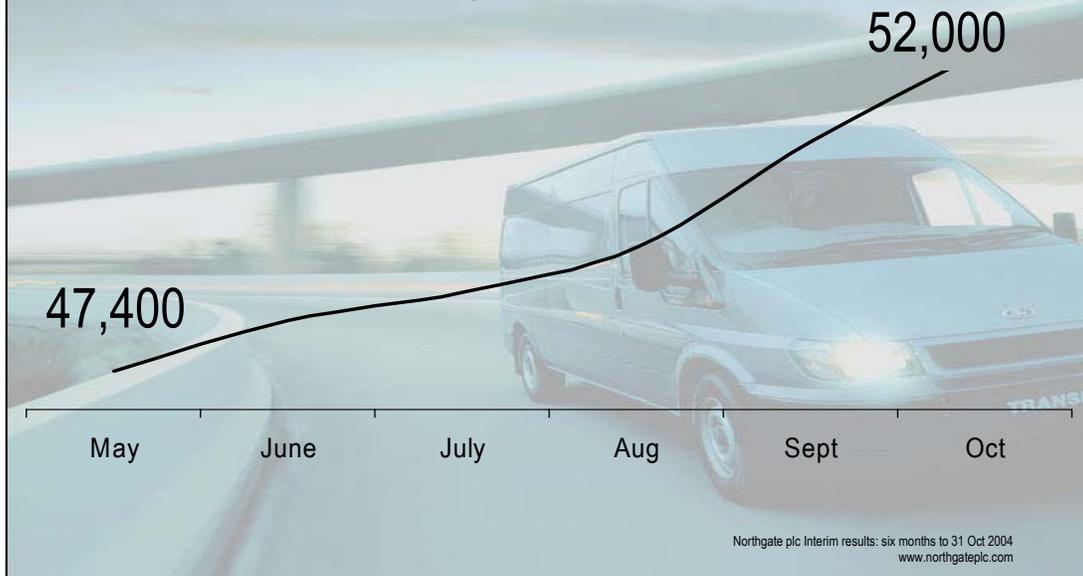
The background to the period under review has been one of very strong demand for our product Norflex. This results from a combination of internal measures and sales focus such as the increased marketing we undertook last year, a slightly more uncertain economic environment and the opportunity to win business from contract hire companies we predicted would arise as interest rates increased.



Currently we operate from 39 primary and 37 branch locations, having opened 3 during this period. Our hire locations continue to expand to fleet sizes in excess of those anticipated in the strategic plan – being 1,200 for a hire company and 300 vehicles for a branch both at full maturity. As a consequence, we will achieve our overall objective by April 2006 from fewer locations than the 100 we had planned, leaving the balance to be opened in future periods. Notwithstanding this, we continue to search for new locations and currently have some four new sites under active consideration, two of which should open towards the end of the financial year. A number of relocations are also planned for businesses which have reached the capacity of their existing facilities and these will also add capacity to the network. We are confident that the opportunity to increase these Greenfield sites, primarily the smaller branch locations, remains significant.

As well as looking for new greenfield sites, there will continue to be selected opportunities to acquire other businesses where price expectations are at realistic levels. Foley is the most recent example of a business which offered a strong brand, good premises in a location where we were not well represented and an experienced rental team.

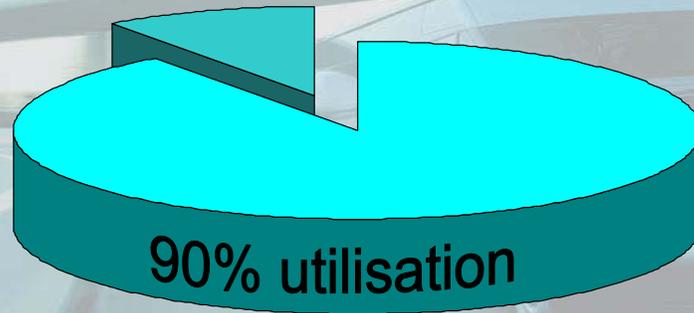
# UK fleet by month



The strong demand for our product that I referred to earlier has resulted in our fleet increasing by almost 10% - from 47,400 at the end of April to 52,000 at 31 October 2004. The acquisition of Foley Self Drive Limited on 1 August 2004 accounted for 850 vehicles of this increase and the balance of the increase represents organic growth - almost 8% in the six-month period.

