

2 December 2014

NORTHGATE PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 OCTOBER 2014

Northgate plc (“Northgate”, the “Company” or the “Group”), the UK and Spain’s leading specialist in light commercial vehicle hire, announces its interim results for the half year ended 31 October 2014.

Financial Highlights

- 49% increase in underlying profit before tax⁽¹⁾ to £47.8m (2013 – £32.0m);
- 70% increase in profit before tax to £46.7m (2013 – £27.4m);
- 56% increase in underlying basic earnings per share⁽²⁾ to 28.6p (2013 – 18.3p);
- 78% increase in basic earnings per share to 27.9p (2013 – 15.7p);
- As expected, net debt increased by 15% to £397.0m (April 2014 – £346.1m), supporting growth in both countries:
 - Gearing⁽³⁾ increased to 100% (April 2014 – 91%);
- Return on capital employed⁽⁴⁾ increased to 11.4% (April 2014 – 9.9%);
- 34% increase in interim dividend to 4.3p per share (2013 – 3.2p).

Operational Highlights

- Vehicles on hire growth of 1,800 in the UK since 30 April 2014, including 1,100 from new sites opened since February 2013 (2013 – growth of 2,800);
- Vehicles on hire growth of 1,300 in Spain since 30 April 2014 (2013 – growth of 1,200);
- Four new sites opened in the UK in the half year, another opened since 31 October and three more planned by 30 April 2015;
- Average utilisation over the period of 89% in the UK (2013 – 88%) and 92% in Spain (2013 – 93%);
- Closing fleet of 57,000 in the UK (April 2014 – 53,900) and 40,000 in Spain (April 2014 – 37,800).

Bob Mackenzie, Chairman, commented:

“We are pleased by the growth delivered by the Group in the first six months of the year. This reflects the work done in recent years, in particular, supporting the continued investment being made in our people, systems and infrastructure. Our plans to open new sites in the UK are on track and trading from these new sites is exceeding our initial plans.

The Board remains confident that we are well positioned to deliver further growth and attractive returns to shareholders. The Group is currently trading slightly ahead of our expectations.”

Full statement and results attached.

There will be a presentation to analysts at 9.30am today at Numis, 5th floor, London Stock Exchange building, 10 Paternoster Square, London EC4M 7LT. If you have not already registered for attendance then please contact MHP Communications on the number below.

For further information, please contact:

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Notes to Editors:

Northgate plc is the leading light commercial vehicle hire business in the UK, Ireland and Spain by fleet size and has been operating in the sector since 1981.

Northgate’s core business is the hire of light commercial vehicles to businesses on a flexible basis, giving customers the ability to manage their vehicle fleet requirements in a way which can adapt to changing business needs without the requirement to enter into a long term commitment.

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

www.northgateplc.com

Business Review

Overview

The Group had a strong first half and progress continues to be made against our strategy, which is as follows:

- In the UK, the primary focus is on growing the business through our existing network and by adding new sites; and
- In Spain, we continue to target improved returns through operational efficiency coupled with growth.

The underlying performance of the first six months of the year is slightly ahead of our expectations with both vehicles on hire growth and improved margins being achieved in both the UK and Spain, with Group results as follows:

- Revenue of £305.0m (2013 – £288.8m);
- Operating profit⁽¹⁾ of £54.1m (2013 – £38.1m);
- Profit before tax⁽¹⁾ of £47.8m (2013 – £32.0m);
- Basic earnings per share⁽²⁾ of 28.6p (2013 – 18.3p);
- Return on capital employed⁽⁴⁾ of 11.4% (April 2014 – 9.9%).

The Group's profit before tax for the six months to 31 October 2014 was adversely impacted by the weakening Euro. On a constant currency basis the profit before tax would have been £1.2m higher.

The largest cost to the business is the holding cost of the vehicle rental fleet. This is the difference between the purchase price and the residual value achieved at the end of the vehicle's rental life. Over the past five years the Group has developed and improved its vehicle end of rental life sales channels, which has helped both to reduce the holding costs and improve returns. As disclosed in the 2014 Annual Report, following the ongoing strength of the residual values of the vehicle hire fleet, the depreciation rates in both the UK and Spain were reduced on 1 May 2014. The impact of this change on Group operating profit for the period is an increase of £6.6m, being £4.9m in the UK and £1.7m in Spain.

As expected, the growth achieved in both countries led to an increase in the Group's net debt of 15% to £397.0m. Gearing⁽³⁾ at 31 October 2014 was 100% (91% at 30 April 2014) and the balance sheet remains strong. Debt leverage cover at 31 October 2014 was 1.64x, in line with our stated intention of cover between 1.25x and 2.00x.

As previously stated, Northgate recognises the importance of the dividend to investors and sets its annual dividend after taking into account the desire to have a progressive dividend, with the intention to keep dividend cover in the range of 3.75x – 2.50x.

Following the 10.0p dividend for the year ended 30 April 2014, the Board has decided to pay a 4.3p (2013 – 3.2p) interim dividend in recognition of our confidence in the long term prospects of the Group. As previously proposed we would expect to pay approximately one-third of the total dividend at the interim stage and two-thirds as a final dividend.

The Board remains committed to seek ways to drive growth where an appropriate level of return exists, as we believe this is key to delivering significant returns to shareholders.

