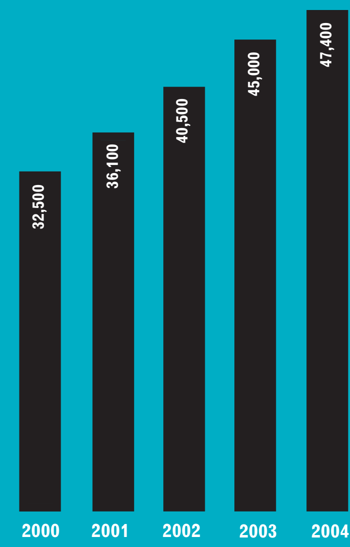
NORTHGATE plc

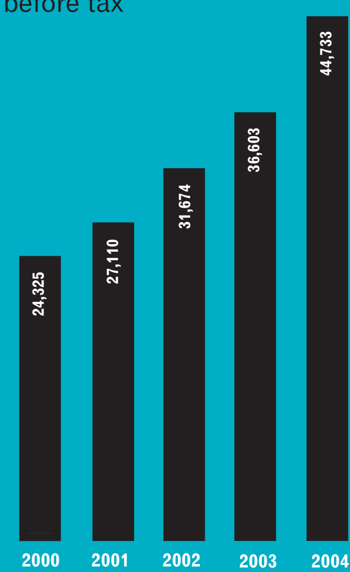
Annual report and accounts 2004

Commercial vehicles for business

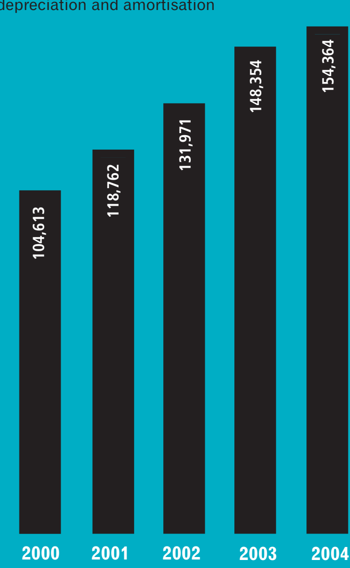
Fleet growth



Profit before tax
£000



EBITDA* *Earnings before interest, taxation, depreciation and amortisation
£000



Highlights

	2004	2003
Turnover	£355.6m	£337.9m
Group operating profit	£55.7m	£48.3m
Profit before tax	£44.7m	£36.6m
Earnings per share	50.9p	41.4p
Dividend per share	17.6p	16.0p
Net assets per share	295p	252p

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 financial year is the first year of our Strategy for Growth announced in July 2003 and covering the period to April 2006. I am pleased to report an excellent start, particularly in respect of the increase in earnings per share of 22.9% to 50.9p (2003 – 41.4p). Progress against the other specific targets in the plan is set out in the Operational Review by the Chief Executive which follows my statement.

Based on these results and the Board's view of future prospects, the Board has decided to recommend to shareholders a final dividend of 10.6p per share. This will make the total dividend for the year 17.6p – an increase of 10% on last year, covered 2.8 times. The dividend will be payable on 10 September 2004 to those shareholders on the register on 6 August 2004.

Our UK business faced challenging trading conditions in the summer of 2003 due to short term competitor pricing pressure. However, as a result of the actions taken by management, the business has not only produced a good set of results but also emerged stronger for the experience.

Looking to the future, the UK business will continue to form the core of the Group's trading operations and we remain confident of our ability to expand our market share and business here. Our position as the leading van rental company in the UK leaves us well placed to take advantage of opportunities that will arise to expand our fleet and network either via acquisition or the establishment of new greenfield locations. The strengths of the business which brought us to this position and in particular our product Norflex, our unique structure and the commitment and dedication of our employees, will be as valid to our future as they were to our past. As a management we will remain focused on the key measures of our business such as utilisation and will look for the many small improvements that will ensure that we remain ahead of the competition.

The continued excellent performance of Fualsa, our Spanish rental business, resulted in the exercise of our option to purchase a further 40% of the equity on 3 May 2004. As anticipated the consideration was €22.3m – the maximum payable under the terms of the purchase contract. In addition, we reached agreement to effect the early exercise of the option for the remaining 20%, which also took place on 3 May 2004. The consideration for this final 20% remains payable in 2006 and will be determined using a multiple of 8.5 times the average profits after tax for calendar years 2004 and 2005, subject to the maximum consideration payable being €14.9m.

We believe that the dynamics of the vehicle rental market in Spain offer the Group an exceptional opportunity to build on its initial success. We intend to build a substantial business in the Spanish market using Fualsa as a platform for expansion. How large a business we can develop is the question we are currently addressing in order to establish the framework for our strategy beyond April 2006.

Our underlying philosophy will continue to be the prudent management of the Company's assets in order to deliver long term sustainable growth.

In May, I advised the Company that it was my wish to stand down as Chairman no later than the AGM in 2005, but sooner if the Board had settled on a suitable candidate as my successor. I have been either Chairman or Chief Executive of the Group for nearly 20 years. With the help and support of my colleagues, most of whom today fill the top positions in the Company, I have seen the Company's market capitalisation and earnings increase some twenty fold over this period. Shareholders have seen the dedication and drive that the management have brought to the Company in the delivery of our previous five year Strategy for Growth, which saw earnings double during the period 1999 – 2003, and in the results for this year, the first year of our new three year Strategy for Growth. I have no doubt that this commitment to shareholders will continue for the future.

Finally, I want to thank all the men and women who work so hard to make Northgate such an outstanding company. Their commitment to serve the interests of customers, often under difficult circumstances, is a large measure of the Group's success.

Michael Waring
Chairman

Earnings per share have increased by 22.9% in the first year of our three year Strategy for Growth increasing from 41.4p to 50.9p

Operational Review

Three Year Strategy for Growth

In July 2003, we announced a new three year Strategy for Growth based on achieving the following targets by April 2006:

- Fleet size of 60,000 in the UK and 18,000 in Spain;
- Network of 100 locations in the UK and 20 in Spain;
- 100% ownership of Fualsa;
- An established portfolio of non-rental products.

Through the successful implementation of the plan we are seeking to achieve annual double-digit earnings per share growth. An increase in earnings per share of 22.9% in the year under review represents a good start.

Review of Current Year

The Interim Statement in January detailed the challenging trading conditions experienced in the first half of the financial year as a result of short term competitor pricing pressure. As a consequence management took a prudent approach to the purchase of new vehicles and the opening of new locations with the result that fleet growth was limited. Despite these conditions, pre-tax profits and earnings per share for the six months to 31 October 2003 saw good improvements due to tight cost control and increased operational efficiency.

The second half of the year has been much more positive, with growth in both the network and the fleet being more in line with our expectations.

DEPOT NETWORK

We currently operate from 36 primary and 39 branch locations. We have opened new locations in Aldershot, Crawley, Droitwich, Glasgow and Newport during the financial year and Wakefield since the year-end. All of these locations are branches operating as satellites of existing hire companies.

We continue to look at consolidating businesses where we feel this will lead to efficiencies without detracting from customer choice and service. During the year our businesses in Plymouth and Bristol were merged to trade under the new style – Bristol & West Vehicle Hire Limited.

Of the 75 sites in the Group, 18 have been open for less than two years and, in our terms, are not yet mature, thereby offering greater growth potential than for more mature locations. We will continue to expand the network through greenfield sites (in the main, satellites) and, where appropriate, selective acquisitions.

VEHICLE FLEET

Despite a difficult first half to the financial year, the fleet grew by 2,400 vehicles in the year to close at 47,400 vehicles (2003 – 45,000 vehicles). In what is traditionally for us a quieter second half, fleet growth was 1,700 vehicles.

Two small acquisitions were made towards the end of the financial year and contributed 1,000 vehicles to the increase in fleet size. In March we bought the assets of Aim Hire Limited based in Peterborough and on 30 April we purchased the equity of F Herriman & Sons Limited trading as Daman Vehicle Rental based in Runcorn in Cheshire. The assets of Aim Hire have been merged into our East Anglian business and Daman currently remains a stand-alone business. Excluding the effects of these acquisitions, fleet growth for the year was just over 3%.

The new financial year has started well with fleet growth in the first two months, all from existing locations, being in line with our plan for the year ahead.

HIRE RATES

Once again hire rates have remained relatively stable over the year, in part as a result of our decision not to discount aggressively to match quotes from contract hire companies last summer.

As we outlined last July, our three year Strategy for Growth does not envisage any material improvement in hire rates, with increased profitability being driven in the main by growth in the fleet and cost efficiencies.

Whilst low inflation and low interest rates create an environment where the opportunities to increase prices are limited, they do, of course, also impact positively on our costs and margins. However, if interest rates increase, it may be possible to improve our hire rates but it is more likely that we can achieve additional fleet growth on the back of competitors and, in particular, contract hire companies being forced to increase their prices.

UTILISATION

Utilisation, which averaged just over 89% for the year, remains the key management tool within the business.

The overall percentage masks a variation between utilisation in established (i.e. greater than two years old) and new (i.e. less than two years old) locations of 89.3% and 85.3% respectively.

Consequently there remains an opportunity to improve utilisation as the network matures.

USED VEHICLE SALES

The used vehicle market had another relatively stable year, enabling us to continue to achieve profits from this area of our business throughout the year. The average profit per vehicle was at a similar level to that of the prior year.

We sold 18,700 units, up from 18,000 the previous year. The opening of our remarketing centre in Carnaby (near Bridlington) in November 2003 expanded our channels to market which now cover the full spectrum of trade, semi-retail and retail. We are looking to open a further remarketing centre in the West Midlands in the medium term. In addition to our Carnaby remarketing centre we sell vehicles from three other dedicated sales locations in the UK – Darlington, Snodland in Kent and Banbury, as well as direct from selected hire locations.

Last year saw 6% of our disposals go through a refurbishment process into the semi-retail or retail channel: our aim remains to increase this percentage over the next couple of years to around 15% of the Group's UK disposals.

NORTHGATE VEHICLE SOLUTIONS

The third leg of our Strategy for Growth is based on growing our non-rental but vehicle-related products through a new division called Northgate Vehicle Solutions.

The business was relocated to Darlington last summer significantly improving the service levels we offer customers.

Our vehicle monitoring product, branded as Insight, continues to be of value to an ever-growing number of our customers and is now fitted to 1,400 of our vehicles, up from 750 on 1 May 2003.

FUALSA (SPAIN)

The year saw further expansion of the network with sites rolled out in North Madrid, Santander and La Coruna. Since the year-end, we have opened in Murcia, which brings our total number of locations to 12. There remains much scope for further greenfield development and infill and we remain confident of achieving our target of 20 locations by April 2006.

The fleet closed at 15,000 on 30 April 2004, an increase of 25% over the prior year and 50% since our initial investment in July 2002.

As in the UK, the overall utilisation rate of 88% is held back slightly by the lower rates of utilisation as the network continues to expand. Of the 12 depots operated by Fualsa, six have been opened during the last two years.

Hire rates have seen modest increases of 1% over the last 12 months. This increase is similar to that achieved in the period from July 2002 to April 2003.

