NORTHGATE PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 31 OCTOBER 2019

"Strategic review is underway"

Reported results

	H1 2020	H1 2019	*Change*
	£m	£m	*%*
Total revenue	**357.8**	374.0	*(4.3)%*
Revenue – vehicle hire	**265.9**	259.5	*+2.5%*
Revenue – vehicle sales	**91.9**	114.5	*(19.7%)*
EBITDA	**136.4**	133.5	*+2.2%*
Profit before Tax	**24.8**	28.7	*(13.8)%*
Earnings per Share	**16.1p**	18.4p	*(12.5)%*
Dividend per Share	**6.3p**	6.2p	*+1.6%*
Net Debt	**504.6**	479.8	*(5.2)%*

Adjusted results[1]

	H1 2020	H1 2019	*Growth*
	£m	£m	*%*
Rental profit	**33.8**	32.3	*+4.6%*
Rental profit margin	**12.7%**	12.4%	*+30 bps*
Disposals profits	**5.1**	7.0	*(26.9%)*
Underlying Operating Profit	**35.1**	36.7	*(4.2)%*
Underlying Profit before Tax	**27.6**	29.2	*(5.7)%*
Underlying Earnings per Share	**17.6p**	18.5p	*(4.9)%*
Total net capex	**(124.1)**	(149.5)	*(17.0)%*
Net Replacement Capex	**(76.6)**	(92.8)	*(17.6)%*
Growth Capex (incl. acquisition)	**(47.5)**	(56.7)	*(16.1)%*
EBITDA less Net Replacement Capex	**59.9**	40.7	*+47.2%*
Underlying free cash flow	**37.6**	34.9	*+7.8%*
Return on Capital Employed %	**7.1%**	6.7%	*+40 bps*

First Half Key Messages:

- Strategic review underway, recommended share-for-share merger of Northgate plc and Redde plc announced today;
- Group vehicle hire revenue grew 2.5% on a reported basis, with both the UK & Ireland and Spain seeing growth in minimum-term average vehicles on hire ("VOH") and reductions in flexible VOH. Excluding the impact of foreign exchange, Group vehicle hire revenue grew 2.3%;
- Group vehicle sales revenue declined 19.7%, driven primarily by the prior year comparative period when a higher number of vehicles were disposed of in the first half, predominantly relating to the acquisition of TOM vehicles;

[1] Refer to GAAP reconciliation and Glossary of terms note

- Group rental margin improved 30 basis points to 12.7%, better than expected due to operational changes in the UK & Ireland, partly offset by a reduced margin in Spain from changes in the product mix, continuing price competition and cost inflation;
- Group disposals profits were £1.9 million lower than the prior year, reflecting a reduced number of vehicles being sold. Disposals profits are also impacted by a reduction of approximately £2.7 million from the unwind of depreciation rate changes made at the start of the prior year;
- Profit before tax of £24.8 million decreased £3.9 million as stated after exceptional costs of £2.8 million, these principally related to restructuring activities in the UK & Ireland as we look to improve our operational efficiencies and our competitiveness in our market place;
- Reduced capital expenditure reflects our decision to deploy lower growth capex in the UK & Ireland where the ongoing political uncertainty is impacting trading conditions;
- Underlying free cash flow grew 7.8%, driven principally by lower net replacement capex which was partly offset by working capital outflow. Net debt of £504.6 million increased from £436.9 million at the beginning of the period from investment to grow the vehicle fleet;
- The Group successfully refinanced its committed bank facilities during the period, securing a larger facility with improved commercial terms and a lengthened maturity.

Avril Palmer-Baunack, Non-Executive Chair of Northgate, commented:

"These solid results in this period reflect the strength of the core business in rental operations in H1 against a backdrop of political and economic uncertainty in both markets. The business continues to look to adjacent sectors to build on its solid rental foundations so that it meets the demands of its customers who are increasingly looking for a full end-to-end product offering."

Dividend

The Board has declared an Interim Dividend of 6.3 pence per share (2019: 6.2 pence per share) which will be paid on 24 January 2020 to Shareholders on the register on 13 December 2019.

Current trading, Outlook and Guidance

The outlook below relates entirely to Northgate plc, whose financial results are prepared to 30 April each year. The proposed merger with Redde plc announced today is expected to complete in the first calendar quarter of 2020, the new Combined Group will continue to have a 30 April fiscal year end. Consequently, the financial results for Northgate plc for the year ending 30 April 2020 are expected to include the results of Redde plc for the period from completion until 30 April 2020.

The Company re-confirms its guidance for the current year in relation to the Group's hire revenue growth, where we continue to expect low to mid single digit year-on-year growth %. Following the first half rental profit margin performance in the UK & Ireland, the Company now expects the Group rental profit margin to improve by at least 50 basis points year-on-year, from an approximate 50 basis points improvement outlined in June. Group disposals profits are now expected to decrease by approximately 20% on the prior year, and total net capex is now expected to be broadly flat with the prior year, with market softness in the UK & Ireland expected to continue for the remainder of the year, adversely impacting VOH.

Whilst the macro economic environment in the UK & Ireland remains subdued and Spain also faces a less robust economic outlook the Board believes it is right to remain cautious in its outlook for the remainder of the year.

However, the Board is pleased to report the Group's overall financial performance expected for the year ending 30 April 2020 is in line with its expectations.