Whilst we are now on a time apportioned basis back on track to achieve a fleet size of 60,000 in the UK by April 2006, the second half of our fiscal year traditionally sees less growth in the fleet than the first half. Consequently we remain of the opinion, as expressed in the Operations Review of the 2004 Report and Accounts, that our UK fleet at April 2006 may be slightly short of that target at around 58,000 vehicles.

# Utilisation



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In case anyone needs reminding, utilisation is the key measure within the Northgate business and, by a combination of managing vehicle flows and increased sales activity, we seek to maintain a 90% average across the Group. In the period under review, strong demand has seen average utilisation being slightly over our target of 90%. There remains a range of utilisation (albeit a small one) across the business, generally following the maturity of the locations. Some of the more mature sites can operate at 91/92%, which gives an indication of the opportunity to improve utilisations a little further when the network matures.

# Hire rates & VSL

- Hire rates
  - Competition
  - Interest rates
  - Fleet growth
- Vehicle Solutions (VSL)
  - 'One Call Rental'
  - Vehicle Monitoring

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Hire rates have softened slightly as a result of continued competitor activity in the rental sector and our focus on fleet growth. As we indicated in the Operational Review of our 2004 Report and Accounts, rising interest rates should give us the opportunity to increase our hire rates or alternatively win business from contract hire competitors. Our decision was to focus on the latter as evidenced by fleet growth of 8%, excluding the acquisition of Foley, in the six months to 31 October 2004. However, as contract hire companies tend to operate at rates at the lower end of our range, the impact of this new business has been to slightly reduce our average hire rate. Our view, incorporated into our strategic plan, is one of very limited improvement in hire rates. In the current environment of low inflation and low interest rates we believe that most UK companies, not just ourselves, will find it difficult to increase prices.

Looking at our Vehicle Solutions (VSL) operation in Darlington – it seeks to augment hire revenues through the provision of a 'one-stop shop' for customers and is also developing our non-rental product offerings. The 'One Call' solution is attracting a growing number of customers requiring the benefit of one call, one bill and multi locational delivery. Royal Mail is an excellent example of a customer who benefits from this solution. On the non-rental side we continue to develop Vehicle Insight, our tracking product, which has contracts for over 1,800 units compared to 1,400 at the end of April 2004.

# Margins

- Operational gearing
- Costs
- Efficiency

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As we said in previous reviews, we have made a significant investment in our network in recent years. The ability to put volume through that network will help us to move margins forward in the coming years.

We have focused on minimising costs, particularly during the course of the last year. We will continue to review those vigorously.

To assist with this objective we have introduced a project specifically aimed at ensuring we adopt those processes appropriate to our business and customers needs that will enable us to continue our growth in the UK in the most efficient manner. Various aspects of this project are now at the implementation phase and over the next 12 months we expect to see a number of internal changes. For example – the way that we process vehicle purchases and the manner in which we control warranty work are both going to be restructured. The focus on margin remains a crucial element for the remaining period of our 3-year Strategy for Growth.

# Residuals

## Profit per unit

	Oct 2004	Oct 2003	April 2004
Operating profits (£m)	2.2	2.0	3.5
Units	7,800	10,900	18,700
<b>Profit/unit (£)</b>	<b>276</b>	<b>181</b>	<b>189</b>

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We have achieved a significantly improved contribution per vehicle sold when compared to the prior period - £276 v £181 – on sales down from 10,900 vehicles to 7,800 vehicles, a reduction of 28%. As you will recall the number of vehicles sold in each period is primarily driven by our planned disposals based on a life cycle of approximately 30 months for vans and around 20 months for cars. Consequently the number of disposals does vary from period to period dependant on buying patterns some two years earlier.

# Residuals

- Market remains steady
- Proportion of sales through the retail and semi retail channel
  - 2004 - 11%
  - 2003 - 4%
- Expected volume increase in 2<sup>nd</sup> half of the year
- Dilution of margin due to mix of sales

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Since the market for used vehicles has remained relatively stable, the improvement has been largely generated by an increase in the number of vehicles sold into the semi retail and retail markets which has risen to 11% of the total (2003 – 4%). This has been coupled with a small improvement in trade sales from certain product entering the used marketplace for the first time.