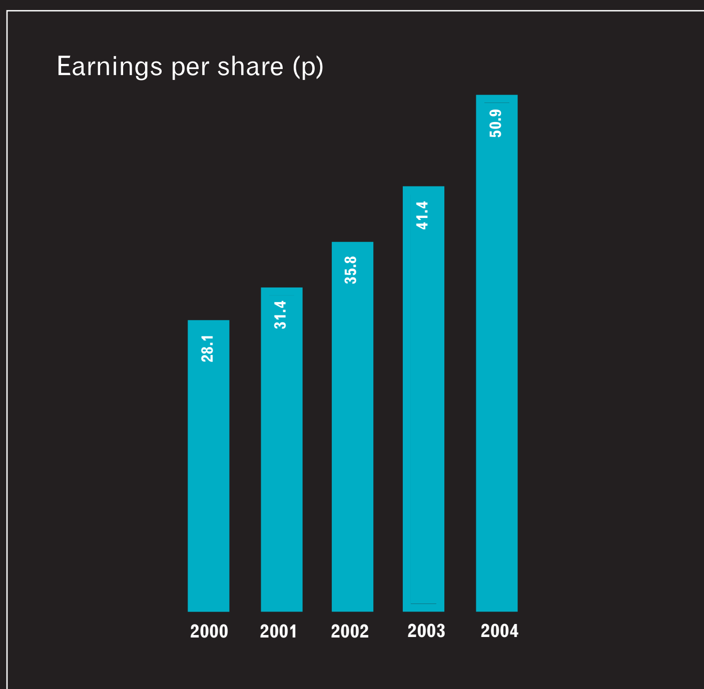
As a result of the healthy fleet growth and good utilisation, Fualsa delivered a contribution (before goodwill amortisation) of £3.3m (2003 – £1.9m) to our pre-tax profits.

Current Trading and Outlook

Trading for the Group since the year-end has been in line with our expectations. As mentioned in the Chairman's Statement, in the UK we cannot become complacent and need to remain focused on those areas where we can drive through further efficiencies and thereby improve our business further. The challenges in Spain come in growing the fleet, whilst diversifying from the current bias towards the construction sector, together with the further development of people and processes to create a structure for sustainable long term growth.

It is likely that the Group will achieve a higher profit per unit through operational gearing effects than was first envisaged at the start of the three year Strategy for Growth but may fall short of the original target of 60,000 vehicles in the UK by April 2006. However, the vehicle fleet in Spain is likely to exceed our target of 18,000 vehicles given the rate of growth that is currently being experienced. We are confident that the overriding goal of our plan, namely to achieve annual double-digit earnings per share growth, remains achievable.

Steve Smith
Chief Executive



Financial Review

Financial Reporting

SALES, MARGINS AND RETURN ON CAPITAL

Turnover increased by 5.3% to £355.6m (2003 – £337.9m) excluding turnover from the Fualsa joint venture. This increase in turnover is in line with the modest increase in fleet size achieved during the financial year.

The composition of the Group's UK turnover and operating profit as between hire company activities and vehicle sales is set out below:

	2004 £000	2003 £000
Turnover		
Hire company sales	250,747	243,627
Sale of vehicles	104,877	94,248
	355,624	**337,875**
Operating profit		
Hire company sales	52,213	44,926
Sale of vehicles	3,533	3,353
UK operating profit	**55,746**	**48,279**

The Group's reported operating margin has increased to 15.7% (2003 – 14.3%). This improvement in the overall margin is as a result of the Group's underlying margin in its hire companies improving to 20.8% (2003 – 18.4%). As highlighted in last year's Financial Review, the Group's hire company operating margin in 2003 was diluted by incurring a number of non-recurring costs and further investment costs associated with the continued development of the Group's network. The increasing number of depots reaching maturity has started to reverse the margin dilution experienced last year. In addition to tight cost controls, the Group has also benefited from economies in purchasing being reflected in lower capital costs feeding through to reduced depreciation. The profit generated from used vehicle sales has increased in line with vehicle sales turnover at a similar margin of 3.4% (2003 – 3.6%). This represents an operating profit per vehicle sold of £189 (2003 – £186).

The Group's share of Fualsa's profit before tax and goodwill amortisation for the year increased to £3.3m (2003 – £1.9m). This continues the strong performance of Fualsa, achieved primarily through fleet growth of 25%.

Fualsa's operating margin of 18.5% (2003 – 18.1%) has been enhanced by non-recurring profits on vehicle disposals of which the Group's share is estimated to be £0.7m for the year. These profits arose on the disposal of vehicles acquired prior to 1 January 2001 to which historically excessive depreciation rates had been applied. Depreciation rates complying with revised fiscal legislation have been applied to all vehicles acquired since 1 January 2001 and have resulted in levels of profit per unit on disposal closer to those generated in the UK.

Group return on capital employed, calculated as Group operating profit divided by average capital employed (being shareholders' funds plus net debt), is 13.9% (2003 – 12.9%).

Group return on equity, calculated as profit after tax divided by average shareholders' funds, is 18.3% (2003 – 17.3%).

TAXATION

The Group's UK operations have a total tax charge of 31% (2003 – 31%) which is slightly higher than the standard rate of 30% due to disallowable expenditure incurred within the business.

The Fualsa joint venture tax rate of 12% (2003 – 25%) is below the standard Spanish tax rate of 35% because of tax concessions based on vehicle purchase reliefs that are available to the business. Given the significant growth in the Fualsa fleet, the relief available has reduced the Fualsa tax charge to this lower level. As long as these tax concessions remain available it is likely that the tax rate for Fualsa will remain below the standard rate, although it is anticipated that in future years the tax rate will be more in the range of 20% to 30% of profit before tax rather than the current very low rate.

DIVIDEND

The Directors recommend a final dividend of 10.6p per share (2003 – 11.1p) giving a total for the year of 17.6p (2003 – 16.0p) – an increase of 10%. The dividend is 2.8 times covered (2003 – 2.6 times). The Board's intention is that annual dividend payments should in the future be spread as to approximately 40% in the interim and 60% in the final.

EARNINGS PER SHARE

Earnings per share increased by 22.9% to 50.9p (2003 – 41.4p).

Basic earnings per share have been calculated in accordance with FRS14. The weighted average number of shares in issue during the year has been amended to exclude those Ordinary shares held by the Employee Benefit Trust in Guernsey for the Company's various share schemes until such time as they rank for dividend.

INVESTMENTS

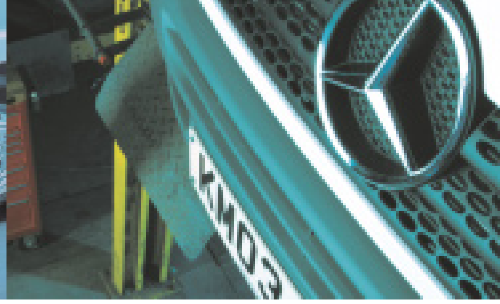
On 16 July 2002 the Company acquired 40% of the equity of Fualsa in Spain for a consideration of £10.2m. This investment has been treated as a joint venture within the Group's accounts to reflect that the Company has joint management control of Fualsa. It is disclosed in the consolidated balance sheet as 'Investment in joint venture'.

The Company's option to acquire the remaining 60% of the equity of Fualsa was exercised in full after the Group's financial year-end on 3 May 2004 as detailed in the Chairman's Statement.

On 30 April 2004 the Group acquired 100% of F Herriman & Sons Limited trading as Daman Vehicle Rental, a UK vehicle hire operation in the North West of England for a total cash consideration (including the bank overdraft acquired) of £1.1m.

Ordinary shares of the Company have been acquired in the open market by Kleinwort Benson (Guernsey) Trustees Limited in order to satisfy the Company's obligations under its various share schemes. These shares are included within the Group's balance sheet as investments.





GOODWILL

The Group amortises goodwill acquired over its useful life up to a maximum of 20 years. The goodwill that has been paid for the initial 40% equity in Fualsa is being amortised over 20 years. This gives rise to a goodwill amortisation charge in the year of £0.2m relating to Fualsa. Following the acquisition of the remaining 60% of Fualsa's equity on 3 May 2004, the ongoing goodwill amortisation charge relating to Fualsa is estimated to be £0.7m per annum.

Further goodwill amortisation of £0.07m was charged to the profit and loss account relating to UK businesses acquired. Following the business acquisitions during the year ended 30 April 2004 the ongoing goodwill amortisation charge relating to UK businesses is estimated to be £0.2m per annum.

CAPITAL STRUCTURE

The Company issued 3,040,000 Ordinary shares on 14 January 2004 via a 5% Placing at 545p per share raising £16m (net of expenses) in order to fund future acquisitions in the UK and Europe. Partly as a result of these additional funds the Group's total gearing (excluding Fualsa which was not a subsidiary undertaking at 30 April 2004) decreased to 132% (2003 – 175%). The gearing ratio is calculated after taking into account net cash balances of £46.2m (2003 – £31.5m).

As at 30 April 2004 the Fualsa joint venture had £25m of shareholders' funds and £86.7m of net debt. If it were assumed that the Group's option to acquire the remaining 60% of Fualsa's share capital had been exercised on 30 April 2004 at the maximum consideration payable, the resulting consolidated balance sheet of the Group would have had gearing of 190% on a pro forma basis.

Treasury

CASH FLOWS

The Group's net debt, excluding the debt contained in the Fualsa balance sheet, decreased to £249.8m (2003 – £268.4m) reflecting the Placing of Ordinary shares in January 2004 and the underlying strong cash flow. Gross cash generation as reflected by EBITDA* increased to £154m (2003 – £148m).

*EBITDA – Earnings before interest, taxation, depreciation and amortisation.

INTEREST COSTS

The Group's net interest costs increased by 2.2% to £15.4m (2003 – £15.0m). This increase is solely due to the Group's share of interest costs in the Fualsa joint venture increasing to £1.3m (2003 – £0.8m) as a result of Fualsa's fleet growing by 25% during the financial year.

The underlying interest costs in the UK decreased to £14.1m (2003 – £14.2m) primarily as a result of proceeds received from the 5% Placing of Ordinary shares, lower interest rates in the early part of the financial year and the strong cash flow referred to above.

STRATEGY

The Group's financing strategy has been approved by the Board. This strategy is to use medium and long term debt to finance the Group's vehicle fleet, other capital expenditure and acquisitions. Working capital is funded by internally generated funds and an overdraft facility. The Group's interest rate exposure is managed by a series of treasury contracts as described below.

TREASURY MANAGEMENT

Each of the Group's operations is responsible for its own day-to-day cash management. The funding arrangements of the Group (excluding Fualsa) with asset finance companies and banks are negotiated and monitored centrally. The funding arrangements for Fualsa will be brought under the central treasury management function in the near future. All funds generated by the Group's operations are controlled by a central treasury function.

LIQUIDITY

The Group's aggregate finance facilities, excluding the Fualsa joint venture, total £446m compared to net debt of £250m. These facilities have been comprised historically of up to 80% of hire purchase funding with the balance of the facilities being revolving loans and overdraft. In order to secure longer term funding and improve efficiency, some of the hire purchase funding was replaced as a result of the Group entering into a five year £100m medium term loan with The Royal Bank of Scotland plc and Barclays Bank plc in April 2004. This loan is subject to similar covenants to the existing revolving loans: the main covenant of interest cover is comfortably achieved.

INTEREST RATE MANAGEMENT

The Group has variable rate interest agreements for all of its UK borrowings. Historically, it has sought to manage this risk by having in place a number of financial instruments covering 30% to 40% of its borrowings. Some of the earlier financial instruments are at levels 2% to 4% above prevailing base rates and as a consequence the Group increased this coverage to 76% of gross borrowings by entering into additional interest rate derivatives in May and June 2003. Five year swaps to cover £45m of debt at an average rate of 3.97% were contracted for as were five year interest rate collars covering £55m of debt with a range of 3.15% to 5.5%.

