NORFLEX House Allington Way Darlington DL1 4DY
Telephone: 01325 467558
www.northgateplc.com

ANNUAL REPORT AND ACCOUNTS 2006

Designed by The Roundhouse 0191 222 1144

ANNUAL REPORT

AND ACCOUNTS 2006

OFFERING FLEXIBLE VEHICLE
SOLUTIONS FOR 25 YEARS

CELEBRATING OUR SILVER JUBILEE

We have celebrated our 25th year in business in a number of ways with our customers, suppliers, employees and the local community. Putting something back into the local community has played a major role in our celebrations.

An initiative was launched to provide a free van to local charities up and down the UK. This has proved to be a huge success. In the last few months we have helped four registered charities, providing each one with the use of a free van to use in a special charity project. Throughout our silver jubilee we will endeavour to help as many charities as we can through this scheme.

In addition we have provided funding to a childrens' museum called Eureka. Our funding has helped to support a new project called Mission Active! The aim of this project is to educate children on the benefits of healthy eating and exercise, in a fun way. Mission Active! consists of a mobile exhibition which is currently travelling throughout the North East of England.

Our 25th anniversary celebrations have also seen us supporting Conrad Dickinson, an intrepid explorer whose mission was to trek 480 miles (775 km) to the North Pole unaided.

He succeeded and, having already skied across the Greenland ice cap and trekked to Antarctica and back, he became the first British explorer to achieve the "polar trilogy" in battling the elements in Greenland plus the North and South Poles.

A T Noble
Executive Director

04 Chairman's Statement
06 Operational Review
08 Financial Review
12 Board of Directors
14 Report of the Directors
16 Remuneration Report
24 Corporate Governance
27 Health & Safety and Environmental
28 Directors' Responsibilities
29 Report of the Auditors
30 Financial Statements
37 Notes to the Accounts
85 Five Year Financial Summary
86 Notice of Annual General Meeting
87 Information for Shareholders

HIGHLIGHTS

	2006	2005
Vehicle fleet – UK	64,000	52,600
– Spain	47,000	19,000
Group profit from operations	£72.6m	£76.2m
Profit before tax	£56.1m	£55.0m
Earnings per share	61.1p	60.7p
Dividend per share	23.0p	20.0p
Net assets per Ordinary share	453p	351p

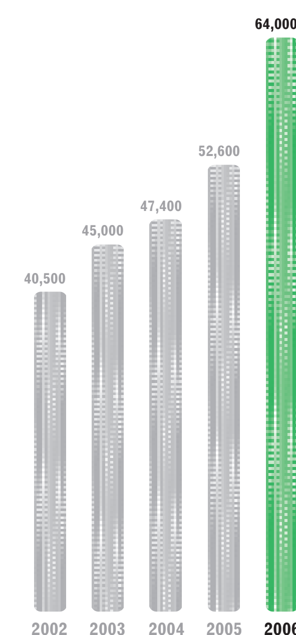
> Group revenue for the year increased by 9.8% to £372.6m (2005 – £339.4m)

> Underlying profit before tax* increased by 7.3% to £59.9m (2005 – £55.8m)

> Adjusted earnings per share* increased by 5.8% to 65.7p (2005 – 62.1p)

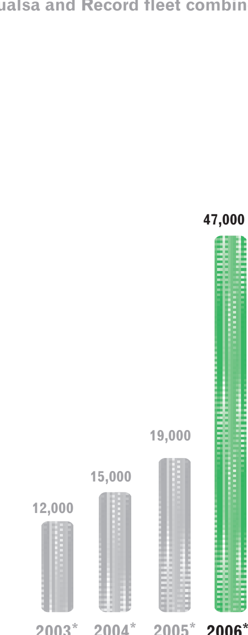
*Stated before intangible amortisation charges and exceptional restructuring costs

Vehicle Fleet - UK



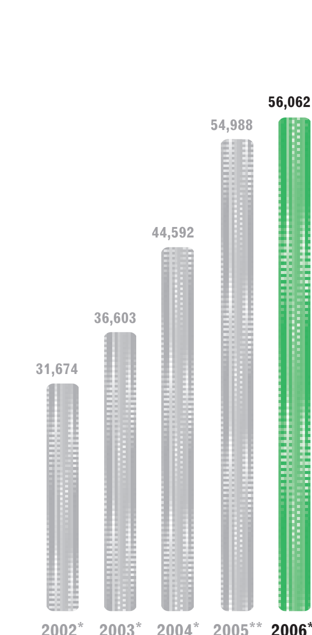
Vehicle Fleet - Spain

* Fualsa fleet only
** Fualsa and Record fleet combined



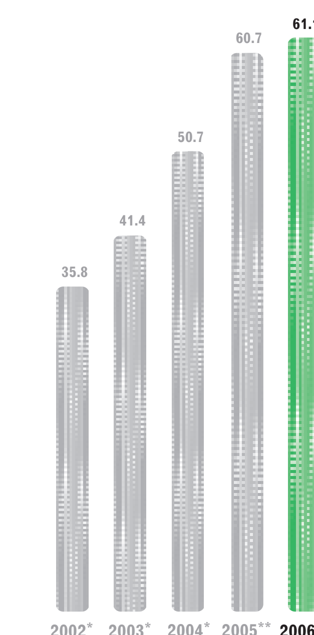
Group profit before tax (£000)

