Annual Report and Accounts 2001

53171

NORTHGATE plc

Contents

2	Chairman's statement
4	Operational review
8	Financial review
11	Directors
12	Report of the directors
14	Report on remuneration
19	Corporate governance
22	Report of the auditors
23	Financial statements
28	Accounting policies
29	Notes on the accounts
41	Five year financial summary
42	Notice of AGM
43	Information for shareholders
44	Hire locations

	2001	2000
Turnover	**£261.8m**	£218.3m
Operating Profit	**£42.6m**	£37.9m
Profit before tax	**£27.1m**	£24.3m
Earnings per share	**31.0p**	27.9p
Dividend per share	**14.0p**	13.25p
Net Assets per share	**203p**	186p

We have had success in the key areas of the business which we determined to progress this year- as a result operating profit increased by 12% and earnings per share by 11%

Northgate plc rents commercial vehicles and cars to businesses from a network of hire companies. Our NORFLEX flexible fleet hire product gives business access to a flexible and risk-free method to acquire as many commercial vehicles as they need.

www.northgateplc.com

Chairman's statement

Dear Shareholder My report to you covers the second year of our Strategy for Growth in which we set out our aim to double the size of our business within five years. Not only are the results consistent with that strategy, but we have also had success in the areas of the business which we determined to progress this year.

These are just some of the achievements of the year:

- Our earnings per share have risen by 11%.
- Utilisation has averaged in excess of 90%.
- We have achieved an increase in the overall hire rate for the first time in 4 years.
- We have improved the management of our used vehicle sales to the extent that we achieved profits on disposals in the last quarter.
- The regional management structure is now well established giving us the right foundations on which to continue the growth of our business.
- Our depot network has grown to 48 sites with another 4 ready to open.

All this has been achieved without any increase in gearing, demonstrating that Northgate can achieve this growth without raising gearing levels, which are themselves modest by industry standards.

Our faith in our ability to successfully grow Northgate is undiminished. In fact, despite a growth in fleet over the past 5 years from 11,250 to over 36,000 vehicles, we believe we have not yet tapped the full potential of the market in the UK, nor indeed that in continental Europe, for the flexible rental product we offer to customers under the brand name NORFLEX.

Christopher Spence and Michael Baughan, who have been non-executive directors of Northgate plc since 1985 and 1987 respectively, have indicated their desire to step down from the board at the AGM. I am extremely grateful to both of them for their untiring efforts on behalf of the shareholders over many years. We have all benefited greatly from their counsel. At the same time I would like to welcome Jan Astrand, who joined the board on 13 February 2001 as a non-executive director. He comes with wide experience of the vehicle rental industry in both Europe and the UK.

Finally I would like to thank my fellow directors, the management and staff for all their efforts on your behalf. In addition I would like to thank shareholders for their continued support.

Michael Waring
Chairman

Two years ago the board embarked on a five-year Strategy for Growth in which our stated aim was to double the size of the business.... we are on course to achieve this target.

Wannavan allows customers to access our network of hire companies and the ability to reserve vehicles on line.

Operational review

Network

We have opened 4 hire companies and 2 branches in the year to 30 April 2001. Since the year end, we have acquired a further 4 properties which are now ready to open and which will provide us with a network of 52 locations. Aberdeen and Dublin in particular have significantly extended our geographic coverage. It remains our intention to open between 10 and 12 new locations in the current financial year as we continue to infill those areas where opportunities exist.

Vehicle fleet

Our vehicle fleet at 30 April 2001 was over 36,000, an increase of 3,500, or 11%, over the previous year. The increase was a result of both new depots (1,400 vehicles) and organic growth in existing locations (2,100 vehicles). In the 2 years since 1999, when we announced our five year Strategy for Growth aimed at doubling the size of our business, we have increased the fleet by 35% from 26,600 to the current level.

The fleet mix remains heavily biased towards light commercial vehicles with 80% of vehicles being commercials of up to 3.5 tonnes. Our policy of purchasing the market leaders' products in each weight category continues to pay dividends in terms of both our ability to rent the product and its residual value. Our main suppliers remain Ford, Mercedes, Vauxhall and Iveco.

Our management of the vehicle fleet remains as vigilant as in previous years and we have achieved overall utilisation levels of in excess of 90%. This average is a combination of both new sites, where utilisations are normally below average, and more mature locations operating above 90%.

Hire rates

In last year's review, we made reference to "a period of relatively stable prices" and the opportunity to "obtain some modest hire rate increases". We are pleased to report that during the year under review, despite the market remaining competitive, we have achieved an overall increase in hire rates for the first time in 4 years.

Used vehicle sales

The first half of the year saw a continuing soft residual market holding back our efforts to improve vehicle disposal margins. From January 2001, however, we have seen better used vehicle prices which, coupled with our internal improvements, has resulted in profits being achieved on disposals in the last quarter. Norcom, the disposal centre for refurbished vehicles that was launched on 1 May 2000, now accounts for 12% of our disposals and has made a valuable contribution to this improvement.

For the current year, we remain optimistic that we can achieve our target of break even or better on vehicle disposals.

Technology

We have continued with a number of technology based initiatives during the year, both to develop new electronic sales channels and to deliver better fleet monitoring solutions for our customers.

First, we now have an on-line booking facility through our virtual rental company Wannavan. This was launched in June 2001 and allows customers to access our network of hire companies and the ability to reserve vehicles on-line.

Secondly, we have developed Norfleet, a brand which seeks to utilise our purchasing power, particularly in respect of vehicle related products. Our aim is to encourage customers to purchase these products through Norfleet, thereby both increasing our purchasing power and offering customers a valuable service.

Thirdly, as the group grows, we have recognised the need to improve communication and provide a mechanism for knowledge to be shared. Driveway, our group intranet, which went live in May 2001, is an ideal conduit allowing communication between all levels of staff and improved efficiencies within the business.

Operational review

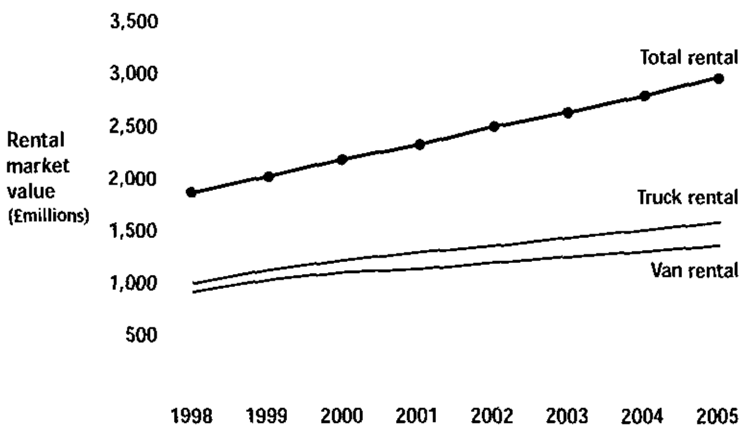
The market

In October 2000 we commissioned Datamonitor to report on the commercial vehicle rental market in the UK. Their key findings were as follows:-

- The commercial vehicle rental market grew by 19.5% between 1998 and 2000 and is forecast to have a value of £2,900m by 2005, a further increase of around 30%. (Graph 1)
- Growth is being driven by "the propensity of new and existing customers to outsource their logistics and fleet management operations". Companies with commercial vehicles are moving closer to the concept of "usership" rather than "ownership".
- Compared to the more mature US market, rental penetration remains low in the UK at 9% v 33% in the US. (Graph 2)

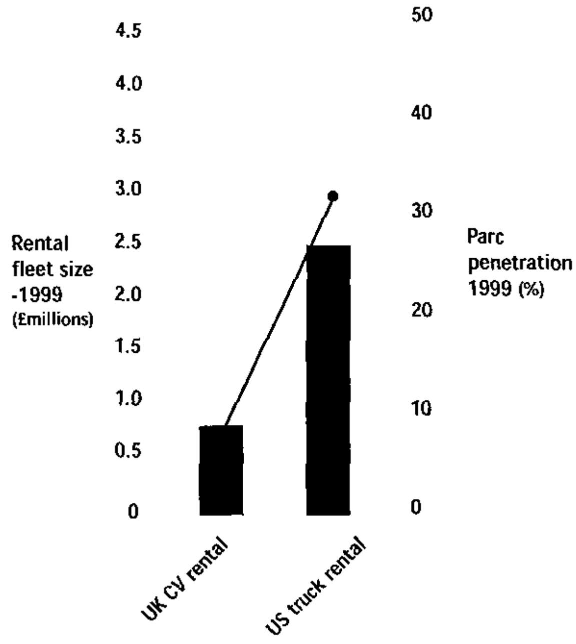
Rental market*

(Graph 1)



High growth potential*

(Graph 2)



These findings confirm our belief in the opportunity we have to continue with the expansion of our business in the UK where we have not yet fully tapped the existing potential.

Last year we also carried out some preliminary research into the continental European commercial vehicle rental market, which showed development in Europe to be significantly behind the UK. We are of the opinion that, at the appropriate time, there will be considerable potential to roll out our flexible rental product, NORFLEX, into those markets.

