NORTHGATE plc

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annual report and accounts **2002**

Designed and produced by The Roundhouse Newcastle upon Tyne. Printed by Reed Print Washington.

NORTHGATE plc

annual report and accounts 2002

We have now completed the third year of our five year Strategy for Growth... we are well on track to meet the target.

Highlights	2002	2001
Turnover	£277.8m	£261.8m
Operating Profit	£45.1m	£42.6m
Profit before tax	£31.7m	£27.1m
Earnings per share	35.8p	31.4p
Dividend per share	15.0p	14.0p
Net Assets per share	225p	205p

Contents

Northgate plc rents vehicles and sells a range of fleet products to businesses via a network of companies.
www.northgateplc.com

CHAIRMAN'S STATEMENT

Dear Shareholder,

This report covers the completion of the third year of our five year Strategy for Growth, which we announced in 1999. I am able to report that we are well on track to meet the target set out to shareholders at the time, namely to double the size of your company's business within the five year period ending 30th April 2004.

It is worth reviewing the progress we have made over the past three years by reference to some of the main indicators, namely fleet growth, hire sites and earnings per share.

Our opening position and that at the end of each subsequent financial year is given below. The cumulative percentage change in each measurement is shown in brackets.

	Fleet size	Hire sites	Basic e.p.s.
30th April 1999	26,600	30	19.1p
30th April 2000	32,500 (+22%)	41 (+37%)	28.1p (+47%)
30th April 2001	36,100 (+36%)	48 (+60%)	31.4p (+64%)
30th April 2002	40,500 (+52%)	61 (+103%)	35.8p (+87%)

Shareholders should take note of the significant gross cash generation that Northgate is able to achieve at current levels of growth as evidenced by the fact that gearing has remained almost constant over this period, moving from 166% to only 170%, despite an increase in the fleet of 52%.

While we remain firmly of the view that there is plenty of room for the growth of NORFLEX in the UK (our five year Strategy for Growth is focused solely on the development of our business in the UK), we have previously advised shareholders of our intention to expand into continental Europe. Extensive research into the various markets has confirmed our belief that they are less developed than the UK and that our NORFLEX product would be well received. Whilst we are determined to take a cautious approach to our expansion in this area, and shareholders would expect no less of us, we look forward to updating you on our progress during the forthcoming reporting period.

Despite the macro-economic difficulties of the past year, our management is to be congratulated on keeping their focus and continuing to achieve improvements in most of the important measurements of the performance of our business.

My thanks as always go to my fellow directors and the staff of Northgate who have worked tirelessly in the interests of shareholders and to shareholders for their continued support.

Michael Waring
Chairman

OPERATIONAL REVIEW

Network

We plan to open between 12 and 15 locations in each year of the five year Strategy for Growth. In the year to 30th April 2002, we actually opened 2 new hire companies and 11 new branches, bringing our total number of locations to 61. The majority of these new sites are in the North but Aberdeen and Swindon in particular have enhanced our geographic coverage.

Vehicle fleet

During the month of April 2002, our vehicle fleet passed the 40,000 milestone, ending the year at 40,500. This represented an increase of 12% over the previous year.

Once again, growth has not resulted in any change to the fleet mix with light commercial vehicles still dominating at 80% of the total fleet. We also continue to purchase the premier products available in the market, both to ensure rental customers are offered the best available and to protect residual values when we dispose of our vehicles.

Utilisation

Our focus on tight management of the fleet ensures that, as with previous years, we can report an average utilisation for the period of 90%. This is split between mature locations where generally over 90% is achieved, and sites not yet mature where the utilisation averaged 84%.

Hire rates

As reported in the Chairman's Statement in the Interim Report to 31st October 2001, an economy with low interest rates and low inflation does not lend itself to increasing prices to customers. As a result of these economic factors and the need to remain competitive in the marketplace, prices have remained relatively static over the year.

Used vehicle sales

As forecast in the Operational Review in last year's Report and Accounts, the internal measures we have taken to improve the results from the disposal of used vehicle sales, combined with a reasonably firm residual market, have been successful and we have achieved our target of break even, or better, on vehicle sales in each quarter of this financial year. We see no reason currently why we cannot maintain this position in the year ahead.

Brand development and product innovation

Rental products

Whilst most of our business is still generated by selling either through the individual brands of our network of local hire companies, or by using our product NORFLEX to sell on a national basis, we have continued the development of three other channels to complement these areas.

"Sale and Rentback" is used where potential customers own their fleet. Using this product we can offer the opportunity to owners to sell their fleet to us and then rent it back, thereby allowing them immediately to convert capital tied up in assets into cash for use in their core business.

Our "Central Reservations" operation based in Birmingham gives customers the ability to procure all their nationwide vehicle hire requirements through just one telephone call. Due to the comprehensive coverage of our network, we are able to source over 95% of these requirements using our own vehicle fleet, resorting to third parties in general only when the hire is in a location where we are not represented or where the vehicle is one we do not operate.

"Wannavan.com" effectively replicates Central Reservations by replacing telephone calls with the Internet for customers preferring to use this channel. It is aimed at both the retail market and short-term business users.

Complementary non-rental products

Whilst we remain focused on our core business of van rental, we have commenced the development of complementary, vehicle-related but non-rental products, through our "Norfleet" division.

Our first offerings were in the provision of discounted vehicle parts and mobile servicing for customers who rent from us but also have their own fleets. This makes use of both our significant purchasing power and our service network and helps tie in customers with services other than rental.

Our most recent addition in this area, in March this year, was the launch of "Norfleet Vehicle Monitoring", our telematics product. To date this has been received positively by our customers and we look forward to developing this product further over the year ahead.

People

A significant factor in our success has been the commitment and dedication of our employees. In order to assist in the recruitment and retention of the best people, we have introduced a number of initiatives in the last year. In particular, we have launched an induction programme for new employees, revised our personal development programme and introduced a flexible benefits package allowing about a quarter of our employees to tailor the structure of their remuneration to their individual needs.

Current trading and outlook

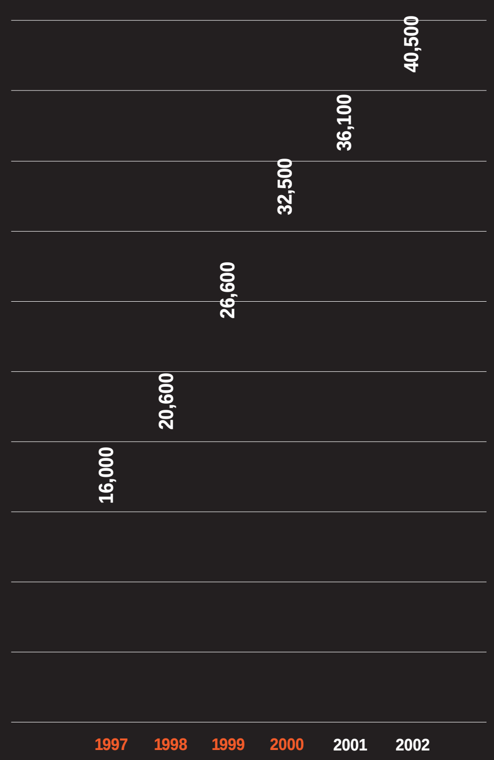
We remain confident that we will be able to continue to develop and grow our rental business in the UK beyond 2003, through maturing our new sites and by extending both our network and the overall rental market. In addition, it is our intention over the next 12 months to further develop the complementary non-rental products we offer to customers to support our continued growth.

There are no one-off magical solutions and the key to success is in grinding out small improvements in the daily operations of the business. As we continue to strive towards this objective, we are well placed to seize upon any opportunities that arise, given our position as the UK's leading van rental company. The current year has started well and we remain confident about our continued ability to deliver on the objectives of the five year Strategy for Growth.