The policy to increase our disposal channels has been put in place over the last few years through the development of our Norcom and, more recently, Van Monster brands.

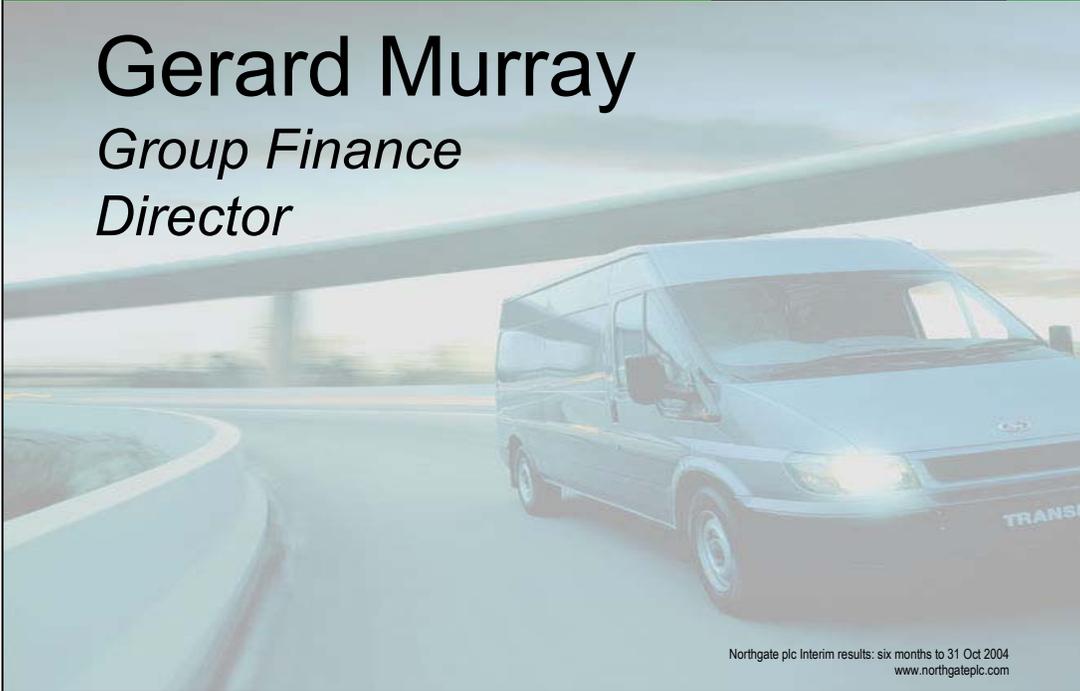
We currently operate from 5 disposal sites in the UK with Darlington, Kent and Banbury focusing on trade buyers and Carnaby and Walsall concentrating on remarketed and retail product.

The volume of vehicle sales is expected to be higher in the second half of the financial year. Given the fact that the number of semi retail and retail vehicles are to a great extent limited by the supply of suitable vehicles, the proportion of total sales represented by these vehicles will, therefore, be lower for the full financial year.

Our prudent depreciation policy, combined with strong management of this area of our business, leaves us confident of maintaining our balanced position going forward.

# Gerard Murray

*Group Finance  
Director*



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# Financial highlights

- Profit before tax +21.7%
- Earnings per share
  - +15.9%
  - 3.04m new shares – 5% Placing Jan 2004
- Gearing of 218.0% (2003 – 171.8%)
- Interest cover of 3.7 times (2003 - 3.8)
- Interim dividend 8p (2003 - 7p)
  - +14.3%
  - 3.6 times cover (2003 - 3.6)

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Thank you Phil – good morning everybody. As Phil has already illustrated in his presentation, the period has been characterised by strong fleet growth which when combined with the continued focus on cost control, successful fleet management in the UK and an expanding fleet in Fualsa has generated:

- PBT growth of 21.7%
- Eps growth of 15.9%

The EPS has been impacted by the full period effect of the 3.04m new shares which resulted from the 5% Cash Placing on 14 January 2004.