GAAP reconciliation and glossary of terms

Throughout this document we refer to underlying results and measures; the underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior period without the effects of one-off or non-operational items. Underlying measures exclude certain one-off items such as those arising from restructuring activities and recurring non-operational items. Specifically we refer to disposals profit. This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).

A reconciliation of GAAP to non-GAAP underlying measures and a glossary of terms used in this document are outlined below the financial review.

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

Northgate's core business is the hire of light commercial vehicles to businesses on a flexible or minimum-term basis, giving customers the ability to manage their fleet requirements in a way which can adapt best to changing business needs.

Further information regarding Northgate plc can be found on the Company's website www.northgateplc.com.

OPERATING AND FINANCIAL REVIEW

Strategic summary

Avril Palmer-Baunack joined the Board of Northgate as Non-Executive Chair in August 2019 and initiated a strategic review of the growth options for the business. The review is focused on clarifying the significant intrinsic value of Northgate, both in its core businesses and in the strong potential of strategic actions that will grow the business in both scale and value.

On 29 November, the Company announced it had reached agreement with Redde plc to combine the businesses in an all-share merger, to create a market-leading integrated mobility solutions platform. It is expected that upon completion, the shareholders of Northgate plc will hold 54% of the combined business, with the remaining 46% being held by the shareholders of Redde plc.

The Boards of Directors in Northgate and Redde plc unanimously recommend the merger to their respective shareholders. The proposed merger is expected to complete in the first calendar quarter of 2020. Further information on the proposed merger can be found on www.Northgateplc.com/investor-relations

Board changes

Avril Palmer-Baunack joined the Board as Non-Executive Chair on 12 August 2019.

Kevin Bradshaw has today stepped down from his position as a director and CEO of the Company with immediate effect, in conjunction with the proposed merger of Northgate plc and Redde plc announced today.

The following Board changes took place on 24 September 2019:

- Alexander Mark Butcher joined the Board as a Non-Executive director and Chair of the Remuneration Committee.
- Fernando Cogollos joined the Board as a Non-Executive Director.
- Bill Spencer stood down as Senior Independent Non-Executive Director, Bill continues to Chair the Audit Committee.
- John Pattullo, who joined the Board as a Non-Executive Director in January 2019, took up the position of Senior Independent Non-Executive Director.
- Jill Caseberry stood down from the Board as a Non-Executive director.

Group overview

The Group made good progress in its rental operations in the first half, delivering year-on-year growth in Group hire revenue of 2.5%. The UK & Ireland and Spain have both seen a reduction in flexible hire volumes during the period, driven by economic and political uncertainty. Strong growth in minimum-term VOH continues to be driven by the structural shift from ownership to usership, providing the Group with a more predictable revenue pipeline. Spanish hire revenue continues to be adversely impacted by product mix and market price pressure.

The Group delivered a first half rental margin of 12.7%, 30 basis points higher than H1 in the prior year. This reflects ongoing operational improvements in the UK & Ireland, partially offset by deterioration in the rental margin in Spain from ongoing product mix change and cost inflation.

Group disposals profit in the first half of £5.1 million decreased 26.9% or £1.9 million on the prior year, driven principally by the lower volume of vehicles sold across both markets.

UK & Ireland

In the UK & Ireland, first half hire revenue growth of 1.0% year-on-year reflects continuing price discipline in our customer contracts, as well as a decrease in VOH.

The first half rental margin of 9.8% increased 270 basis points over the prior year, driven principally by lower workshop costs.

Lower first half disposals profits reflect the disposal of approximately 1,800 ex-TOM vehicles in the prior year. A greater proportion of vehicle sales have also been made through the trade channel. Following the change to depreciation rates made at the start of last year, the related impact unwinding through disposals profits reduced these profits by approximately £0.7 million during the period.

During the period, one of the systems under the XLr8 transformation programme has gone live, however, part of the remaining programme is currently paused for a short period of time whilst we determine the optimal way to move forward to completion.

Spain

First half hire revenue growth of 4.3% year-on-year on a constant currency basis was driven by solid growth in total VOH. Whilst fast growth in minimum-term VOH is providing greater visibility of future income, it is driving a different product and revenue mix, with minimum-term prices remaining lower year-on-year.

The first half rental margin of 16.9%, decreased by 370 basis points on the prior year and was driven by product mix, competitive pricing pressure and cost inflation.

Lower disposals profits in the period were driven by lower volumes and lower profits per vehicle in broadly equal measure, despite a greater proportion of vehicle sales made through the higher margin retail channel. Following the change to depreciation rates made at the start of last year, the related impact unwinding through disposals profits during the period reduced these profits by approximately £2.0 million.

Capex and cash flow

Total net capex of £124.1 million in the first half reduced by 17.0% or £25.4 million over the prior year. £9.1 million of this decline came from our decision to deploy lower growth capex given softer demand in the UK & Ireland as ongoing Brexit-related concerns impact consumer and business confidence. The remaining £16.3 million decline in net replacement capex arose principally due to the timing of payments, adjusting for these items the underlying net replacement capex in the first half would be higher than the prior year.

Underlying free cash flow of £37.6 million grew 7.8% year-on-year due to lower net replacement capex noted above and a working capital outflow from the timing of vehicle purchases.