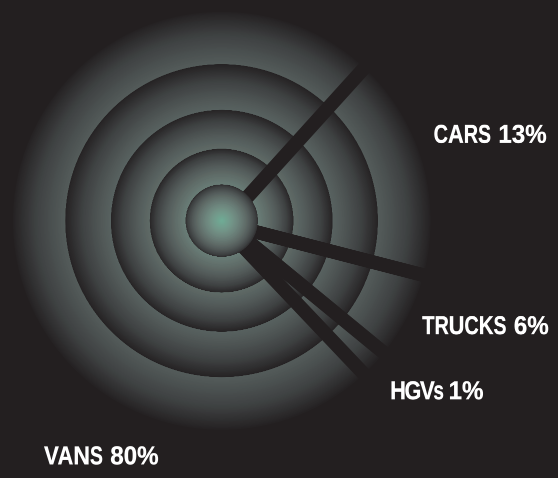
As explained in the Chairman's Statement, we intend to add to the development of rental and complementary products in the UK with our first step into Europe, thereby producing a third distinct avenue for growing the business. We look forward to updating shareholders on our progress in this area during the forthcoming reporting period.

Steve Smith
Chief Executive Officer

Fleet growth



Fleet split



FINANCIAL REVIEW

Sales and operating profit

Sales increased by 6% to £277.8m (2001:£261.8m) and operating profit increased by 6% to £45.1m (2001:£42.6m).

Revenue from rental operations increased by 9% across the network, a combination of growth from both new and more mature sites. Including the 13 sites opened in this financial year, there are currently a total of 20 sites which have been open for less than two years. The full potential from those sites will be realised in subsequent years. Revenue from our vehicle sales operation was just under 3% less than last year, largely as a result of a marginal reduction in volumes sold into the used vehicle market.

Operating margins were virtually unchanged at 16.2%. As referred to in the operating review, increases in margins are difficult in a low inflation and interest rate environment. Also, the investment in new locations inevitably has a drag on margins in their initial trading years.

Interest costs and pre-tax profit

Interest costs in the year have fallen by 13% to £13.4m (2001: £15.5m) as UK interest rates have continued to fall. Interest costs are the second largest direct vehicle cost in our business after depreciation. Lower interest rates are therefore a significant benefit. As a result of both the increase in operating profits and reduction in interest costs, pre-tax profit increased by almost 17% to £31.7m (2001:£27.1m). Pre-tax margins improved to 11.4% (2001:10.4%).

Taxation

As anticipated, the adoption of FRS 19 (Deferred Taxation) has had no adverse impact on the company as our policy has always resulted in full provision for deferred tax liabilities. The effective tax rate of 31.4% comprises corporation tax payable on ordinary activities.

Earnings per share

Basic earnings per share were 35.8p, an increase of 14% on the 2001 figure of 31.4p.

Dividend

The directors recommend a final dividend of 10.35p per share (2001:9.6p), making a total for the year of 15.0p (2001:14.0p) - an increase of 7.1%. It will be paid on 12th September 2002 to shareholders on the register at 12th July 2002. The dividend is 2.4 times covered (2001:2.2x).

Cash flow, funding and treasury

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. We have taken advantage of the low interest rates to improve our cover still further by adding instruments of £20m during the year.

Our net borrowings increased by 8% over the corresponding period to £232.9m (2001:£214.7m). £258.9m of the gross debt is vehicle related and is secured against the fleet value of £325.1m. More than 54% of our gross borrowings are repayable after more than one year.

The finance facilities currently available to the group are in excess of £444m and are a mixture of hire purchase funding, revolving loans and overdraft, secured primarily over the value of the vehicle hire fleet. Only 17% of the facilities are subject to any covenants. Interest cover at 3.37 times has improved over last year's level of 2.8 times.

Gross cash generation continues to be strong with EBITDA for the year £132m, up by 11% from 2001. Capital investment was £183m, being £176m in the vehicle hire fleet and £7m in non-vehicle expenditure on property and other equipment, largely relating to the expansion of the depot network.

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 170%, which remains low compared to the industry norm. Gearing has in fact reduced from last year's figure of 173%, demonstrating our ability to achieve these growth levels without increasing gearing.

Return on capital

Our five year 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.

Our return on capital (calculated as operating profit over average capital employed, being shareholders' funds plus net borrowings) is 12.7% and our return on equity (calculated as profit after tax over average shareholders' funds) is 16.6%.

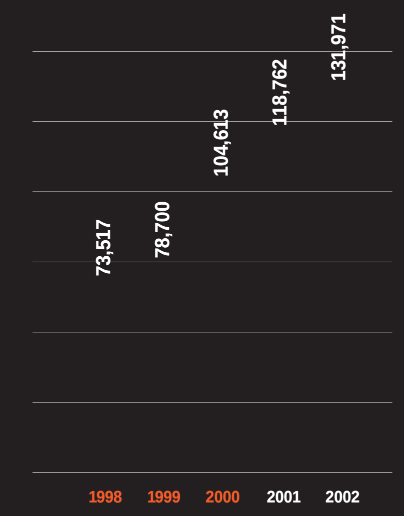
Key Performance Indicators

Over the last two years we have revised our method of measuring performance by introducing Key Performance Indicators ('KPIs'). These KPIs target those areas of the business which are critical to the success of the group, namely those relating to finance, customers, people and processes. These measurements are supported by business plans prepared by each profit centre and updated by regular rolling forecasts. Our focus on these measures ensures that we achieve the continuous improvements we are seeking for the business.

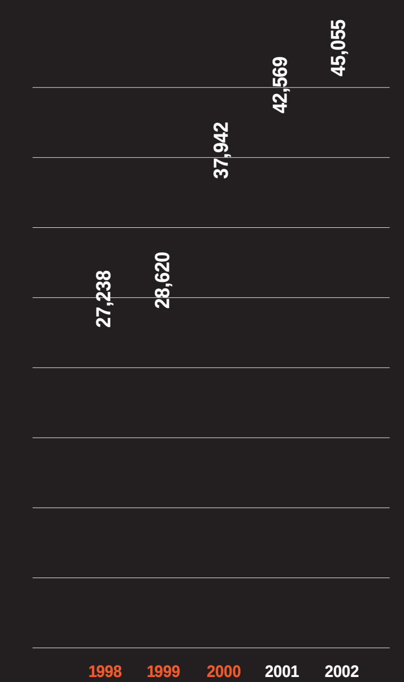
Phil Moorhouse
Finance Director

EBITDA*

* Earnings before interest, taxation, depreciation and amortisation.



Operating profit - Continuing Activities



OUR BUSINESS

Within Northgate plc are a number of companies and brands, each involved in the commercial vehicle 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 & Rentback

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

Norcom Vehicle Remarketing

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

Norfleet Ltd

- *Sells a range of products related to vehicles and fleet management, these include: vehicle parts, telematics, insurance and servicing.*

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 (55)

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* (55)

Appointed to the board as a non-executive director in February 2001. A Swedish national based in London, he is Chairman of Car Park Group AB in Stockholm and also a non-executive director of PHS Group plc. 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.

Phil Moorhouse FCCA (49)

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 (51)

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 (45)

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.

Ronald Williams FCA* (68)

A non-executive director and Deputy Chairman since March 1996. Prior to his appointment he was for 8 years an executive director of Smiths Group 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 2002.

Results

The net profit for the year after taxation was £21,721,000. An interim dividend of 4.65p per share was paid on the ordinary shares on 9th February 2002.

The directors recommend a final ordinary dividend of 10.35p per share making a total for the year of 15.0p per share.

The final dividend, if approved, will be paid on 12th September 2002 to shareholders on the register on 12th July 2002. Ordinary and preference dividends paid and recommended for payment in respect of the year total £9,119,000.

Principal activities

Northgate plc is an investment holding company. The group's activities are reported on pages 4 to 8.