Following the acquisition of the remaining 60% of Fualsa on 3 May 2004, the Group's borrowings now reflect the consideration for this acquisition (paid and deferred) and the underlying debt of Fualsa and the UK. As a consequence of the acquisition, combined with strong fleet growth in the UK and Spain, the Group's gearing has increased to 218.0% (2003 – 171.8%). The prior year comparative for gearing has been amended from 164.9% to reflect the fact that we have decided that the gearing ratio going forward will be calculated as net debt (including cash balances) as a percentage of shareholders' funds less goodwill. We are now deducting goodwill from shareholders' funds which, following the acquisition of Fualsa, has become significant enough to materially change the gearing calculation. Whilst gearing has increased, the Group's interest cover has remained stable at 3.7 times (2003 – 3.8 times).

An interim dividend of 8p (2003 – 7p) per share has been declared an increase of 14.3% on the prior period. Dividend cover remains static at 3.6 times (2003 – 3.6 times).

# Financial summary

31 October

	2004	2003	
PBT	27.3	22.4	+22%
- Investment income	-	(0.2)	
- Goodwill	0.5	0.2	
<b>Underlying PBT</b>	<b><u>27.8</u></b>	<b><u>22.4</u></b>	<b>+24%</b>

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You may recall that at previous presentations we have sought to strip out exceptional or non-recurring elements to determine the underlying profitability of the business.

For this analysis I include goodwill amortisation as a variable that should be added back to profit before tax to determine underlying profitability.

In the prior year we received £0.2m of investment income - which was the final stage in the realisation of historic overseas investments held by one of our subsidiaries. In this period due to the new acquisitions (mainly Fualsa) goodwill amortisation has risen to £0.5m. Thus the underlying profit before tax is £0.5m higher than the declared figure. This underlying profit before tax of £27.8m for the current period compares to £22.4m for 2003 which is a 24% increase.

# Operating Profit - 2004

	UK	Spain	Total
	£m	£m	£m
Hire	29.5	5.7	35.2
Used vehicle sales	2.2	0.4	2.6
<b>Operating profit</b>	<b>31.7</b>	<b>6.1</b>	<b>37.8</b>
<b>Interest</b>	<b>(8.4)</b>	<b>(1.6)</b>	<b>(10.0)</b>
<b>Profit before tax pre Goodwill</b>	<b>23.3</b>	<b>4.5</b>	<b>27.8</b>

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To give an idea of the contribution of Fualsa, the underlying profit before tax of the Group has been split by operating profit and interest charge. The UK contributes 84% of operating profit and profit before tax and Fualsa 16% of both measures.

The UK operating margins continue to be an area of focus and are dealt with in the following slides. Fualsa's operating margins are also reviewed later in this presentation, as are the Group's exposure to interest rate changes.

The Group's interest charge is also split 84% to the UK and 16% to Fualsa based on the UK and Fualsa representing 75% and 25% of Group net debt respectively. This in turn is indicative of the lower EURIBOR rates versus LIBOR in the UK.

# UK turnover

	2004	2003	%
	£m	£m	Inc
Hire revenues	141	126	12
Used vehicle sales	47	61	(23)
<b>Total</b>	<b>188</b>	<b>187</b>	<b>1</b>

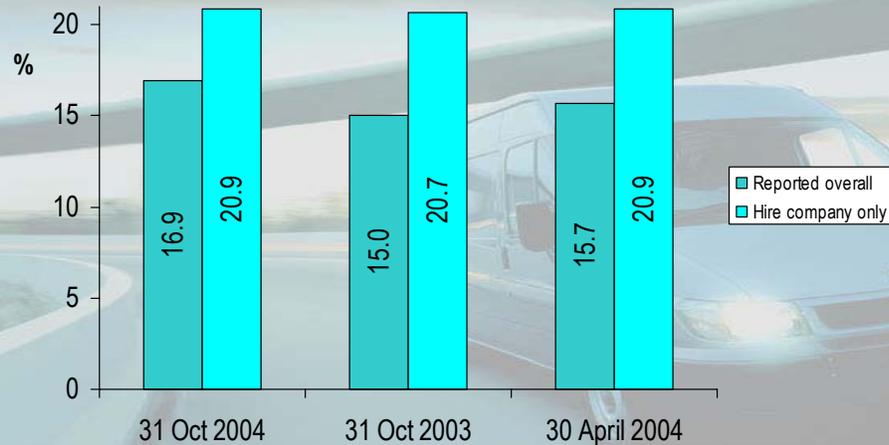
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The table shows the UK turnover split by our two main income streams, that of hire revenues and used vehicles sales. UK turnover has only increased by 1% in total however hire revenues have increased by 12%.