UK

We are pleased to report that our operating margin⁽⁵⁾ increased to 25.2% (2013 – 18.7%) and return on capital employed⁽⁴⁾ increased to 12.7% (April 2014 – 11.2%).

Vehicles on hire and hire rates

Vehicles on hire increased from 47,600 at 30 April 2014 to 49,400 at 31 October 2014, an increase of 1,800 compared to an increase of 2,800 in the same period last year. The growth experienced in the six months to 31 October 2014 was all derived from our regional customers.

The average number of vehicles on hire for the half year was 48,000, a 9% increase on the 44,000 achieved during the same period in the prior year.

As previously outlined, a number of improvement programmes in the commercial area of the business were implemented in the previous two years, focusing on increasing the skills, resource and support within the sales team. The initial focus of these programmes was within our regional business, which represents two-thirds of our vehicles on hire, followed by our national business.

There has been a 1% reduction in the average hire revenue per rented vehicle when compared to the same period last year. This has been driven by the impact of the weakening Euro (in relation to our Irish business) and by a change in our customers' behaviour, leading to less damage and therefore a decrease in workshop income per vehicle. Adjusting for these two factors, the revenue per vehicle is in line with the same period last year.

Partly as a result of the reduced vehicle damage, maintenance costs were 1% lower for the six months ended 31 October 2014 compared to the same period in the prior year, despite the average fleet size being 9% higher.

Compared to the year ended 30 April 2014, the average revenue per vehicle in the six months to 31 October 2014 has seen a 1% increase.

Network

We identified large areas of the country where significant numbers of potential customers were not effectively serviced by an accessible Northgate site. We commenced our expansion plans in the final quarter of the year ended 30 April 2013 and opened seven sites by 30 April 2014.

Four more sites have been opened in the period to 31 October 2014 (South Dublin, Enfield, Watford and Southall). In addition, a further site was opened in Dartford in November 2014, bringing the total branch network to 73.

Progress with the new sites is encouraging with the profit levels exceeding our initial plans. The 11 sites opened since February 2013 now have 3,100 vehicles on hire, of which 1,100 have been generated in the six months to 31 October 2014.

The impact of the 11 sites opened since February 2013 (including the new sites project team costs) was an operating profit of £0.7m (2013 – operating loss of £1.3m). It is estimated that each of these new sites will become profitable on a trading to date basis after two years with ROCE exceeding 16% in year four as the sites reach maturity.

Our first focus was on establishing an enhanced branch network within the London area which provides the largest commercial opportunity. With the London footprint largely complete, we will continue the network expansion and have identified a further 17 locations across the remainder of the UK which would support a site at our required level of return.

We are aiming to open an average of eight to ten sites per year. This will take the branch network to approximately 90 by 31 December 2016.

The existing sites achieved 1.3% growth and we believe that there is opportunity to develop this further.

Asset Management

Utilisation for the period was 89% (2013 – 88%). The fleet size in our UK business increased from 53,900 at 30 April 2014 to 57,000 at 31 October 2014.

Following the decision to age the vehicle fleet in the prior year, purchases returned to expected levels and totalled 11,700 in the six months to 31 October 2014 compared to 9,400 in the same period in the prior year. The average age of the rental fleet is 20.9 months at 31 October 2014, compared to 22.3 months at 30 April 2014.

A total of 8,600 vehicles were sold compared to 7,600 in the six months to 31 October 2013.

With vehicle holding costs (depreciation) being the largest cost in the UK, the disposal of vehicles is an area where significant progress and investment has been made over the past five years.

There are three main disposal channels that are utilised in the UK: auction, trade sales and retail sales. Retail sales are where we sell our end of rental life fleet via our own Van Monster brand. Residuals are at a premium where the vehicle is sold via this channel.

In order to increase the number and percentage of vehicles being sold via this channel we have implemented the following initiatives over the past five years:

- Increased Van Monster retail outlets from seven in April 2009 to 11 at 31 October 2014;
- Increased brand and customer reach through investment in online marketing;
- The introduction of seven centres across the UK, where all defleeted rental vehicles are sent and their disposal channel selection is made by experienced vehicles sales professionals; and
- Customer profiling and pricing to attract rental customers who ultimately use the vehicle in such a way that the whole life holding costs are minimised and returns maximised.

Looking at progress since the year ended April 2009, the percentage sold via the more profitable retail channel has increased from 18% to 29% in the six months to October 2014. In the same period last year 24% were sold via this channel.

The UK has also aged the rental fleet from an average age of 19.4 months at 30 April 2009 to 20.9 months at 31 October 2014. With the fall in residual value being steeper at the earlier stages of a vehicle's life, ageing of the fleet over the past five years has reduced the average monthly holding cost.

Spain

The Spanish economy has started to show small signs of improvement and our Spanish business is well positioned to take advantage of this if it continues. Notwithstanding this we believe our product proposition is well suited to SMEs who struggle to obtain bank financing and appreciate the flexibility and service we provide. Growth, coupled with improved asset management and operational efficiency, led to an operating margin⁽⁶⁾ increase to 22.9% (2013 – 16.6%) and return on capital employed⁽⁴⁾ to 10.6% (April 2014 – 9.2%).