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
Scottish Widows	4,206,544 (6.9%)
HBOS Group	2,843,231 (4.7%)
Legal & General	1,921,541 (3.2%)
Mercury Institutional Trust	1,842,400 (3.0%)
Lazard Asset Management	1,836,007 (3.0%)

Directors

The names of the present directors, all of whom served throughout the year, are listed on page 9. Mr A.T. Noble and Mr R. Williams are retiring by rotation in accordance with the Articles of Association and with the requirements of the Combined Code and, being eligible, are seeking re-election. Mr M.C. Baughan and Mr C.J. Spence retired from the board at the conclusion of the Annual General Meeting held on 12th September 2001.

The termination provisions in respect of executive directors' contracts are set out in the Remuneration Report on page 12. Mr Williams 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	
	1.5.01	30.4.02
J. Astrand	–	–
P. J. Moorhouse	39,167	41,616
A. T. Noble	814,508	817,624
S. J. Smith	69,834	70,616
F. M. Waring	1,673,100*	1,673,100*
R. Williams	5,000	5,000

*15,100 (2001: 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 2002 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 12 to 16.

Donations

The group made charitable donations of £20,000. 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 2002 the group's creditor days were 41.

Remuneration report

At the Annual General Meeting, shareholders will be asked to approve the report of the remuneration committee set out in the company's annual report and accounts. The Combined Code on Corporate Governance appended to the Listing Rules of the UK Listing Authority requires the board to consider each year whether circumstances are such that shareholders should be invited at the Annual General Meeting to approve the remuneration policy set out in the report of the remuneration committee.

The draft Directors' Remuneration Report Regulations published by the DTI on 18th December 2001 envisage that not just the remuneration policy but the full report of the remuneration committee of a listed company should be put to an advisory shareholder vote each year. These Regulations are not due to come into force until later this year and will only apply to reporting in respect of a financial year ending on or after 31st December 2002. However, in anticipation of the implementation of the DTI's current proposals, the board has decided to ask shareholders to approve the report of the remuneration committee (including the remuneration policy) at the Annual General Meeting this year.

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 £152,000 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

2nd July 2002

REPORT ON REMUNERATION

The Remuneration Committee, which is comprised of the two 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 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.

Flexible benefits scheme

During the year we designed, in conjunction with our advisers, Deloitte & Touche, a flexible benefits scheme which was successfully introduced on 1st May 2002.

The Scheme is designed to help in the recruitment and retention of employees by allowing them to tailor their remuneration package to best suit their individual needs.

In particular, it enables company car users to mitigate the effects of the new benefit in kind taxation system for company cars, introduced on the 6th April 2002, which is based on CO_2 emission levels.

Service contracts

The executive directors have rolling service contracts which may be terminated by 12 months notice on either side. Provisions extending the notice period to 24 months in the event of a change of control of the company have been removed.

The dates of the contracts are:

Phil Moorhouse	1st February 1998
Alan Noble	6th January 1998
Steve Smith	12th November 1999

Emoluments

	Salary/ fees £000	Bonus £000	Cost of benefits* £000	Chargeable expenses £000	2002 total £000	2001 total £000	2002 Pension contributions £000	2001 Pension contributions £000
J. Astrand	25	–	–	–	25	5	–	–
M. C. Baughan	12	–	–	–	12	23	–	–
P. J. Moorhouse	140	42	20	4	206	187	16	14
A. T. Noble	155	40	25	1	221	216	22	17
S. J. Smith	155	46	19	2	222	206	14	13
C. J. Spence	12	–	–	–	12	23	–	–
F. M. Waring	75	–	–	–	75	100	–	–
R. Williams	32	–	–	–	32	29	–	–
Total emoluments excluding pension contributions	**606**	**128**	**64**	**7**	**805**	**789**		
Total pension contributions							**52**	**44**

*These benefits comprise: company car, private medical insurance, permanent health insurance, life assurance and spouses death in service pension.

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.

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 2002 options over 162,500 ordinary shares were outstanding exercisable at various dates between 1998 and 2006 (See note 19 on page 39). The last options were granted in January 1996 and no further options may be granted under this Scheme. There are no performance conditions attached to this scheme.

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

	At 1.5.01	Exercised	At 30.4.02	Exercise price (p)	Normally exercisable between	
A. T. Noble	52,500	52,500*	–	280.5	Jan 1999	Jan 2006
	52,500	**52,500**	**–**			
F. M. Waring	100,000	–	100,000	218.5	Jan 1998	Jan 2005
	52,500	–	52,500	280.5	Jan 1999	Jan 2006
	152,500		**152,500**			
Total	**205,000**	**52,500**	**152,500**			

*These options were exercised on 14th January 2002 when the market price was 520p. The total gross gain on exercise was therefore £125,737. No directors' options under the GD scheme lapsed during the year. The mid-market price of the ordinary shares at 30th April 2002 was 503p (30th April 2001 – 465p) and the range during the year was 398p to 536p.

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 in 2000. 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 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 HSBC Trixie Index ("the Index") over the period of 3 years following the date of grant.

REPORT ON REMUNERATION

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 ⅓ 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.

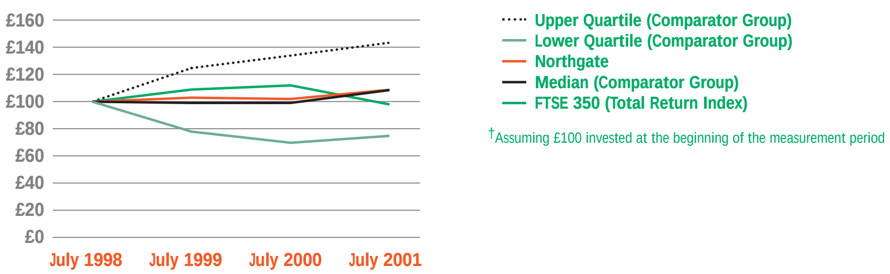
The company will fund the Trust to enable it to acquire shares in the company to be applied on the exercise of options under the Plan. At 30th April 2002 the Trust held 140,306 5p ordinary shares of the company, purchased in the market against the award of options granted (see note 12 on page 33).

	At 1.5.01	Exercised	Gross gain on exercise £	At 30.4.02	Normally exercisable between	
P. J. Moorhouse	4,000			4,000	July 2000	July 2003
	4,200			4,200	Jan 2001	Jan 2004
	5,000	1,667*	6,709	–	July 2001	July 2004
	13,200	1,667		8,200		
A. T. Noble	8,000			8,000	July 2000	July 2003
	6,800			6,800	Jan 2001	Jan 2004
	7,000	2,334*	9,393	–	July 2001	July 2004
	21,800	2,334		14,800		
S. J. Smith	5,000			5,000	July 2000	July 2003
	4,400			4,400	Jan 2001	Jan 2004
	4,500	1,500*	6,036	–	July 2001	July 2004
	13,900	1,500		9,400		
F. M. Waring	9,000			9,000	July 2000	July 2003
	7,700			7,700	Jan 2001	Jan 2004
	8,000			8,000	July 2001	July 2004
	24,700			24,700		
Total	73,600	5,501		57,100		

*The company's TSR Performance over the period of 3 years following the date of grant placed it in the top 50% of the Index resulting in a multiple of ⅓ being applied to the original number of options granted. The three directors above all exercised their options on 2nd October 2001 when the market value of an ordinary share was 402.5p. The exercised price was £1 per award.

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

1998 Award (Cumulative TSR Performance†)



†Assuming £100 invested at the beginning of the measurement period

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

The directors hold options granted under the Plan as shown in the table on page 14. The exercise price is £1 per award.

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 48 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 September 2003 and September 2009.

No directors were granted options under the EIS during the year, none lapsed and none were exercised.

In addition to the above, options over 1,040,500 shares granted to 45 employees at exercise prices ranging from 367½p to 523p were outstanding at 30th April 2002.

New share option scheme

The NSOS was introduced in 2000 to replace the Plan (see page 13) 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, 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.