As mentioned by Phil earlier we have had strong demand for our hire product, Norflex, such that hire revenues have increased in line with UK fleet growth. As will be shown in the following slides hire income generates a greater operating margin than vehicle sales so this shift in split improves the reported margin.

Used vehicle sales turnover has fallen by 23%, this is driven by the fall in units sold which were 7,800 in the six months to October 2004 (2003 – 10,900) but is mitigated by the revenue per vehicle which has increased partly due to mix and partly due to the increase in sales into the retail and semi-retail channels.

# UK operating margins \*



Margins are shown pre goodwill charges \*

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You will recall that when we announced our full year results to April 2004 our reported operating margin had increased to 15.7%. This has now increased to 16.9% mainly due to the turnover mix since used vehicle sales (our lowest margin business) has reduced significantly as can be seen above. We expect vehicle sales to increase in the second half of the year and due to this would expect a reduction in this reported operating margin by the year end.

Looking at operating margins (excluding goodwill amortisation) for the hire business in isolation, this has improved on the prior period by 0.2% and is consistent with operating margin achieved for the full year to April 2004. We are seeking a similar modest improvement in the second half of this financial year as the benefits of operational gearing start to work through.

# Fualsa



- Joint venture to April 2004
- 100% ownership acquired on 3 May 2004
- Satisfied by cash £15.2m and deferred consideration £9.3m (fair value)
- Total goodwill £13.1 million equates to £0.7 million p.a amortisation

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In May 2004 the Group acquired the final 60% of the share capital of Fualsa. £15.2 m of cash was paid to the shareholders on the 3 May 2004 with the remaining consideration (£14.9m) being payable in May 2006. In line with UK accounting standards this deferred consideration has been fair valued to £9.3m.

The goodwill that has arisen on the total purchase of Fualsa (including the initial 40% stake acquired in July 2002) is c£13.1m which will give rise to c£0.7m goodwill amortisation charge per year.

# Fualsa



- Consideration

	Equity %	Max consideration status
July 2002	40	15.4 €M Paid July 2002
<b>May 2004</b>	<b>40</b>	<b>22.3</b> €M Paid May 2004
May 2006	20	14.9 €M Deferred (max)

- May 2006 consideration

- PAT x 8.5 multiple based on average calendar year profits 2004 and 2005

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The consideration is shown on the slide, given the excellent performance of Fualsa we would expect to have to pay the maximum consideration when the final payment is due.

# Fualsa key points

## *six months to 31 Oct 2004*

- Profit before tax and goodwill £4.5m (2003\*- £1.6m)
- Operating margin 17.7% (2003 - 18.8%)
- Exceptional disposal profit of £0.6m in prior period.
- Annualised Fleet growth 26%
- Utilisation 89% (2003 - 88%)

\* Joint venture share at 40%

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We are delighted to report a £4.5m contribution pre-goodwill to profit before tax, up from £1.6m in the prior period. It has to be said that the prior period represented only 40% of the total result of Fualsa as at this point it was still accounted for as a joint venture. If we grossed this back up to give a 100% comparative we would have a prior year figure of £4m. The growth in profit before tax of 12.5% is on the face of it below the annualised fleet growth of 26%.

The reason for this is explained by the fact that Fualsa experienced an element of non-recurring profits on the disposal of vehicles acquired before January 2001 estimated to be £1.43m in the six months to 31 October 2003. The Group's share of this non-recurring profit in the prior period was £0.57m. Adjusting for this issue the growth in profit before tax is ahead of the annualised fleet growth.

Experience has shown that the rate of depreciation used previously was too prudent and hence a more appropriate rate was applied to vehicles purchased after 1 January 2001. The period to 31 October 2003 had a significant number of pre 2001 vehicles being disposed of giving rise to the non-recurring profits that I have already mentioned. From 31 October 2003, the vast majority of the pre 2001 vehicles had been disposed of and the effect of the change in depreciation has been to improve the operating margin and to bring the profits on disposal closer to those experienced in the UK.