Based on the UK's closing net debt position of £250m at 30 April 2004 and LIBOR at that date, a 1% increase in LIBOR would generate an additional £2.5m per annum of interest costs if financial instruments were not in place. The table below indicates the additional annual funding costs to the Group at this level of debt following increases in LIBOR for a range between 1% to 3% after applying the benefits of the Group's existing financial instruments:

Increase in LIBOR	Additional UK Interest costs
1%	£1.5m
2%	£2.5m
3%	£3.3m

Gerard Murray
Finance Director

Directors

Michael Waring (57)

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

Stephen Smith ACA (47)

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 the Company.

Jan Astrand MBA (57)

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 (51)

Appointed Managing Director, UK Rental operations in January 2003, having been Finance Director since February 1998 and a member of the Board since August 1997. Joined the vehicle hire division in 1991 as Finance Director. He previously held a number of senior financial positions within the Norcros group of companies and Meyer International.

Gerard Murray ACA (41)

Appointed Group Finance Director in January 2003. Qualified as a Chartered Accountant with Arthur Andersen & Co before joining Reg Vardy plc in 1988, where he served as Finance Director from 1991 to 2001 and as Chief Executive from 2001 to 2002.

Alan Noble (53)

Executive Director since 1990. In 1981 he founded the commercial vehicle hire business, which was acquired by the Company in 1987.

Philip Rogerson (59)

Appointed to the Board as a non-executive Director in November 2003. He is Chairman of Viridian Group plc and Aggreko plc and a non-executive Director of a number of other companies. He was Deputy Chairman of BG plc (formerly British Gas plc) until February 1998 having been a Director since 1992.

Ronald Williams FCA (70)

A non-executive Director and Deputy Chairman since March 1996. Prior to his appointment he was for eight years an executive Director of Smiths Group plc.

Board Committees

Audit

Ronald Williams (Chairman until 5 July 2004)
Jan Astrand
Philip Rogerson (Chairman from 5 July 2004)

Remuneration

Jan Astrand (Chairman from 10 March 2004)
Philip Rogerson
Ronald Williams (Chairman until 10 March 2004)

Nomination

Ronald Williams (Chairman)
Jan Astrand
Philip Rogerson
Stephen Smith
Michael Waring

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 21, 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 Directors

The Directors present their report and the audited financial statements for the year ended 30 April 2004.

Results

Profit for the year after taxation was £31,430,000 (2003 – £25,106,000). An interim dividend of 7.0p per share was paid on the Ordinary shares on 13 February 2004.

The Directors recommend a final ordinary dividend of 10.6p per share making a total for the year of 17.6p per share.

The final dividend, if approved, will be paid on 10 September 2004 to shareholders on the register at close of business on 6 August 2004. Ordinary and preference dividends paid and recommended for payment in respect of the year total £11,064,000 (2003 – £9,736,000).

Principal activities

The Company is an investment holding company. The Group's activities are reported on pages 4 to 7.

Fualsa

Details of the acquisition of the remaining 60% of the share capital of Furgonetas de Alquiler SA on 3 May 2004 are given in Note 18 to the accounts on page 38.

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
Capital Group Companies Inc	3,104,371 (4.8%)
Legal & General	1,921,541 (3.0%)

Directors

The names of the present Directors are listed on page 8. All have served throughout the year except Mr Rogerson who was appointed on 5 November 2003. Mr Waring and Mr Astrand 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 Williams is aged 70 and is therefore retiring in accordance with the provisions of section 293 Companies Act 1985. Special notice, in accordance with the provisions of section 379 Companies Act 1985, has been given of the intention to propose his re-election at the Annual General Meeting.

Mr Williams was first appointed to the Board in March 1996 and by the time of the Annual General Meeting will therefore have served on the Board for over eight years.

In light of Mr Waring's stated intention to stand down as Chairman no later than the Annual General Meeting in 2005, Mr Williams has agreed to remain on the Board, subject to shareholder approval, for a period of up to six months after the appointment of a new Chairman, in order to provide continuity, following which he would also stand down.

The termination provisions in respect of executive Directors' contracts are set out in the Report on Remuneration on page 12.

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 May 2003	**30 April 2004**
F M Waring	1,663,767*	1,663,767*
S J Smith	73,007	71,729
J Astrand	–	–
P J Moorhouse	43,674	44,396
G T Murray	4,000	10,000
A T Noble	821,015	731,737
P Rogerson	–†	–
R Williams	5,000	5,000

*5,767 (2003 – 5,767) shares are held beneficially.
The interest of Mr Waring in the remainder is as a discretionary beneficiary of various family trusts.

† On appointment

No Director has an interest in the preference shares of the Company.

No changes in the above interests have occurred between 30 April 2004 and the date of this report.

Details of options held by the Directors under the Company's various share schemes are given in the Report on Remuneration on pages 12 to 15.

Donations

The Group made charitable donations of £25,000 (2003 – £17,000). 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 30 April 2004 the Group's creditor days were 39.

Remuneration report

As required by the Directors' Remuneration Report Regulations 2002,

the Report on Remuneration, set out on pages 12 to 15 of these Report and Accounts, will be put to shareholders for approval at the Annual General Meeting.

Share Capital

The Company's authorised share capital was last increased in September 2000. Since that time, 217,000 Ordinary shares have been issued pursuant to the exercise of options under the Goode Durrant Share Option Scheme and 3,040,000 Ordinary shares were issued in January 2004 pursuant to a cash placing. In order to maintain a reasonable margin of unissued share capital it is proposed that the authorised share capital of the Company be increased to £4.9m by the creation of five million new Ordinary shares of 5p each. Following this increase, approximately 21 million Ordinary shares will be available for issue, representing 32.7% of the present issued Ordinary share capital.

The present authority of the Directors under Section 80 of the Companies Act 1985 to allot unissued shares was granted at the Annual General Meeting held in September 2000 and expires on 14 September 2005. A resolution to renew that authority for a further period of five years until 8 September 2009, to allot up to £1,048,283 nominal of share capital, which represents all the authorised and unissued Ordinary share capital (and is less than 33% of the present issued Ordinary share capital) will be proposed at the Annual General Meeting.

This amount is within the limits approved by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

The Directors have no present intention of exercising such authority and no issue of shares which would effectively alter the control of the Company will be made without the prior approval of shareholders at general meeting.

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 £160,000 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 to a total of 6,400,000 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.

Articles of Association

The present Articles of Association were adopted in 1994, since when there have been changes in company law and practice and in corporate governance.

Accordingly, the Directors consider it appropriate for the Company to adopt entirely new Articles of Association.

The principal differences between the present and the proposed new Articles of Association are summarised on page 43. A copy of the proposed new Articles of Association will be available for inspection at the Company's registered office until 8 September 2004 and also at the Annual General Meeting. Copies are also available to shareholders on request and can be viewed on the Company's web site. A special resolution adopting the new Articles of Association will be proposed at the Annual General Meeting.

All Employee Share Scheme

The Company's All Employee Share Scheme provides a means for employees to acquire shares in the Company on favourable terms (see Report on Remuneration, page 15). Employees who invest their own money in the Company's shares from pre-tax income receive a matching award of shares. On cessation of employment, the matching shares may be forfeited but there are certain "compassionate circumstances" where they can be retained (and where the tax benefits available for the purchased shares are also retained). One of these compassionate circumstances is retirement at an age specified in the scheme and the scheme rules currently specify an age of 65.

Recognising that there is still a differential (albeit reducing but not equalising until 2020) in the state pension ages for men and women and that, in practice, many women retire before men, it is proposed that the retirement age specified in the scheme rules is reduced.

Although it is an Inland Revenue requirement that the scheme rules contain a specified retirement age, which must be the same for men and women, this can be any age not less than 50, which is the current normal minimum pension age. However, under legislation contained in the Finance Bill 2004, the government is proposing to increase the normal minimum pension age from 50 to 55, with effect from 2010. As the Board considers that, in the context of the scheme, age 50 is too low, it is therefore proposed that the retirement age for the purposes of the scheme is fixed at 55.

A resolution to this effect will be proposed at the Annual General Meeting.

Auditors

A resolution for the re-appointment of Deloitte & Touche LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

By order of the Board

D Henderson

Secretary

5 July 2004

Report on Remuneration

Remuneration committee

The Remuneration Committee 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 members of the Committee are Mr Williams (Chairman until 10 March 2004), Mr Astrand (appointed Chairman on 10 March 2004), both of whom served throughout the year and Mr Rogerson (appointed to the Committee on 6 January 2004). The Committee consults with the Chairman of the Board and with the Chief Executive who may be invited to attend meetings. The Company Secretary is secretary to the Committee.

The Committee has access to external independent advice on matters relating to remuneration. During the year the Committee took advice from New Bridge Street Consultants in relation to the remuneration packages of the executive Directors and senior management.

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

Flexible benefits scheme

A flexible benefits scheme was introduced on 1 May 2002 which 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 benefit in kind taxation system for company cars which is based on $CO2$ emission levels.

Service contracts

The executive Directors have rolling service contracts which may be terminated by 12 months notice on either side.

The dates of the contracts are:	
S J Smith	8 January 2003
P J Moorhouse	8 January 2003
G T Murray	8 January 2003
A T Noble	9 June 2004

In the event of early termination of an executive Director's service contract, compensation of up to the equivalent of one year's basic salary and benefits may be payable: there is no contractual entitlement to compensation beyond this. Directors have a duty to make reasonable efforts to mitigate any loss arising from such termination and the Committee will have regard to that duty on a case by case basis when assessing the appropriate level of compensation which may be payable. It is also the Board's policy that where compensation on early termination is due, in appropriate circumstances it should be paid on a phased basis.

Basic salaries

The current basic salaries paid to the executive Directors are as follows:

S J Smith	£275,000
P J Moorhouse	£210,000
G T Murray	£190,000
A T Noble	£163,000

All were last reviewed on 1 May 2004.

External appointments

The Board recognises that executive Directors may be invited to become non-executive Directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Group. Provided that it does not impact on their executive duties, Directors are generally allowed to accept one such appointment. As the purpose of seeking such positions is self-education rather than financial reward, any resulting fees would normally be expected to be paid to the Company as compensation for the time commitment involved.

Non-executive Directors

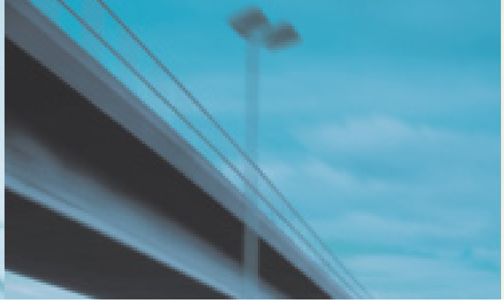
The remuneration of the non-executive Directors is determined by the Board as a whole, within the overall limit set by the Articles of Association. Non-executive Directors are not eligible for performance related payments nor may they participate in the Company's share option or pension schemes.

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

The current fees paid to the non-executive Directors are as follows:

F M Waring	Chairman	£85,000
R Williams	Deputy Chairman and Chairman of Nomination Committee	£36,000
J Astrand	Chairman of Remuneration Committee	£29,000
P Rogerson	Chairman of Audit Committee	£29,000

Subject to the approval by shareholders at the Annual General Meeting to be held in September of the proposed new Articles of Association, which



include, inter alia, an increase in the cap on Directors' fees (see summary of changes on page 43), it is proposed that the fees payable to the non-executive Directors be increased, with effect from 1 May 2004, as follows:

F M Waring	£95,000
R Williams	£40,000
J Astrand	£49,000
P Rogerson	£34,000

In the case of Mr Astrand, the above proposed fee includes an amount of £15,000 in recognition of the additional time commitment required following his appointment as a non-executive Director of Fualsa with effect from 3 May 2004. The Board do not consider that this appointment in any way affects his independence.