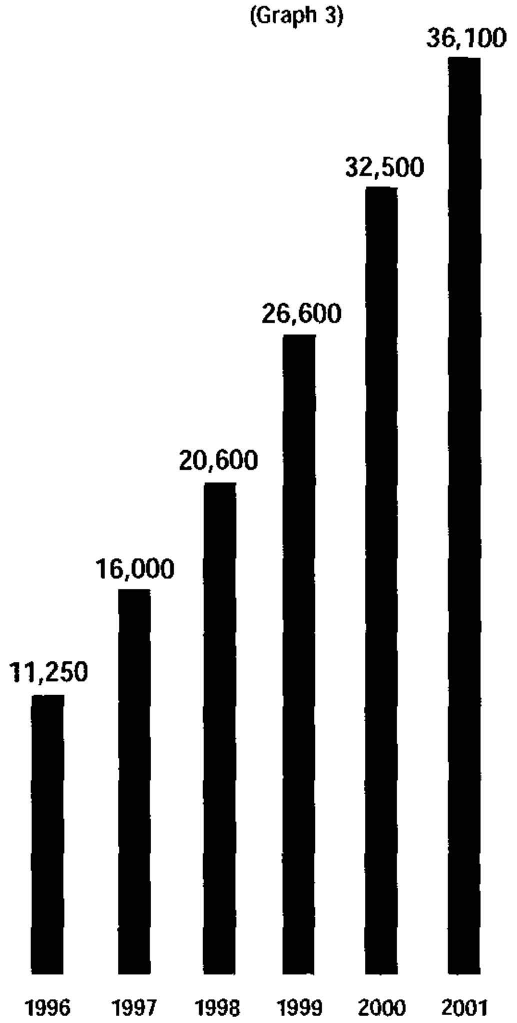
Current trading and outlook

In the year ahead we will continue to focus on maintaining a balanced position on residuals, edging hire rates forward, expanding the depot network and fleet, whilst achieving our traditional utilisation levels.

We remain confident of achieving these objectives and hence Northgate's continued profitable growth.

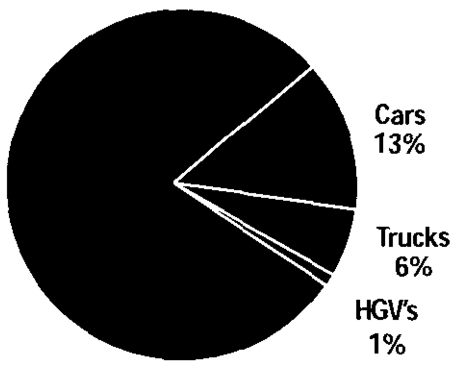
Steve Smith
Chief Executive Officer

Fleet growth
(Graph 3)



Fleet split
(Graph 4)

Fleet growth



Financial review

Sales and operating profit

Sales increased by 20% to £261.8m (2000: £218.3m) and operating profit increased by over 12% to £42.6m (2000: £37.9m). This reflected the increase in revenue from rental operations of 16%, together with a 31% increase in revenues from vehicle sales, largely as a result of a higher number of vehicles for disposal.

Revenue from hire companies increased across the network with growth in both new and more mature sites. At the end of the year 18 sites had been open less than 2 years: the full benefit of these sites will flow through in subsequent years.

Operating margins at 16.3% compared to the previous year of 17.4%. This reflects the cost of continued investment in new locations and a greater proportion of turnover from vehicle sales than the previous year. These vehicle sales are at a significantly lower margin than the hire operation.

Interest

The net interest cost was £15.5m, an increase of 14% over 2000. This reflects both the increase in average borrowings, largely due to fleet growth, and the underlying increase in UK base rates over the corresponding period.

We continue to manage our exposure to interest rates: our policy is to have in place financial instruments covering a proportion of our borrowings over the longer term.

Interest cover was unchanged at 2.8 times.

Pre-tax profit

Profit before tax increased by over 11% to £27.1m (2000: £24.3m).

Taxation and FRS 19

We anticipate that the adoption of FRS 19, 'Accounting for tax', in the next financial year will have no adverse impact as the company policy has always resulted in full provision.

The tax charge of 30.6% comprises tax payable on ordinary activities.

Fixed assets and FRS 15

In the year ended April 2000 a new accounting policy was adopted following the introduction of FRS 15. Manufacturers' volume related bonuses, previously credited to profits on receipt, were spread over the life of the asset to which they related. This policy change resulted in a deferred income credit last year of £49.4m in the balance sheet, to be released to profit over the life of the vehicle rental fleet.

Following discussions with the Financial Reporting Review Panel, to comply with FRS 15, these bonuses are now to be regarded as a reduction in the cost of acquiring vehicles, rather than as deferred income. Accordingly, the deferred income account of £54.2m, which would have been shown separately as a credit under Accruals and deferred income, has been deducted from the cost of the vehicle hire fleet in fixed assets. The effect will be to reduce the depreciation charge over the life of the current vehicle fleet. The effect of the volume related bonus for the year ended 30 April 2001 of £48.8m is now deducted from operating costs, through depreciation, rather than added to turnover as would have been the case under the previous policy. The comparative figures for the year ended 30 April 2000 have been amended accordingly. This treatment has no effect on operating profits, although the operating margin increases because of the change in turnover reported.

These adjustments affect turnover and the amount at which the vehicles are carried but have no impact on profit, EPS, net assets, cash flows, gearing or shareholders' funds.

Earnings per share

The calculated earnings per share were 31.0p, an increase of 11% on the 2000 figure of 27.9p.

Dividend

The Directors recommend a final dividend of 9.6p per share (2000: 9.07p), making a total for the year of 14.0p (2000: 13.25p) - an increase of 6%. It will be paid on 14 September 2001 to shareholders on the register at 13 July 2001. The dividend is 2.2 times covered (2000: 2.1).

Cash flow and funding

Gross cash generation continues to be strong with EBITDA for the year £118.8m, up by 14% from 2000. Capital investment was £172.6m, being £166.8m in the vehicle hire fleet and £5.8m in non-vehicle expenditure on property and other equipment, largely relating to the expansion of the depot network.

Our net borrowings increased marginally to £214.7m at 30 April 2001, with average borrowing increasing by 8% year on year.

The finance facilities currently available to the group are in excess £400m and are a mixture of hire purchase funding, revolving loans and overdraft, secured primarily over the value of the vehicle hire fleet. More than 63% of our borrowings are longer than one year.

The vehicle hire fleet consists mainly of light commercial vehicles which are readily saleable, predominantly through our own vehicle sales company. The liquidity of the hire fleet and the management of interest exposure adequately support the level of gearing at 174%, which remains low compared to the industry norm. Gearing has in fact reduced from last year's figure of 189%, demonstrating our ability to achieve these growth levels without increasing gearing. This confirms the strong cash flows in the business.

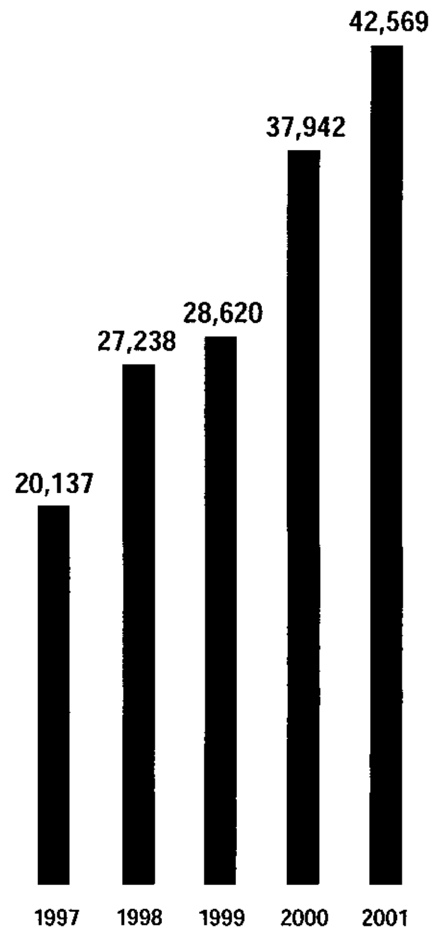
Return on capital

Our Strategy for Growth is based upon expanding our depot network to around 100 locations. The continued investment in new sites reduces margins in the short term whilst these businesses are maturing.

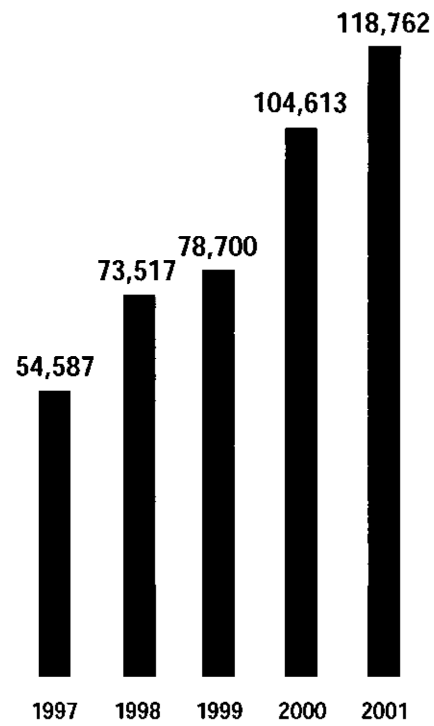
Despite this our return on capital remains a healthy 12.8%.

Phil Moorhouse
Finance Director

Operating profit - Continuing Activities



EBITDA*



* Earnings before interest, taxation, depreciation and amortisation.

Our business

Within Northgate plc are a number of companies and brands, each involved in the commercial vehicle rental business.

Northgate Vehicle Hire Ltd

- *Manages our national network of hire companies.*

Northgate Vehicle Sales Ltd

- *Sells ex-rental vehicles in the used vehicle market.*

Northgate Central Reservations Ltd

- *Looks after large companies with daily rental needs who require a 'one stop shop'.*

NORFLEX

- *Our national fleet hire brand.*
- *A flexible risk free alternative to purchase, contract hire and fleet management.*

Northgate Sale & Rent Back

- *We buy a customer's fleet and rent it back to them generating cash to use in their core business.*

Norcom Vehicle Remarketing

- *Refurbishes ex-rental vehicles for sale to main dealers and the retail market.*

Norfleet Ltd

- *Uses the group's purchasing power to offer discounted vehicle parts.*

Wannavan.com

- *Our van rental brand on the world wide web.*
- *Rents a range of standard vehicles to business and the public.*

Directors

Michael Waring (54)

Became Non-Executive Chairman in October 1999, having been Executive Chairman since February 1996. Previously Chief Executive of the group since 1985.

Jan Astrand MBA* (54)

Appointed to the board as a non-executive director in February 2001. A Swedish national based in London, he is the Managing Director of MVI Group, an international private equity company. From 1994 to 1999 he was President and Chief Executive of Axus (International) Inc. (previously known as Hertz Leasing International). From 1989 to 1994 he was Vice President, Finance and Administration and Chief Financial Officer of Hertz (Europe) Ltd. He is also a non-executive director of PHS plc.