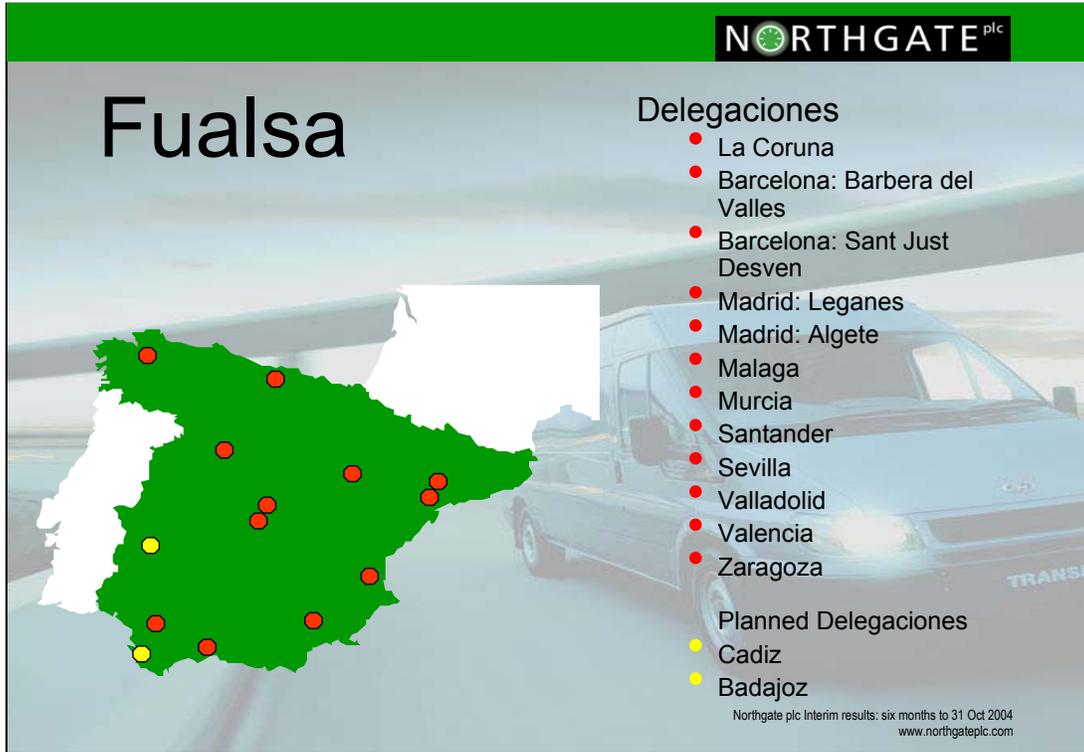
Utilisation has continued to increase on average from just over 88% to just over 89%, gravitating ever closer to the magical 90% target which was actually achieved in September and October 2004. We expect the average to continue to improve as the network matures.

# Fualsa fleet



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We have mentioned that Fualsa has experienced annualised fleet growth of 26% in the last 12 months. It is worth taking a moment to review Fualsa's fleet growth since the Group's initial investment in July 2002. This graph shows the fleet increasing from 10,000 vehicles in July 2002 to 17,000 vehicles in October 2004 – a 70% increase in a little over 2 years. This growth demonstrates the opportunity that we believe exists in Spain and is being capitalised on by Fualsa.



As part of our three year Strategy for Growth we plan to have 20 locations in Spain by April 2006. We currently have 12 locations following the openings at La Coruna and Murcia during the period. By the end of this month we will have a further two locations with Cadiz and Badajoz opening, bringing the total locations to 14 and on track to have a network of 20 by April 2006.

# Fualsa turnover

	2004	2003*	%
	£m	£m	Inc
Hire revenues	26	21	25
Used vehicle sales	9	9	-
<b>Total</b>	<b>35</b>	<b>30</b>	<b>18</b>

\* Amounts shown for Fualsa as a whole. The Group's interest in these amounted to 40%.

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As with the UK we have analysed Fualsa's turnover between hire and used vehicle sales. The prior year comparators are for Fualsa as a whole and not just the 40% interest that the Group had in the joint venture. Hire turnover has increased by 25% - in line with fleet growth. Used vehicle sales turnover is flat with the volumes sold down by 14% compensated by an improvement in revenue per vehicle sold in 2004.