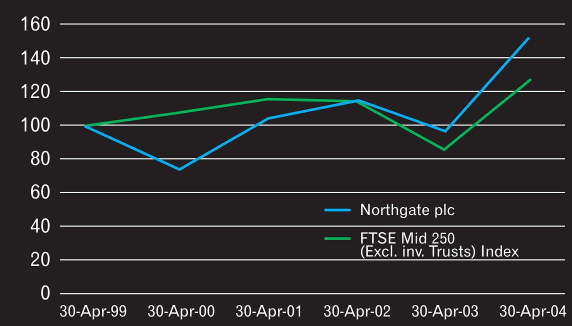
Pension schemes

Throughout the year all pension arrangements operating throughout the Group were defined contribution schemes.

Performance graph

As required by The Directors' Remuneration Report Regulations 2002, this graph illustrates the performance of Northgate plc measured by Total Shareholder Return (share price growth plus dividends paid) against a 'broad equity market index' over the last five years. As the Company is a constituent of the FTSE 250 index, that index (excluding investment companies) is considered to be the most appropriate benchmark.

Total Shareholder Return Source: Thomson Financial



This graph shows the value, by the 30 April 2004, of £100 invested in the Company on 30 April 1999 compared with that of £100 invested in the FTSE Mid 250 (Excl. inv. Trusts) Index. The other points plotted are the values at intervening financial year-ends.

The mid-market price of the Company's Ordinary shares at 30 April 2004 was 624p (30 April 2003 – 416p) and the range during the year was 416p to 645p.

The following elements of this report have been audited.

EMOLUMENTS

	Salary/ fees £000	Bonus £000	Cost of benefits* £000	Chargeable expenses £000	2004 total £000	2003 total £000	**2004** Pension contributions† £000	**2003** Pension contributions† £000
F M Waring	85	–	–	–	85	75	–	–
S J Smith	240	96	24	1	361	282	26	21
J Astrand	29	–	–	–	29	26	–	–
P J Moorhouse	200	50	25	3	278	241	28	20
G T Murray	160	43	22	–	225	53	14	4
A T Noble	158	16	25	1	200	182	22	22
P Rogerson	15	–	–	–	15	–	–	–
R Williams	36	–	–	–	36	33	–	–
Total emoluments excluding pension contributions	923	205	96	5	1,229	892		
Total pension contributions							90	67

*These benefits include: company car, private medical insurance, permanent health insurance, life assurance and spouses death in service pension.
† All contributions are to a defined contribution type scheme.

Report on Remuneration

Executive incentive scheme

The EIS, introduced in 1999, was designed to motivate those key executives in the Group most able to influence the successful implementation of our five year Strategy for Growth, with a target to double the size of the business over the period 1999 – 2004. As measured by earnings per share, we achieved that target in 2003, one year ahead of expectations. As the EIS was specifically aligned to that strategy plan, it has been decided that no further options will be awarded under the EIS, the last options being granted in January 2002.

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 four and ten years following the date of grant. For all the options to become exercisable, the Company's normalised earnings per share growth over the five year period following their grant should exceed 15% per annum. 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 five years. However, they become capable of earlier exercise in tranches of 20%, 25% and 25% on the fourth, fifth and sixth anniversaries of their grant if earnings per share growth has been at least 15% per annum over the two, three and four years following their grant respectively. Partial exercise of these options over a sliding scale is permitted for growth in earnings per share of between 8% and 15% per annum over these periods.

In September 2003 the first tranche of 20% of options became exercisable, the performance condition having been satisfied. For this tranche to be exercisable in full a growth in earnings per share over the two financial years from 1 May 1999 to 30 April 2001 of at least 15% per annum compound was required: the actual growth achieved was 28.2%.

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 ten years under the EIS and under any other executive share option scheme adopted by the Company may not exceed eight 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)
S J Smith	180,000	492.5
P J Moorhouse	180,000	492.5
A T Noble	174,050 5,950 180,000	492.5 503.5

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 808,500 shares granted to 39 employees at exercise prices ranging from 367.5p to 523p were outstanding at 30 April 2004.

Northgate share option scheme

The Northgate Share Option Scheme ("the NSOS") was introduced in 2000 and operates on broadly similar lines to the EIS. The NSOS is designed to provide incentives, in the form of Ordinary shares in the Company, to selected employees at managerial level. Although Directors, (with the exception of Mr Murray who does not participate in the EIS) and certain other management at a senior level have not previously participated in the NSOS (as their share incentives in recent years have been provided under the EIS), it is intended that, from July 2004, longer term incentives for Directors and senior executives (currently numbering approximately 12 in total) be provided by a modest level (up to 50% of basic salary per annum) of option grants under the NSOS: this would be in addition to participating in the new DABP (see below). From July 2004, middle management will no longer participate in the NSOS, instead being incentivised under the DABP.

The principal differences between the NSOS and the EIS are:

i) the maximum individual allocation over a ten year period is limited to four times annual earnings (EIS – eight times);

ii) subject to the performance criteria being satisfied, options may be exercised between three and five and a half years from the date of grant (EIS – four to ten 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 three years (EIS – earnings per share growth of 15% per annum over five years but with partial exercise over a sliding scale for growth between 8% and 15%).

Mr Murray was awarded 50,000 options under the NSOS at an exercise price of 380p following his appointment to the Board in January 2003. These options are normally exercisable between January 2006 and July 2008.

In addition, options over 335,850 shares granted to 61 employees at exercise prices ranging from 403.5p to 524p were outstanding at 30 April 2004.

Deferred annual bonus plan

A new Deferred Annual Bonus Plan ("DABP") was introduced last year for Directors and senior and middle management. Part of the bonus will be delivered in cash and will be payable immediately after the year end and part (not normally exceeding 50% of basic salary) in the form of shares with the first share award being made following the announcement of the Group's results on 6 July 2004.



The shares will be retained in an employee benefit trust for three years and be subject to forfeiture if the employee leaves during that time. This will provide a stronger retention mechanism than share options and has the motivational benefits of certainty and clarity for the employee. During the retention period, executives continue to have an incentive to influence the share price so as to maximise the value on release.

The bonuses for executive Directors upon which these awards will be made will be based upon business and individual performance, including elements based on cash flow and a target of growth in earnings per share of between 3% and 10% above inflation.

For the financial year ended 30 April 2004, the bonuses payable to the executive Directors under the DABP determined by the Remuneration Committee in accordance with the criteria referred to above are as follows:

	Cash			Shares		
	Value (£)	% of basic salary	Maximum %	Value (£)	% of basic salary	Maximum %
S J Smith	96,000	40	50	108,000	45	50
P J Moorhouse	50,000	25	40	72,000	36	40
G T Murray	43,200	27	30	43,200	27	30

The number of shares to be awarded will be calculated based on the closing mid-market price on 6 July 2004, being the date of the Preliminary Results Announcement.

For the financial year 2004/05 the criteria and maximum awards will be the same as for 2003/04 except that Mr Murray's award will be capped at 40% for both cash and shares.

Due to Mr Noble's absence through illness for a significant part of the year, the Remuneration Committee did not feel it appropriate that he participate in the DABP: instead, he was awarded a cash bonus of 10% of basic salary, based on business and individual performance. Any bonus awarded to Mr Noble will continue to be on this basis in the future.

For other levels of management bonus levels will be based on a combination of the performance of the relevant business unit and individual key performance indicators and the maximum amounts, again expressed as a percentage of basic salary and split equally between cash and shares, range from 20% to 60% in total.

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 Trustees Limited.

To participate in the AESS, 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 three years of acquiring the Partnership shares, the employee either sells the Partnership shares or leaves the Group. After this three 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 two years. Those employees who are most committed to the Company will therefore receive the most benefit.

The third annual cycle ended in January 2004 and resulted in 425 employees acquiring 86,038 Partnership shares at 414.5p each and being allocated the same number of Matching shares.

As at 30 April 2004 the Trust held 406,832 Ordinary shares that have vested to employees from the first three cycles.

The fourth annual cycle started in January 2004 and currently some 500 employees are making contributions to the scheme at an annualised rate of £430,000.

Goode Durrant share option scheme

At 30 April 2004 there were no options remaining outstanding under this scheme. On 25 July 2003 Mr F M Waring exercised 100,000 options at 218.5p when the market price was 495p. The total gross gain on exercise was therefore £276,500. There were no performance conditions attached to this scheme. No further options can be awarded under this scheme.

Long term incentive plan

At 30 April 2004 options over 886 Ordinary shares capable of exercise remained outstanding, the relevant performance condition having been satisfied. No Director held any options under the plan at any time during the year. The last options were awarded in 1999 and no further options will be awarded.

Employee benefit trust

Shares to satisfy the requirements of the EIS, NSOS, DABP, AESS and the long term incentive plan are sourced through an employee benefit trust based in Guernsey ("the Trust"). At 30 April 2004 the Trust held 239,779 Ordinary shares as a hedge against the Group's obligations under the above schemes.

By order of the Board

D Henderson

Secretary

5 July 2004

Corporate Governance

Corporate Governance

UK listed companies are required by the Financial Services Authority (the designated UK Listing Authority) to include a statement in their annual accounts on compliance with the Principles of Good Corporate Governance and Code of Best Practice set out in the Combined Code published in 1998 ("the 1998 Code"). In July 2003 a revised Combined Code ("the New Code") was published, incorporating recommendations made in the Higgs Report on the role and effectiveness of non-executive directors and in the Financial Reporting Council's new guidance for audit committees. The New Code will apply to the Company for the financial year ending 30 April 2005.

During the year the Board established a corporate governance sub-committee, consisting of the Deputy Chairman, the Finance Director and the Company Secretary, to review the Company's compliance with best practice and to make recommendations as to any changes that may be necessary to achieve compliance with the New Code. The Board accepted the Committee's recommendations and now considers that the Company is already substantially compliant with the New Code.

The report which follows relates to compliance with the 1998 Code.

The provisions of the 1998 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 four executive and four non-executive Directors, details of whom are set out on page 8.

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 1998 Code and in terms of the criteria laid down by the National Association of Pension Funds for judging the independence of non-executive Directors. Mr Williams, as Deputy Chairman, is considered to be the senior such independent Director.

The offices of the Chairman and Chief Executive Officer are separate. The division of their responsibilities has been set out in writing, approved by the Board and is available on the Company's website.

The Board meets regularly, normally monthly, to review trading results and has responsibility for the major areas of Group strategy, the annual Business Plan, financial reporting to and relationships with shareholders, dividend policy, internal financial and other controls, financing and treasury policy, insurance policy, major capital expenditure, acquisitions and disposals, Board structure, remuneration policy, corporate governance and compliance.

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.

Directors' attendance at Board and Committee meetings during the year is detailed below:

	BOARD		AUDIT		REMUNERATION		NOMINATION	
	A	B	A	B	A	B	A	B
F M Waring	13	13	–	5	–	9	1	1
S J Smith	13	13	–	5	–	6	1	–
J Astrand	13	13	5	5	9	9	1	1
P J Moorhouse	13	12	–	4	–	4	–	–
G T Murray	13	12	–	5	–	1	–	–
A T Noble	13	10	–	4	–	–	–	–
P Rogerson	6	5	2	1	2	2	1	1
R Williams	13	13	5	5	9	9	1	1

A = Maximum number of meetings the Director was entitled to attend.