IFRS 16 – Leases

The Group adopted IFRS 16 – Leases at the start of the period.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to land and buildings which had previously been classified as 'operating leases'. This has led to the recognition of 'Right-of- use' assets and corresponding lease liability in the balance sheet of £48.4 million. The resulting depreciation and interest costs replace costs that would formerly have been recognised as operating lease expenses within the consolidated income statement.

In the six months to 31 October 2019, the adoption of IFRS 16 has resulted in an increase in depreciation costs of £3.4 million and finance costs of £0.6 million. Other operating expenses have decreased by £3.8 million giving a net decrease in profit before tax of £0.2 million and a net decrease in EPS of 0.1p. Further information on the application of IFRS 16 can be found in note 1 to the condensed financial statements.

FINANCIAL REVIEW

Underlying financial summary[1]	**H1 2020 £m**	H1 2019 £m	*Change £m*	*Change %*
Revenue	**357.8**	374.0	*(16.2)*	*(4.3%)*
Operating profit	**35.1**	36.7	*(1.6)*	*(4.2%)*
Statutory operating profit	**32.9**	36.2	*(3.3)*	*(9.1%)*
Net finance charge	**(7.5)**	(7.4)	*(0.1)*	*(1.4%)*
Profit before tax	**27.6**	29.2	*(1.7)*	*(5.7%)*
Statutory profit before tax	**24.8**	28.7	*(4.0)*	*(13.8%)*
Net tax charge	**(4.1)**	(4.6)	*+0.5*	*11.1%*
Profit after tax	**23.5**	24.7	*(1.2)*	*(4.7%)*
Earnings per share (pence)	**17.6p**	18.5p	*(0.9)p*	*(4.9%)*
Dividend per share (pence)	**6.3p**	6.2p	*0.1p*	*1.6%*

(1) All figures disclosed are underlying unless stated otherwise. Refer to Reconciliation of GAAP to non-GAAP measures and Glossary of terms for further information.

Revenue

Total underlying Group revenue decreased 4.3% to £357.8 million.

Group revenue comprised:

	H1 2020 £m	H1 2019 £m	*Change £m*	*Change %*
Vehicle hire	**265.9**	259.5	*+6.4*	*+2.5%*
Vehicle sales	**91.9**	114.5	*(22.6)*	*(19.7%)*
Total	**357.8**	374.0	*(16.2)*	*(4.3%)*

Vehicle hire revenue increase was driven by growth in average VOH of 1.3%, with pricing remaining broadly flat over the prior year. Vehicle sales revenue decreased £22.6 million, with lower vehicle disposal volumes driven in part by the prior year disposal of TOM vehicles.

Underlying operating profit

Total underlying Group operating profit decreased by 4.2% to £35.1 million and is stated before exceptional operating costs of £2.2 million (2019 – £nil).

Group underlying operating profit comprised:

	H1 2020 £m	H1 2019 £m	*Change £m*	*Change %*
Rental Profit	**33.8**	32.3	*1.5*	*+4.6%*
Disposals Profit	**5.1**	7.0	*(1.9)*	*(26.9%)*
Corporate Costs	**(3.8)**	(2.6)	*(1.2)*	*(43.7%)*
Total	**35.1**	36.7	*(1.6)*	*(4.2%)*

Group rental profit increase of £1.5 million is driven by growth in the UK & Ireland of £4.4 million partly offset by a £2.9 million decrease in Spain.

Disposals profits decreased by £1.9 million, including the c.£2.7 million unwind of previous depreciation rate changes and a 18% decline in disposal volumes.

Corporate costs have increased by £1.2 million to £3.8 million mainly relating to a rephasing of share based payment expenses.

Interest

Net finance charges for the first half increased by £0.1 million to £7.5 million, as a result of both higher borrowings and a higher cost of borrowing.

Taxation

The underlying effective tax rate reduced to 14.7% (2019: 15.6%) due to settlement of prior year tax positions and the proportion of profits earned in each territory giving rise to an underlying tax charge in the first half of £4.1 million (2019: £4.6 million).

After taking account of exceptional items and certain intangible amortisation, the statutory effective tax rate was 13.3% (2019 14.9%).

Cash flow and net debt

Total net capex for the period declined £25.4 million to £124.1 million (2019 – £149.5 million) as a result of lower net replacement capex and lower growth capex.

Net debt including unamortised arrangement fees increased to £504.6 million, from £436.9 million at the beginning of the period due to investment to grow the vehicle fleet. The Net Debt to EBITDA leverage ratio at the end of the period was 1.7x, in line with the Group's stated target range of 1.5x to 2.5x EBITDA. The Group maintains comfortable levels of headroom against all debt covenant ratios.

Facility headroom at 31 October 2019 was £189.0 million.

Balance sheet

Group return on capital employed was 7.1% compared to 6.7% in the same period last year and 7.7% in the year ended 30 April 2019.

Net tangible assets at 31 October 2019 were £551.5 million (30 April 2019 - £548.5 million), equivalent to net tangible assets per share of 414p (30 April 2019 – 412p).

Gearing at 31 October 2019 was 91.5% (30 April 2019 – 79.6%).