# Fualsa operating margins\*



Margins are shown pre goodwill charges \*

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The overall operating margin of Fualsa (excluding goodwill amortisation) has fallen to 17.7% from 18.8%. This is mainly due to the non recurring vehicle sales profit that occurred in the period to October 2003. If we isolate the hire margin only we can see that this has increased from 18.4% to 22.2%. The current period has benefited from a lower depreciation charge compared to 2003 because new vehicles replacing those vehicles that were acquired pre January 2001, have a lower depreciation rate than their predecessors.

# Group financial issues

- Residuals
- Interest costs
- Bad debts
- International Accounting Standards

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We continue to focus on the key drivers at the back end of our business model – being residuals, interest costs and bad debt. We will now review each area of them in turn looking at both the UK and Fualsa.

# Financial issues

## *Residuals*

Profit per unit (£)

UK

Spain

**Oct Oct**  
**2004 2003**

276 181

219 803

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Phil has already mentioned the factors influencing the improvement in profit per unit for the UK operations. Fualsa has been affected by the non-recurring profits in 2003 as noted above and the profit per unit of £219 is broadly in line with the UK. It should be remembered that our business model is far more flexible than contract hire. Even if residuals were weak we have the option to age the fleet by deferring the disposal date whilst maintaining a revenue against the vehicle.

Phil also mentioned that our expectation is for a higher volume of vehicle sales in the second half of the financial year. Coupled with the fact that the number of semi retail and retail vehicles are to a great extent limited by the supply of suitable vehicles, the proportion of total sales represented by these vehicles will, therefore, be lower for the full financial

year. As a consequence the average profit per unit in the UK is expected to return closer to those levels achieved in prior periods.

# Financial issues

## *Interest costs*

- 54% of net debt hedged at various levels
- LIBOR / EURIBOR rate increases on £410m net debt (UK £312m, Spain £98m)

Rate increase	Interest costs £m		
	UK	Spain	Total
1%	1.8	0.7	2.5
2%	3.5	1.3	4.8
3%	4.7	2.0	6.7

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We have seen the interest curve turn upwards during the last six months. We have already reported to you the action that we took in May/June of 2003 to cover £100m of our debt with £45m of 5 year swaps and £55m of 5 year zero premium collars.

Obviously the consolidation of Fualsa has increased the Group's net debt and the proportion of this net debt covered by existing derivatives has reduced. It should be remembered that the vast majority of Fualsa's debt is on fixed rates for 24-30 month terms. Applying increases in LIBOR and EURIBOR rates of between 1% to 3% to the Group's closing net debt of £410m and taking into account the UK derivatives and the existing structure of Fualsa's borrowings, the effects of these increases are estimated to be as follows:

	UK	Spain	Total
1%	1.8	0.7	2.5
2%	3.5	1.3	4.8
3%	4.7	2.0	6.7

We will see later in the presentation that we have restructured the Group's debt facilities. This restructuring will in turn lead us to re-examine the financial instruments that we have in place to provide cover against interest rate movements with a view to increasing this coverage.

# Financial issues

## *Bad debt*

- Historically
  - 0.3% - 0.7% of group turnover
- Current year

% of Turnover	Oct 2004	Oct 2003
UK	0.6	0.5
Spain	0.2	0.7

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Our bad debt experience in the UK has historically been between 0.3% and 0.7% of turnover. I am pleased to say that we continue to be within this range at 0.6%. Again we have nothing to comment on that is material – by sector, region or company.

Turning to Spain we are pleased to say that there has been a significant reduction in the percentage from 0.7% to 0.2%. The prior period reflects some bad debts as a result of credit decisions in earlier periods. The controls implemented during 2003 have resulted in a much improved credit control environment.

So, all in all, no material items to report within these key areas.

# Financial issues

## IAS

- Segmental analysis and reporting (IAS 14)
- Share based payments (IFRS 2)
- Accounting for vehicles (IAS 16)
- Hedging (IAS 39)
- Business combinations (IFRS 3)

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IFRS will affect Northgate with an opening balance sheet being required from 1 May 2005. With this in mind we have been working in determining the impact of the new standards on the Group's primary statements. The work is ongoing and we expect to give a fuller analysis following our Preliminary results in July.