REPORT ON REMUNERATION

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 2002 options over 128,000 shares granted to 32 employees at exercise prices ranging from 403$^1/_2$p to 457$^1/_2$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 in 2000 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 annual cycle ended in November 2001 and resulted in 309 employees acquiring 60,035 Partnership shares at 383p each (being the price ruling at the beginning of the cycle) and being allocated the same number of Matching shares.

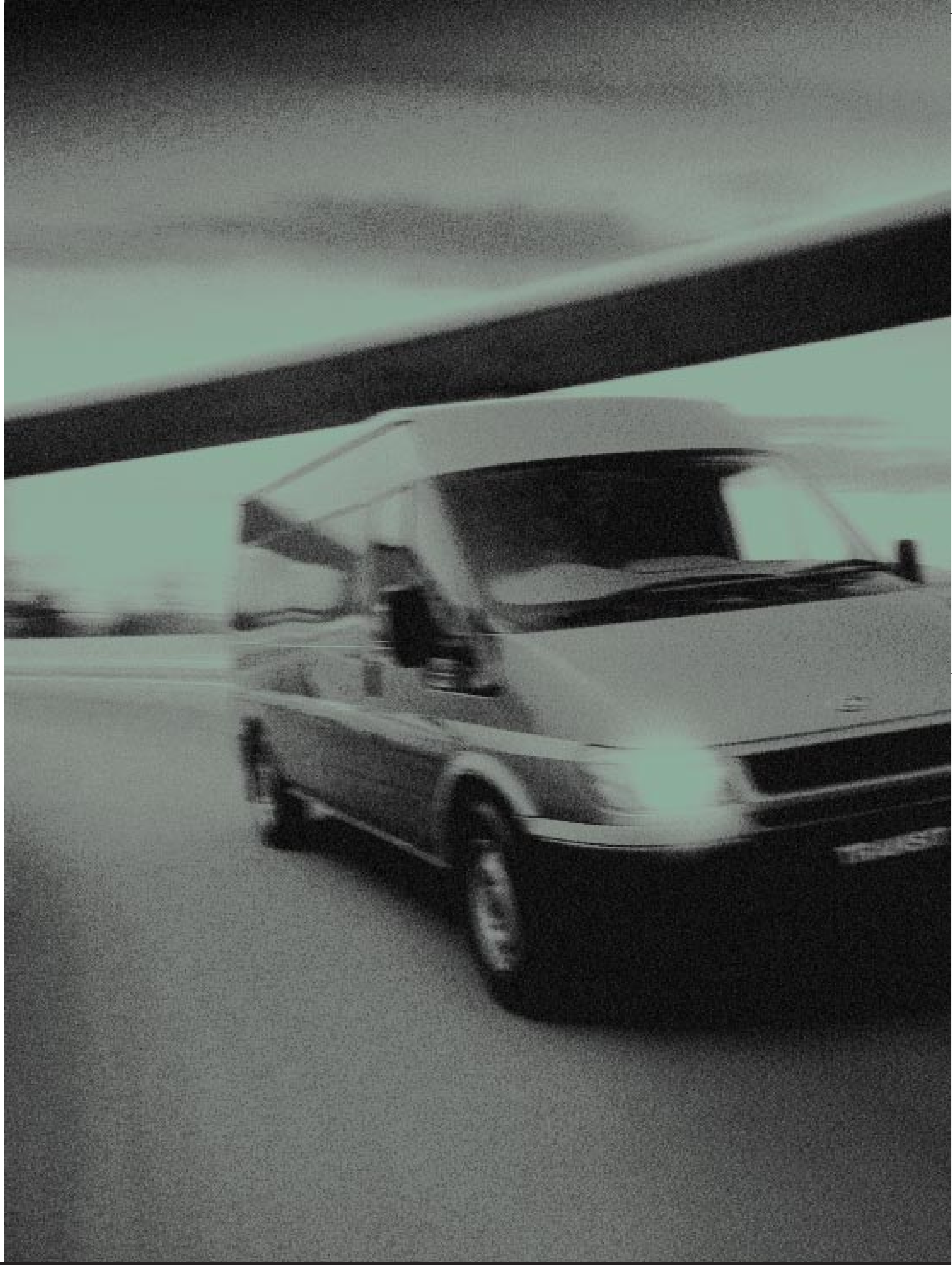
The second yearly cycle started in January 2002 and currently some 450 employees are making contributions to the scheme at an annualised rate of £365,000.

In addition to the shares held against the award of options granted under the Plan (see above), the Trust also held, at 30th April 2002, 62,360 5p ordinary shares of the company against the shares that are anticipated to be required at the end of the second annual cycle of the AESS in January 2003.

Ron Williams

Chairman, Remuneration Committee

2nd July 2002



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 three non-executive directors, details of whom are set out on page 9.

The non-executive directors, apart from the Chairman, who was formerly an executive director of the company, are considered to be independent both in the sense outlined in the Code and in terms of the criteria laid down by the National Association of Pension Funds for judging the independence of non-executive directors. 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 12 to 16.

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 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 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. A business plan is received and approved by the board annually. Each operating unit prepares a three-year business plan with performance reported against key performance indicators on a monthly basis together with comparisons to plan and prior year. These are reviewed regularly by management. Forecasts are updated regularly throughout 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 is currently comprised of the two independent non-executive directors and chaired by Ron Williams, who is Deputy Chairman of the board. Michael Baughan and Christopher Spence were also members of the Committee until their retirement from the board on 12th September 2001. The Committee 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.

The Committee also monitors the independence and objectivity of the external auditors in carrying out their statutory audit work on behalf of shareholders and providing other fee-paying services to the company. The board's policy on non-audit work is:-

Tax advisory and other audit-related work (including in particular Corporation Tax).

This is work that, in their capacity as auditors, they are best placed to carry out and will generally be asked to do so. Nevertheless, where appropriate, they will be asked for a fee quote.

Non-audit related and general consultancy work.

This type of work will either be placed on the basis of the lowest fee quote or to the consultants who are felt to be best able to provide the expertise and working relationship required. In certain instances - such as the appointment of KPMG as consultants to provide external advice and support to the internal audit department - the auditors will not be invited to compete for the work.

Fees paid to Deloitte & Touche in respect of the year under review are as follows:-

	£000
Statutory audit and interim review	137
Tax advice (principally Corporation Tax)	33
Consultancy work	69
Due diligence	31
Other	36
	306

The £69,000 in respect of consultancy work was carried out by Deloitte & Touche's Human Resources department based in London in connection with the introduction of our flexible benefits scheme (referred to in the Remuneration Report). The statutory audit work is carried out by their Leeds office.

Deloitte & Touche were selected for this assignment, from a shortlist of three potential providers, on the basis of their expertise and experience in this particular field.

Compliance

The board considers that the company was in compliance with the provisions of the Code applicable to listed companies throughout the financial year, with the exception of the requirement to appoint three non-executive directors to the Audit Committee (see under Audit above). The composition of the Audit Committee is currently under review.

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

independent auditors' report to the members of northgate plc

We have audited the financial statements of Northgate plc for the year ended 30th April 2002 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses and the related notes 1 to 25 together with the reconciliation of net cash flow to movement in net debt, notes to the consolidated cash flow statement, notes to the reconciliation of net cash flow to movement in net debt and accounting policies. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements, auditing standards, and the Listing Rules of the Financial Services Authority.

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 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 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules 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 directors' report and the other information contained in the annual report for the above year as described in the contents section and 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.