Michael Baughan* (59)

As is referred to in the Chairman's Statement, Mr Baughan is standing down from office at the Annual General Meeting.

Phil Moorhouse FCCA (48)

Appointed Finance Director in February 1998 having been appointed to the board in August 1997. Finance Director of the vehicle hire operations since 1991. He previously held a number of senior financial positions within the Norcros group of companies and Meyer International.

Alan Noble (50)

Appointed Executive Deputy Chairman in October 1999 having been Managing Director since March 1996 and a member of the board since 1990. In 1981 he founded the commercial vehicle hire business, which was acquired by Northgate in 1987.

Stephen Smith ACA (44)

Appointed Chief Executive Officer in October 1999, having been a member of the board since August 1997. Managing Director of the vehicle hire operations since 1990. He qualified as a Chartered Accountant with Coopers & Lybrand and held a number of senior financial positions in industry prior to joining Northgate.

Christopher Spence* (64)

As is referred to in the Chairman's Statement, Mr Spence is standing down from office at the Annual General Meeting.

Ronald Williams FCA* (67)

A non-executive director and Deputy Chairman since March 1996. Prior to his appointment he was for 8 years an executive director of Smiths Industries plc. He is also a non-executive director of Spectris plc.

* Member of the Remuneration and Audit Committees

Report of the directors

The directors present their report and the audited financial statements for the year ended 30th April 2001.

Results

The net profit for the year after taxation was £18,804,000. An interim dividend of 4.4p per share was paid on the ordinary shares on 16th February 2001.

The directors recommend a final ordinary dividend of 9.6p per share making a total for the year of 14.0p per share.

The final dividend, if approved, will be paid on 14th September 2001 to shareholders on the register on 13th July 2001. Ordinary and preference dividends paid and recommended for payment in respect of the year total £8,517,000.

Principal activities

Northgate plc is an investment holding company. The group's activities are reported on pages 4 to 10.

Close company status

So far as the directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Interests in shares

The following interests of 3% or more in the issued ordinary share capital of the company appear in the register required to be maintained under the provisions of Section 211 of the Companies Act 1985:

	Number of shares
Lazard Asset Management	4,002,438 (6.6%)
Halifax Group plc	2,843,231 (4.7%)
Prudential plc	2,116,278 (3.5%)
Mercury Institutional Trust	1,842,400 (3.0%)
Legal & General	1,818,921 (3.0%)

Directors

The names of the present directors are listed on page 11. All have served throughout the year except Mr. Astrand who was appointed on 13th February 2001. Mr F. M. Waring is retiring by rotation in accordance with the Articles of Association and with the requirements of the Combined Code and, being eligible, is seeking re-election. Mr M.C. Baughan is also retiring by rotation but is not seeking re-election. He will therefore hold office until the conclusion of the Annual General Meeting. As is referred to in the Chairman's Statement, Mr C.J. Spence is also retiring from the board at the conclusion of the Annual General Meeting.

The termination provisions in respect of executive directors' contracts are set out in the Remuneration Report on page 14. Mr Waring does not have a contract of service with the company.

The following are the interests of the directors in the share capital of the company as shown in the register required to be maintained under Section 325 of the Companies Act 1985. All interests are beneficial unless otherwise stated.

	Ordinary shares	
	1.5.00	30.4.01
J. Astrand	-	-
M. C. Baughan	70,000	70,000
P. J. Moorhouse	7,667	39,167
A. T. Noble	914,508	814,508
S. J. Smith	49,834	69,834
C. J. Spence	2,000	2,000
F. M. Waring	2,815,100*	1,673,100*
R. Williams	5,000	5,000

*15,100 (2000: 15,100) shares are held beneficially. The interest of Mr. Waring in the remainder is as a discretionary beneficiary of various family trusts.

No director has an interest in the preference shares of the company.

No changes in the above interests have occurred between 30th April 2001 and the date of this report.

Details of options held by the directors under the company's various share schemes are given in the Remuneration Report on pages 14 to 18.

Donations

The group made charitable donations of £26,000. No political donations were made.

Payment of suppliers

The group's policy is to pay suppliers within normal trading terms agreed with that supplier. The policy is made known to the staff who handle payments to suppliers. At 30th April 2001 the group's creditor days were 41.

Power to allot shares

A special resolution, pursuant to Section 95 of the Companies Act 1985, will be proposed to renew the authority of the directors to allot ordinary shares for cash other than to existing shareholders on a proportionate basis. This authority will be limited to an aggregate nominal amount of £150,000 representing approximately 5% of the current issued ordinary share capital and will expire not later than 15 months after the date on which the resolution is passed.

Authority for the company to purchase its own shares

The directors propose to renew the general authority of the company to make market purchases of its own shares up to a total of 6,000,000 ordinary shares (representing approximately 10% of the issued ordinary share capital) and within the price constraints set out in the special resolution to be proposed at the Annual General Meeting.

There is no present intention to make any purchase of own shares, and if granted, the authority would only be exercised if to do so would result in an improvement in earnings per share for remaining shareholders.

Auditors

A resolution for the re-appointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

D. Henderson
Secretary
3rd July 2001

DHenderson

Report on remuneration

The Remuneration Committee, which is comprised of the four independent non-executive directors and chaired by Ron Williams, who is Deputy Chairman of the board, is responsible for making recommendations to the board on the remuneration packages and terms and conditions of employment of the executive directors of the company and of other senior executives in the group. The Committee also reviews remuneration policy generally throughout the group. The Committee consults with the Chairman and with the Chief Executive Officer who may be invited to attend meetings. The Company Secretary is secretary to the Committee.

Remuneration policy

The Committee aims to ensure that executive directors are fairly and competitively rewarded for their individual contributions by means of basic salary, benefits in kind and pension benefits. High levels of performance are recognised by discretionary bonuses (which will not normally exceed 30% of basic salary), and the motivation to achieve the maximum benefit for shareholders in the future is provided by the allocation of share options. Only basic salary is pensionable.

Basic salaries are reviewed annually taking into account the performance of the individual, changes in responsibilities and market trends.

Service contracts

The executive directors have rolling service contracts which may be terminated by 12 months notice on either side except following a change of control of the company when the period of notice required to be given by the company becomes 24 months.

Non-executive directors

The remuneration of the non-executive directors is determined by the board as a whole, within the overall limit set by the Articles of Association.

Non-executive directors are not eligible for performance related payments nor may they participate in the company's share option or pension schemes.

Non-executive directors do not have contracts of service with the company and their appointments are terminable without notice.

Pension schemes

Throughout the year all pension arrangements operating throughout the group were of the defined contribution type.

Emoluments

	Salary/ fees £000	Bonus £000	Cost of benefits £000	2001 total £000	2000 total £000	2001 Pension contributions £000	2000 Pension contributions £000
J. Astrand	5	–	–	5	–	–	–
M. C. Baughan	23	–	–	23	22	–	–
P. J. Moorhouse	130	35	22	187	165	14	14
A. T. Noble	150	35	31	216	205	17	17
S. J. Smith	145	40	21	206	180	13	12
C. J. Spence	23	–	–	23	22	–	–
F. M. Waring	100	–	–	100	133	–	9
R. Williams	29	–	–	29	27	–	–
Total emoluments excluding pension contributions	**605**	**110**	**74**	**789**	**754**		
Total pension contributions						**44**	**52**

Share option scheme

The Goode Durrant Share Option Scheme ("the GD Scheme"), which has been approved by the Board of the Inland Revenue, was established in 1986. Since then options have been granted to employees in all parts of the group and at all levels of the management structure and at 30th April 2001 options over 217,000 ordinary shares were outstanding exercisable at various dates between 1998 and 2006. (See note 18 on page 38.) The last options were granted in January 1996 and no further options may be granted under this Scheme.

The directors held the following options granted under the GD Scheme:

	At 1.5.00	Exercised	At 30.4.01	Exercise price (p)	Normally exercisable between	
P. J. Moorhouse	20,000	20,000*	–	174.5	1997	2004
	25,000	25,000*	–	218.5	1998	2005
	20,000	20,000*	–	280.5	1999	2006
	65,000	**65,000**	–			
A. T. Noble	52,500	–	52,500	280.5	1999	2006
	52,500		**52,500**			
S. J. Smith	30,000	30,000*	–	218.5	1998	2005
	25,000	25,000*	–	280.5	1999	2006
	55,000	**55,000**	–			
F. M. Waring	100,000	–	100,000	218.5	1998	2005
	52,500	–	52,500	280.5	1999	2006
	152,500		**152,500**			
Total	**325,000**	**120,000**	**205,000**			

*These options were exercised on 17th July 2000 when the market price was 465p. The total gross gain on exercise was therefore: P. J. Moorhouse – £156,625, S. J. Smith – £120,075. No directors' options under the GD scheme lapsed during the year. The mid-market price of the ordinary shares at 30th April 2001 was 465p (30th April 2000 – 347 1/2p) and the range during the year was 347 1/2p to 476p.

Long term incentive plan

In 1996 a Long Term Incentive Plan ("the Plan"), which is administered by the trustees of an employee trust ("the Trust"), was introduced for executive directors and senior management within the group.

The Plan was intended to provide incentives, in the form of ordinary shares of the company, to directors and senior management.

The Board believes that the Plan failed to achieve its motivational objectives, largely due to its complexity, and it was therefore effectively replaced by a new share option scheme, ("the NSOS") (see below) which was approved by shareholders at the Annual General Meeting last year. It is the Board's intention that no further options under the Plan be awarded. The last options were awarded in July 1999.

An award under the Plan consists of a right to acquire shares for a nominal price which, in normal circumstances, can be exercised, subject to performance criteria being satisfied, between 3 and 6 years following the date of grant. A condition of the grant of an option is that any shares acquired on exercise will be held on behalf of the employee by the trustees for a further period of 2 years, during which time the employee will be entitled to all the benefits of share ownership but may not dispose of the shares (other than sufficient to meet any income tax liability arising on exercise).