Foreign exchange

The average and period end exchange rates used to translate the Group's overseas operations were as follows:

	October 2019 **£ : €**	October 2018 £ : €	April 2019 **£ : €**
Average	**1.12**	1.13	1.14
Closing	**1.16**	1.13	1.16

Risks and uncertainties

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

The principal risks and uncertainties facing the Group at 30 April 2019 were set out in detail on pages 30 to 31 of the 2019 annual report, a copy of which is available at www.northgateplc.com, and were identified as:

- economic environment;
- market risk;
- vehicle holding costs;
- the employee environment;
- legal compliance;
- IT systems; and
- access to capital.

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

In addition to the risks outlined above, the going concern assumption is considered in Note 1 to the condensed interim financial statements for the six months ended 31 October 2019.

Glossary of terms

The following defined terms have been used throughout this document:

Term	Definition
Certain intangible assets	Intangible assets recognised on previous business combinations and other non-recurring items.
Disposals Profit	This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Facility headroom	Calculated as facilities of £699.6 million less net borrowings of £510.6 million. Net borrowings represent net debt of £504.6 million excluding unamortised arrangement fees of £6.0 million and are stated after the deduction of £11.7 million of net cash balances which are available to offset against borrowings.
Gearing	Calculated as net debt divided by net tangible assets (as defined below).
Growth capex	Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction.
Net replacement capex	Net capital expenditure other than that defined as growth capex.
Net tangible assets	Net assets less goodwill and other intangible assets.
ROCE	Return on capital employed: calculated as trailing 12 month underlying operating profit divided by average capital employed. Capital employed being net assets excluding net debt.
VOH	Vehicles on hire with customers

Reconciliation of GAAP to non-GAAP measures

Throughout this report we refer to underlying results and measures. The underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior period without the effects of one-off or non-operational items.

In particular we refer to disposals profit. This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs). A reconciliation of GAAP to non-GAAP underlying measures is as follows:

	Six months to 31.10.19 £000	**Six months to 31.10.18 £000**
Operating profit	32,890	36,181
Add back:		
Restructuring costs	2,221	–
Certain intangible amortisation	6	494
Underlying operating profit	**35,117**	**36,675**
Profit before tax	24,785	28,743
Add back:		
Exceptional operating expenses	2,221	–
Certain intangible amortisation	6	494
Exceptional finance costs	565	–
Underlying profit before tax	**27,577**	**29,237**
Profit for the period	21,490	24,448
Add back:		
Exceptional operating expenses	2,221	–
Certain intangible amortisation	6	494
Exceptional finance costs	565	–
Tax on exceptional items, brand royalty charges and intangible amortisation	(772)	(278)
Underlying profit for the year	**23,510**	**24,664**
Weighted average number of Ordinary shares	133,232,518	133,232,518
Underlying basic earnings per share	**17.6p**	**18.5p**

	Six months to 31.10.19 £000	**Six months to 31.10.18 £000**
Operating profit	32,890	36,181
Add Back:		
Fleet depreciation	96,773	93,742
Other depreciation	6,265	2,716
Loss on disposal of assets	97	114
Intangible amortisation	419	791
EBITDA	**136,444**	**133,544**
Net replacement capex	(76,552)	(92,857)
EBITDA less net replacement capex	**59,892**	**40,687**

	UK & Ireland 6 months to 31.10.19 £000	Spain 6 months to 31.10.19 £000	Corporate 6 months to 31.10.19 £000	Group 6 months to 31.10.19 £000
Underlying operating profit (loss)	19,409	19,500	(3,792)	35,117
Exclude:				
Adjustments to depreciation charge in relation to vehicles sold in the period	(3,765)	(1,381)	–	(5,146)
Corporate costs	–	–	3,792	3,792
Rental profit	**15,644**	**18,119**	–	**33,763**
Divided by: Revenue: hire of vehicles	*158,870*	*107,006*	–	*265,876*
Rental margin	**9.8%**	**16.9%**	–	**12.7%**

	UK & Ireland 6 months to 31.10.18 £000	Spain 6 months to 31.10.18 £000	Corporate 6 months to 31.10.18 £000	Group 6 months to 31.10.18 £000
Underlying operating profit (loss)	16,193	23,120	(2,638)	36,675
Exclude:				
Adjustments to depreciation charge in relation to vehicles sold in the period	(4,993)	(2,043)	–	(7,036)
Corporate costs	–	–	2,638	2,638
Rental profit	**11,200**	**21,077**	**–**	**32,277**
Divided by: Revenue: hire of vehicles	*157,358*	*102,135*	–	*259,493*
Rental margin	**7.1%**	**20.6%**	–	**12.4%**

	Six months to 31.10.19 (Unaudited) £'000	Six months To 31.10.18 (Unaudited) £'000
Net increase (decrease) in cash and cash equivalents	**11,134**	**(3,655)**
Add back:		
Receipts of bank loans and other borrowings	(150,246)	(33,394)
Repayment of bank loans and other borrowings	110,289	–
Principal element of lease repayments (IFRS 16)	2,876	–
Net cash (generated) consumed	**(25,947)**	**(37,049)**
Add back: Dividend paid	15,997	15,268
Free cash flow	**(9,950)**	**(21,781)**
Add back: Growth capex	47,543	56,667
Underlying free cash flow	**37,593**	**34,886**