Vehicles on hire and hire rates

Vehicles on hire have increased by 1,300 in the six months to 31 October 2014 compared to an increase of 1,200 in the same period last year. Whilst we do experience seasonality in our Spanish business it is pleasing to see that the continued efforts in the commercial area of the business have led to sustained growth. This has been achieved by a focus on the SME sector where we have seen a wider recognition and acceptance of our product proposition, and through an increased sales force and marketing spend. This has also resulted in customer numbers continuing to increase, growing by 12% since 30 April 2014.

The average number of vehicles on hire for the half year was 36,200, a 9% increase on the 33,100 achieved during the same period in the prior year.

After adjusting for fleet mix, average hire revenue per rented vehicle has fallen by 1% compared to the same period last year. This reduction has been mitigated by an increasing proportion of customers operating our fleet in such a way that running costs are reduced and residual values are increased.

As a result of a change in our customer profile and productivity improvements our vehicle maintenance costs were 3% lower for the six months ended 31 October 2014 compared to the same period in the prior year, despite the average fleet size being 10% higher.

Asset Management

Utilisation for the period was 92% (2013 – 93%). The fleet size in our Spanish operation increased from 37,800 at 30 April 2014 to 40,000 at 31 October 2014. In the six months to 31 October 2014, 7,100 vehicles have been purchased compared to 5,100 in the same period last year. The average age of the rental fleet is 23.7 months at 31 October 2014, compared to 24.3 months at 30 April 2014.

A total of 4,100 vehicles were sold compared to 3,700 in the six months to 31 October 2013.

As with the UK business the vehicle holding cost (depreciation) is the largest cost in Spain. There are four main disposal channels that are open to Spain: auction, trade sales, export and retail sales. As in the UK, retail sales are made via our Van Monster brand and attract higher residual values.

In order to increase the number and percentage of vehicles being sold via this channel the following has occurred over the past five years:

- Increased Van Monster retail outlets from one in April 2009 to eight at 31 October 2014;
- Increased brand and customer reach via investment in online marketing; and
- Customer profiling and pricing to attract rental customers who ultimately use the vehicle in such a way that the whole life holding costs are minimised.

Due to the lower number and concentration of vehicle hire sites in Spain, we do not require the defleet centres that the UK operates as the relevant expertise is available at all sites.

Looking at progress since the year ended April 2009, the percentage sold via the more profitable retail channel has increased from 4% to 17% in the six months to October 2014. In the same period last year 17% were sold via the retail channel.

Current trading and outlook

We are pleased by the growth delivered by the Group in the first six months of the year. This reflects the work done in recent years, in particular, supporting the continued investment being made in our people, systems and infrastructure. Our plans to open new sites in the UK are on track and trading from these new sites is exceeding our initial plans.

The Board remains confident that we are well positioned to deliver further growth and attractive returns to shareholders. The Group is currently trading slightly ahead of our expectations.

Financial Review

Group

A summary of the Group's underlying financial performance for the six months to 31 October 2014 with a comparison to the prior year period is shown below:

	6 months to 31 Oct 2014	6 months to 31 Oct 2013
	£m	£m
Revenue	305.0	288.8
Operating profit ⁽¹⁾	54.1	38.1
Net interest expense	(6.3)	(6.1)
Profit before tax ⁽¹⁾	47.8	32.0
Profit after tax ⁽²⁾	38.1	24.4
Basic earnings per share ⁽²⁾	28.6p	18.3p
Return on capital employed ⁽⁴⁾	11.4%	10.5%
Net cash (used)/generated ⁽⁷⁾	(40.3)	3.9

Group revenue in the six months to 31 October 2014 increased by 5.6% to £305.0m (2013 – £288.8m) or 8.2% at constant exchange rates.

Due to the growth in fleet since 30 April 2014, there was a net cash outflow⁽⁷⁾ of £40.3m (2013 – £3.9m inflow) after net capital expenditure of £142.7m (2013 – £102.4m) resulting in closing net debt of £397.0m (April 2014 – £346.1m).

On a statutory basis, operating profit, stated after intangible amortisation and exceptional items, has increased to £53.0m (2013 – £33.5m) with profit before tax increasing to £46.7m (2013 – £27.4m). Basic earnings per share increased to 27.9p (2013 – 15.7p). Net cash from operations, including net capital expenditure on vehicles for hire, was an outflow of £39.6m (2013 – £6.8m inflow).

As noted in the 2014 Annual Report and Accounts, in line with International Accounting Standards the residual value and useful life of an asset should be reviewed at least each financial year end and, if expectations differ from previous estimates, the changes should be accounted for as a change in an accounting estimate.

When this review was performed at year end the strength of the residual values being achieved in both segments over the past five years led to a change in the vehicle depreciation rate. This was primarily as a result of improvements in our management of vehicle disposal channels. The impact of this change on Group operating profit for the period is an increase of £6.6m, being £4.9m in the UK and £1.7m in Spain.