The performance criteria considered by the board to be

Report on remuneration

the most appropriate at the time the awards were made was a comparison of the growth in the company's total shareholder return ("TSR") with that of other companies included in the James Capel Trixie Index ("the Index") over the period of 3 years following the date of grant.

When granted, an option is expressed in terms of a standard number of shares. The number of shares which ultimately will be vested in the employees on exercise will depend on the company's TSR performance relative to the Index and, provided the company's performance is above the median, can range from a fraction of 1/3 to a multiple of 2. If performance is below the median, options cannot be exercised.

The maximum value of an award on any one occasion to any individual may not exceed 25% of his basic annual salary at that time and the aggregate value (in each case taking the value at the time of grant) of all awards subsisting under the Plan at any one time may not exceed his basic annual salary.

The company will fund the Trust to enable it to acquire shares in the company to be applied on the exercise of options under the Plan. At 30th April 2001 the Trust held 152,484 5p ordinary shares of the company, purchased in the market against the award of options granted (see note 11 on page 33).

Options granted in January 1997 and July 1998 did not meet the above performance criteria over the 3 year period following the date of their grant and therefore were not exercisable. These options will be measured against the performance criteria again after 4 years and, if still not exercisable, after 5 years. If then not exercisable, they will lapse.

The directors hold the following options granted under the Plan. The exercise price is £1 per award.

	At 1.5.00	At 30.4.01	Normally exercisable between	
P. J. Moorhouse	4,000	4,000	2000	2003
	4,200	4,200	2001	2004
	5,000	5,000	2001	2004
	13,200	13,200		
A. T. Noble	8,000	8,000	2000	2003
	6,800	6,800	2001	2004
	7,000	7,000	2001	2004
	21,800	21,800		
S. J. Smith	5,000	5,000	2000	2003
	4,400	4,400	2001	2004
	4,500	4,500	2001	2004
	13,900	13,900		
F. M. Waring	9,000	9,000	2000	2003
	7,700	7,700	2001	2004
	8,000	8,000	2001	2004
	24,700	24,700		
Total	**73,600**	**73,600**		

No directors were granted options under the Plan during the year, none were excercised and none lapsed.

Executive incentive scheme

The EIS introduced in 1999 has been designed to motivate those key executives in Northgate who are most able to influence the successful implementation of our five year strategy for growth, with a target of doubling earnings per share over the period 1999-2004.

Some 45 of the most senior executives have been granted options over shares worth between approximately two and five times the aggregate of their basic salary and the maximum bonus provided in their respective contracts of employment. Sufficient headroom has been retained to allow additional grants to be made in the future to new executives or to reflect promotions as the business grows.

An award under the EIS consists of a right to acquire ordinary shares of the company at a pre-determined price which, in normal circumstances, can be exercised, subject to a specified performance condition being satisfied, between 4 and 10 years following the date of grant. Options may relate to new and/or existing shares when exercised.

The performance condition attached to the options granted during the year is that, for all the options to become exercisable, the company's normalised earnings per share growth over the 5 year period following their grant should exceed 15% p.a. These options will normally only first become exercisable in full on the seventh anniversary of their grant and will lapse if they do not meet the prescribed level of growth over the 5 years. However, they will become capable of earlier exercise in tranches of 20%, 25% and 25% on the 4th, 5th and 6th anniversaries of their grant if earnings per share growth has been at least 15% p.a. over the 2, 3 and 4 years following their grant respectively. Partial exercise of these options over a sliding scale will be permitted for growth in earnings per share of between 8% and 15% p.a. over these periods. Performance conditions attaching to future grants will, in the opinion of the board, be equally demanding.

The aggregate value (in each case being the exercise price multiplied by the number of options) of options granted to an individual in the preceding 10 years under the EIS and under any other executive share option scheme adopted by the company may not exceed 8 times their annual earnings. Waived and exercised options continue to count towards this limit.

The directors hold the following options granted under the EIS:

	No. of options	Exercise price (p)
P J Moorhouse	180,000	492.5
A T Noble	174,050	492.5
	5,950	503.5
	180,000	
S J Smith	180,000	492.5

All the above options are normally exercisable between 2003 and 2009.

No director's options under the EIS lapsed or were exercised during the year.

In addition to the above, options over 580,000 shares granted to 42 employees at exercise prices ranging from 367½p to 503½p were outstanding at 30th April 2001.

New share option scheme

The NSOS was introduced last year to replace the Plan (see page 15) and operates on broadly similar lines to the EIS (see above). The NSOS is designed to provide incentives, in the form of ordinary shares in the company, to selected employees at managerial level. However,

Report on remuneration

directors and certain other management at a senior level do not currently participate in the scheme as their share incentives are all provided under the EIS.

The principal differences between the NSOS and the EIS are:

i) the maximum individual allocation over a 10 year period is limited to 4 times annual earnings (EIS – 8 times);

ii) subject to the performance criteria being satisfied, options may be exercised between 3 and 5$^1/_2$ years from the date of grant (EIS – 4 to 10 years); and

iii) the performance criteria is that earnings per share should increase by at least 3% per annum above inflation over a period of at least 3 years (EIS – EPS growth of 15% per annum over 5 years but with partial exercise over a sliding scale for growth between 8% and 15%).

At 30th April 2001 options over 65,000 shares granted to 28 employees at an exercise price of 403$^1/_2$p were outstanding.

All employee share scheme

The All Employee Share Scheme ("the AESS"), which is approved by the Inland Revenue under Schedule 8 Finance Act 2000, was introduced last year to provide employees at all levels with the opportunity to acquire shares in the company on preferential terms. The board believes that encouraging wider share ownership by all staff will have longer term benefits for the company and for shareholders.

The AESS operates under a trust deed, the Trustees being Capita IRG who are also our Registrars.

To participate in the Scheme, which operates on a yearly cycle, employees are required to make regular monthly savings (on which tax relief is obtained), by deduction from pay, for a year at the end of which these payments are used to buy shares in the company ("Partnership shares"). For each Partnership share acquired, the employee will receive one additional free share ("Matching shares"). Matching shares will normally be forfeited if, within 3 years of acquiring the Partnership shares, the employee either sells the Partnership shares or leaves the group. After this 3 year period Partnership and Matching shares may be sold, although there are significant tax incentives to continue holding the shares in the scheme for a further 2 years. Those employees who are most committed to the company will therefore receive the most benefit.

The first yearly cycle started in November 2000 and currently some 330 employees are making contributions to the scheme at an annualised rate of £247,000.

In addition to the shares held against the award of options granted under the Plan (see above), the Trust also held, at 30th April 2001, 84,700 5p ordinary shares of the company against the shares that are anticipated to be required at the end of the first annual cycle of the AESS in November 2001.

Ron Williams

Chairman, Remuneration Committee
3rd July 2001

Corporate governance

The Financial Services Authority has incorporated into the Listing Rules the Combined Code ("the Code"), published in June 1998, which sets out Principles of Good Corporate Governance and contains a Code of Best Practice. The Code is derived by the Hampel Committee on Corporate Governance from the Committee's Final Report and from the earlier Cadbury and Greenbury Reports.

The provisions of the Code applicable to listed companies are divided into four parts, as set out below:

1 Directors

The business of the company is managed by the board of directors, currently comprising three executive and five non-executive directors, details of whom are set out on page 11.

All the non-executive directors except the Chairman, who was formerly an executive director of the company, are considered to be independent in the sense outlined in the Code and Ron Williams, as Deputy Chairman, is considered to be the senior such independent director.

The offices and responsibilities of the Chairman and Chief Executive Officer are separate.

The board meets regularly, normally monthly, to review trading results and has responsibility for, inter alia, overall group strategy, financial reporting to and relationships with shareholders, dividend policy, acquisitions and disposals, major capital expenditure and financing and treasury policy.

The Chairman ensures that all directors are properly briefed to enable them to discharge their duties. In particular, detailed management accounts are prepared and copies sent to all board members every month and, in advance of each board meeting, appropriate documentation on all items to be discussed is circulated.

The company's Articles of Association provide that at each annual general meeting of the company, one third (or the number nearest to but not exceeding one third) of the directors shall retire from office. Those to retire in each year are those who have been longest in office since their appointment or re-appointment. (Any director appointed by the board during the year is obliged to seek re-election at the next following annual general meeting and is not included when determining the one third to retire by rotation). It is therefore possible for a director to serve four years before seeking re-appointment by shareholders. The company intends to amend its Articles to comply with the Code requirement that all directors be subject to re-election at intervals of no more than three years the next time it makes other changes to its Articles of Association. No current director has served more than three years without being re-elected by shareholders. Until the Articles are amended, the company will in any event comply with the Code by ensuring that no director serves more than three years without seeking re-election.

In terms of the Code requirement to establish a nominations committee, the board considers that it is a small board and therefore does not need to establish such a committee. The appointment of new directors is regarded as a matter for the board as a whole.

2 Directors' remuneration

The company's policy on remuneration and details of the remuneration of each director are given in the Remuneration Report on pages 14 to 18.

3 Relations with shareholders

Throughout the year the company maintains a regular dialogue with institutional investors and brokers' analysts, providing them with such information on the company's progress and future plans as is permitted within the guidelines of the Listing Rules. In particular, twice a year, at the time of announcing the company's interim and full year results, they are invited to briefings given by the Chairman, Chief Executive Officer and Finance Director.

All shareholders are given the opportunity to raise matters for discussion at the annual general meeting, of which more than the recommended minimum 20 working days notice is given. In recent years the company has adopted the practice of issuing a brief statement at the annual general meeting, which is

Corporate governance

simultaneously released to the London Stock Exchange, on current trading conditions.

In compliance with the requirement in the Code, the company has adopted the practice at general meetings of the company of advising shareholders of the numbers of proxy votes lodged on each resolution, after the resolution has been dealt with on a show of hands.

4 Accountability and audit

An assessment of the company's position and prospects is included in the Chairman's Statement on page 2.