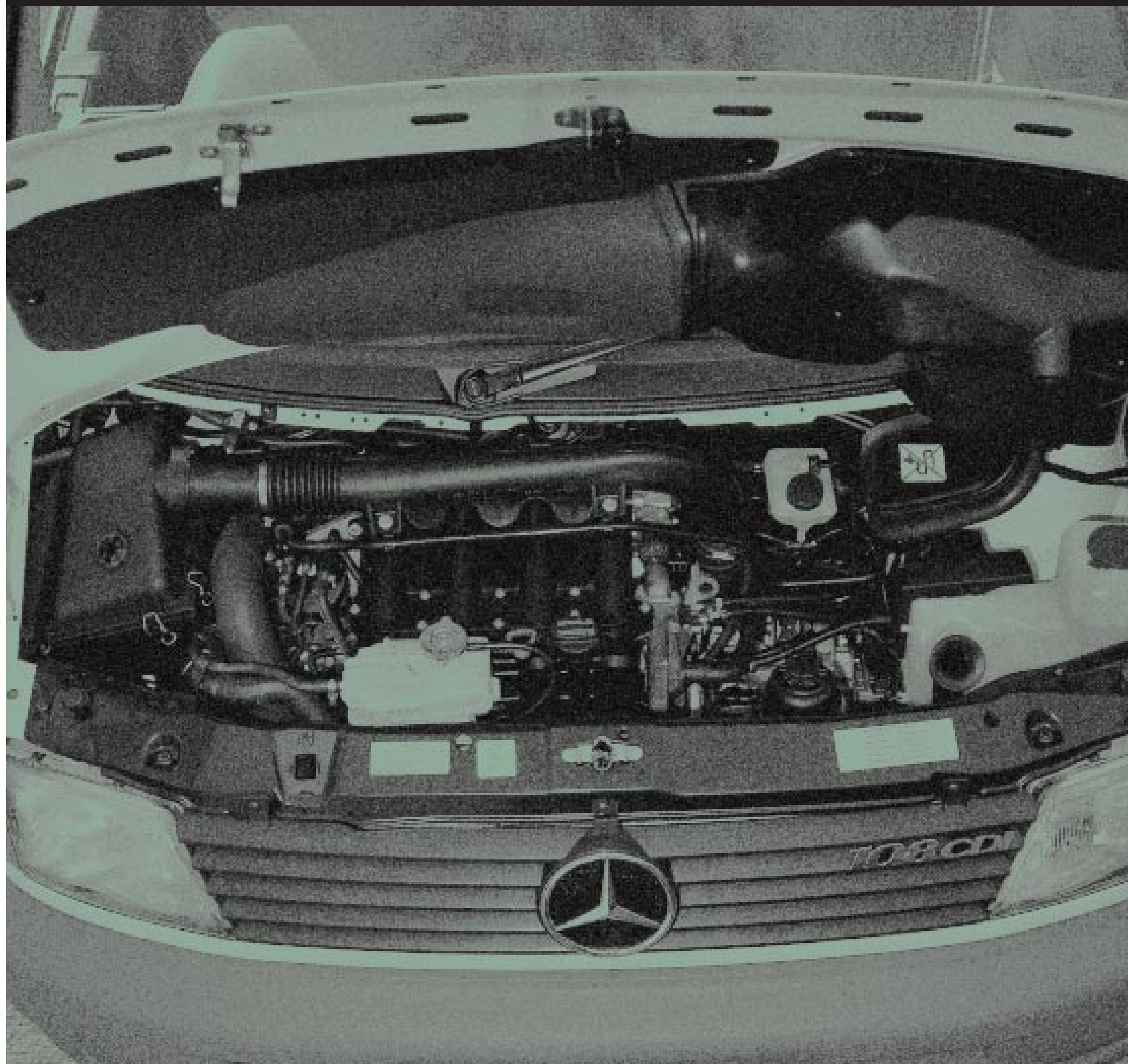
Opinion

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 30th April 2002 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
Chartered Accountants and Registered Auditors
10-12 East Parade
Leeds
LS1 2AJ

2nd July 2002

FINANCIAL STATEMENTS



CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the 12 months ended 30th April 2002

	Notes	2002 £000	2001 Restated £000
Turnover	1, 2	277,829	261,801
Operating profit	1, 2	45,055	42,569
Net interest payable	4	(13,381)	(15,459)
Profit on ordinary activities before taxation		31,674	27,110
Tax on profit on ordinary activities	5	(9,953)	(8,054)
Profit for the financial year	6	21,721	19,056
Dividends	7	(9,119)	(8,517)
Profit transferred to reserves	21	12,602	10,539
Earnings per ordinary share – basic	8	35.8p	31.4p
Diluted earnings per ordinary share	8	35.6p	31.3p
Dividends per ordinary share	7	15.0p	14.0p

All current and prior year trading relates to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the 12 months ended 30th April 2002

	2002 £000	2001 Restated £000
Profit for the financial year	21,721	19,056
Prior period adjustment (see note 18)	865	
Total recognised gains and losses for the financial year	22,586	

BALANCE SHEETS

30th April 2002

	Notes	Group 2002 £000	Group 2001 Restated £000	Company 2002 £000	Company 2001 £000
Fixed assets					
Intangible assets	9	142	–	–	–
Tangible assets					
Vehicles for hire	10	325,116	302,473	–	–
Other fixed assets	11	19,076	15,121	1,932	223
Investments	12	590	759	70,161	70,242
		344,924	318,353	72,093	70,465
Current assets					
Stocks	13	8,028	6,685	–	–
Debtors	14	54,925	51,296	26,465	25,247
Cash at bank and in hand		26,125	24,263	24,537	22,867
		89,078	82,244	51,002	48,114
Creditors: amounts falling due within one year					
– Borrowings	16	116,993	102,318	115	111
– Other	15	32,761	31,551	12,729	10,530
		149,754	133,869	12,844	10,641
Net current (liabilities)/assets		(60,676)	(51,625)	38,158	37,473
Total assets less current liabilities		284,248	266,728	110,251	107,938
Creditors: amounts falling due after more than one year	16	142,031	136,620	–	–
Provisions for liabilities and charges	18	5,170	5,816	(65)	36
		137,047	124,292	110,316	107,902
Capital and reserves					
Called up share capital	19	3,542	3,539	3,542	3,539
Share premium account	20	45,471	45,321	45,471	45,321
Revaluation reserve	21	23	23	–	–
Merger reserve	21	4,721	4,721	417	417
Profit and loss account	21	83,290	70,688	60,886	58,625
Shareholders' funds		137,047	124,292	110,316	107,902
Attributable to equity shareholders		136,547	123,792	109,816	107,402
Attributable to non-equity shareholders		500	500	500	500
		137,047	124,292	110,316	107,902

The accounts were approved by the board of directors on 2nd July 2002.

F M Waring
Director

P J Moorhouse
Director

CONSOLIDATED CASH FLOW STATEMENT

for the 12 months ended 30th April 2002

	Notes	2002 £000	2001 Restated £000
Net cash inflow from operating activities	(i)	127,057	117,388
Returns on investments and servicing of finance	(ii)	(13,265)	(15,266)
Taxation		(7,250)	695
Capital expenditure and financial investment			
Purchase of vehicles for hire		(172,603)	(162,944)
Sale of vehicles for hire		68,866	72,384
Other items, net		(6,173)	(5,366)
Net cash outflow from capital expenditure and financial investment	(iii)	(109,910)	(95,926)
Acquisitions	17	(6,150)	–
Equity dividends paid		(8,631)	(8,166)
Cash outflow before use of liquid resources and financing		(18,149)	(1,275)
Management of liquid resources			
Cash withdrawn from deposit		39	23
Financing			
Issue of ordinary shares (net of expenses)		153	336
Decrease in borrowings		(1,735)	(18,052)
Capital element of vehicle related hire purchase payments		(133,091)	(103,745)
Cash inflow from new vehicle related hire purchase agreements		166,258	141,334
Net cash inflow from financing		31,585	19,873
Increase in cash for the year		13,475	18,621

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2002 £000	2001 Restated £000
Increase in cash for the year		13,475	18,621
Financing			
Decrease in borrowings	(iv)	1,735	26,968
Capital element of vehicle related hire purchase payments		133,091	103,745
Cash inflow from new vehicle related hire purchase agreements		(166,258)	(141,334)
Cash withdrawn from deposit		(39)	(23)
Change in net debt resulting from cash flows		(17,996)	7,977
New hire purchase obligations		–	(8,916)
Hire purchase agreements acquired with subsidiary		(228)	–
Movement in net debt for the year		(18,224)	(939)
Net debt at 1st May		(214,675)	(213,736)
Net debt at 30th April		(232,899)	(214,675)