UK

	6 months to 31 Oct 2014	6 months to 31 Oct 2013
	£m	£m
Revenue		
Vehicle hire	154.0	145.1
Vehicle sales	57.7	48.6
	211.7	193.7
Operating profit⁽⁸⁾	38.7	27.2
Operating margin ⁽⁵⁾	25.2%	18.7%

An increase in total hire revenue of 6.1% (6.5% increase at constant exchange rates) was mainly driven by an increase in the average number of vehicles on hire of 9.1%, being partially offset by a 2.5% decrease in revenue per vehicle. 1.9% of this decrease in revenue per vehicle was driven by a reduction in fleet management income, with the remainder being due to a reduction in damage income.

As disclosed in the 2014 Annual Report, following the ongoing strength of the residual values of the vehicle hire fleet, the depreciation rates in the UK were reduced on 1 May 2014. The impact of this change on the UK operating profit for the period is an increase of £4.9m.

The increased volumes sold, coupled with the continuation of strong resale values, led to a £14.1m reduction in the depreciation charge (2013 – £10.2m).

The bad debt charge for the period was £1.1m, in line with the prior year. Days sales outstanding were 39 days, in line with that at 30 April 2014. As a percentage of revenue the bad debt charge for the period was 0.7%.

Spain

	6 months to 31 Oct 2014	6 months to 31 Oct 2013
	£m	£m
Revenue		
Vehicle hire	76.0	76.9
Vehicle sales	17.3	18.2
	93.3	95.1
Operating profit⁽⁹⁾	17.4	12.8
Operating margin ⁽⁶⁾	22.9%	16.6%

A decrease in hire revenue of 1.1% (6.3% increase at constant exchange rates) was due to a 9.4% increase in average vehicles on hire and a 2.9% reduction in average hire revenue per vehicle. After adjusting for changes to vehicle mix the reduction in average revenue per vehicle was 1.5%.

Vehicle hire revenue and profit from operations in the period have suffered from a movement in exchange rates compared to the same period last year, by £5.7m and £1.3m respectively.

As disclosed in the 2014 Annual Report, following the ongoing strength of the residual values of the vehicle hire fleet, the depreciation rates in Spain were reduced on 1 May 2014. The impact of this change on the Spain operating profit for the period is an increase of £1.7m.

An improvement in used vehicle residual values together with the increased number of vehicles sold resulted in a decrease of £4.9m to the depreciation charge (2013 – £2.4m).

The bad debt charge in the period was £0.2m, compared to a charge of £0.6m in the same period last year. Days sales outstanding continue to reduce, falling from 54 days at 30 April 2014 to 51 days at 31 October 2014.

Corporate

Corporate costs⁽¹⁰⁾ were £2.0m in the six months to 31 October 2014 compared to £1.8m in the same period last year.

Interest

Net finance charges for the six months to 31 October 2014 were £6.3m (2013 – £6.1m).

The charge has increased due to increased levels of debt, increased non-utilisation fees as a result of the size of the expanded facility and non-cash interest in relation to the arrangement fees on the revised facility. However, this has been largely offset by a reduction in rate on the new facilities coupled with a favourable exchange rate.

Taxation

The Group's underlying effective tax charge for its UK and overseas operations is 20% (2013 – 24%).

The underlying tax charge excludes the tax on intangible amortisation and exceptional items of £0.2m (2013 – £1.1m). Including these items does not produce a change in the Group's effective tax rate.

Earnings per share

Basic earnings per share (EPS)⁽²⁾, were 56% higher than the previous period at 28.6p (2013 – 18.3p). Basic statutory earnings per share were 27.9p (2013 – 15.7p).

The weighted average number of shares for the purposes of EPS was 133m (2013 – 133m).

Dividend

The Directors have decided to pay an interim dividend of 4.3p per share in relation to the Ordinary shares for the six months ended 31 October 2014 (2013 – 3.2p). This represents a cash outflow to the Group of £5.7m. The interim dividend will be paid on 12 January 2015 to shareholders on the register at the close of business on 12 December 2014.

Cash flow and net debt

Net cash used⁽⁷⁾ was £40.3m (2013 – £3.9m generated) after net capital expenditure of £142.7m (2013 – £102.4m), resulting in closing net debt of £397.0m (April 2014 – £346.1m).

Net capital expenditure included purchases of vehicles of £206.1m (2013 – £158.1m) and proceeds from sales of vehicles of £64.1m (2013 – £58.6m).

In addition, £9.0m of dividend payments (2013 – £8.0m) and £10.6m of payments to acquire own shares for share option schemes (2013 – £2.1m) were made. The impact of exchange rate movements since 30 April 2014 reduced net debt by £10.8m.

Debt leverage cover at 31 October 2014 was 1.64x, in line with our stated intention of cover between 1.25x and 2.00x. At 31 October 2014 there was headroom⁽¹¹⁾ of £139.6m against committed facilities of £538.4m.

Balance sheet

Net tangible assets at 31 October 2014 were £396.7m (April 2014 – £381.7m), equivalent to a tangible net asset value of 297.7p per share (April 2014 – 286.5p per share).

Gearing⁽³⁾ at 31 October 2014 was 100% (April 2014 – 91%).

Return on capital employed

Group return on capital employed⁽⁴⁾ was 11.4% compared to 10.5% in the equivalent six months last year and 9.9% in the year ended 30 April 2014.

Group return on equity, calculated as profit after tax (excluding intangible amortisation, exceptional administrative expenses and taxation thereon) divided by average shareholders' funds, was 15.4% (April 2014 – 12.4%).