B = Number of meetings attended

All Directors were present at the Annual General Meeting held in September 2003, except for Mr Rogerson who was not appointed until November 2003.

Mr Rogerson was appointed to the Audit and Remuneration Committees in January 2004.

Attendance by executive Directors at meetings of the Audit and Remuneration Committees were by invitation.

The external auditors attended three Audit Committee meetings. The internal audit manager attended two Audit Committee meetings.

In addition, the non-executive Directors, including the Chairman, but without executive Directors present, met informally on six occasions during the year.

Before appointment, non-executive Directors are required to assure the Board that they can give the time commitment necessary to properly fulfil their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time.

The Company's existing 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 is proposing to adopt new Articles of Association at the Annual General Meeting to be held in September 2004 (see Report of the Directors on page 11). The Article governing the re-election of Directors will be amended to provide that all Directors be subject to re-election at intervals of not more than three years. No current Director has served more than three years without being re-elected by shareholders.

In anticipation of the requirements of the New Code, the Board has established a Nomination Committee, which is chaired by Mr Williams, the Deputy Chairman. All the non-executive Directors and the Chief Executive are members. Its main function is to lead the process for Board appointments by selecting and proposing to the Board suitable candidates of appropriate calibre. The Committee would normally expect to use the services of professional external head-hunters to help in the search for candidates. The Committee has written terms of reference which are available on the Company's website.

2 Directors' remuneration

The Company's policy on remuneration and details of the remuneration of each Director are given in the Report on Remuneration on pages 12 to 15.

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 and Finance Director.

The Chief Executive has written to the Company's 40 largest institutional shareholders to advise that, in line with the provisions of the New Code, the Senior Independent Director and other non-executives may attend these briefings and, in any event, would attend if requested to do so.

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 addition, the Company issues brief "pre-close" trading statements two months prior to the announcement of both our interim and full year results.

In compliance with the requirement in the 1998 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.

Corporate Governance

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 1998 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 1998 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.

To demonstrate the Board's commitment to maintaining the highest business and ethical standards and to promote a culture of honesty and integrity amongst all staff, the Board has established a confidential telephone service, operated by an independent external organisation, which may be used by all staff to report any issues of concern relating to dishonesty or malpractice within the Group. All issues reported are investigated by senior management.

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 prepared by management 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 decision, 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.

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 three independent non-executive Directors. Mr Rogerson was appointed a member of the Committee in January 2004 and he took over as Chairman of the Committee following the approval of these Report and Accounts by the Board on 5 July 2004. The Committee has written terms of reference setting out its duties which are available on the Company's website. 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.

The Committee has access to the resources and facilities it requires to enable it to carry out its duties. These include external professional advice and direct access to the Company Secretary and other relevant staff. 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.

In addition to the meetings referred to in the table above, the members of the Committee, together with the Chairman of the Board, had informal meetings with the external auditors and, separately, with the internal audit manager, both with no other Directors 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 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 and payable to Deloitte & Touche LLP in respect of the year under review are as follows:

	£000
Statutory audit work and interim review	178
Tax	82
Other	73
Total	333

COMPLIANCE

The Board considers that the Company was in compliance with the provisions of the 1998 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 Company has been in compliance since Mr Rogerson's appointment in January 2004.

Health and Safety

The Board regards the monitoring and control of health and safety and environmental issues as a key part of its risk management programme.

The Board has designated the Chief Executive as the person ultimately responsible to the Board for all health, safety and environmental matters throughout the Group. Responsibility for implementing the Group's policy is devolved to regional and depot management.

The Group has adopted the principles set out in the management model 'HSG 65 Successful Health and Safety Management'.

A comprehensive health and safety procedures manual and a vehicle user handbook provide guidance and advice in implementing the Group's health and safety policy. Relevant training is provided to all employees.

Technical advice and support is provided by a qualified health and safety officer, part of whose responsibility is to visit every Group location at least once a year to carry out a health and safety audit. Where appropriate, outside professional advice and services are used:

- in compliance with the Electricity at Work Regulations, a rolling programme of electrical inspections and surveys, covering all Group locations, is carried out by qualified electrical contractors;
- a programme of surveys has been put in place to meet the requirements of the new Asbestos Regulations, which came into force in 2004, using licensed contractors;
- all hazardous waste (principally engine oils, batteries, tyres and other vehicle consumables) is collected and disposed of by licensed contractors;
- prior to acquiring new sites, environmental risk assessments, to ISO 9000 standard, are carried out by external consultants;
- we have arranged with the Institute of Advanced Motorists a rolling programme of driver assessment and training for all employees who have a company vehicle or who are otherwise required to drive as part of their duties.

During the year under review, no major incidents (classed as those resulting in death, serious injury or significant pollution) occurred at any of our locations.

No health and safety enforcement notices were served on any company in the Group and there were no convictions for health and safety offences during the year. There were no pending prosecutions outstanding at the year end.

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 30 April 2004 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, the statement of total recognised gains and losses, the accounting policies and the related Notes 1 to 26 together with the reconciliation of net cash flow to movement in net debt and the notes to the consolidated cash flow statement. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Report on Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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. They are also responsible for the preparation of the other information contained in the annual report including the Report on Remuneration. Our responsibility is to audit the financial statements and the part of the Report on Remuneration described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Report on Remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985.
We also report to you if, in our opinion, the Report of the Directors 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 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 of the Financial Services Authority and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures. We read the Report of the Directors and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Report on Remuneration 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 and the part of the Report on Remuneration described as having been audited. 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 and the part of the Report on Remuneration described as having been audited 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 and the part of the Report on Remuneration described as having been audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 30 April 2004 and of the profit of the Group for the year then ended; and
- the financial statements and that part of the Report on Remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds

5 July 2004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Financial Statements

Consolidated Profit and Loss Account

FOR THE YEAR ENDED 30 APRIL 2004

	Notes	Before goodwill amortisation 2004 £000	Goodwill amortisation 2004 £000	Total 2004 £000	Total 2003 £000
Turnover					
Continuing operations	1	355,624	–	**355,624**	337,875
Joint venture		23,461	–	**23,461**	14,514
Turnover: Group and share of joint venture		379,085	–	**379,085**	352,389
Less: share of joint venture's turnover		(23,461)	–	**(23,461)**	(14,514)
Group turnover		**355,624**	**–**	**355,624**	**337,875**
Cost of sales		(261,255)	–	**(261,255)**	(250,213)
Gross profit		**94,369**	**–**	**94,369**	**87,662**
Administrative expenses					
– general administrative expenses		(38,552)	–	**(38,552)**	(38,999)
– goodwill amortisation		–	(71)	**(71)**	(384)
Total administrative expenses		(38,552)	(71)	**(38,623)**	(39,383)
Group operating profit – continuing operations	1, 2	**55,817**	**(71)**	**55,746**	**48,279**
Share of joint venture's operating profit		4,578	(236)	**4,342**	2,620
		60,395	(307)	**60,088**	50,899
Profit on disposal of property		–	–	**–**	736
Interest payable, net	4	(15,355)	–	**(15,355)**	(15,032)
Profit on ordinary activities before taxation		45,040	(307)	**44,733**	36,603
Tax on profit on ordinary activities	5			**(13,303)**	(11,497)
Profit for the financial year	6			**31,430**	25,106
Dividends	7			**(11,064)**	(9,736)
Profit transferred to reserves	22			**20,366**	15,370
Earnings per Ordinary share – basic	8			**50.9p**	41.4p
Diluted earnings per Ordinary share	8			**50.8p**	41.2p
Dividends per Ordinary share	7			**17.6p**	16.0p

Balance Sheets

30 APRIL 2004

	Notes	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Fixed assets					
Intangible assets	9	**1,981**	1,382	**–**	–
Tangible assets					
Vehicles for hire	10	**379,346**	366,976	**–**	–
Other fixed assets	11	**23,342**	21,574	**3,117**	2,188
Investments	12	**1,330**	409	**79,050**	79,050
		405,999	390,341	**82,167**	81,238
Investment in joint venture					
Share of gross assets		**50,389**	38,450	**–**	–
Share of gross liabilities		**(40,215)**	(30,898)	**–**	–
Goodwill on investment less amortisation		**4,293**	4,529	**–**	–
		14,467	12,081	**–**	–
Total fixed assets		**420,466**	402,422	**82,167**	81,238
Current assets					
Stocks	13	**15,285**	10,328	**–**	–
Debtors	14	**56,382**	57,270	**122,881**	19,455
Cash at bank and in hand		**46,160**	31,545	**44,311**	29,792
		117,827	99,143	**167,192**	49,247
Creditors: amounts falling due within one year	15	**133,756**	185,758	**12,197**	12,909
Net current (liabilities) assets		**(15,929)**	(86,615)	**154,995**	36,338
Total assets less current liabilities		**404,537**	315,807	**237,162**	117,576
Creditors: amounts falling due after more than one year	16	**208,079**	155,592	**100,000**	–
Provisions for liabilities and charges	19	**6,821**	7,005	**(119)**	(6)
		189,637	153,210	**137,281**	117,582
Capital and reserves					
Called up share capital	20	**3,702**	3,545	**3,702**	3,545
Share premium account	21	**61,829**	45,635	**61,829**	45,635
Revaluation reserve	22	**23**	23	**–**	–
Merger reserve	22	**4,721**	4,721	**417**	417
Profit and loss account	22	**119,362**	99,286	**71,333**	67,985
Shareholders' funds		**189,637**	153,210	**137,281**	117,582
Attributable to equity shareholders		**189,137**	152,710	**136,781**	117,082
Attributable to non-equity shareholders		**500**	500	**500**	500
		189,637	153,210	**137,281**	117,582

The accounts were approved by the Board of Directors on 5 July 2004.

F M Waring
Director

G T Murray
Director

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 30 APRIL 2004

	Notes	2004 £000	2003 £000
Cash inflow from operating activities	(i)	**157,203**	150,896
Returns on investments and servicing of finance	(ii)	**(14,679)**	(13,847)
Taxation		**(11,279)**	(11,869)
Capital expenditure and financial investment			
Purchase of vehicles for hire		**(215,129)**	(216,858)
Sale of vehicles for hire		**106,771**	95,341
Other items, net		**(5,414)**	(3,457)
Net cash outflow from capital expenditure and financial investment	(iii)	**(113,772)**	(124,974)
Acquisitions	(iv)	**(1,092)**	(14,672)
Equity dividends paid		**(11,005)**	(9,240)
Cash inflow (outflow) before use of liquid resources and financing		**5,376**	(23,706)
Management of liquid resources			
Cash placed on deposit		**(205)**	(191)
Financing			
Issue of Ordinary shares (net of expenses)		**16,351**	167
Increase (decrease) in borrowings		**93,833**	(7,226)
Capital element of vehicle related hire purchase payments		**(263,310)**	(170,458)
Cash inflow from new vehicle related hire purchase agreements		**169,577**	199,254
Net cash inflow from financing		**16,451**	21,737
Increase (decrease) in cash for the year		**21,622**	(2,160)

Reconciliation of Net Cash Flow to Movement in Net Debt

		2004 £000	2003 £000
Increase (decrease) in cash for the year		**21,622**	(2,160)
Financing			
(Increase) decrease in borrowings		**(93,833)**	7,226
Capital element of vehicle related hire purchase payments		**263,310**	170,458
Cash inflow from new vehicle related hire purchase agreements		**(169,577)**	(199,254)
Cash placed on deposit		**205**	191
Change in net debt resulting from cash flows		**21,727**	(23,539)
Hire purchase agreements acquired with subsidiary undertakings	17	**(3,271)**	(11,547)
Foreign exchange movements		**96**	(393)
Movement in net debt for the year		**18,552**	(35,479)
Net debt at 1 May		**(268,378)**	(232,899)
Net debt at 30 April	16	**(249,826)**	(268,378)