Condensed consolidated income statement

for the six months ended 31 October 2019

	Note	Six months to 31.10.19 (Unaudited) Underlying £000	Six months to 31.10.19 (Unaudited) Statutory £000	Six months to 31.10.18 (Unaudited) Underlying £000	Six months to 31.10.18 (Unaudited) Statutory £000	Year to 30.04.19 (Audited) Underlying £000	Year to 30.04.19 (Audited) Statutory £000
Revenue: hire of vehicles	2	265,876	265,876	259,493	259,493	517,624	517,624
Revenue: sale of vehicles	2	91,910	91,910	114,478	114,478	227,846	227,846
Total revenue	2	**357,786**	**357,786**	**373,971**	**373,971**	**745,470**	**745,470**
Cost of sales		(280,082)	(280,082)	(298,969)	(298,969)	(592,598)	(592,598)
Gross profit		**77,704**	**77,704**	**75,002**	**75,002**	**152,872**	**152,872**
Administrative expenses (excluding exceptional items and certain intangible amortisation)		(42,587)	(42,587)	(38,327)	(38,327)	(76,672)	(76,672)
Exceptional administrative expenses	9	–	(2,221)	–	–	–	–
Certain intangible amortisation		–	(6)	–	(494)	–	(709)
Total administrative expenses		(42,587)	(44,814)	(38,327)	(38,821)	(76,672)	(77,381)
Operating profit	2	**35,117**	**32,890**	**36,675**	**36,181**	**76,200**	**75,491**
Interest income		42	42	–	–	39	39
Finance costs		(7,582)	(7,582)	(7,438)	(7,438)	(15,124)	(15,124)
Exceptional finance costs	9	–	(565)	–	–	–	–
Profit before taxation		**27,577**	**24,785**	**29,237**	**28,743**	**61,115**	**60,406**
Taxation	3	(4,067)	(3,295)	(4,573)	(4,295)	(9,533)	(8,988)
Profit for the period		**23,510**	**21,490**	**24,664**	**24,448**	**51,582**	**51,418**

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

Underlying profit excludes exceptional items as set out in Note 9, as well as brand royalty charges, certain intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share							
Basic	4	17.6p	16.1p	18.5p	18.4p	38.7p	38.6p
Diluted	4	17.2p	15.7p	18.1p	18.0p	38.0p	37.8p

Condensed consolidated statement of comprehensive income

for the six months ended 31 October 2019

	Six months to 31.10.19 (Unaudited) £000	Six months to 31.10.18 (Unaudited) £000	Year to 30.04.19 (Audited) £000
Amounts attributable to owners of the Parent Company			
Profit attributable to owners	21,490	24,448	51,418
Other comprehensive (expense) income			
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(1,222)	4,762	(9,366)
Net foreign exchange differences on long term borrowings held as hedges	2,278	(3,197)	5,687
Foreign exchange difference on revaluation reserve	(1)	12	(23)
Net fair value gains on cash flow hedges	335	259	398
Deferred tax charge recognised directly in equity relating to cash flow hedges	(64)	(49)	(76)
Total other comprehensive income (expense) for the period	**1,326**	**1,787**	**(3,380)**
Total comprehensive income for the period	**22,816**	**26,235**	**48,038**

All items will subsequently be reclassified to the consolidated income statement.

Condensed consolidated balance sheet

31 October 2019

	Note	31.10.19 (Unaudited) £000	31.10.18 (Unaudited) £000	30.04.19 (Audited) £000
Non-current assets				
Goodwill		3,589	3,589	3,589
Other intangible assets		16,661	7,816	11,495
Property, plant and equipment: vehicles for hire	6	939,671	946,386	900,335
Other property, plant and equipment	6	112,376	68,195	68,843
Total property, plant and equipment	6	1,052,047	1,014,581	969,178
Deferred tax assets		5,589	9,150	6,620
Total non-current assets		**1,077,886**	**1,035,136**	**990,882**
Current assets				
Inventories		33,820	25,333	29,826
Trade and other receivables		75,833	84,763	71,802
Current tax assets		–	–	116
Cash and bank balances	8	46,632	47,862	35,742
Total current assets		**156,285**	**157,958**	**137,486**
Total assets		**1,234,171**	**1,193,094**	**1,128,368**
Current liabilities				
Trade and other payables		94,361	100,855	72,487
Derivative financial instrument liabilities	10	656	86	77
Current tax liabilities		10,884	9,933	13,425
Lease liabilities (IFRS 16)		6,333	–	–
Short-term borrowings		44,424	47,239	44,190
Total current liabilities		**156,658**	**158,113**	**130,179**
Net current (liabilities) assets		**(373)**	**(155)**	**7,307**
Non-current liabilities				
Derivative financial instrument liabilities	10	–	1,045	914
Lease liabilities (IFRS 16)		38,969	–	–
Long-term borrowings		461,509	480,445	428,409
Deferred tax liabilities		5,306	4,597	5,250
Total non-current liabilities		**505,784**	**486,087**	**434,573**
Total liabilities		**662,442**	**644,200**	**564,752**
NET ASSETS		**571,729**	**548,894**	**563,616**
Equity				
Share capital		66,616	66,616	66,616
Share premium account		113,508	113,508	113,508
Own shares reserve		(2,273)	(4,722)	(3,359)
Hedging reserve		(532)	(915)	(803)
Translation reserve		(3,769)	419	(4,825)
Other reserves		68,636	68,672	68,637
Retained earnings		329,543	305,316	323,842
TOTAL EQUITY		**571,729**	**548,894**	**563,616**