Risks and uncertainties

The Board and the Group's management have clearly defined responsibility for identifying the major business risks facing the Group and for developing systems to mitigate and manage those risks.

The principal risks and uncertainties facing the Group at 30 April 2014 were set out in detail on pages 28 and 29 of the 2014 Annual Report, a copy of which is available at www.northgateplc.com, and were identified as:

- Economic environment;
- Vehicle holding costs;
- Competition and hire rates;
- Access to capital; and
- IT systems.

These principal risks have not changed since the last Annual Report and continue to be those that could impact the Group during the second half of the current financial year.

In addition to the risks outlined above, the going concern assumption is considered in Note 1 to the condensed financial statements for the six months ended 31 October 2014.

- ⁽¹⁾ Stated before intangible amortisation of £1.1m (2013 – £1.5m) and exceptional administrative expenses of £Nil (2013 – £3.1m).
- ⁽²⁾ Stated before intangible amortisation of £1.1m (2013 – £1.5m), exceptional administrative expenses of £Nil (2013 – £3.1m) and tax credit on intangible amortisation of £0.2m (2013 – £1.1m).
- ⁽³⁾ Calculated as net debt divided by tangible net assets, with tangible net assets being net assets less goodwill and other intangible assets.
- ⁽⁴⁾ Calculated as rolling 12 month operating profit (excluding intangible amortisation and exceptional administrative expenses) divided by average capital employed, being shareholders' funds plus net debt.
- ⁽⁵⁾ Calculated as operating profit⁽⁸⁾ divided by revenue of £154.0m (2013 – £145.1m), excluding vehicle sales.
- ⁽⁶⁾ Calculated as operating profit⁽⁹⁾ divided by revenue of £76.0m (2013 – £76.9m), excluding vehicle sales.
- ⁽⁷⁾ Net (decrease)/increase in cash and cash equivalents before financing activities.
- ⁽⁸⁾ Excluding intangible amortisation of £1.0m (2013 – £1.2m) and exceptional administrative expenses of £Nil (2013 – £2.9m).
- ⁽⁹⁾ Excluding intangible amortisation of £0.0m (2013 – £0.3m), exceptional administrative expenses of £Nil (2013 – £0.2m) and a brand royalty charge of £2.5m (2013 – £Nil).
- ⁽¹⁰⁾ Excluding a brand royalty credit of £2.5m (2013 – £Nil).
- ⁽¹¹⁾ Headroom calculated as facilities of £538.4m less net borrowings of £398.8m. Net borrowings represent net debt of £397.0m gross of £1.8m of unamortised arrangement fees and are stated after the deduction of £32.6m of cash balances which are available to offset against borrowings.

Condensed consolidated income statement

for the six months ended 31 October 2014

		Six months to 31.10.14 (Unaudited) Underlying £000	Six months to 31.10.14 (Unaudited) Statutory £000	Six months to 31.10.13 (Unaudited) Underlying £000	Six months to 31.10.13 (Unaudited) Statutory £000	Year to 30.04.14 (Audited) Underlying £000	Year to 30.04.14 (Audited) Statutory £000
	Note						
Revenue: hire of vehicles	2	229,996	229,996	221,979	221,979	442,271	442,271
Revenue: sale of vehicles	2	74,956	74,956	66,801	66,801	129,207	129,207
Total revenue	2	304,952	304,952	288,780	288,780	571,478	571,478
Cost of sales		(218,185)	(218,185)	(219,107)	(219,107)	(434,777)	(434,777)
Gross profit		86,767	86,767	69,673	69,673	136,701	136,701
Administrative expenses (excluding exceptional items and intangible amortisation)		(32,668)	(32,668)	(31,570)	(31,570)	(64,065)	(64,065)
Exceptional administrative expenses	8	–	–	–	(3,097)	–	(6,197)
Intangible amortisation		–	(1,059)	–	(1,492)	–	(2,900)
Total administrative expenses		(32,668)	(33,727)	(31,570)	(36,159)	(64,065)	(73,162)
Operating profit	2	54,099	53,040	38,103	33,514	72,636	63,539
Interest income		1	1	1	1	24	24
Finance costs		(6,348)	(6,348)	(6,074)	(6,074)	(12,386)	(12,386)
Profit before taxation		47,752	46,693	32,030	27,441	60,274	51,177
Taxation	3	(9,695)	(9,471)	(7,667)	(6,584)	(13,456)	(11,294)
Profit for the period		38,057	37,222	24,363	20,857	46,818	39,883

Profit for the period is wholly attributable to owners of the Parent Company. All results arise from continuing operations.

Underlying profit excludes exceptional items as set out in Note 8, 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	4	28.6p	27.9p	18.3p	15.7p	35.1p	29.9p
Diluted	4	28.0p	27.4p	18.0p	15.4p	34.3p	29.3p

Condensed consolidated statement of comprehensive income

for the six months ended 31 October 2014

	Six months to 31.10.14 (Unaudited) £000	Six months to 31.10.13 (Unaudited) £000	Year to 30.04.14 (Audited) £000
Amounts attributable to owners of the Parent Company			
Profit attributable to owners	37,222	20,857	39,883
Other comprehensive (expense) income			
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(6,427)	1,168	(3,589)
Net foreign exchange differences on long term borrowings held as hedges	3,449	(818)	1,772
Foreign exchange difference on revaluation reserve	(51)	8	(32)
Net fair value (losses) gains on cash flow hedges	(1,417)	481	48
Deferred tax credit (charge) recognised directly in equity relating to cash flow hedges	298	(110)	(10)
Actuarial losses on defined benefit pension scheme *	–	(161)	(199)
Deferred tax credit recognised directly in equity relating to defined benefit pension scheme*	–	37	42
Total other comprehensive (expense) income for the period	(4,148)	605	(1,968)
Total comprehensive income for the period	33,074	21,462	37,915

* These items will not be reclassified subsequently to the consolidated income statement.