Notes to the Consolidated Cash Flow Statement

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

	Notes	2004 £000	2003 £000
Group operating profit		**55,746**	48,279
Depreciation		**98,547**	99,691
Amortisation of goodwill		**71**	384
(Profit) loss on sale of equipment and other fixed assets		**(63)**	3
Increase in stocks		**(4,922)**	(2,124)
Decrease (increase) in debtors		**1,450**	(1,557)
Increase in creditors		**6,374**	6,220
Net cash inflow from operating activities		**157,203**	150,896

Analysis of items stated on a net basis in the cash flow statement

	Notes	2004 £000	2003 £000
(ii) Returns on investments and servicing of finance			
Interest received		**1,028**	1,163
Interest paid on bank loans and overdrafts		**(4,849)**	(4,355)
Interest paid on hire purchase agreements		**(10,833)**	(10,630)
Dividends paid – non-equity preference shares		**(25)**	(25)
		(14,679)	(13,847)
(iii) Capital expenditure and financial investment			
Purchase of vehicles for hire		**(215,129)**	(216,858)
Sale of vehicles for hire		**106,771**	95,341
Purchase of other fixed assets		**(5,729)**	(6,027)
Sale of other fixed assets		**1,236**	2,389
Purchase of investments – employee share schemes		**(1,888)**	(472)
Sale of investments – employee share schemes		**807**	653
Sale of investment – unlisted investment		**160**	–
		(113,772)	(124,974)
(iv) Acquisitions			
Investment in joint venture		**–**	10,170
Acquisition of subsidiary undertakings	17	**1,092**	4,502
		1,092	14,672

Statement of Total Recognised Gains and Losses

FOR THE YEAR ENDED 30 APRIL 2004

	2004 £000	2003 £000
Profit for the financial year	**31,430**	25,106
Foreign exchange differences	**(290)**	626
	31,140	25,732

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 30 April. Joint ventures are accounted for by the gross equity method. The results of subsidiary undertakings and joint ventures are included from their respective dates of acquisition.

Goodwill

Goodwill representing the excess of the purchase consideration over the fair value of net assets acquired on acquisition of subsidiary undertakings and joint ventures is capitalised as an intangible asset in the year of acquisition. It is amortised through the profit and loss account over the Directors' estimate of its useful life of up to a maximum of 20 years. As permitted by FRS10, goodwill arising on acquisitions prior to 1 January 1998 was eliminated against reserves as a matter of accounting policy and has not been reinstated to intangible assets from reserves, but will be charged to the profit and loss account on subsequent disposal of the businesses to which it relates.

Tangible fixed assets: depreciation

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

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

Current assets are stated at the lower of cost and net realisable value. 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 its various share schemes 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.

Foreign currency

Assets and liabilities of overseas subsidiaries and joint ventures are translated into sterling at the rates of exchange ruling at the balance sheet date. The effect of variances in exchange rates between the beginning and the end of the financial year on the net investment in subsidiary undertakings and joint ventures is dealt with through reserves. The results of overseas subsidiary undertakings and joint ventures are translated into sterling using average exchange rates for the financial year and variances compared with the exchange rate at the balance sheet date are dealt with through reserves. All other monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date with resulting exchange gains and losses being taken to the profit and loss account.

Deferred taxation

In accordance with FRS19, Deferred Tax, full provision is made on timing differences that have originated but not reversed at the balance sheet date. 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 joint ventures 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.

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 revenue resulting from Group operating activities, excluding value added tax. These comprise the hire of vehicles, the sale of used vehicles and the supply of related goods and services.

Pensions

The Group only operates 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 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 or where applicable the relevant collar.

Interest rate swaps – Interest payments and receipts relating to swaps 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 Analysis

All trading activities in 2004 and 2003 relate to the business of vehicle hire. The Group operates in the United Kingdom and Republic of Ireland and turnover relates to customers in the United Kingdom and Republic of Ireland. The joint venture operates in all material respects in Spain.

2 Operating profit

	2004 £000	2003 £000
Operating profit is stated after charging (crediting):		
Depreciation of owned tangible fixed assets	**39,679**	37,537
Depreciation of fixed assets held under hire purchase agreements	**58,868**	62,154
Amortisation of goodwill	**71**	384
Hire of plant and equipment and other assets	**3,710**	3,138
Auditors' remuneration	**178**	173
Fees paid to auditors for other services	**155**	239
(Profit) loss on sale of tangible fixed assets	**(63)**	3
Other rental income	**(216,318)**	(213,842)

3 Information regarding employees and Directors

	2004 number	2003 number
The average number of persons employed by the Group:		
Direct operations	**1,362**	1,296
Administration	**375**	370
	1,737	1,666
	£000	**£000**
The staff costs of these persons were as follows:		
Wages and salaries	**37,496**	32,838
Social security costs	**3,401**	3,016
Other pensions costs	**944**	725
	41,841	36,579

Details of Directors' remuneration, pension contributions and share options are provided in the audited part of the Report on Remuneration on pages 12 to 15.

4 Interest

	2004 £000	2003 £000
Income from fixed asset investments	**202**	231
Interest receivable and similar income:		
Interest receivable on bank and other deposits	**1,231**	875
	1,433	1,106
Interest payable and similar charges:		
On bank loans, overdrafts and other loans repayable within five years	**(5,066)**	(4,532)
Finance charges related to hire purchase agreements	**(10,436)**	(10,758)
	(15,502)	(15,290)
UK interest payable, net	**(14,069)**	(14,184)
Share of joint venture's interest payable, net	**(1,286)**	(848)
	(15,355)	(15,032)

Notes on the Accounts continued

5 Tax on profit on ordinary activities

	2004 £000	2003 £000
UK corporation tax on profits for the year	**13,860**	11,052
Over provision of corporation tax for prior years	**(599)**	(740)
	13,261	10,312
Share of overseas joint venture taxation	**389**	493
Total current taxation	**13,650**	10,805
Deferred taxation		
Origination and reversal of timing differences	**(932)**	(337)
Adjustment in respect of prior years	**585**	1,029
	13,303	11,497

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

	2004 £000	2003 £000
Profit on ordinary activities before tax	**44,733**	36,603
Tax on profit on ordinary activities at the standard rate	**13,420**	10,981
Expenses not deductible for tax purposes	**510**	573
Capital gain covered by losses	**–**	(235)
Depreciation in excess of capital allowances for the year	**932**	337
Difference in taxation on overseas joint venture	**(598)**	(99)
Adjustment to tax charge in respect of prior years	**(599)**	(740)
Other	**(15)**	(12)
	13,650	10,805

6 Profit of parent company

Of the profit attributable to shareholders, a profit of £14,412,000 (2003 – £16,835,000) 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

	2004 £000	2003 £000
Equity dividend on Ordinary shares:		
Interim paid 7p per share (2003 – 4.9p)	**4,259**	2,965
Final proposed 10.6p per share (2003 – 11.1p)	**6,780**	6,746
Total dividend 17.6p per share (2003 – 16.0p)	**11,039**	9,711
Non-equity dividend on preference shares	**25**	25
	11,064	9,736

8 Earnings per Ordinary share

The calculation of basic earnings per Ordinary share in respect of the year to 30 April 2004 is based on the profit attributable to equity shareholders of £31,405,000 (2003 – £25,081,000) and the weighted average of 61,647,279 (2003 – 60,646,882) Ordinary shares in issue (excluding those shares held by an employee trust in connection with the Group's various share schemes).

Diluted earnings per Ordinary share have been calculated on the basis of earnings described above and assume that nil shares (2003 – 102,000) 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 61,817,783 (2003 – 60,893,447) (including 170,504 shares held by an employee trust in connection with the Group's various share schemes).

9 Intangible assets

Group	**Goodwill £000**
Cost	
At 1 May 2003	1,770
Additions (see Note 17)	670
At 30 April 2004	2,440
Amortisation	
At 1 May 2003	388
Charge for the year	71
At 30 April 2004	459
Net book value	
At 30 April 2004	1,981
At 30 April 2003	1,382

10 Vehicles for hire

Group	**£000**
Cost	
1 May 2003	480,154
Transfer to motor vehicles	(335)
Foreign exchange differences	(205)
Additions	211,374
Acquisitions	3,585
Disposals	(205,780)
30 April 2004	488,793
Depreciation	
1 May 2003	113,178
Transfer to motor vehicles	(109)
Foreign exchange differences	(46)
Charged to profit and loss account	95,433
Disposals	(99,009)
30 April 2004	109,447
Net book value	
30 April 2004	379,346
30 April 2003	366,976

The net book value of the above vehicles which are held under hire purchase agreements amounts to £152,539,000 (2003 – £255,746,000).

11 Other fixed assets

Group	Land and buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost or valuation				
1 May 2003	19,687	8,992	1,423	30,102
Transfer from vehicles for hire	–	–	335	335
Foreign exchange differences	–	(4)	–	(4)
Additions	3,894	986	849	5,729
Acquisitions	–	102	–	102
Disposals	(485)	(131)	(1,202)	(1,818)
30 April 2004	23,096	9,945	1,405	34,446
Depreciation				
1 May 2003	2,733	5,473	322	8,528
Transfer from vehicles for hire	–	–	109	109
Foreign exchange differences	–	(2)	–	(2)
Charged to profit and loss account	805	1,829	480	3,114
Disposals	(43)	(91)	(511)	(645)
30 April 2004	3,495	7,209	400	11,104
Net book value				
30 April 2004	19,601	2,736	1,005	23,342
30 April 2003	16,954	3,519	1,101	21,574
Cost or valuation at 30 April 2004 is represented by:				
Valuation performed in 1992	525	–	–	525
Subsequent additions at cost	22,571	9,945	1,405	33,921
	23,096	9,945	1,405	34,446

	2004 £000	2003 £000
Land and buildings by category:		
Freehold	**16,943**	14,393
Short leasehold	**2,658**	2,561
Net book value	**19,601**	16,954

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

At 30 April 2004, under the historical cost convention, land and buildings would have been stated at £23,374,000 and related accumulated depreciation at £3,591,000.

Company	Land and buildings £000
Cost or valuation	
1 May 2003	2,237
Additions	984
30 April 2004	3,221
Depreciation	
1 May 2003	49
Charged to profit and loss account	55
30 April 2004	104
Net book value	
30 April 2004	3,117
30 April 2003	2,188

12 Fixed asset investments

Group	Own shares £000	Unlisted investments £000	Total £000
Cost			
1 May 2003	487	184	671
Additions	1,888	–	1,888
Disposals	(1,045)	(184)	(1,229)
30 April 2004	1,330	–	1,330
Provisions			
1 May 2003	238	24	262
Release on disposals	(238)	(24)	(262)
30 April 2004	–	–	–
Net book value			
30 April 2004	1,330	–	1,330
30 April 2003	249	160	409

Own shares

At 30 April 2004, 239,779 (2003 – 115,974) Ordinary shares in the Company with a market value of £1,496,221 (2003 – £482,452) were held by Kleinwort Benson (Guernsey) Trustees Limited as a hedge against the Group's obligations under its various share schemes.

All but a nominal dividend right in respect of these shares has been waived. Further details of the Group's share schemes are outlined in the Report on Remuneration on pages 12 to 15.