Internal control

Provision D2.1 of the Code requires the directors to conduct an annual review of the effectiveness of the group's system of internal controls. The Turnbull Report, published by the ICAEW in September 1999, provides relevant guidance for directors on compliance with the internal control provisions of the Code.

The directors are responsible for the group's system of internal controls which aims to safeguard group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Although no system of internal controls can provide absolute assurance against material misstatement or loss, the group's system is designed to provide the directors with reasonable assurance that, should any problems occur, these are identified on a timely basis and dealt with appropriately. The key features of the group's system of internal controls, which was in place throughout the period covered by the financial statements, are described below:

Control environment

The group has a clearly defined organisational structure within which individual responsibilities of line and financial management for the maintenance of strong internal controls and the production of accurate and timely financial management information are identified and can be monitored. Where appropriate, the business is required to comply with the procedures set out in written manuals.

Identification of risks

The board and the group's management have a clearly defined responsibility for identifying the major business risks facing the group and for developing systems to mitigate and manage those risks. The control of key risks is reviewed by the board and the group's management at their monthly meetings.

The board is therefore able to confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group, that it has been in place for the year under review and up to the date of approval of these accounts and accords with the Turnbull guidance.

Information and communication

The group has a comprehensive system for reporting financial results to the board. Each operating unit prepares monthly accounts with a comparison against their business plan and against the previous year, with regular review by management of variances from targeted performance levels. Towards the end of each financial year the operating units prepare detailed business plans for the following year which are reviewed by the board before being adopted formally. Full year forecasts are updated regularly during the year.

Control procedures

The board and the group's management have adopted a schedule of matters which are required to be brought to it for decisions, thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Measures taken include clearly defined procedures for capital expenditure appraisal and authorisation, physical controls, segregation of duties and routine and ad hoc checks.

Corporate governance

Monitoring

The board has delegated to executive management implementation of the system of internal control. The board, including the Audit Committee, receives reports on the system of control from the external auditors and from management. An independent internal audit function reports bi-annually to the Audit Committee primarily on the key areas of risk within the business.

The directors confirm that they have reviewed the effectiveness of the system of internal controls covering financial, operational and compliance matters and risk management, for the period covered by these financial statements in accordance with the guidance contained in the Turnbull Report.

Audit

The Audit Committee, which is comprised of the four independent non-executive directors and chaired by Ron Williams, who is Deputy Chairman of the board, has written terms of reference setting out its duties. These include matters relating to the appointment and fees of the external auditors and review of the annual and interim statements, of the group's internal controls and of the nature, scope and results of the internal audit programme.

Both the external auditors and the internal audit manager have direct access to members of the Committee and can meet with the Committee without the company's management being present.

Compliance

The board considers that the company was in compliance with the provisions of the Code applicable to listed companies throughout the financial year.

Directors' responsibilities

in relation to the preparation of the accounts

The following statement, which should be read in conjunction with the statement of auditors' responsibilities set out on page 22, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and auditors in relation to the accounts.

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss for that period.

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all accounting standards which they consider to be applicable have been followed.

The directors are responsible for ensuring that the company keeps adequate accounting records and for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

The accounts have been prepared on a going concern basis as the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future.

Report of the auditors

to the members of Northgate plc

We have audited the financial statements on pages 24 to 40 which have been prepared under the accounting policies set out on page 28.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 21 preparation of the financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, the Financial Services Authority and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the corporate governance statement on page 21 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 30 April 2001 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche

Chartered Accountants and Registered Auditors
10-12 East Parade
Leeds
LS1 2AJ
3rd July 2001

Financial Statements

Consolidated profit and loss account

for the 12 months ended 30th April 2001

	Notes	2001 £000	2000 Reclassified (see note 9) £000
Turnover	1, 2	261,801	218,286
Operating profit	1, 2	42,569	37,942
Net interest payable	4	(15,459)	(13,617)
Profit on ordinary activities before taxation		27,110	24,325
Tax on profit on ordinary activities	5	(8,306)	(7,429)
Profit for the financial year	6	18,804	16,896
Dividends	7	(8,517)	(8,039)
Profit transferred to reserves	20	10,287	8,857
Earnings per ordinary share – basic	8	31.0p	27.9p
Diluted earnings per ordinary share	8	30.9p	27.8p
Dividends per ordinary share	7	14.0p	13.25p

All current and prior year trading relates to continuing operations.

Statement of total recognised gains and losses

for the 12 months ended 30th April 2001

	2001 £000	2000 £000
Profit for the financial year	18,804	16,896
Total recognised gains and losses for the financial year	18,804	16,896

Balance sheets

30th April 2001

	Notes	Group 2001 £000	Group 2000 Reclassified (see note 9) £000	Company 2001 £000	Company 2000 £000
Fixed assets					
Tangible assets					
Vehicles for hire	9	302,473	282,229	–	–
Other fixed assets	10	15,121	12,158	223	–
Investments	11	759	401	70,242	69,884
		318,353	294,788	70,465	69,884
Current assets					
Stocks	12	6,685	5,827	–	–
Debtors	13	51,296	54,290	25,247	30,550
Investments	14	–	10	–	–
Cash at bank and in hand		24,263	15,509	22,867	14,079
		82,244	75,636	48,114	44,629
Creditors: amounts falling due within one year					
– Borrowings	16	102,318	86,417	111	103
– Other	15	31,551	21,749	10,530	11,325
		133,869	108,166	10,641	11,428
Net current (liabilities)/assets		(51,625)	(32,530)	37,473	33,201
Total assets less current liabilities		266,728	262,258	107,938	103,085
Creditors: amounts falling due after more than one year	16	136,620	142,828	–	–
Provisions for liabilities and charges	17	6,681	6,626	36	61
		123,427	112,804	107,902	103,024
Capital and reserves					
Called up share capital	18	3,539	3,532	3,539	3,532
Share premium account	19	45,321	44,992	45,321	44,992
Revaluation reserve	20	23	23	–	–
Merger reserve	20	4,721	4,721	417	417
Profit and loss account	20	69,823	59,536	58,625	54,083
Shareholders' funds		123,427	112,804	107,902	103,024
Attributable to equity shareholders		122,927	112,304	107,402	102,524
Attributable to non-equity shareholders		500	500	500	500
		123,427	112,804	107,902	103,024

The accounts were approved by the board of directors on 3rd July 2001.

F M Waring
Director

P J Moorhouse
Director

Consolidated cash flow statement

for the 12 months ended 30th April 2001

	Notes	2001 £000	2000 Reclassified (see note 9) £000
Cash inflow from operating activities	(i)	117,388	96,973
Returns on investments and servicing of finance	(ii)	(15,266)	(13,079)
Taxation		695	(6,309)
Capital expenditure and financial investment			
Purchase of vehicles for hire		(21,610)	(65,000)
Sale of vehicles for hire		72,384	58,805
Other items, net		(5,366)	(5,087)
Net cash inflow/(outflow) from capital expenditure and financial investment	(iii)	45,408	(11,282)
Equity dividends paid		(8,166)	(7,659)
Cash inflow before use of liquid resources and financing		140,059	58,644
Management of liquid resources			
Cash withdrawn from/(placed on) deposit		23	(9)
Financing			
Issue of ordinary shares (net of expenses)		336	92
(Decrease)/increase in borrowings		(18,052)	421
Capital element of vehicle related hire purchase payments		(103,745)	(73,586)
Net cash outflow from financing		(121,461)	(73,073)
Increase/(decrease) in cash for the year		18,621	(14,438)

Reconciliation of net cash flow to movement in net debt

		2001 £000	2000 £000
Increase/(decrease) in cash for the year		18,621	(14,438)
Financing			
Decrease/(increase) in borrowings	(iv)	26,968	(421)
Capital element of vehicle related hire purchase payments		103,745	73,586
Cash (withdrawn from)/placed on deposit		(23)	9
Change in net debt resulting from cash flows		149,311	58,736
New hire purchase obligations		(150,250)	(99,656)
Movement in net debt for the year		(939)	(40,920)
Net debt at 1st May		(213,736)	(172,816)
Net debt at 30th April		(214,675)	(213,736)

Notes to the consolidated cash flow statement

(i) Reconciliation of operating profit to net cash inflow from operating activities

	2001 £000	2000 Reclassified (see note 9) £000
Operating profit	42,569	37,942
Depreciation	76,193	66,671
Profit on sale of equipment and other fixed assets	–	(53)
Increase in stocks	(858)	(2,164)
Increase in debtors	(1,608)	(6,468)
Increase in creditors	1,082	1,040
Other non-cash items	10	5
Net cash inflow from operating activities	117,388	96,973

Analysis of cash flows for headings netted in the cash flow statement

	2001 £000	2000 £000
(ii) Returns on investments and servicing of finance		
Interest received	1,045	1,526
Interest paid	(6,763)	(8,037)
Interest paid on hire purchase agreements	(9,523)	(6,543)
Dividends paid – non-equity preference shares	(25)	(25)
	(15,266)	(13,079)
(iii) Capital expenditure and financial investment		
Purchase of vehicles for hire	(21,610)	(65,000)
Sale of vehicles for hire	72,384	58,805
Purchase of other fixed assets	(5,800)	(5,860)
Sale of other fixed assets	792	773
Purchase of investments – All Employee Share Scheme	(358)	–
	45,408	(11,282)

Notes to the reconciliation of net cash flow to movement in net debt

	2001 £000	2000 £000
(iv) Decrease/(increase) in borrowings		
Decrease/(increase) in borrowings resulting from cashflows	18,052	(421)
Other non-cash changes	8,916	–
	26,968	(421)

Accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention as modified by the revaluation of freehold and long leasehold properties. The group adopted the transitional provisions of FRS15 in respect of the valuation of properties. The valuation of previously revalued properties will not be updated. Details of the latest revaluations are shown in note 10.