Condensed consolidated balance sheet

31 October 2014

		31.10.14 (Unaudited) £000	31.10.13 (Unaudited) £000	30.04.14 (Audited) £000
	Note			
Non-current assets				
Goodwill		3,589	3,589	3,589
Other intangible assets		4,774	6,315	5,467
Property, plant and equipment: vehicles for hire		673,229	617,834	614,927
Other property, plant and equipment		68,921	78,256	73,575
Total property, plant and equipment		742,150	696,090	688,502
Derivative financial instrument assets	9	325	547	712
Deferred tax assets		5,922	6,879	9,396
Total non-current assets		756,760	713,420	707,666
Current assets				
Inventories		22,018	15,000	19,076
Trade and other receivables		83,986	82,933	78,861
Cash and cash equivalents		32,623	7,155	19,056
Total current assets		138,627	105,088	116,993
Total assets		895,387	818,508	824,659
Current liabilities				
Trade and other payables		52,566	51,067	58,931
Current tax liabilities		6,513	9,573	6,320
Short term borrowings		10,045	6,252	7,465
Total current liabilities		69,124	66,892	72,716
Net current assets		69,503	38,196	44,277
Non-current liabilities				
Derivative financial instrument liabilities	9	1,694	66	664
Long term borrowings		419,532	371,309	357,668
Deferred tax liabilities		–	1,551	2,878
Total non-current liabilities		421,226	372,926	361,210
Total liabilities		490,350	439,818	433,926
NET ASSETS		405,037	378,690	390,733
Equity				
Share capital		66,616	66,616	66,616
Share premium account		113,508	113,508	113,508
Revaluation reserve		1,031	1,243	1,082
Own shares		(10,017)	(462)	(653)
Merger reserve		67,463	67,463	67,463
Hedging reserve		(1,730)	(278)	(611)
Translation reserve		(10,165)	(5,020)	(7,187)
Capital redemption reserve		40	40	40
Retained earnings		178,291	135,580	150,475
TOTAL EQUITY		405,037	378,690	390,733

Total equity is wholly attributable to owners of the Parent Company.

Condensed consolidated cash flow statement

for the six months ended 31 October 2014

	Note	Six months to 31.10.14 (Unaudited) £000	Six months to 31.10.13 (Unaudited) £000	Year to 30.04.14 (Audited) £000
Net cash (used in) generated from operations	6	(39,647)	6,807	30,723
Investing activities				
Interest received		1	1	24
Proceeds from disposal of other property, plant and equipment		1,897	–	1,182
Purchases of other property, plant and equipment		(2,195)	(2,522)	(5,509)
Purchases of intangible assets		(366)	(382)	(945)
Net cash used in investing activities		(663)	(2,903)	(5,248)
Financing activities				
Receipt of bank loans		87,547	–	1,140
Repayments of bank loans and other borrowings		(12,058)	(1,642)	(7,469)
Debt issue costs paid		(2,043)	–	–
Dividend paid		(8,968)	(7,977)	(12,234)
Payments to acquire own shares for share schemes		(10,573)	(2,096)	(2,803)
Net cash generated from (used in) financing activities		53,905	(11,715)	(21,366)
Net increase (decrease) in cash and cash equivalents		13,595	(7,811)	4,109
Cash and cash equivalents at beginning of the period		19,056	14,962	14,962
Effect of foreign exchange movements		(28)	4	(15)
Cash and cash equivalents at the end of the period		32,623	7,155	19,056

Condensed consolidated statement of changes in equity

for the six months ended 31 October 2014

	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 2013	180,124	(303)	(649)	(5,370)	68,738	124,112	366,652
Share options fair value charge	–	–	–	–	–	649	649
Share options exercised	–	–	–	–	–	(1,937)	(1,937)
Profit attributable to owners of the Parent Company	–	–	–	–	–	20,857	20,857
Dividend paid	–	–	–	–	–	(7,977)	(7,977)
Purchase of own shares	–	(2,096)	–	–	–	–	(2,096)
Transfer of shares on vesting of share options	–	1,937	–	–	–	–	1,937
Other comprehensive income (expense)	–	–	371	350	8	(124)	605
Total equity at 1 November 2013	180,124	(462)	(278)	(5,020)	68,746	135,580	378,690
Share options fair value charge	–	–	–	–	–	554	554
Share options exercised	–	–	–	–	–	(516)	(516)
Profit attributable to owners of the Parent Company	–	–	–	–	–	19,026	19,026
Dividend paid	–	–	–	–	–	(4,257)	(4,257)
Purchase of own shares	–	(707)	–	–	–	–	(707)
Transfer of shares on vesting of share options	–	516	–	–	–	–	516
Other comprehensive expense	–	–	(333)	(2,167)	(40)	(33)	(2,573)
Transfers between equity reserves	–	–	–	–	(121)	121	–
Total equity at 1 May 2014	180,124	(653)	(611)	(7,187)	68,585	150,475	390,733
Share options fair value charge	–	–	–	–	–	771	771
Share options exercised	–	–	–	–	–	(1,209)	(1,209)
Profit attributable to owners of the Parent Company	–	–	–	–	–	37,222	37,222
Dividend paid	–	–	–	–	–	(8,968)	(8,968)
Purchase of own shares	–	(10,573)	–	–	–	–	(10,573)
Transfer of shares on vesting of share options	–	1,209	–	–	–	–	1,209
Other comprehensive expense	–	–	(1,119)	(2,978)	(51)	–	(4,148)
Total equity at 31 October 2014	180,124	(10,017)	(1,730)	(10,165)	68,534	178,291	405,037