Company	Shares in subsidiary undertakings £000	Investment in joint venture £000	Loans to group undertakings £000	Total £000
Cost				
1 May 2003 and 30 April 2004	24,315	10,170	47,000	81,485
Provisions				
1 May 2003 and 30 April 2004	2,435	–	–	2,435
Net book value				
30 April 2004	21,880	10,170	47,000	79,050
30 April 2003	21,880	10,170	47,000	79,050

At 30 April 2004 the Company's principal subsidiary undertaking was Northgate Vehicle Hire Limited (NVH), whose business is vehicle hire. NVH 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		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Goods for resale and finished goods	**15,285**	10,328	**–**	–

14 Debtors

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts falling due within one year:				
Trade debtors	**41,801**	45,821	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**122,583**	18,024
Other debtors	**7,647**	4,840	**242**	1,369
Prepayments and accrued income	**6,496**	5,927	**56**	62
	55,944	56,588	**122,881**	19,455
Amounts falling due after more than one year:				
Prepayments and accrued income	**438**	682	**–**	–
	56,382	57,270	**122,881**	19,455

15 Creditors: amounts falling due within one year

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts falling due within one year:				
Borrowings (see Note 16)	**87,907**	144,331	**–**	–
Trade creditors	**9,838**	10,814	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**3,097**	4,589
Corporation tax	**7,143**	5,058	**–**	–
Social security and other taxes	**7,050**	3,751	**81**	–
Accruals and deferred income	**15,038**	15,058	**2,239**	1,574
Proposed dividends	**6,780**	6,746	**6,780**	6,746
	133,756	185,758	**12,197**	12,909

16 Creditors: amounts falling due after more than one year

The only creditors falling due after more than one year are borrowings. Details of total Group borrowings, including those due within one year are as follows:

	Group		Company	
	2004 £000	**2003 £000**	**2004 £000**	**2003 £000**
Amounts falling due within one year:				
Vehicle related bank loans and overdrafts	**3,485**	10,686	**–**	–
Vehicle related hire purchase	**84,422**	133,645	**–**	–
	87,907	144,331	**–**	–
Amounts falling due after more than one year:				
Bank loans and overdrafts	**51**	11	**–**	–
Vehicle related bank loans and overdrafts	**140,628**	46,835	**100,000**	–
Vehicle related hire purchase	**67,400**	108,746	**–**	–
	208,079	155,592	**100,000**	–
Total borrowings	**295,986**	299,923	**100,000**	–
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	**51**	11	**–**	–
Vehicle related hire purchase	**44,933**	72,497	**–**	–
	44,984	72,508	**–**	–
Due within two to five years				
Vehicle related bank loans and overdrafts	**140,628**	46,835	**100,000**	–
Vehicle related hire purchase	**22,467**	36,249	**–**	–
	163,095	83,084	**100,000**	–

Vehicle related bank loans and overdrafts of £144,113,000 (2003 – £57,521,000) and £51,000 (2003 – £11,000) 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 £151,822,000 (2003 – £242,391,000) is secured by a fixed charge over the vehicles to which it relates.

Analysis of net debt

	At 1 May 2003 £000	Cash flow £000	Acquisitions (Note 17) £000	Foreign exchange movement £000	At 30 April 2004 £000
Cash in hand, at bank	29,997	14,410	–	–	**44,407**
Bank overdraft due within one year	(10,686)	7,212	–	(11)	**(3,485)**
	19,311	21,622	–	(11)	**40,922**
Cash in hand, short term deposits	1,548	205	–	–	**1,753**
Bank loans and overdrafts due after one year	(46,846)	(93,833)	–	–	**(140,679)**
Vehicle related hire purchase	(242,391)	93,733	(3,271)	107	**(151,822)**
	(268,378)	21,727	(3,271)	96	**(249,826)**

At 30 April 2004 the gearing of the Group amounted to 132% (2003 – 175%) which is represented by net borrowings of £249,826,000 (2003 – £268,378,000) as a percentage of shareholders' funds of £189,637,000 (2003 – £153,210,000). Net borrowings comprise borrowings less cash at bank.

16 Creditors: amounts falling due after more than one year (continued)

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed borrowing facilities at 30 April 2004 in respect of which all conditions precedent had been met at that date expire as follows:

	2004 £000	2003 £000
In one year or less	**138,010**	127,125
In one year to five years	**14,097**	27,654
	152,107	154,779

On 5 April 2004 the Company agreed a new committed term loan facility with two of its existing funders. The sum borrowed of £100,000,000 has a commitment termination date five years from the agreement date.

The total amount permitted to be borrowed by the Company and its subsidiary undertakings 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 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 30 April 2004 the Group's total borrowings were £295,986,000 (2003 – £299,923,000).

Financing and interest rate risk

The Group's policy is to finance operating subsidiary undertakings 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 three 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 30 April 2004, 76% of gross borrowings were at fixed or capped rates of interest: £85,000,000 of swaps as shown below and £140,000,000 of caps and collars as detailed on page 37. After taking into account the various interest rate swaps entered into by the Group, the interest rate exposure of the borrowings of the Group as at 30 April 2004 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 30 April 2004					
UK Sterling	**295,986**	**210,986**	**85,000**	**5.29**	**3.86**
At 30 April 2003					
UK Sterling	299,923	269,923	30,000	7.05	4.14

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 Creditors: amounts falling due after more than one year (continued)

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

Contracts effective as at 30 April 2004

Cap amount (£m)	Cap %	Floor %	Finish date
5	8	–	May 2004
5	8	–	December 2004
5	8	–	January 2005
5	8	–	April 2006
5	7.5	–	June 2006
25			

Collar amount (£m)	Cap %	Floor %	Finish date
10	6	4	January 2005
10	7	5	April 2007
10	7	5	April 2007
10	7	5	April 2008
10	7	5	April 2008
25	5.50	3.22	May 2008
10	5.25	3.19	June 2008
10	5.00	3.15	June 2008
10	4.75	3.25	June 2008
10	7.00	5.00	April 2009
115			

Total value of current contracts (£m)
140

Contracts to commence after 30 April 2004

Collar amount (£m)	Cap %	Floor %	Start date	Finish date
10	7.00	5.00	April 2005	April 2010
10	6.50	4.50	April 2007	April 2012
20				

Fair values of financial instruments

The comparison of fair and book values of all the Group's financial instruments as at 30 April 2004 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.

	2004		2003	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Cash at bank and in hand	**46,160**	**46,160**	31,545	31,545
Debt	**(295,986)**	**(295,986)**	(299,923)	(299,923)
Net borrowings	**(249,826)**	**(249,826)**	(268,378)	(268,378)
Derivatives to manage interest rate	**682**	**180**	1,040	(6,659)
	(249,144)	**(249,646)**	(267,338)	(275,037)

Notes on the Accounts continued

17 Acquisitions

Subsidiary undertakings

F Herriman & Sons Limited

On 30 April 2004 the Group acquired the entire issued share capital of F Herriman & Sons Limited trading as Daman Vehicle Rental ("Daman") for a cash consideration of £960,000 including goodwill of £670,000. The goodwill on the acquisition of Daman is capitalised and written off over a period of five years being its estimated useful economic life. The transaction has been accounted for in accordance with acquisition accounting principles.

	Fair value of net assets £000
Vehicles for hire	3,585
Plant, equipment and fittings	102
Stocks	41
Debtors	682
Overdraft	(132)
Vehicle related hire purchase	(3,271)
Creditors	(551)
Provisions for liabilities and charges	(166)
Net assets acquired	290
Goodwill	670
Acquisition cost (including expenses)	960
Satisfied by cash	960
Cash equivalents in subsidiary undertaking acquired	132
Cash outflow on acquisition	1,092

The provisional fair values equate to the book values and represent the Directors' current estimates of the net assets acquired. However, in accordance with FRS7, the values attributed may be revised as further information becomes available.

18 Post balance sheet events

Subsidiary undertaking

On 16 July 2002 the Group acquired a 40% share in Furgonetas de Alquiler SA ("Fualsa"), a business in Spain for a cash consideration of £10,170,000 including goodwill of £4,726,000. In the year to 30 April 2004 this investment has been accounted for as a joint venture.

On 3 May 2004 the Group exercised its option to acquire a further 40% of the share capital of Fualsa for the maximum consideration of £15,154,000 under the share purchase agreement. On the same date the Group also exercised its option to acquire the final 20% of Fualsa's share capital. The consideration for this exercise is, however, deferred until 2006 and will be dependant on the profit after tax of Fualsa for the calendar years 2004 and 2005. With effect from May 2004 Fualsa will be accounted for as a subsidiary undertaking of the Group with the estimated net assets and goodwill acquired as set out in the table below. The total goodwill arising on the acquisition will be amortised over 20 years from 16 July 2002.

	£000
Book value of net assets acquired	15,260
Goodwill	8,956
Acquisition cost (including expenses)	24,216
Satisfied by cash	15,154
Fair value of deferred consideration	9,062
Total consideration	24,216

18 Post balance sheet events (continued)

The balance sheet of Fualsa as at 30 April 2004 is shown below for information purposes and does not incorporate any fair value adjustments to assets or liabilities following the option that was exercised by the Company on 3 May 2004 to acquire a further 60% of Fualsa's share capital.

	£000
Fixed assets	
Vehicles for hire	85,624
Plant, equipment and fittings	6,398
	92,022
Current assets	
Stocks	2,536
Debtors	27,624
Cash at bank	1,194
	31,354
Creditors: amounts falling due within one year	
– Borrowings	55,975
– Other	8,417
	64,392
Net current liabilities	(33,038)
Total assets less current liabilities	58,984
Creditors: amounts falling due after more than one year	
– Borrowings	31,957
Provisions for liabilities and charges	1,594
Net assets	25,433

Fualsa's net borrowings at 30 April 2004 were £86,738,000.

19 Provisions for liabilities and charges

	Group		Company	
	2004 £000	**2003 £000**	**2004 £000**	**2003 £000**
Deferred tax provided				
Accelerated capital allowances	**8,562**	7,969	**110**	66
Other timing differences	**(1,741)**	(964)	**(229)**	(72)
	6,821	7,005	**(119)**	(6)
Movement in deferred tax				
1 May 2003	**7,005**	5,170	**(6)**	(65)
On acquisition	**166**	1,143	–	–
Credited in profit and loss account	**(932)**	(337)	**(119)**	27
Adjustments to prior years	**585**	1,029	**6**	32
Foreign exchange movement	**(3)**	–	**–**	–
	6,821	7,005	**(119)**	(6)

Notes on the Accounts continued

20 Called up share capital

Group and Company	2004 £000	2003 £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:		
64,034,340 (2003 – 60,892,340) Ordinary shares of 5p each	**3,202**	3,045
1,000,000 5% cumulative preference shares of 50p each	**500**	500
	3,702	3,545

During the year 102,000 Ordinary shares with a nominal value of £5,100 were issued pursuant to the exercise of options under the Goode Durrant Share Option Scheme, for a cash consideration of £224,110. On 14 January 2004 the Company completed a placing of 3,040,000 new Ordinary shares of 5p each. These new Ordinary shares were placed with institutions at a price of 545p each raising £16,126,643 (net of expenses).

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 the Company. These shares have no voting rights other than in exceptional circumstances.