* UK GAAP basis ** IFRS basis



Earnings per share (p)

* UK GAAP basis ** IFRS basis



POSITIONED FOR GROWTH

The Group's acquisitions of Arriva Vehicle Rental, a leading commercial vehicle hire operator and Fleet Technique, a fleet management company, have positioned the Group's UK business well for future growth.

Similarly the investment in Record Rent a Car SA, in Spain to complement Fualsa means that the Group has a market leading position in a fast growing Spanish market.

CHAIRMAN'S STATEMENT

The year's performance was one of strong growth in Spain and a resilient delivery from the UK business. It was also the third and final year of Northgate's three-year Strategy for Growth Plan, which was set out in 2003.

The Group has achieved compound earnings per share growth of 14% per annum over the three years, and in the process has developed a robust and geographically diverse business. This is particularly pleasing as it coincides with our 25th anniversary in the business of renting light commercial vehicles.

A new three-year rolling strategy has been adopted which foresees the continuation of earnings growth through building on our market leading positions in the UK and Spain. Management began the implementation of this new strategy in January 2006.

This is the first financial year that the Group has prepared its results under IFRS. The impact of IFRS on profit before tax for the year was immaterial. The main presentational change to the Group's financial results is that proceeds received from the disposal of used vehicles are no longer classified as revenue. This change in policy has had the effect of reducing Group revenue as previously reported under UK GAAP. Group revenue now comprises income derived from the hire of vehicles and the supply of related goods and services.

The results for the year are set out below:

- Group revenue increased by 10% to £372.6m (2005 – £339.4m)
- Underlying profit before tax* for the year was £59.9m (2005 – £55.8m)
- Adjusted earnings per share* increased by 3.6p to 65.7p (2005 – 62.1p)

*Stated before intangible amortisation of £1.2m (2005 – £0.8m) and exceptional restructuring costs of £2.6m (2005 – £nil).

Based on these results and the Board's view of future prospects, the Board has decided to recommend to shareholders a final dividend of 14p per share. This will produce a total dividend for the year of 23p – an increase of 15% over the prior year and is covered 2.7 times. The dividend will be payable on 29 September 2006 to those shareholders on the register on 1 September 2006.

As previously reported, the UK market was impacted by lower residual values in the first half of the financial year. The second half has seen residual values recover, albeit not to the unusually high levels of the prior year. Continued development of retail and semi-retail channels for vehicle sales has contributed to this improvement in profitability.

Whilst UK hire rates have remained competitive, we have experienced five months of relative stability since January 2006.

The limited fleet growth due to market weakness experienced in the construction, retail and distribution sectors referred to in my Interim Statement has been largely overcome with the UK business achieving expected levels of growth in the six months to April 2006.

Our new strategy included a plan to acquire Arriva Vehicle Rental Limited ("AVR"), a business with a rental fleet of over 11,000 vehicles in markets largely complementary to Northgate's UK business. The acquisition, which was funded in part by a placing to raise £63m, was completed in January 2006 and management have worked hard so that the integration of the business is now substantially complete.

The growth of the UK network and the AVR acquisition have demonstrated that efficiency improvements are achievable through managing larger numbers of vehicles per business and Northgate's autonomous management structure is more cost-effective as a result. Further strategic restructuring in the UK along these lines is currently underway.

During the year, the Group also acquired Fleet Technique Limited ("FTL"). An important element of Northgate's growth strategy, this business has given the Group the facility to manage operators' fleets regardless of how they choose to acquire their vehicles.

In Spain, the growing vehicle rental market continues to justify Northgate's confidence in both its original investment in Fualsa and in its future strategy. In August 2005, the Group purchased 49% of Record Rent a Car SA ("Record") and completed the acquisition of the remaining 51% on 11 May 2006.

I have been encouraged by the strategic approach of the executive team and the energy and enthusiasm that they display in the continued development of the Group. The commitment of the staff and management at all levels this year has been impressive. Your Board will ensure that the new strategy is professionally adopted throughout the Group with long-term benefits for all stakeholders.

Current Trading and Outlook

In the current financial year, in addition to the expected organic growth in the UK, we will see the full benefit of the AVR acquisition. We will also see further development of our fleet management activities through FTL.