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

Condensed consolidated cash flow statement

for the six months ended 31 October 2019

	Note	Six months to 31.10.19 (Unaudited) £000	Six months to 31.10.18 (Unaudited) £000	Year to 30.04.19 (Audited) £000
Net cash generated from (used in) operations	7	**1,827**	**(12,214)**	**38,528**
Investing activities				
Interest received		42	–	39
Proceeds from disposal of other property, plant and equipment		772	932	1,128
Purchases of other property, plant and equipment		(2,496)	(3,493)	(8,370)
Purchases of intangible assets		(5,590)	(3,388)	(7,684)
Net cash used in investing activities		**(7,272)**	**(5,949)**	**(14,887)**
Financing activities				
Dividend paid		(15,997)	(15,268)	(23,431)
Receipt of bank loans and other borrowings		150,246	33,394	–
Repayments of bank loans and other borrowings		(110,289)	–	(10,651)
Principal element of lease payments (IFRS 16)		(2,876)	–	–
Debt issue costs paid		(4,509)	(1,737)	(1,737)
Net payments to acquire own shares for share schemes		4	(1,881)	(1,438)
Net cash generated from (used in) financing activities		**16,579**	**14,508**	**(37,257)**
Net increase (decrease) in cash and cash equivalents		**11,134**	**(3,655)**	**(13,616)**
Cash and cash equivalents at beginning of the period		805	14,127	14,127
Effect of foreign exchange movements		(281)	214	294
Cash and cash equivalents at the end of the period		**11,658**	**10,686**	**805**

Cash and cash equivalents consist of:				
Cash and bank balances	8	46,632	47,862	35,742
Bank overdrafts	8	(34,974)	(37,176)	(34,937)
		11,658	**10,686**	**805**

Condensed consolidated statement of changes in equity

for the six months ended 31 October 2019

	Share capital and share premium £000	Own shares £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2018	**180,124**	**(3,238)**	**(1,125)**	**(1,146)**	**68,660**	**295,853**	**539,128**
Share options fair value charge	–	–	–	–	–	680	**680**
Share options exercised	–	–	–	–	–	(397)	**(397)**
Profit attributable to owners of the Parent Company	–	–	–	–	–	24,448	**24,448**
Dividend paid	–	–	–	–	–	(15,268)	**(15,268)**
Net purchase of own shares	–	(1,881)	–	–	–	–	**(1,881)**
Transfer of shares on vesting of share options	–	397	–	–	–	–	**397**
Other comprehensive income	–	–	210	1,565	12	–	**1,787**
Total equity at 1 November 2018	**180,124**	**(4,722)**	**(915)**	**419**	**68,672**	**305,316**	**548,894**
Share options fair value charge	–	–	–	–	–	569	**569**
Share options exercised	–	–	–	–	–	(920)	**(920)**
Profit attributable to owners of the Parent Company	–	–	–	–	–	26,970	**26,970**
Dividend paid	–	–	–	–	–	(8,163)	**(8,163)**
Net purchase of own shares	–	443	–	–	–	–	**443**
Transfer of shares on vesting of share options	–	920	–	–	–	–	**920**
Deferred tax on share based payments recognised in equity	–	–	–	–	–	70	**70**
Other comprehensive income (expense)	–	–	112	(5,244)	(35)	–	**(5,167)**
Total equity at 1 May 2019	**180,124**	**(3,359)**	**(803)**	**(4,825)**	**68,637**	**323,842**	**563,616**
Share options fair value charge	–	–	–	–	–	1,290	**1,290**
Share options exercised	–	–	–	–	–	(1,082)	**(1,082)**
Profit attributable to owners of the Parent Company	–	–	–	–	–	21,490	**21,490**
Dividend paid	–	–	–	–	–	(15,997)	**(15,997)**
Net purchase of own shares	–	4	–	–	–	–	**4**
Transfer of shares on vesting of share options	–	1,082	–	–	–	–	**1,082**
Other comprehensive income (expense)	–	–	271	1,056	(1)	–	**1,326**
Total equity at 31 October 2019	**180,124**	**(2,273)**	**(532)**	**(3,769)**	**68,636**	**329,543**	**571,729**

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

Unaudited Notes

1. Basis of preparation and accounting policies

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

The condensed financial statements are unaudited and were approved by the Board of Directors on 28 November 2019.

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

The interim financial information for the six months ended 31 October 2019, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts, except for IFRS 16 'Leases'.

The Group has adopted IFRS 16 for the statutory reporting period beginning 1 May 2019, using the modified retrospective approach as permitted under the specific transition provisions in the standard. As permitted by this approach, the prior year comparative figures have not been restated and as a result, the primary statements are shown on an IFRS 16 basis for the period to 31 October 2019 and on an IAS 17 'Leases' basis for prior periods.

When applying IFRS 16, the Group has applied the following practical expedients on transition date:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 May 2019 as short-term leases;
- The use of hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease; and
- A single discount rate has been used as all such leases are of similar nature (Land and Buildings) and lease term of approximately 10 years.

IFRS 16 defines the lease term as the non-cancellable period of a lease together with the options to extend or terminate if the lessee were reasonably certain to exercise that option. Where a lease includes the option for the Group to reduce or extend the lease term, the Group makes a judgement as to whether it is reasonably certain that the option will be taken. This judgement will be reassessed at each reporting period. A reassessment of the remaining life of the lease could result in a recalculation of the lease liability and an adjustment to the associated balances.