21 Share premium account

Group and Company	2004 £000	2003 £000
1 May 2003	**45,635**	45,471
Premium on shares issued (net of expenses)	**16,194**	164
30 April 2004	**61,829**	45,635

22 Reserves

	Revaluation reserve £000	Merger reserve £000	Profit and loss account £000	Total reserves £000
Group				
1 May 2003	23	4,721	99,286	104,030
Profit transferred to reserves	–	–	20,366	20,366
Foreign exchange differences	–	–	(290)	(290)
30 April 2004	23	4,721	119,362	124,106
Company				
1 May 2003	–	417	67,985	68,402
Profit transferred to reserves	–	–	3,348	3,348
30 April 2004	–	417	71,333	71,750

The cumulative amount of goodwill written off to reserves is £13,195,000 (2003 – £13,195,000).

23 Reconciliation of movements in shareholders' funds for the year ended 30 April 2004

	2004 £000	2003 £000
Profit for the financial year	**31,430**	25,106
Dividends	**(11,064)**	(9,736)
Profit transferred to reserves	**20,366**	15,370
Issue of Ordinary share capital (net of expenses)	**16,351**	167
Foreign exchange differences	**(290)**	626
Net increase in shareholders' funds	**36,427**	16,163
Opening shareholders' funds	**153,210**	137,047
Closing shareholders' funds	**189,637**	153,210

24 Contingent liabilities

The Company has guaranteed borrowings by subsidiary undertakings of £44,033,000 as at 30 April 2004 (2003 – £10,686,000).

25 Commitments

Capital expenditure commitments:

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

	Group	
	2004 £000	2003 £000
Contracted for but not provided in the accounts	**475**	947

Financial commitments:

As at 30 April 2004 the Group had annual commitments to make payments under operating leases as follows:

	2004		2003	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Leases expiring:				
within one year	**250**	**683**	469	628
two to five years	**590**	**1,161**	481	315
over five years	**1,299**	**12**	911	14
	2,139	**1,856**	1,861	957

26 Pensions

The total pension cost for the Group was £944,000 (2003 – £725,000).

During the year ended 30 April 2004 the Group only operated defined contribution arrangements.

Five Year Financial Summary

Based on the consolidated financial statements for years ended 30 April and adjusted to reflect the effect of subsequent changes in accounting policy.

Profit and loss account

	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Turnover					
Continuing operations	**355,624**	337,875	277,829	261,801	218,286
Joint venture	**23,461**	14,514	–	–	–
Turnover: Group and share of joint venture	**379,085**	352,389	277,829	261,801	218,286
Less: share of joint venture's turnover	**(23,461)**	(14,514)	–	–	–
Group turnover	**355,624**	337,875	277,829	261,801	218,286
Operating profit					
Group operating profit - continuing operations	**55,746**	48,279	45,055	42,569	37,942
Share of joint venture's operating profit	**4,342**	2,620	–	–	–
	60,088	50,899	45,055	42,569	37,942
Exceptional items	**–**	736	–	–	–
Interest	**(15,355)**	(15,032)	(13,381)	(15,459)	(13,617)
Profit before taxation	**44,733**	36,603	31,674	27,110	24,325
Tax	**(13,303)**	(11,497)	(9,953)	(8,054)	(7,328)
Profit for the financial year	**31,430**	25,106	21,721	19,056	16,997
Dividends	**(11,064)**	(9,736)	(9,119)	(8,517)	(8,039)
Retained profit	**20,366**	15,370	12,602	10,539	8,958
Earnings per Ordinary share	**50.9p**	41.4p	35.8p	31.4p	28.1p
Dividends per Ordinary share	**17.6p**	16.0p	15.0p	14.0p	13.25p

Balance sheet

	2004 £000	2003 £000	2002 £000	2001 £000	2000 £000
Assets employed					
Fixed assets	**420,466**	402,422	344,924	318,353	294,788
Net current liabilities	**(15,929)**	(86,615)	(60,676)	(51,625)	(32,530)
Creditors (after one year) and provisions	**(214,900)**	(162,597)	(147,201)	(142,436)	(148,841)
	189,637	153,210	137,047	124,292	113,417
Financed by					
Share capital	**3,702**	3,545	3,542	3,539	3,532
Share premium account	**61,829**	45,635	45,471	45,321	44,992
Reserves	**124,106**	104,030	88,034	75,432	64,893
	189,637	153,210	137,047	124,292	113,417
Net asset value per Ordinary share	**295p**	252p	225p	205p	187p

New Articles of Association

Set out below is a summary of the principal changes proposed to be made to the Articles of Association of the Company. References below are to articles in the proposed revised draft unless otherwise stated.

1 Uncertificated shares/CREST

Under the Listing Rules securities of listed companies must be eligible to be held in CREST. The main relevant articles are Articles 10, 17.2, 30, 33.2, and 46.

2 Treasury Shares

Changes have been included to reflect the fact that a company can now hold its own shares in treasury. Examples include Articles 12.1, 42.1(b), 48, 104 and 135.

3 Electronic communications

As electronic communications with members are now permitted, the Articles have been updated following the drafting of the amendments to Table A.

4 Provisions covered by the Companies Act 1985

Certain provisions have been deleted as they repeat the Companies Act. Examples include the removal of the reference to issuing shares at a discount in old Articles 6, and old Articles 11.3, 135.

5 Outdated or unnecessary provisions

Certain provisions have been deleted as being out of date or unnecessary. Examples include old Articles 11.2, 42, 55 and 148 and references to "Depositaries". In certain others, the language has been updated, for example Articles 46, 84 and 95.

6 Principal specific changes

6.1 Article 14.1: rights to certificates. This article has been updated to enable the Company to carry out various forms of mechanical authentication of share certificates.

6.2 Article 70: directors may supply proxy cards. Wording has been added to provide that the accidental omission to provide such an appointment of proxy to a member shall not invalidate the meeting to which it relates.

6.3 Article 73: number of directors. The upper limit on the number of directors has been removed. It is fairly usual for a listed plc's Articles not to set a maximum number of directors.

6.4 Article 80: retirement of directors. Changes have been made to replace the old "one-third retiring by rotation" rule with the Combined Code requirement that all directors should be required to re-submit themselves for re-election at least every three years and that non-executive directors may serve longer than nine years (three three-year terms) subject to annual re-election.

6.5 Article 84: vacation of office by directors. A new Article 84.2 has been added, being the common provision that directors shall not be required to leave office at seventy years of age.

6.6 Article 91: directors' fees. The cap on directors' fees has been increased to £400,000 in the aggregate. It is an ABI guideline that a listed plc's Articles of Association should contain a limit on directors' fees.

6.7 Article 104: borrowing powers. Provision has been made for the treatment of treasury shares and employee share schemes, which will now be deducted for the purposes of calculating the adjusted capital and reserves. The limit on the directors' powers to incur borrowings has been increased from five to six times the value of adjusted capital and reserves in order to accommodate this. The increased flexibility may also prove useful when the International Financial Reporting Standards come into effect in 2005 as they are expected to make the figures in balance sheets more fluid.

6.8 Old Article 109: local management. This article has been deleted as the matter is covered by Article 98.3.

6.9 Article 110: participation by conference call. This article has been updated to take into account developments in telecommunications and to include a statement that, where a meeting is held by telephone, the meeting is deemed to have taken place where the largest group of directors is assembled or, if no group is ascertainable, where the chairman is.

6.10 Article 135.2: capitalisation of profits. Employee share option schemes often provide for the option price to be adjusted downwards to reflect the discount element in rights issues, and this may result in the option price being reduced below nominal value. To avoid shares being issued at a discount on the exercise of options this article provides that directors may capitalise reserves in favour of option holders to cover the difference between the option price and nominal value.

Notice of Annual General Meeting

Notice is hereby given that the one hundred and sixth Annual General Meeting of Northgate plc will be held at Norflex House, Allington Way, Darlington at 11.30 am on 8 September 2004 for the following purposes:

1. To receive and adopt the Directors' report and audited accounts of the Company for the year ended 30 April 2004.
2. To declare a final dividend of 10.6p per Ordinary share.
3. To approve the Report on Remuneration for the financial year ended 30 April 2004 set out on pages 12 to 15 of the 2004 Annual Report and Accounts.
4. To re-appoint Deloitte & Touche LLP as auditors of the Company.
5. To authorise the Audit Committee to determine the remuneration of the auditors.
6. To re-elect Mr J Astrand as a Director.
7. To re-elect Mr P Rogerson as a Director.
8. To re-elect Mr R Williams, who has attained the age of 70, as a Director. Special notice to propose this resolution has been received.
9. To re-elect Mr F M Waring as a Director.

As special business to consider, and if thought fit, to pass the following resolutions: numbers 10, 11 and 15 are to be proposed as Ordinary Resolutions and numbers 12, 13 and 14 as Special Resolutions.

10. That the authorised share capital of the Company be increased from £4,650,000 to £4,900,000 by the creation of 5,000,000 new Ordinary shares of 5p each.
11. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £1,048,283 during the period commencing on the date of the passing of this Resolution and expiring on 8 September 2009 (both dates inclusive) but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.
12. That, subject to the passing of Resolution 11, 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 Resolution 11 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 £160,000.

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2005 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.

13. 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 6,400,000 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 five 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 2005 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.

14. That the Regulations contained in the document submitted to the Meeting marked 'A' and signed by the Chairman of the Meeting for the purposes of identification be and the same are hereby adopted as the Articles of Association of the Company to the exclusion of and in substitution for all existing Articles of Association of the Company.
15. That the rules of the All Employee Share Scheme be amended by reducing the specified retirement age for the purposes of the scheme from age 65 to age 55.

By Order of the Board

D. Henderson
Secretary
5 July 2004

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 6 September 2004 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 three-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.

The Company's sponsoring broker is Hoare Govett Limited (part of ABN AMRO) and the Company's Ordinary shares are traded on SETSmm.

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 Registrars
The Registry
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Beckenham
Kent BR3 4TU

Tel: 0870 1623100

Our Products

NORFLEX® flexible risk-free fleet hire – The risk-free and flexible alternative to contract hire or buying vehicles. NORFLEX® also allows you to invest your time and your company's money on your core business activity while you let us look after your fleet. www.norflex-flexible-fleet-hire.com

ONE Call Fleet Rental – Nationwide fleet rental for companies that have large daily rental needs. Why deal with lots of different hire companies when ONE Call Fleet Rental can deal with all your rental needs anywhere in the UK. www.northgate-vehicle-solutions.com

Vehicle Insight – Web-based vehicle tracking system. Increase the efficiency of your fleet, save money and deliver better service to your customers by seeing what your vehicles have been up to. www.vehicle-insight.com

Van in a Box – Designed for fleet departments that operate an owner-driver scheme. Van in a Box gives your drivers an easy way to hire vehicles on NORFLEX® with an optional monthly premium for insurance cover. www.van-in-a-box.com

Fleet Transformer – Transform the vehicles you own into a rental fleet and give your business an injection of cash. You get all the benefits of NORFLEX® plus money to invest in your business. www.fleet-transformer.com

Fleet Insurance Solutions – We have taken the hassle out of finding insurance by giving you a direct link to the World's biggest supplier of insurance services. One call is all it takes to get a tailored policy specific to your business needs. This service is exclusive to our customers but can cover all of your fleet. www.fleet-insurance-solutions.com

Norfleet Parts – Using our buying power we have negotiated great deals for customers on vehicle parts, tyres and thousands of consumables (from tools to fluorescent jackets), all direct from the manufacturer. www.norfleet.co.uk

Notes

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 non-rental products go to
www.northgate-vehicle-solutions.com

Or you can ring or email for an information pack about all our products.

Call: 01325 370209
Email: info@northgateplc.com



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