In Spain, along with good organic growth, we will have 100% ownership of Record for the full year, an expected improvement in Fualsa's operating performance and the benefit of further synergies from combining business activities.

Consequently the Board remains confident of good progress in the year ahead and trading remains in line with the Board's expectations.

Martin Ballinger
Chairman

STRENGTH IN SPAIN

In July 2002, we made our first significant investment in Spain, when we acquired 40% of the equity of Fualsa. The success of Fualsa encouraged us to acquire the remainder of its equity in May 2004. The purchase of 49% of the equity of Record Rent a Car, another of Spain's leading commercial vehicle rental companies, followed in August 2005 with the remaining 51% being acquired in May 2006.

With a fleet of 47,000 vehicles, operating from 35 locations we are established as Spain's market leader in commercial vehicle rental.

OPERATIONAL REVIEW

Strategy for Growth

In July 2003 we announced our Strategic Plan for the three years to April 2006, the key targets of which were:

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

In the year under review the acquisition of AVR has resulted in us exceeding the fleet size objective in the UK. In Spain, Fualsa exceeded its fleet target by 5,000 units and had a network of 17 locations at 30 April 2006. The final payment of €14.9m in respect of the consideration for the purchase of Fualsa was made to the vendors on 8 May 2006.

The completion of the acquisition of Record on 11 May 2006 effectively doubled both the vehicle fleet and the depot network in Spain.

We now have a number of ancillary products such as vehicle tracking and parts procurement available to customers and the acquisition of FTL on 23 January 2006 significantly extended our non-rental product range.

Through the successful implementation of our strategy we were seeking to achieve double-digit earnings growth in each year of the plan. Over the three-year period the Company has achieved growth in earnings per share at an annualised compound rate of 14%.

In January 2006 we announced, with our interim results, our new Strategy for Growth based on a three-year rolling business plan aimed at achieving continued double-digit growth in earnings per share. The acquisitions of AVR and FTL and the completion of the purchase of Record are very much in line with that Strategic Plan and give us a platform to continue to successfully grow our business.

Review of Current Year

UNITED KINGDOM AND REPUBLIC OF IRELAND

The first half of the financial year was one of the most difficult we have encountered with limited fleet growth, competitive pressures reducing hire rates and lower used vehicle residual values. The second half, as predicted at the time of our interim results, has seen more normal levels of fleet growth, stable hire rates since January 2006 and an improvement in residual values.

DEPOT NETWORK

We currently operate from 88 locations, of which 35 are primary and 53 are branches. This represents an increase of 12 locations over the financial year, of which we acquired ten as a result of the purchase of AVR.

VEHICLE FLEET

The historic pattern of fleet growth for the UK has been one of a stronger first half than second half of the financial year. This year has seen the opposite pattern with no growth in the first half of the year, followed by an organic increase in the fleet of 2% in the second half.

As noted in the interim report in January, in the first six months the Group was affected by some weakness in demand from customers operating in the construction, retail and distribution sectors along with a major customer off-hiring a large number of vehicles. From September demand returned to more normal levels and was in line with our expectations for the remainder of the financial year. In addition, the acquisition of AVR added significantly to our fleet in February 2006, and we consequently ended the financial year with a fleet of 64,000 vehicles.

Once integrated into our fleet it became impossible to distinguish between our existing fleet and the AVR fleet, particularly for common customers. As a consequence we cannot precisely split growth arising from the AVR acquisition and organic growth for the second half of the year but estimate that of the increase of 11,600 vehicles between 31 October 2005 and 30 April 2006, 10,500 came from the acquisition, once non-utilised AVR vehicles were disposed of, and 1,100 from existing businesses.

UTILISATION AND HIRE RATES

Utilisation again averaged 90% for the year (2005 – 90%).

From the beginning of August 2005 we experienced strong competition resulting in declining hire rates. This continued until January 2006 and as a result hire rates reduced year on year by 2.5%. Since January we have not experienced the same level of aggressive activity and as a consequence hire rates have remained stable.

USED VEHICLE SALES

We sold 23,000 vehicles (2005 – 17,700) during the year, the largest volume we have ever disposed of. In the first half we experienced a weaker market for used vehicle values, particularly in the long wheel base van sector. Since October 2005, we have seen an improvement in values as a result of the market improving, a significant reduction in our stock levels and the continued development of our semi-retail and retail channels.

Under IFRS the profit for used vehicle disposals is no longer accounted for separately since depreciation is adjusted in order that vehicles are retired from the fleet at their anticipated market value less any direct costs incurred in their disposal. If this profit arising from the used vehicle disposals had been calculated on the same basis as last year, applying UK GAAP, the UK would have recorded an operating profit per vehicle of £83 (2005 – £205).