Basis of consolidation

The consolidated financial statements comprise the accounts of the company and all subsidiary undertakings made up to 30th April. The results of subsidiary undertakings acquired are included from the date of acquisition. The excess of the purchase consideration of businesses and other assets acquired over the fair value of the net assets for periods before the implementation of FRS10 has been treated as purchased goodwill and written off against reserves as a matter of accounting policy.

This goodwill would be charged in the profit and loss account on subsequent disposal of the businesses to which it relates.

Tangible fixed assets: depreciation

Freehold land and property under construction are not depreciated. Other tangible fixed assets are depreciated over their estimated useful lives on a straight line basis which write off:

Freehold buildings	over 50 years
Leasehold property	over 50 years or over the term of the lease, whichever is the shorter
Plant, equipment and fittings	over 3 to 10 years
Vehicles for hire	over 3 to 6 years
Motor vehicles	over 3 years

Investments

(i) Current assets are stated at the lower of cost and net realisable value.

(ii) Shares in group undertakings and other unlisted fixed asset investments are stated at cost less provision for impairment.

Long term incentive plan

The company's shares held by Kleinwort Benson (Guernsey) Trustees Limited as trustees of the Goode Durrant Employees' Trust are included in the consolidated balance sheet as a fixed asset investment until such time as the interest in the shares is transferred to the employees. The shares are held as a hedge against the group's obligations under the Long Term Incentive Plan and accordingly the shares purchased are recorded at cost. The cost of meeting these obligations is charged to the profit and loss account on a systematic basis over the period of service in respect of which options are granted.

Deferred taxation

Provision is made for deferred tax using the liability method to the extent that the directors consider that a liability could arise within the foreseeable future.

Stocks

Goods for resale and finished goods are stated at the lower of cost and net realisable value.

Translation of foreign currencies

Assets, liabilities and trading results of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences arising from the retranslation of opening foreign currency balances to the year end rates are treated as a movement in reserves. Other translation differences are dealt with in the profit and loss account.

Leasing

As lessee: Acquisitions of fixed assets funded through finance leases and hire purchase agreements are capitalised and depreciated in accordance with group policies or the lease term, whichever is the shorter. Future obligations under these leases and agreements are included in creditors. Interest costs payable are charged to the profit and loss account over the life of the lease so as to produce a constant rate of return on the outstanding balance. All other leases are operating leases and the payments made are charged to the profit and loss account evenly over the period of the lease.
As lessor: Motor vehicles and equipment leased to customers under operating leases are included within fixed assets. Income from such leases is taken to the profit and loss account evenly over the period of the operating lease agreements.

Turnover

Turnover represents the amounts charged to customers for goods and services supplied excluding value added tax.

Pensions

The group operates only defined contribution type pension arrangements. Contributions in respect of these arrangements are charged to the profit and loss account as they become payable by the group. Pension contributions in respect of one of these arrangements are held in trustee administered funds independent of the group's finances.
The other arrangements are group personal pension plans.

Financial instruments and their derivatives

Derivative instruments utilised by the group are interest rate caps, collars and swaps. A derivative instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying exposure of the group in line with the group's risk management policies.

Interest rate caps and collars – The option premia are recognised on the group Balance Sheet as 'Prepayments and accrued income'. The option premia are taken to net interest payable spread evenly over the lifetime of the cap.

Interest rate swaps – Interest payments/receipts are accrued with net interest. They are not revalued to fair value or shown in the group Balance Sheet at the year end.

Notes on the accounts

1 Segmental information

All trading activities in 2001 and 2000 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 Operating profit

	2001	2000 Reclassified (see note 9)
	£000	£000
Turnover	261,801	218,286
Cost of sales	(193,736)	(158,513)
Gross profit	68,065	59,773
Administrative expenses	(25,496)	(21,831)
Operating profit	42,569	37,942

All figures relate to continuing operations.

	2001 £000	2000 £000 Reclassified (see note 9)
Operating profit is stated after including:		
Depreciation of owned tangible fixed assets	38,594	39,133
Depreciation of fixed assets held under hire purchase agreements	37,599	27,538
Hire of plant and equipment	29	31
Hire of other assets	2,318	2,356
Auditors' remuneration	118	132
Fees paid to auditors for other services	77	55
Profit on sale of tangible fixed assets	–	53
Other rental income	153,699	132,860*

*Restated from £152,860,000 to correct a typographical error.

3 Information regarding employees and directors

	2001 number	2000 number
The average number of persons employed by the group:		
Direct operations	926	780
Administration	341	297
	1,267	1,077
	£000	£000
The staff costs of these persons were as follows:		
Wages and salaries	22,851	18,965
Social security costs	2,254	1,734
Other pensions costs	545	510
	25,650	21,209

Disclosures on directors' remuneration, share options and long term incentive schemes required by the Companies Act 1985 and the disclosures specified by the Financial Services Authority are contained in the Remuneration Report on pages 14 to 18. To the extent they are required to be audited they form part of these audited financial statements.

Notes on the accounts continued

4 Interest	2001 £000	2000 £000
Income from fixed asset investments	21	47
Interest receivable and similar income:		
Interest receivable on bank and other deposits	1,223	1,450
	1,244	1,497
Interest payable and similar charges:		
On bank loans, overdrafts and other loans repayable within 5 years	6,817	8,316
Finance charges related to hire purchase agreements	9,886	6,798
	16,703	15,114
Net interest payable	(15,459)	(13,617)

5 Tax on profit on ordinary activities	2001 £000	2000 £000
UK corporation tax at 30% (2000 – 30%)	10,492	9,251
Deferred tax	(2,066)	(1,608)
	8,426	7,643
Adjustment in respect of prior years:		
Corporation tax	(2,241)	(730)
Deferred tax	2,121	516
	8,306	7,429

The current year tax charge has been increased above the UK corporation tax rate of 30% by 1.1% as a result of expenditure not deductible for corporation tax and movements on unprovided deferred tax assets.

6 Profit of parent company

Of the profit attributable to shareholders, a profit of £13,059,000 (2000 – £11,917,000) has been dealt with in the accounts of the parent company. The company has taken advantage of the exemption contained in the Companies Act 1985 from presenting its own profit and loss account.

7 Dividends	2001 £000	2000 £000
Equity dividend on ordinary shares:		
Interim paid 4.4p per share (2000 – 4.18p)	2,680	2,528
Final proposed 9.6p per share (2000 – 9.07p)	5,812	5,486
Total dividend 14.0p per share (2000 – 13.25p)	8,492	8,014
Non-equity dividend on preference shares	25	25
	8,517	8,039

8 Earnings per ordinary share

The calculation of basic earnings per ordinary share in respect of the year to 30th April 2001 is based on the profit attributable to equity shareholders of £18,779,000 (2000 – £16,871,000) and the weighted average of 60,578,305 (2000 – 60,405,822) ordinary shares in issue (excluding those shares held by an employee trust in connection with the Goode Durrant Long Term Incentive Plan).

Diluted earnings per ordinary share have been calculated on the basis of earnings described above and assume that 217,000 shares (2000 – 358,000) 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 60,837,249 (2000 – 60,721,888) (including those shares held by the employee trust in connection with the Goode Durrant Long Term Incentive Plan).

9 Vehicles for hire

Group	£000
Cost:	
1st May 2000	368,895*
Additions	166,776
Disposals	(136,872)
30th April 2001	398,799
Depreciation:	
1st May 2000	86,666*
Charged to profit and loss account	74,148
Disposals	(64,488)
30th April 2001	96,326
Net book value:	
30th April 2001	302,473
30th April 2000	282,229*

*Reclassified (see note below).

The net book value of the above vehicles which are held under hire purchase agreements amounts to £178,549,000 (2000 – £127,497,000).

Following discussions with The Financial Reporting Review Panel, the treatment of manufacturer's volume related bonuses, which were previously carried in accruals and deferred income and released to turnover over the life of the asset to which they relate has been changed. The Financial Reporting Review Panel considered that such bonuses form part of the cost of vehicles acquired. Bonuses are now deducted from the cost of the asset to which they relate with a corresponding reduction to depreciation charges, which are recorded within cost of sales.

The comparative figures for the year ended 30th April 2000 have been amended accordingly, resulting in a reduction to the net book value of vehicles for hire and a reduction to accruals and deferred income of £49.4m at 30th April 2000. In addition, volume related bonuses totalling £42.5m previously recorded as turnover for the year ended 30th April 2000 have been reclassified to cost of sales. Had this reclassification not been performed, fixed assets and deferred income balances at 30th April 2001 would have been increased by £54.2m and turnover and cost of sales for the year ended 30th April 2001 would have been increased by £48.8m.

None of the above reclassifications have any affect on current or prior year retained profits or shareholders' funds.

Notes on the accounts continued

10 Other fixed assets

Group	Property under construction £000	Land and buildings £000	Plant equipment & fittings £000	Motor vehicles £000	Total £000
Cost or valuation:					
1st May 2000	–	10,107	4,844	1,612	16,563
Additions	223	2,634	1,697	1,246	5,800
Disposals	–	–	(237)	(1,157)	(1,394)
30th April 2001	223	12,741	6,304	1,701	20,969
Depreciation:					
1st May 2000	–	1,233	2,754	418	4,405
Charged to profit and loss account	–	470	1,026	549	2,045
Disposals	–	–	(102)	(500)	(602)
30th April 2001	–	1,703	3,678	467	5,848
Net book value:					
30th April 2001	223	11,038	2,626	1,234	15,121
30th April 2000	–	8,874	2,090	1,194	12,158
Cost or valuation at 30th April 2001 is represented by:					
Valuation in 1992	–	795	–	–	795
Cost	223	11,946	6,304	1,701	20,174
	223	12,741	6,304	1,701	20,969

	2001 £000	2000 £000
Land and buildings by category:		
Freehold	9,130	7,826
Short leasehold	1,908	1,048
Net book value	11,038	8,874

Certain of the above freehold properties were valued as at 30th April 1992 by Jones Lang Wootton, Chartered Surveyors, on the basis of open market value for existing use.

At 30th April 2001, under the historical cost convention, land and buildings and property under construction would have been stated at £13,258,000 and related accumulated depreciation at £1,757,000.