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

Unaudited Notes

1. Basis of preparation and accounting policies

Northgate plc is a Company incorporated in England and Wales under the Companies Act 2006.

The condensed financial statements are unaudited and were approved by the Board of Directors on 1 December 2014.

The condensed financial statements have been reviewed by the auditor and the independent review report is set out in this document.

The interim financial information for the six months ended 31 October 2014, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts, and in accordance with IAS 34 (*Interim Financial Reporting*), as issued by the International Accounting Standards Board and adopted by the European Union.

In the current financial period, the Group has adopted the amendments to IAS 32 "Financial Instruments: Presentation", IAS 36 "Impairment of assets" and IAS 39 "Financial Instruments: Recognition and Measurement".

The amendments to IAS 32 seek to clarify the diversity in application of the requirements on offsetting financial assets and financial liabilities.

The amendments to IAS 36 reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed and affect presentation only.

The amendments to IAS 39 make it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided that certain criteria are met.

The adoption of the above amendments has not had a material impact on the condensed financial statements of the Group.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 30 April 2014.

Going concern assumption

The Group manages its cash requirements through a combination of operating cash flows and long term borrowings.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance including the uncertainty in the economic environment in the UK and Spain, show that the Group should be able to operate within the level of its current lending facilities.

Consequently, after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Information extracted from 2014 Annual Report

The financial figures for the year ended 30 April 2014, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 30 April 2014 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditor reported on those accounts. The report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Segmental analysis

Management has determined the operating segments based upon the information provided to the executive Board of Directors which is considered to be the chief operating decision maker. The Group is managed, and reports internally, on a basis consistent with its two main operating divisions, UK and Spain. The UK division includes operations in the Republic of Ireland. The principal activities of these divisions are set out in the Business Review and Financial Review.

	UK Six months to 31.10.14 (Unaudited) £000	Spain Six months to 31.10.14 (Unaudited) £000	Corporate Six months to 31.10.14 (Unaudited) £000	Total Six months to 31.10.14 (Unaudited) £000
Revenue: hire of vehicles	154,012	75,984	–	229,996
Revenue: sale of vehicles	57,690	17,266	–	74,956
Total revenue	211,702	93,250	–	304,952
Underlying operating profit (loss) *	38,742	17,370	(2,013)	54,099
Brand royalty charge	–	(2,548)	2,548	–
Intangible amortisation	(1,022)	(22)	(15)	(1,059)
Operating profit	37,720	14,800	520	53,040
Interest income				1
Finance costs				(6,348)
Profit before taxation				46,693

	UK Six months to 31.10.13 (Unaudited) £000	Spain Six months to 31.10.13 (Unaudited) £000	Corporate Six months to 31.10.13 (Unaudited) £000	Total Six months to 31.10.13 (Unaudited) £000
Revenue: hire of vehicles	145,122	76,857	–	221,979
Revenue: sale of vehicles	48,600	18,201	–	66,801
Total revenue	193,722	95,058	–	288,780
Underlying operating profit (loss) *	27,170	12,782	(1,849)	38,103
Exceptional administrative expenses	(2,942)	(155)	–	(3,097)
Intangible amortisation	(1,182)	(295)	(15)	(1,492)
Operating profit (loss)	23,046	12,332	(1,864)	33,514
Interest income				1
Finance costs				(6,074)
Profit before taxation				27,441

2. Segmental analysis (continued)

	UK	Spain	Corporate	Total
	Year to	Year to	Year to	Year to
	30.04.14	30.04.14	30.04.14	30.04.14
	(Audited)	(Audited)	(Audited)	(Audited)
	£000	£000	£000	£000
Revenue: hire of vehicles	292,393	149,878	–	442,271
Revenue: sale of vehicles	90,660	38,547	–	129,207
Total revenue	383,053	188,425	–	571,478
Underlying operating profit (loss) *	51,007	25,555	(3,926)	72,636
Exceptional administrative expenses	(5,450)	(626)	(121)	(6,197)
Brand royalty charge	–	(5,029)	5,029	–
Intangible amortisation	(2,284)	(586)	(30)	(2,900)
Operating profit	43,273	19,314	952	63,539
Interest income				24
Finance costs				(12,386)
Profit before taxation				51,177

* Underlying operating profit (loss) stated before amortisation and exceptional items is the measure used by the executive Board of Directors to assess segment performance.