The main areas that we have identified that are likely to have an impact on the Group are as follows:

Segmental analysis and reporting (IAS 14) – used vehicle sales turnover is likely to be excluded from Group turnover.

Share based payments (IFRS 2) – recognising costs of fair value of options. Impact reduced due to the current limited scope of options.

Accounting for vehicles (IAS 16) – further assessment of certain aspects of the standard being reviewed.

Hedging (IAS 39) – the Group's interest and foreign exchange policies are expected to be acceptable hedging mechanisms but given the continuous changes in this standard, it is an area that is still being reviewed.

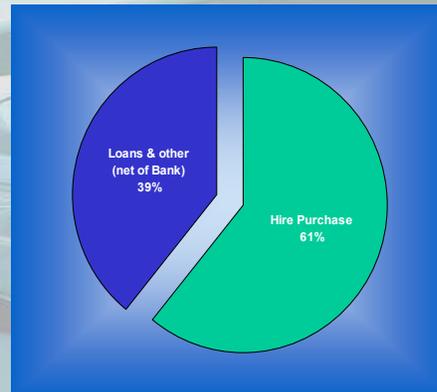
Business combinations (IFRS 3) – treatment of goodwill (impairment v amortisation)

# Group financing

## *Analysis of net debt*



*October 2004 (inc Fualsa)*



*April 2004 (exc Fualsa)*

Northgate plc Interim results: six months to 31 Oct 2004  
[www.northgateplc.com](http://www.northgateplc.com)

If we turn now to the Group's funding structure. In April 2004 (excluding Fualsa) we had 61% of net debt being provided through HP facilities in the UK. This was down from over 80% earlier during the year. The balance of debt was represented by bank loans.

The acquisition of Fualsa has introduced further sources of finance to the Group – unsecured loans, invoice discounting and asset finance. At 31 October 2004 the Group's net debt was represented by 46% HP and 54% loans.

Given the increased complexity of this funding structure we have taken this opportunity to review the Group's requirements in their entirety.

# Group Refinancing

- UK debt £312m
- FUALSA debt £98m
- New Group facility £565m
  - Unsecured
  - Terms

	£m
1 yr	113
3 yr	226
5 yr	<u>226</u>
	<u>565</u>

Northgate plc Interim results: six months to 31 Oct 2004  
www.northgateplc.com

The net debt of the Group as at 31 October 2004 totals £410m (April 2004 – £250m) with the majority of the increase compared to April 2004 arising from the consolidation of Fualsa's debt of £98m. On 10 January 2005 the Company entered into a series of unsecured, revolving, bilateral facilities with major UK and European banks to provide an aggregate facility to the Group of £565m over one, three and five year terms. These new facilities will replace all those facilities that existed at 31 October 2004.

So that concludes the finance issues. I will put this slide up to remind you of the headlines and hand you back to Steve now...

# Summary

	2004	2003	
PBT	<b>£27.3m</b>	£22.4m	<b>+21.7%</b>
EPS	<b>29.1p</b>	25.1p	<b>+15.9%</b>
Dividend	<b>8.0p</b>	7.0p	<b>+14.3%</b>

Northgate plc Interim results: six months to 31 Oct 2004  
[www.northgateplc.com](http://www.northgateplc.com)

As you can see from the summary slide that Ged closed with, we have achieved another strong set of results and continue to make excellent progress against the objectives of our 3-year plan. In particular EPS growth of almost 16% when combined with just under 23% for the first year of the plan is very pleasing.

# The future

- Current trading
- Outlook for the year
- 3 year plan

We are encouraged by the continued strong growth in our core UK hire business, confirming our view that the UK market is by no means mature and that plenty of opportunity still exists to grow our business here. Furthermore, the work done and investment made, to strengthen Fualsa and set it on course to become the market leader in the Spanish commercial vehicle rental market is proceeding according to plan. Our experience to date has confirmed the opinion we had when initially investing in Fualsa that future prospects for the development of our business in Spain are significant.

Since the end of the period, trading has remained strong and the Board is confident of both the outcome for the full financial year and our prospects for the remainder of the period relating to the Three Year Strategy for Growth.

That concludes our presentation. We would now be pleased to take any questions you may have.