On adoption of IFRS 16, the Group has recognised lease liabilities in relation to land and buildings which had previously been classified as 'operating leases' under the principles of IAS 17. These liabilities are measured at the present value of the remaining lease payments, discounted using a weighted average incremental borrowing rate available to the Group of 2.27%.

Adoption of this new standard on 1 May 2019 has led to the recognition of 'Right-of-use' assets and corresponding Lease liability in the balance sheet of £48,357k (See note 11). The resulting depreciation and interest costs replace costs that would formerly have been recognised as operating lease expenses within the consolidated income statement. Adoption of IFRS 16 in the six months to 31 October 2019, has resulted in an increase in depreciation costs of £3,386k and finance costs of £562k. Other operating expenses have decreased by £3,787k giving a net decrease in profit before tax of £161k, and a net decrease in EPS of 0.1p.

The lease liability at 31 October 2019 and the repayments of the principal on the lease are disclosed within the consolidated balance sheet and cash flow statement respectively.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 30 April 2019.

Going concern assumption

Having reassessed the principal risks and the other matters discussed in connection with the viability statement in the 2019 annual report and accounts the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the interim financial statements.

Information extracted from 2019 annual report

The financial figures for the year ended 30 April 2019, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 30 April 2019 were prepared under IFRS and were delivered to the Registrar of Companies on 28 August 2019. The audit report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Segmental analysis

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

	UK & Ireland Six months to 31.10.19 (Unaudited) £000	**Spain Six months to 31.10.19 (Unaudited) £000**	**Corporate Six months to 31.10.19 (Unaudited) £000**	**Group Six months to 31.10.19 (Unaudited) £000**
Revenue: hire of vehicles	158,870	107,006	–	265,876
Revenue: sale of vehicles	68,864	23,046	–	91,910
Total revenue	**227,734**	**130,052**	–	**357,786**
Underlying operating profit (loss) *	**19,409**	**19,500**	**(3,792)**	**35,117**
Certain intangible amortisation				(6)
Exceptional costs				(2,221)
Operating profit				**32,890**
Finance income				42
Finance costs				(7,582)
Exceptional finance costs				(565)
Profit before taxation				**24,785**

	UK & Ireland Six months to 31.10.18 (Unaudited) £000	**Spain Six months to 31.10.18 (Unaudited) £000**	**Corporate Six months to 31.10.18 (Unaudited) £000**	**Group Six months to 31.10.18 (Unaudited) £000**
Revenue: hire of vehicles	157,358	102,135	–	259,493
Revenue: sale of vehicles	88,301	26,177	–	114,478
Total revenue	**245,659**	**128,312**	–	**373,971**
Underlying operating profit (loss) *	**16,193**	**23,120**	**(2,638)**	**36,675**
Certain intangible amortisation				(494)
Operating profit				**36,181**
Finance costs				(7,438)
Profit before taxation				**28,743**

	UK & Ireland Year to 30.04.19 (Audited) £000	Spain Year to 30.04.19 (Audited) £000	Corporate Year to 30.04.19 (Audited) £000	Group Year to 30.04.19 (Audited) £000
Revenue: hire of vehicles	315,559	202,065	–	517,624
Revenue: sale of vehicles	166,488	61,358	–	227,846
Total revenue	**482,047**	**263,423**	**–**	**745,470**
Underlying operating profit (loss) *	**35,396**	**46,086**	**(5,282)**	**76,200**
Certain intangible amortisation				(709)
Operating profit				**75,491**
Interest income				39
Finance costs				(15,124)
Profit before taxation				**60,406**

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

3. Taxation

The charge for taxation for the six months to 31 October 2019 is based on the estimated effective rate for the year ending 30 April 2020 of 13.3% (October 2018 – 14.9%).

4. Earnings per share

Basic and diluted earnings per share	**Six months to 31.10.19 (Unaudited) Underlying £000**	**Six months to 31.10.19 (Unaudited) Statutory £000**	**Six months to 31.10.18 (Unaudited) Underlying £000**	**Six months to 31.10.18 (Unaudited) Statutory £000**	**Year to 30.04.19 (Audited) Underlying £000**	**Year to 30.04.19 (Audited) Statutory £000**
The calculation of basic and diluted earnings per share is based on the following data:						
Earnings						
Earnings for the purposes of basic and diluted earnings per share, being profit attributable to owners of the Parent Company	23,510	21,490	24,664	24,448	51,582	51,418
Number of shares	**Number**	**Number**	**Number**	**Number**	**Number**	**Number**
Weighted average number of Ordinary shares for the purpose of basic earnings per share	133,232,518	133,232,518	133,232,518	133,232,518	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares:						
– share options	3,733,760	3,733,760	2,726,990	2,726,990	2,660,697	2,660,697
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	136,966,278	136,966,278	135,959,508	135,959,508	135,893,215	135,893,215
Basic earnings per share	**17.6p**	**16.1p**	**18.5p**	**18.4p**	**38.7p**	**38.6p**
Diluted earnings per share	**17.2p**	**15.7p**	**18.1p**	**18.0p**	**38.0p**	**37.8p**

5. Dividends

In the six months to 31 October 2019, a dividend of £15,997,000 was paid (2018 – £15,268,000). The Directors have declared a dividend of 6.3p per share for the six months ended 31 October 2019 (2018 – 6.2p).