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2002 £000	2001 £000
Operating profit	45,055	42,569
Depreciation	86,912	76,193
Amortisation of goodwill	4	–
Loss on sale of equipment and other fixed assets	10	–
Increase in stocks	(1,329)	(858)
Increase in debtors	(4,429)	(1,608)
Increase in creditors	834	1,082
Other non-cash items	–	10
Net cash inflow from operating activities	127,057	117,388

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

	2002 £000	2001 Restated £000
(ii) Returns on investments and servicing of finance		
Interest received	1,630	1,045
Interest paid	(4,744)	(6,763)
Interest paid on hire purchase agreements	(10,126)	(9,523)
Dividends paid – non-equity preference shares	(25)	(25)
	(13,265)	(15,266)
(iii) Capital expenditure and financial investment		
Purchase of vehicles for hire	(172,603)	(162,944)
Sale of vehicles for hire	68,866	72,384
Purchase of other fixed assets	(7,009)	(5,800)
Sale of other fixed assets	667	792
Purchase of investments – All Employee Share Scheme	(419)	(358)
Sale of investments – All Employee Share Scheme	588	–
	(109,910)	(95,926)

The cash flow statement amounts for capital expenditure and financing for the year ended 30th April 2001 have been grossed up by £141,334,000 to more fully reflect the cash flows arising from refinancing through hire purchase agreements. Previously these amounts were shown net. There is no impact on net cash flow or net debt.

NOTES TO THE RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £000	2001 £000
(iv) Decrease in borrowings		
Decrease in borrowings resulting from cash flows	1,735	18,052
Other non-cash changes	–	8,916
	1,735	26,968

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 11.

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.

Goodwill on acquisitions made after the implementation of FRS10 is capitalised as an intangible asset and amortised through the profit and loss account by equal instalments over its estimated useful life of up to a maximum of 20 years.

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.

Fixed asset investments - own shares

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 the Northgate All Employee Share Scheme 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.

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.

Deferred taxation

In accordance with FRS19, Deferred Taxation, which was adopted during the period, full provision is made on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

The adoption of FRS19 has given rise to a prior period adjustment of £865,000 in respect of deferred taxation.

Leasing

As lessee: Acquisitions of fixed assets funded through finance leases and hire purchase agreements are capitalised and depreciated in accordance with group policies. 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/collar.

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 2002 and 2001 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

	2002 £000	2001 £000
Turnover	277,829	261,801
Cost of sales	(202,315)	(193,736)
Gross profit	75,514	68,065
Administrative expenses	(30,459)	(25,496)
Operating profit	45,055	42,569

	2002 £000	2001 £000
Operating profit is stated after including:		
Depreciation of owned tangible fixed assets	38,555	38,594
Depreciation of fixed assets held under hire purchase agreements	48,357	37,599
Amortisation of goodwill	4	–
Hire of plant and equipment	38	29
Hire of other assets	2,539	2,318
Auditors' remuneration	129	118
Fees paid to auditors for other services	177	77
Loss on sale of tangible fixed assets	(10)	–
Other rental income	184,217	171,494

The comparative figure for other rental income has been amended from the previously reported amount of £153,699 to correct an error.

3 Information regarding employees and directors

	2002 number	2001 number
The average number of persons employed by the group:		
Direct operations	1,059	926
Administration	358	341
	1,417	1,267
	£000	**£000**
The staff costs of these persons were as follows:		
Wages and salaries	26,973	22,851
Social security costs	2,569	2,254
Other pensions costs	563	545
	30,105	25,650

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 12 to 16. To the extent they are required to be audited they form part of these audited accounts.

4 Interest

	2002 £000	2001 £000
Income from fixed asset investments	15	21
Interest receivable and similar income:		
Interest receivable on bank and other deposits	1,610	1,223
	1,625	1,244
Interest payable and similar charges:		
On bank loans, overdrafts and other loans repayable within 5 years	(4,760)	(6,817)
Finance charges related to hire purchase agreements	(10,246)	(9,886)
	(15,006)	(16,703)
Net interest payable	(13,381)	(15,459)

5 Tax on profit on ordinary activities

	2002 £000	2001 £000 Restated
UK corporation tax on profits of the period	12,022	10,492
Over provision of corporation tax for prior years	(1,418)	(2,241)
Total current taxation	10,604	8,251
Deferred taxation		
Origination and reversal of timing differences	(2,005)	(2,429)
Adjustment in respect of prior periods	1,354	2,232
	9,953	8,054

The restatement of previous years' figures is as a result of the adoption of FRS19 Deferred Taxation. See note 18 for further details.

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2002 £000	2001 £000
Profit on ordinary activities before tax	31,674	27,110
Tax on profit on ordinary activities at the standard rate	9,502	8,133
Expenses not deductible for tax purposes	490	(53)
Capital allowances for period in excess of depreciation	2,005	2,429
Adjustment to tax charge in respect of previous periods	(1,418)	(2,241)
Other	25	(17)
	10,604	8,251

6 Profit of parent company

Of the profit attributable to shareholders, a profit of £11,380,000 (2001 – £13,059,000) 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

	2002 £000	2001 £000
Equity dividend on ordinary shares:		
Interim paid 4.65p per share (2001 – 4.4p)	2,819	2,680
Final proposed 10.35p per share (2001 – 9.6p)	6,275	5,812
Total dividend 15.0p per share (2001 – 14.0p)	9,094	8,492
Non-equity dividend on preference shares	25	25
	9,119	8,517

8 Earnings per ordinary share

The calculation of basic earnings per ordinary share in respect of the year to 30th April 2002 is based on the profit attributable to equity shareholders of £21,696,000 (2001 – £19,031,000) and the weighted average of 60,560,376 (2001 – 60,578,305) 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 162,500 shares (2001 – 217,000) 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 60,876,578 (2001 – 60,837,249) (including those shares held by an employee trust in connection with the Goode Durrant Long Term Incentive Plan).

9 Intangible assets

	Goodwill £000
On acquisition of Vickers (Northern) Limited (see note 17)	146
Amortisation in the period	(4)
30th April 2002	142

10 Vehicles for hire

Group	£000
Cost:	
1st May 2001	398,799
Additions	169,860
Acquisitions	6,174
Disposals	(126,496)
30th April 2002	448,337
Depreciation:	
1st May 2001	96,326
Charged to profit and loss account	84,525
Disposals	(57,630)
30th April 2002	123,221
Net book value:	
30th April 2002	325,116
30th April 2001	302,473

The net book value of the above vehicles which are held under hire purchase agreements amounts to £215,663,000 (2001 – £178,549,000).

NOTES ON THE ACCOUNTS CONTINUED

11 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 2001	223	12,741	6,304	1,701	20,969
Additions	1,721	2,600	1,760	928	7,009
Acquisitions	–	–	10	–	10
Transfers	(1,944)	1,944	–	–	–
Disposals	–	(184)	(71)	(1,066)	(1,321)
30th April 2002	–	17,101	8,003	1,563	26,667
Depreciation:					
1st May 2001	–	1,703	3,678	467	5,848
Charged to profit and loss account	–	564	1,235	588	2,387
Disposals	–	(48)	(44)	(552)	(644)
30th April 2002	–	2,219	4,869	503	7,591
Net book value:					
30th April 2002	–	14,882	3,134	1,060	19,076
30th April 2001	223	11,038	2,626	1,234	15,121
Cost or valuation at 30th April 2002 is represented by:					
Valuation in 1992	–	795	–	–	795
Cost	–	16,306	8,003	1,563	25,872
	–	17,101	8,003	1,563	26,667

	2002 £000	2001 £000
Land and buildings by category:		
Freehold	13,130	9,130
Short leasehold	1,752	1,908
Net book value	14,882	11,038

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 2002, under the historical cost convention, land and buildings would have been stated at £17,379,000 and related accumulated depreciation at £2,315,000.