The gross amount of depreciable assets included in land and buildings is £8,776,000.

Company	Property under construction £000
Cost or valuation:	
Additions	223
30th April 2001	223
Net book value:	
30th April 2001	223
30th April 2000	–

11 Fixed asset investments

Group	Own shares £000	Unlisted investments £000	Total £000
Cost:			
1st May 2000	1,100	184	1,284
Additions	358	–	358
30th April 2001	1,458	184	1,642
Provisions:			
1st May 2000 and 30th April 2001	859	24	883
Net book value:			
30th April 2001	599	160	759
30th April 2000	241	160	401

Own shares

At 30th April 2001, 84,700 (2000: nil) ordinary shares in Northgate plc with a market value of £393,855 (2000: nil) were held by Kleinwort Benson (Guernsey) Trustees Limited as a hedge against the group's obligations under the Northgate All Employee Share Scheme ("The All Employee Scheme").

At 30th April 2001, 152,484 (2000: 155,819) ordinary shares in Northgate plc with a market value of £709,051 (2000: £541,471) were held by Kleinwort Benson (Guernsey) Trustees Limited as a hedge against the group's obligation under the Long Term Incentive Plan ("the Plan").

All but a nominal dividend right in respect of these shares has been waived. Further details of the All Employee Scheme and of the Plan are outlined in the Remuneration Report on pages 15 and 18.

Company	Own shares £000	Shares in subsidiary undertakings £000	Loans to group undertakings £000	Total £000
Cost:				
1st May 2000	–	25,319	47,000	72,319
Addition	358	–	–	358
30th April 2001	358	25,319	47,000	72,677
Provisions:				
1st May 2000 and 30th April 2001	–	2,435	–	2,435
Net book value:				
30th April 2001	358	22,884	47,000	70,242
30th April 2000	–	22,884	47,000	69,884

At 30th April 2001 the company's principal subsidiary undertaking was Northgate Vehicle Hire Limited (Northgate), whose business is vehicle hire. Northgate is wholly and directly owned by the company, incorporated in Great Britain, registered in England and Wales and operates in the country of incorporation. A full list of the company's subsidiaries was included with the Annual Return filed with the Registrar of Companies.

Notes on the accounts continued

12 Stocks

	Group	
	2001	2000
	£000	£000
Goods for resale and finished goods	6,685	5,817
Land held for resale	–	10
	6,685	5,827

13 Debtors

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade debtors	40,013	37,538	–	–
Amounts owed by subsidiary undertakings	–	–	24,573	28,625
Corporation tax	2,091	6,609	–	–
Other debtors	2,444	3,197	414	1,266
Prepayments and accrued income	5,526	5,346	223	530
	50,074	52,690	25,210	30,421
Amounts falling due after more than one year:				
Prepayments and accrued income	1,222	1,600	37	129
	51,296	54,290	25,247	30,550

14 Current asset investments

	Group	
	2001	2000
	£000	£000
Other investments	–	10

The excess of market value of current asset investments over the balance sheet amount is not material.

15 Other creditors

	Group		Company	
	2001	2000	2001	2000
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade creditors	10,008	5,802	–	–
Amounts owed to subsidiary undertakings	–	–	3,547	5,358
Corporation tax	5,134	706	873	425
Social security and other taxes	2,489	2,575	–	–
Accruals and deferred income	8,108	7,180	298	56
Proposed dividends	5,812	5,486	5,812	5,486
	31,551	21,749	10,530	11,325

16 Borrowings

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Amounts falling due within one year:				
Bank loans and overdrafts	121	244	111	103
Vehicle related bank loans and overdrafts	14,740	24,640	–	–
Vehicle related hire purchase	87,457	61,533	–	–
	102,318	86,417	111	103
Amounts falling due after more than one year:				
Bank loans and overdrafts	74	253	–	–
Vehicle related bank loans and overdrafts	55,670	82,280	–	–
Vehicle related hire purchase	80,876	60,295	–	–
	136,620	142,828	–	–
Total borrowings	238,938	229,245	111	103
Of the amounts falling due after more than one year, repayments fall due in the following periods:				
Due within one to two years				
Bank loans and overdrafts	74	253	–	–
Vehicle related hire purchase	53,917	40,197	–	–
	53,991	40,450	–	–
Due within two to five years				
Vehicle related bank loans and overdrafts	55,670	82,280	–	–
Vehicle related hire purchase	26,959	20,098	–	–
	82,629	102,378	–	–

Vehicle related bank loans and overdrafts of £70,410,000 (2000 – £106,920,000) and £74,000 (2000 – £253,000) of the bank loans and overdrafts are secured by fixed and floating charges over the assets of the subsidiary undertakings. Vehicle related hire purchase of £168,333,000 (2000 – £121,828,000) is secured by a fixed charge over the vehicles to which it relates.

Analysis of net debt

	At 1st May 2000 £000	Cash flow £000	Other non-cash changes £000	At 30th April 2001 £000
Cash in hand, at bank	14,090	8,777	–	22,867
Bank overdraft due within one year	(24,884)	9,844	179	(14,861)
	(10,794)	18,621	179	8,006
Cash in hand, short term deposits	1,419	(23)	–	1,396
Bank loans and overdrafts due after one year	(82,533)	18,052	8,737	(55,744)
Hire purchase obligations	(121,828)	103,745	(150,250)	(168,333)
	(213,736)	140,395	(141,334)	(214,675)

Notes on the accounts continued

16 Borrowings (continued)

At 30th April 2001 the gearing of the group amounted to 174% (2000 – 189%) which is represented by net borrowings of £214,675,000 (2000 – £213,736,000) as a percentage of shareholders' funds of £123,359,000 (2000 – £112,804,000). Net borrowings comprise borrowings less cash at bank.

Borrowing facilities

The group has various borrowing facilities available to it. The undrawn committed borrowing facilities at 30th April 2001 in respect of which all conditions precedent had been met at that date expire as follows:

	2001 £000	2000 £000
In one year or less	128,807	121,788
In more than two years	12,755	36,467
	141,562	158,255

The total amount permitted to be borrowed by the company and its subsidiaries in terms of the Articles of Association shall not exceed five times the aggregate of the issued share capital of the company and the group reserves, as defined in those Articles.

Financial instruments and their derivatives

Treasury policies and the management of risk

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

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

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

Short term debtors and creditors have been excluded from the analysis below. At 30th April 2001 the group's total borrowings were £238,938,000 (2000 – £229,245,000). The increase reflects the growth in fleet numbers and funding thereof during the year. In all other respects the year end figures are consistent with the year as a whole.

Financing and interest rate risk

The group's policy is to finance operating subsidiaries by a combination of retained earnings, bank borrowings including medium-term loans and hire purchase finance.

Cash at bank and on deposit yield interest based principally on LIBOR rates applicable to periods of less than 3 months. The group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate caps, collars and swaps. These derivatives are also used to manage the group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. At 30th April 2001, 33% of gross borrowings were at fixed or capped rates of interest. After taking into account the various interest rate swaps entered into by the group, the interest rate exposure of the net borrowings of the group as at 30th April 2001 was:

				Fixed rate borrowings	
	Gross borrowings £000	Floating rate borrowings £000	Fixed rate borrowings £000	Weighted average interest rate at year end %	Weighted average time for which rate is fixed Years
At 30th April 2001					
UK Sterling	238,938	203,938	35,000	7.37	4.13
At 30th April 2000					
UK Sterling	229,245	194,245	35,000	7.37	5.13

The analysis of weighted average interest rates and weighted average years to maturity is on fixed rate borrowings and after adjustments for interest rate swaps. The floating rate borrowings bear interest at relevant national LIBOR equivalents.

16 Borrowings (continued)

The interest rate exposure is further protected by interest rate caps set out as follows:

Cap amount (£m)	Cap %	Finish date
5	8	May 2002
5	8	June 2002
5	8	July 2003
5	8	April 2004
5	8	May 2004
5	8	December 2004
5	8	January 2005
5	8	April 2006
5	7.5	June 2006
45		

In addition to the instruments reflected in the tables above, the group has further structures with forward starting dates. They constitute £20,000,000 of interest rate swaps with a weighted average time of 5 years for which the rate is fixed at a weighted average rate of 6.22% and £60,000,000 of interest rate collars maturing 5 years from 4 consecutive annual dates commencing 1st April 2002 with a cap strike of 7% and a floor strike of 5%.

Fair values of financial instruments

The comparison of fair and book values of all the group's financial instruments as at 30th April 2001 is set out below. Market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

	2001		2000	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash at bank and in hand	24,263	24,263	15,509	15,509
Debt	(238,938)	(238,938)	(229,245)	(229,245)
Net borrowings	(214,675)	(214,675)	(213,736)	(213,736)
Derivatives to manage interest rate	1,565	(2,099)	1,848	62
	(213,110)	(216,774)	(211,888)	(213,674)

17 Provisions for liabilities and charges

	Group		Company	
	2001 £000	2000 £000	2001 £000	2000 £000
Deferred tax provided				
Accelerated capital allowances	6,882	6,651	–	–
Other timing differences	(201)	(25)	36	61
	6,681	6,626	36	61
Movement in deferred tax				
1st May 2000	6,626		61	
Credited				
in profit and loss account	(2,066)		(25)	
Adjustments to prior year	2,121		–	
30th April 2001	6,681		36	
The full potential liability for deferred tax including the amount provided above is as follows:				
Accelerated capital allowances	6,294	6,348	–	–
Other timing differences	(478)	(335)	36	61
	5,816	6,013	36	61

Notes on the accounts continued

18 Called up share capital

Group and Company	2001 £000	2000 £000
Authorised:		
80,000,000 ordinary shares of 5p each	4,000	3,650
1,300,000 5% cumulative preference shares of 50p each	650	650
	4,650	4,300
Allotted and fully paid:		
60,777,340 (2000 – 60,636,340) ordinary shares of 5p each	3,039	3,032
1,000,000 5% cumulative preference shares of 50p each	500	500
	3,539	3,532

During the year 141,000 ordinary shares with a nominal value of £7,050 were issued pursuant to the exercise of options under the GD scheme, for a cash consideration of £336,485.