6. Property Plant and Equipment

Net Book Value	Vehicles for hire	Other property, plant & equipment	Right of use Asset (IFRS 16)	Total
At 1 May 2018	**897,323**	**67,979**	–	**965,302**
Additions	220,365	3,493	–	223,858
Disposals	(81,778)	(1,046)	–	(82,824)
Transfers	(84)	84	–	–
Depreciation	(93,742)	(2,716)	–	(96,458)
Exchange differences	4,302	401	–	4,703
At 1 November 2018	**946,386**	**68,195**	–	**1,014,581**
Additions	154,611	4,877	–	159,488
Disposals	(95,531)	(354)	–	(95,885)
Transfers	(116)	116	–	–
Depreciation	(92,052)	(2,806)	–	(94,858)
Exchange differences	(12,963)	(1,185)	–	(14,148)
At 1 May 2019	**900,335**	**68,843**	–	**969,178**
Recognised on transition to IFRS 16	–	–	48,357	48,357
Additions	208,338	2,496	473	211,307
Disposals	(70,896)	(869)	–	(71,765)
Transfers	(47)	47	–	–
Depreciation	(96,773)	(2,879)	(3,386)	(103,038)
Exchange differences	(1,286)	(54)	(652)	(1,992)
At 31 October 2019	**939,671**	**67,584**	**44,792**	**1,052,047**

7. Notes to the cash flow statement

Net cash generated from (used in) operations	Six months to 31.10.19 (Unaudited) £000	Six months to 31.10.18 (Unaudited) £000	Year to 30.04.18 (Audited) £000
Operating profit	**32,890**	**36,181**	**75,491**
Adjustments for:			
Depreciation of property, plant and equipment	103,038	96,458	191,316
Amortisation of intangible assets	419	791	1,366
Loss on disposal of other property, plant and equipment	97	114	272
Loss on disposal of intangible assets	–	–	2
Share options fair value charge	1,290	680	1,249
Operating cash flows before movements in working capital	**137,734**	**134,224**	**269,696**
Decrease in non-vehicle inventories	50	810	841
(Increase) decrease in receivables	(6,428)	(2,900)	7,037
(Decrease) increase in payables	(960)	9,580	5,722
Cash generated from operations	**130,396**	**141,714**	**283,296**
Income taxes paid, net	(4,718)	(3,444)	(1,586)
Interest paid	(7,070)	(6,909)	(14,163)
Net cash generated from operations before net capex	**118,608**	**131,361**	**267,547**
Purchases of vehicles	(185,539)	(229,670)	(403,487)
Proceeds from disposal of vehicles	68,758	86,095	174,468
Net cash generated from (used in) operations	**1,827**	**(12,214)**	**38,528**

8. Analysis of consolidated net debt

	(Unaudited) to 31.1.19 £000	(Unaudited) to 31.10.18 £000	(Audited) to 30.04.19 £000
Cash and bank balances	(46,632)	(47,862)	(35,742)
Bank overdrafts	34,974	37,176	34,937
Bank loans	384,242	400,854	350,608
Loan notes	86,088	88,811	86,194
IFRS 16 debt	45,302	–	–
Cumulative preference shares	500	500	500
Confirming facilities	129	343	360
Net debt	504,603	479,822	436,857

9. Exceptional items

During the period the Group recognised exceptional items in the income statement as follows:

	Six months to 31.10.19 (Unaudited) £000	Six months to 31.10.18 (Unaudited) £000	Year to 30.04.19 (Audited) £000
Restructuring costs	2,221	–	–
Exceptional administrative expenses	**2,221**	–	–
Finance costs	565	–	–
Total pre-tax exceptional items	**2,786**	–	–
Tax charge on exceptional items	**(769)**	**–**	**–**

Restructuring costs relate to restructuring programmes in the UK & Ireland and Spain. Exceptional finance costs relate to the refinancing of bank facilities during the period.

10. Derivative financial instruments

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

	31.10.19 (Unaudited) £000	31.10.18 (Unaudited) £000	30.04.19 (Audited) £000
Interest rate derivatives	(656)	(1,131)	(991)
	(656)	**(1,131)**	**(991)**

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

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

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

11. Adjustments recognised on adoption of IFRS 16

	2019 £'000
Operating lease commitments disclosed as at 30 April 2019	**60,657**
Short-term leases to be recognised as expense	(2,251)
Low-value leases to be recognised as expense	(415)
IFRS 16 lease commitments	**57,991**
Discounted at incremental borrowing rate	(9,634)
Lease liability recognised as at 1 May 2019	**48,357**
Of which are:	
Current lease liabilities	6,367
Non-current lease liabilities	41,990
	48,357

Interim announcement – Statement of the Directors
We confirm that to the best of our knowledge:

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

By order of the Board

Philip Vincent

Chief Financial Officer

28 November 2019

Independent review report to Northgate plc

Report on the consolidated interim financial statements

Our conclusion

We have reviewed Northgate plc's consolidated interim financial statements (the "interim financial statements") in the interim results of Northgate plc for the 6 month period ended 31 October 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated balance sheet as at 31 October 2019;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated cash flow statement for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

Newcastle upon Tyne

29 November 2019