The gross amount of depreciable assets included in land and buildings is £12,267,000.

Company	Property under construction £000	Land and buildings £000
Cost or valuation:		
1st May 2001	223	–
Additions	1,721	–
Transfers	(1,944)	1,944
30th April 2002	–	1,944
Depreciation:		
Charged to profit and loss account	–	12
30th April 2002	–	12
Net book value:		
30th April 2002	–	1,932
30th April 2001	223	–

12 Fixed asset investments

Group	Own shares £000	Unlisted investments £000	Total £000
Cost:			
1st May 2001	1,458	184	1,642
Additions	419	–	419
Disposals	(588)	–	(588)
30th April 2002	1,289	184	1,473
Provisions:			
1st May 2001 and 30th April 2002	859	24	883
Net book value:			
30th April 2002	430	160	590
30th April 2001	599	160	759

Own shares

At 30th April 2002, 62,360 (2001: 84,700) ordinary shares in Northgate plc with a market value of £313,670 (2001: £393,855) 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 2002, 140,306 (2001: 152,484) ordinary shares in Northgate plc with a market value of £705,739 (2001: £709,051) 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 12 to 16.

Company	Own shares £000	Shares in subsidiary undertakings £000	Loans to group undertakings £000	Total £000
Cost:				
1st May 2001	358	25,319	47,000	72,677
Additions	419	–	–	419
Disposals	(500)	–	–	(500)
30th April 2002	277	25,319	47,000	72,596
Provisions:				
1st May 2001 and 30th April 2002	–	2,435	–	2,435
Net book value:				
30th April 2002	277	22,884	47,000	70,161
30th April 2001	358	22,884	47,000	70,242

At 30th April 2002 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

13 Stocks

	Group 2002 £000	Group 2001 £000
Goods for resale and finished goods	8,028	6,685

14 Debtors

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year:				
Trade debtors	43,867	40,013	–	–
Amounts owed by subsidiary undertakings	–	–	25,937	24,573
Corporation tax	1,257	2,091	–	–
Other debtors	2,840	2,444	410	414
Prepayments and accrued income	5,921	5,526	118	223
	53,885	50,074	26,465	25,210
Amounts falling due after more than one year:				
Prepayments and accrued income	1,040	1,222	–	37
	54,925	51,296	26,465	25,247

15 Other creditors

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year:				
Trade creditors	7,163	10,008	–	–
Amounts owed to subsidiary undertakings	–	–	5,322	3,547
Corporation tax	7,664	5,134	88	873
Social security and other taxes	3,610	2,489	–	–
Accruals and deferred income	8,049	8,108	1,044	298
Proposed dividends	6,275	5,812	6,275	5,812
	32,761	31,551	12,729	10,530

16 Borrowings

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Amounts falling due within one year:				
Bank loans and overdrafts	115	121	115	111
Vehicle related bank loans and overdrafts	3,126	14,740	–	–
Vehicle related hire purchase	113,752	87,457	–	–
	116,993	102,318	115	111
Amounts falling due after more than one year:				
Bank loans and overdrafts	28	74	–	–
Vehicle related bank loans and overdrafts	54,027	55,670	–	–
Vehicle related hire purchase	87,976	80,876	–	–
	142,031	136,620	–	–
Total borrowings	259,024	238,938	115	111
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	28	74	–	–
Vehicle related hire purchase	58,651	53,917	–	–
	58,679	53,991	–	–
Due within two to five years				
Vehicle related bank loans and overdrafts	54,027	55,670	–	–
Vehicle related hire purchase	29,325	26,959	–	–
	83,352	82,629	–	–

Vehicle related bank loans and overdrafts of £57,153,000 (2001 – £70,410,000) and £28,000 (2001 – £74,000) 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 £201,728,000 (2001 – £168,333,000) is secured by a fixed charge over the vehicles to which it relates.

Analysis of net debt

	At 1st May 2001 £000	Cash flow £000	Other non-cash changes £000	At 30th April 2002 £000
Cash in hand, at bank	22,867	1,901	–	24,768
Bank overdraft due within one year	(14,861)	11,574	46	(3,241)
	8,006	13,475	46	21,527
Cash in hand, short term deposits	1,396	(39)	–	1,357
Bank loans and overdrafts due after one year	(55,744)	1,735	(46)	(54,055)
Hire purchase obligations	(168,333)	(33,167)	(228)	(201,728)
	(214,675)	(17,996)	(228)	(232,899)

16 Borrowings (continued)

At 30th April 2002 the gearing of the group amounted to 170% (2001 – 173%) which is represented by net borrowings of £232,899,000 (2001 – £214,675,000) as a percentage of shareholders' funds of £137,047,000 (2001 – £124,292,000). 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 2002 in respect of which all conditions precedent had been met at that date expire as follows:

	2002 £000	2001 £000
In one year or less	172,234	128,807
In more than two years	13,470	12,755
	185,704	141,562

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 Double A rating. Individual aggregate credit exposures are limited accordingly.

Short term debtors and creditors have been excluded from the analysis below. At 30th April 2002 the group's total borrowings were £259,024,000 (2001 – £238,938,000). 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 2002, 46% 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 2002 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 2002 UK Sterling	259,024	214,024	45,000	7.16	3.53
At 30th April 2001 UK Sterling	238,938	203,938	35,000	7.37	4.13

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 and collars set out as follows:

Cap amount (£m)	Cap %	Floor %	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			

Collar amount (£m)	Cap %	Floor %	Finish date
10	6	4	January 2005
10	7	5	April 2007
10	7	5	April 2007
30			

Total capped borrowings (£m)
75

In addition to the instruments reflected in the tables above, the group has further structures with forward starting dates. They constitute £10,000,000 of interest rate swaps with a weighted average time of 5 years for which the rate is fixed at a weighted average rate of 5.99% and £50,000,000 of interest rate collars, £40,000,000 maturing 5 years from 3 consecutive annual dates commencing 1st April 2003 with a cap strike of 7% and a floor strike of 5% and £10,000,000, maturing 5 years from its commencement date of 2nd April 2007 with a cap strike of 6.5% and a floor strike of 4.5%.

Fair values of financial instruments

The comparison of fair and book values of all the group's financial instruments as at 30th April 2002 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.

	2002		2001	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash at bank and in hand	26,125	26,125	24,263	24,263
Debt	(259,024)	(259,024)	(238,938)	(238,938)
Net borrowings	(232,899)	(232,899)	(214,675)	(214,675)
Derivatives to manage interest rate	1,412	(2,104)	1,565	(2,099)
	(231,487)	(235,003)	(213,110)	(216,774)

NOTES ON THE ACCOUNTS CONTINUED

17 Acquisitions

On 1st October 2001 the group acquired the entire issued share capital of Vickers (Northern) Limited ("Vickers") for a cash consideration of £776,000 including goodwill of £146,000. On 1st April 2002 the group acquired the business of Global Self Drive Limited ("Global") for a cash consideration of £5,404,000. Both acquisitions have been accounted for using acquisition accounting.

No fair value adjustments have been made. The impact on the results for the period is immaterial in respect of both acquisitions.