The cumulative preference shares of 50p each entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The preference shares do not entitle the holders to any further or other participation in the profits or assets of Northgate plc. These shares have no voting rights other than in exceptional circumstances.

Options

At 30th April 2001 options outstanding for ordinary shares granted under the GD scheme were as follows:

Year of Grant	Number of Shares	Exercise Price	Exercisable From	To
1995	104,000	218.5p	January 1998	January 2005
1996	113,000	280.5p	January 1999	January 2006

There is no commitment to issue ordinary shares under the company's other share schemes.

19 Share premium account

Group and Company	£000
1st May 2000	44,992
Premium on shares issued (net of expenses)	329
30th April 2001	45,321

20 Reserves

	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total reserves £000
Group				
1st May 2000	23	4,721	59,536	64,280
Profit transferred to reserves	–	–	10,287	10,287
30th April 2001	23	4,721	69,823	74,567
Company				
1st May 2000		417	54,083	54,500
Profit transferred to reserves		–	4,542	4,542
30th April 2001		417	58,625	59,042

The cumulative amount of goodwill written off to reserves is £13,195,000 (2000 – £13,195,000).

21 Reconciliation of Movements in Shareholders' Funds for the 12 months ended 30th April 2001

	2001 £000	2000 £000
Profit for the financial year	18,804	16,896
Dividends	(8,517)	(8,039)
	10,287	8,857
Issue of ordinary share capital (net of expenses)	336	92
Net increase in shareholders' funds	10,623	8,949
Opening shareholders' funds	112,804	103,855
Closing shareholders' funds	123,427	112,804

Notes on the accounts continued

22 Contingent liabilities

Northgate plc has guaranteed borrowings by subsidiary undertakings of £14,740,000 as at 30th April 2001 (2000 – £24,640,000).

Performance bonds given to local authorities in respect of the group's former housebuilding activities at 30th April 2001 amounted to £38,740 (2000 – £38,740).

23 Commitments

Capital expenditure commitments:
Capital expenditure contracted for but not provided in the accounts is as follows:

	Group	
	2001 £000	2000 £000
Contracted for but not provided in the financial statements	98	199

Financial commitments:
In the year to 30th April 2001 the group has commitments to make payments under operating leases as follows:

	2001		2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Leases expiring:				
within one year	44	506	130	624
two to five years	289	262	241	533
over five years	559	9	430	41
	892	777	801	1,198

24 Pensions

The total pension cost for the group was £545,000 (2000 – £510,000).

With effect from 1st April 1997 the former defined benefit schemes were merged and converted into a single defined contribution plan. After full provision for all liabilities arising on conversion, independent qualified actuaries estimated that a surplus of £500,000 was attributable to the company. This surplus was taken to the profit and loss account for the year ended 30th April 1997 as an exceptional credit to employment costs. The surplus is being used to fund the group's contributions under the new defined contribution plan as they fall due. Accordingly an amount of £119,000 (2000 – £201,000) has been included as a pensions prepayment in the balance sheet.

During the year ended 30th April 2001 the group only operated defined contribution arrangements.

Five year financial summary

based on the consolidated financial statements for 12 months ended 30th April and adjusted to reflect the effect of subsequent changes in accounting policy and the reclassification in the current year referred to in note 9 to the accounts.

Profit and loss account	**2001 £000**	**2000 £000**	**1999 £000**	**1998 £000**	**1997 £000**
Turnover					
Continuing activities	261,801	218,286	184,753	153,632	101,298
Discontinued activities	–	–	–	14,815	12,953
	261,801	218,286	184,753	168,447	114,251
Operating profit before exceptional items					
Continuing activities	42,569	37,942	28,620	27,238	20,137
Discontinued activities	–	–	–	3,057	2,545
	42,569	37,942	28,620	30,295	22,682
Associated undertakings	–	–	–	–	174
Interest	(15,459)	(13,617)	(12,010)	(10,671)	(6,657)
Profit before exceptional items and taxation	27,110	24,325	16,610	19,624	16,199
Exceptional items	–	–	–	2,000	814
Profit before taxation	27,110	24,325	16,610	21,624	17,013
Tax	(8,306)	(7,429)	(5,167)	(5,870)	(5,704)
Profit for the financial year	18,804	16,896	11,443	15,754	11,309
Dividends	(8,517)	(8,039)	(7,561)	(7,066)	(5,480)
Retained profit	10,287	8,857	3,882	8,688	5,829
Earnings per ordinary share	31.0p	27.9p	18.9p	27.1p	20.8p
Adjustment for exceptional items	–	–	—	(3.4p)	(1.2p)
Adjusted earnings per ordinary share	31.0p	27.9p	18.9p	23.7p	19.6p
Dividends per ordinary share	14.0p	13.25p	12.5p	11.75p	10.0p

Balance sheet	**2001 £000**	**2000 £000**	**1999 £000**	**1998 £000**	**1997 £000**
Assets employed					
Fixed assets	318,353	294,788	251,765	197,985	156,882
Net current (liabilities)/assets	(51,625)	(32,530)	(14,905)	9,481	(2,118)
Creditors (after one year) and provisions	(143,301)	(149,454)	(133,005)	(108,102)	(90,071)
	123,427	112,804	103,855	99,364	64,693
Financed by					
Share capital	3,539	3,532	3,530	3,516	3,222
Share premium account	45,321	44,992	44,902	44,307	21,477
Reserves	74,567	64,280	55,423	51,541	39,994
	123,427	112,804	103,855	99,364	64,693
Net asset value per ordinary share	203p	186p	171p	165p	119p

Notice of annual general meeting

Notice is hereby given that the one hundred and third Annual General Meeting of Northgate plc will be held at 111 Old Broad Street, London EC2 at 11.30 am on 12th September 2001 for the following purposes:

1. To receive and adopt the directors' report and audited accounts of the company for the year ended 30th April 2001.
2. To declare a final dividend of 9.6p per ordinary share.
3. To re-appoint Deloitte & Touche as auditors of the company and to authorise the directors to fix their remuneration.
4. To re-elect Mr. J. Astrand as a director.
5. To re-elect Mr. F. M. Waring as a director.

   As special business to consider, and if thought fit, to pass the following resolutions which are to be proposed as Special Resolutions:

6. That, the directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the authority given in accordance with Section 80 of the Act by a resolution passed at the Annual General Meeting of the company held on 14th September 2000 as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the directors, by way of rights to holders of ordinary shares and such other equity securities of the company as the directors may determine on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attached thereto (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever);

   (b) the allotment of equity securities in connection with any employees' share scheme approved by the members in general meeting; and

   (c) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £150,000,

   and shall expire at the conclusion of the Annual General Meeting of the company to be held in 2002 or, if earlier, fifteen months after the passing of this resolution except that the company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the directors may allot equity securities in pursuance of such offers or agreements.

7. That the company be generally and unconditionally authorised to make market purchases (as defined in Section 163, Companies Act 1985) of its ordinary shares of 5p each provided that:

   (a) the company does not purchase under this authority more than 6,000,000 ordinary shares;

   (b) the company does not pay less than 5p for each share;

   (c) the company does not pay more for each share than 5% over the average of the middle market price of the ordinary shares according to the Daily Official List of the London Stock Exchange for the ten business days immediately preceding the date on which the company agrees to buy the shares concerned;

   (d) this authority shall expire at the conclusion of the Annual General Meeting of the company to be held in 2002 unless such authority is renewed prior to such time; and

   (e) the company may agree before the aforesaid authority terminates to purchase ordinary shares where the purchase will or may be executed (either wholly or in part) after the authority terminates. The company may complete such a purchase even though the authority has terminated.

Dated 3rd July 2001

By Order of the Board

D. Henderson
Secretary

Registered Office:
Northgate House
Darlington
Co. Durham DL1 1XA

NOTES

1. Only the holders of ordinary shares registered in the register of members of the company as at 6.00 pm on 10th September 2001 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the right of any person to attend and vote at the meeting.
2. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy so appointed need not also be a member. A two-way proxy card for this purpose is enclosed.

Information for shareholders

Classification
Information concerning day to day movements in the price of the company's ordinary shares is available on Cityline (09068 123456) code 2722. The company's listing symbol on the London Stock Exchange is NTG.

Market-makers
The following companies have informed the London Stock Exchange that they make a market in the company's shares:

Altium Capital Ltd.
Credit Suisse First Boston Equities Ltd.
Dresdner Kleinwort Benson Securities Ltd.
WestLB Panmure Ltd.

Financial calendar

January	Announcement of interim results
February	Payment of interim dividend
July	Announcement of year end results Report and accounts posted to shareholders
September	Annual general meeting Payment of final dividend

Secretary and registered office
D Henderson FCIS

Northgate House
Darlington
Co. Durham DL1 1XA

Tel: 01325 467558

Registrars
Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Tel: 020 8639 2000

Hire locations

Aberdeen (open soon)
Barking
Belfast
Birmingham
Blaydon
Bolton
Bristol
Cardiff
Carlisle
Chester (open soon)
Chesterfield
Coventry
Croydon
Darlington
Derby
Dublin
Eastleigh
Edinburgh
Egham
Exeter
Glasgow
Gloucester
Huddersfield
Hull
Hunslet (open soon)
Ipswich
Leeds
Leicester
Lincoln
Liverpool
Manchester
Middlesbrough
Milton Keynes
Newcastle upon Tyne
Norwich
Nottingham
Portsmouth
Preston
Reading
Rochdale
Scunthorpe (open soon)
Sheffield
Snodland
South Shields
Stirling
Stockport
Stockton-on-Tees
Stoke-on-Trent
Swansea
Waltham Cross
Warrington
Willenhall

To find our nearest site go to www.northgatenetwork.co.uk or call 0870-6077717 which will automatically connect you to the nearest site. For a quick and easy rental solution go to www.wannavan.com