3. Taxation

The charge for taxation for the six months to 31 October 2014 is based on the estimated effective rate for the year ending 30 April 2015.

4. Earnings per share

	Six months to 31.10.14 (Unaudited) Underlying	Six months to 31.10.14 (Unaudited) Statutory	Six months to 31.10.13 (Unaudited) Underlying	Six months to 31.10.13 (Unaudited) Statutory	Year to 30.04.14 (Audited) Underlying	Year to 30.04.14 (Audited) Statutory
Basic and diluted earnings per share	£000	£000	£000	£000	£000	£000

The calculation of basic and diluted earnings per share is based on the following data:

Earnings

Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to owners of the Parent Company

	38,057	37,222	24,363	20,857	46,818	39,883
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Number of shares	Number	Number	Number	Number	Number	Number
Weighted average number of Ordinary shares for the purpose of basic earnings per share	133,232,518	133,232,518	133,232,518	133,232,518	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares:						
– share options	2,808,474	2,808,474	2,421,510	2,421,510	3,072,264	3,072,264
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	136,040,992	136,040,992	135,654,028	135,654,028	136,304,782	136,304,782
Basic earnings per share	28.6p	27.9p	18.3p	15.7p	35.1p	29.9p
Diluted earnings per share	28.0p	27.4p	18.0p	15.4p	34.3p	29.3p

5. Dividends

In the six months to 31 October 2014, a dividend of £8,968,000 was paid (2013 – £7,977,000). The Directors have declared a dividend of 4.3p per share for the six months ended 31 October 2014 (2013 – 3.2p).

6. Notes to the cash flow statement

	Six months to 31.10.14 (Unaudited) £000	Six months to 31.10.13 (Unaudited) £000	Year to 30.04.14 (Audited) £000
Net cash (used in) generated from operations			
Operating profit	53,040	33,514	63,539
Adjustments for:			
Depreciation of property, plant and equipment	72,777	81,243	165,327
Impairment of property, plant and equipment	–	–	1,916
Exchange differences	(50)	(1)	7
Amortisation of intangible assets	1,059	1,495	2,900
Loss on disposal of property, plant and equipment	–	–	51
Share options fair value charge	771	649	1,203
Operating cash flows before movements in working capital	127,597	116,900	234,943
Increase in non-vehicle inventories	(240)	(516)	(1,637)
Increase in receivables	(5,863)	(4,120)	(1,172)
(Decrease) increase in payables	(4,609)	(5,496)	3,315
Cash generated from operations	116,885	106,768	235,449
Income taxes (paid) refunded, net	(8,400)	4,437	(4,338)
Interest paid	(6,123)	(4,946)	(11,302)
Net cash generated from operations	102,362	106,259	219,809
Purchases of vehicles	(206,095)	(158,096)	(301,365)
Proceeds from disposal of vehicles	64,086	58,644	112,279
Net cash (used in) generated from operations	(39,647)	6,807	30,723

7. Analysis of consolidated net debt

	31.10.14	31.10.13	30.04.14
	(Unaudited)	(Unaudited)	(Audited)
	£000	£000	£000
Cash at bank and in hand	(32,623)	(7,155)	(19,056)
Bank loans	426,629	375,692	363,819
Cumulative preference shares	500	500	500
Property loans and other borrowings	2,448	1,369	814
	396,954	370,406	346,077

8. Exceptional items

During the period no exceptional items were recognised:

	Six months	Six months	Year to
	to 31.10.14	to 31.10.13	30.04.14
	(Unaudited)	(Unaudited)	(Audited)
	£000	£000	£000
Restructuring costs	–	841	1,826
Impairment of property	–	–	1,916
Defined benefit pension scheme buyout	–	2,256	2,404
Net property losses	–	–	51
Exceptional administrative expenses	–	3,097	6,197
Total pre-tax exceptional items	–	3,097	6,197
Tax credit on exceptional items	–	(722)	(1,458)

9. Derivative financial instruments

At the balance sheet date, the Group held the following financial instruments at fair value:

	31.10.14	31.10.13	30.04.14
	(Unaudited)	(Unaudited)	(Audited)
	£000	£000	£000
Non-current derivative financial instrument assets	325	547	712
Non-current derivative financial instrument liabilities	(1,694)	(66)	(664)
	(1,369)	481	48

The derivative financial instruments above all have fair values which are calculated by reference to observable inputs (i.e. classified as level 2 in the fair value hierarchy). They are valued using the discounted cash flow technique with an appropriate adjustment for counterparty credit risk. The valuations incorporate the following inputs:

- interest rates and yield curves observable at commonly quoted intervals;
- commonly quoted spot and forward foreign exchange rates; and
- observable credit spreads.

The carrying value of financial assets and liabilities recorded at amortised cost in the financial statements are approximately equal to their fair value.

Interim announcement – Statement of the Directors

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34;
- the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8 (disclosure of related party transactions and changes therein).

By order of the Board

C J R Muir
Group Finance Director
1 December 2014

Independent review report to Northgate plc

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2014 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related Notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2014 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Chartered Accountants and Statutory Auditor
Leeds, United Kingdom
1 December 2014