	Vickers £000	Global £000	Total £000
Book value of assets acquired:			
Vehicles for hire	815	5,359	6,174
Plant, equipment & fittings	10	–	10
Stocks	14	–	14
Debtors	147	45	192
Cash at bank	30	–	30
Hire purchase obligations	(228)	–	(228)
Creditors	(153)	–	(153)
Provisions	(5)	–	(5)
Net assets acquired	630	5,404	6,034
Goodwill	146	–	146
Acquisition cost (including fees)	776	5,404	6,180
Satisfied by cash	776	5,404	6,180
Cash equivalents in subsidiary undertaking purchased	(30)	–	(30)
Cash outflow on acquisitions	746	5,404	6,150

18 Provisions for liabilities and charges

	Group		Company	
	2002 £000	2001 Restated £000	2002 £000	2001 £000
Deferred tax provided				
Accelerated capital allowances	5,678	6,294	–	–
Other timing differences	(508)	(478)	(65)	36
	5,170	5,816	(65)	36
Movement in deferred tax				
1st May 2001	6,681		36	
Prior period adjustment	(865)		–	
Restated	5,816		36	
On acquisition	5		–	
Credited in profit and loss account	(2,005)		(101)	
Adjustments to prior years	1,354		–	
	5,170		(65)	

The adoption of FRS19 has required changes in the method of accounting for deferred tax assets and liabilities. These changes have resulted in a prior period adjustment of £865,000 in respect of deferred tax assets and in a restatement of the 2001 figures. The figure for the tax on profit on ordinary activities for 2001 has been restated from the previously reported amount of £8,306,000 to £8,054,000, a reduced tax charge of £252,000.

The impact on the current year is a reduction in the tax charge of £234,000.

19 Called up share capital

Group and Company	2002 £000	2001 £000
Authorised:		
80,000,000 ordinary shares of 5p each	4,000	4,000
1,300,000 5% cumulative preference shares of 50p each	650	650
	4,650	4,650
Allotted and fully paid:		
60,831,840 (2001 – 60,777,340) ordinary shares of 5p each	3,042	3,039
1,000,000 5% cumulative preference shares of 50p each	500	500
	3,542	3,539

During the year 54,500 ordinary shares with a nominal value of £2,725 were issued pursuant to the exercise of options under the GD scheme, for a cash consideration of £152,872.

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 2002 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	58,500	280.5p	January 1999	January 2006

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

20 Share premium account

Group and Company	£000
1st May 2001	45,321
Premium on shares issued (net of expenses)	150
30th April 2002	45,471

NOTES ON THE ACCOUNTS CONTINUED

21 Reserves

	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total reserves £000
Group				
1st May 2001				
As previously reported	23	4,721	69,823	74,567
Prior period adjustment	–	–	865	865
As restated	23	4,721	70,688	75,432
Profit transferred to reserves	–	–	12,602	12,602
30th April 2002	23	4,721	83,290	88,034
Company				
1st May 2001		417	58,625	59,042
Profit transferred to reserves		–	2,261	2,261
30th April 2002		417	60,886	61,303

The cumulative amount of goodwill written off to reserves is £13,195,000 (2001 – £13,195,000).

22 Reconciliation of Movements in Shareholders' Funds for the 12 months ended 30th April 2002

	2002 £000	2002 £000	2001 Restated £000	2001 Restated £000
Profit for the financial year		21,721		19,056
Dividends		(9,119)		(8,517)
		12,602		10,539
Issue of ordinary share capital (net of expenses)		153		336
Net increase in shareholders' funds		12,755		10,875
Opening shareholders' funds				
As previously reported	123,427		112,804	
Prior period adjustment	865		613	
As restated		124,292		113,417
Closing shareholders' funds		137,047		124,292

23 Contingent liabilities

Northgate plc has guaranteed borrowings by subsidiary undertakings of £3,126,000 as at 30th April 2002 (2001 – £14,740,000).

Performance bonds given to local authorities in respect of the group's former housebuilding activities at 30th April 2002 amounted to £nil (2001 – £38,740).

24 Commitments

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

	Group 2002 £000	Group 2001 £000
Contracted for but not provided in the financial statements	225	98

Financial commitments:
As at 30th April 2002 the group had annual commitments to make payments under operating leases as follows:

	2002 Land and buildings £000	2002 Other £000	2001 Land and buildings £000	2001 Other £000
Leases expiring:				
within one year	146	234	44	506
two to five years	478	628	289	262
over five years	872	42	559	9
	1,496	904	892	777

25 Pensions

The total pension cost for the group was £563,000 (2001 – £545,000).

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 £30,000 (2001 – £119,000) has been included as a pensions prepayment in the balance sheet.

During the year ended 30th April 2002 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.

Profit and loss account	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Turnover					
Continuing activities	277,829	261,801	218,286	184,753	153,632
Discontinued activities	–	–	–	–	14,815
	277,829	261,801	218,286	184,753	168,447
Operating profit before exceptional items					
Continuing activities	45,055	42,569	37,942	28,620	27,238
Discontinued activities	–	–	–	–	3,057
	45,055	42,569	37,942	28,620	30,295
Interest	(13,381)	(15,459)	(13,617)	(12,010)	(10,671)
Profit before exceptional items and taxation	31,674	27,110	24,325	16,610	19,624
Exceptional items	–	–	–	–	2,000
Profit before taxation	31,674	27,110	24,325	16,610	21,624
Tax	(9,953)	(8,054)	(7,328)	(5,080)	(5,881)
Profit for the financial year	21,721	19,056	16,997	11,530	15,743
Dividends	(9,119)	(8,517)	(8,039)	(7,561)	(7,066)
Retained profit	12,602	10,539	8,958	3,969	8,677
Earnings per ordinary share	35.8p	31.4p	28.1p	19.1p	27.0p
Adjustment for exceptional items	–	–	–	–	(3.4p)
Adjusted earnings per ordinary share	35.8p	31.4p	28.1p	19.1p	23.6p
Dividends per ordinary share	15.0p	14.0p	13.25p	12.5p	11.75p

Balance sheet	2002 £000	2001 £000	2000 £000	1999 £000	1998 £000
Assets employed					
Fixed assets	344,924	318,353	294,788	251,765	197,985
Net current (liabilities)/assets	(60,676)	(51,625)	(32,530)	(14,905)	9,481
Creditors (after one year) and provisions	(147,201)	(142,436)	(148,841)	(132,493)	(107,677)
	137,047	124,292	113,417	104,367	99,789
Financed by					
Share capital	3,542	3,539	3,532	3,530	3,516
Share premium account	45,471	45,321	44,992	44,902	44,307
Reserves	88,034	75,432	64,893	55,935	51,966
	137,047	124,292	113,417	104,367	99,789
Net asset value per ordinary share	225p	205p	187p	172p	165p

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and fourth Annual General Meeting of Northgate plc will be held at Norflex House, Allington Way, Darlington at 11.30 am on 10th September 2002 for the following purposes:

1. To receive and adopt the directors' report and audited accounts of the company for the year ended 30th April 2002.
2. To declare a final dividend of 10.35p per ordinary share.
3. To re-appoint Deloitte & Touche as auditors of the company and to authorise the directors to agree their remuneration.
4. To re-elect Mr. A. T. Noble as a director.
5. To re-elect Mr. R. Williams as a director.

   As special business to consider, and if thought fit, to pass the following resolutions: number 6 is to be proposed as an Ordinary Resolution and numbers 7 and 8 as Special Resolutions.

6. That the Report on Remuneration for the financial year ended 30th April 2002 set out on pages 12 to 16 of the 2002 Annual Report and Accounts be approved.
7. 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 £152,000.

   and shall expire at the conclusion of the Annual General Meeting of the company to be held in 2003 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.

8. 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 2003 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 2nd July 2002
By Order of the Board

D. Henderson
Secretary

Registered Office:
Norflex House
Allington Way
Darlington DL1 4DY

NOTES

1. Only the holders of ordinary shares registered in the register of members of the company as at 6.00 pm on 8th September 2002 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

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Allington Way
Darlington
Co. Durham DL1 4DY

Tel: 01325 467558

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

Tel: 0870 1623100

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Find out the latest news and information about our business at

www.northgateplc.com

We have hire sites throughout the UK as well as one site in Dublin.
Dialling 0870 607 77 17 connects you to your nearest site.

For a quick and easy way to rent a van go to
www.wannavan.com

To find out more about our Norfleet products go to
www.norfleet.co.uk

Or you can ring or email for an information pack about all our products.
Call: 01325 370209
Email: info@northgateplc.com