We continue to seek to increase both the overall capacity of our used vehicle sales network and our ability to sell more vehicles through the semi-retail and retail channels. To that end we have opened new facilities at Newmains in Scotland, Colchester and Warrington during the year and now have nine outlets, of which six are devoted primarily to retail and semi-retail disposals. In the year under review 12% (2005 – 10%) of our disposals were to semi-retail or retail customers and we remain on target to achieve 15% through these channels in the medium term.

PURCHASE OF FLEET TECHNIQUE LIMITED (“FTL”)

In line with the Group’s Strategic Plan announced at the time of the interim results, the Group acquired the entire issued share capital of FTL for a consideration in cash of £5.7m, on 23 January 2006.

FTL is a specialist fleet management business, based in the North East of England, serving customers across the UK. Third party fleets under management totalled some 15,000 vehicles, including both cars and commercials as at 30 April 2006. In addition, FTL has developed a leading software package for the industry and has a reputation for excellent service to its customers.

In the three months of ownership FTL contributed £0.1m to the Group's profit from operations for the year. More importantly, FTL provides us with the platform to develop a significant fleet management business through offering customers a full range of flexible vehicle solutions whilst capitalising on our core skills of purchasing, maintaining and disposing of large volumes of vehicles.

PURCHASE OF ARRIVA VEHICLE RENTAL LIMITED (“AVR”)

On 31 January 2006 we announced that we had entered into an agreement to acquire the entire issued share capital of AVR and that 6.05 million new Ordinary shares were being placed to partially fund payment of the consideration. The placing became wholly unconditional on 3 February 2006. The total consideration, including acquired debt, paid to date for AVR is £124.4m. This is subject to final agreement with the vendor of the net asset values acquired.

At the time of acquisition AVR operated a fleet of over 11,000 vehicles through a branch network of 33 locations and employed around 650 people.

Our plan was to fully integrate AVR into our existing operating structure by the end of our financial year and we are pleased to report that this was achieved. Of the 33 branches ten were retained as new locations for Northgate and another four were used as replacements for existing Northgate sites. The staffing levels were reduced from around 650 employed by Arriva to around 250 additional staff in the enlarged structure. Customer retention has to date been excellent and those vehicles not being utilised have been disposed of profitably.

On 8 March 2006 the Office of Fair Trading announced that it was to examine the transaction. Having considered the evidence the OFT decided on 18 May 2006 not to refer the merger to the Competition Commission. A text of the decision is available on their website at www.oft.gov.uk

REORGANISATION

On 20 June 2006 the Group commenced a restructuring plan to create a functional, rather than geographic, management structure for the UK business by streamlining the number of hire companies to give fewer, but larger, business units, whilst retaining the existing network of locations.

It is intended that this process, which will take around six to nine months to complete, will leave us better able to deliver consistent customer service throughout the Group and with improved productivity from increased utilisation of the fleet and reduced costs. Whilst it is likely that the benefits will be negated by the one-off transactional cost of the changes in the current financial year, future periods will benefit as evidenced by an improved operating margin.

SPAIN

On 5 August 2005 we significantly increased our presence in Spain with the purchase of 49% of Record, like Fualsa, one of Spain’s leading vehicle rental companies. Since the remaining 51% of the equity was not acquired until 11 May 2006, in the year under review Record is accounted for as an associate. We are therefore reporting on Fualsa and Record as two separate businesses this year but going forward, will review our Spanish businesses as one operation.

During the year, the growth in the Spanish vehicle rental market has been in part due to the continued high level of activity in the construction sector. Whilst our aim remains to reduce our dependency on this sector over time, we continue to take advantage of the opportunities that exist in the medium term.

FUALSA

As at 30 April 2006 Fualsa operated a fleet of 23,000 vehicles from a depot network of 17 locations, an increase of 4,000 vehicles and two locations over April 2005. The utilisation rate averaged 89%, the same as the prior year. Hire rates continued to improve modestly and were up by just under 2% on the prior year, albeit the benefit of this increase is reduced by a similar increase in the capital cost of new vehicles.

The operating margin at 20.9% was down by over 4% on the prior year, as a result of an increase in external maintenance costs, increased depreciation due to lower residual values and some planned increases in expenditure on management, IT and other aspects of Fualsa’s infrastructure. Maintenance costs increased due to the cumulative fleet growth of the last few years overstretching the management structure combined with a shortage of skilled personnel, particularly mechanics, leading to more work having to be completed externally. Both of these issues have been addressed and we are confident of an improvement in the year ahead. These corrective actions, along with the operational gearing benefit we will derive from a larger fleet size, should lead to an improvement of over 1% in the operating margin for the current year.

RECORD

Since our investment on 5 August 2005 the vehicle fleet has grown by 20% producing a closing fleet of 24,000 vehicles at 18 locations. The utilisation rate averaged 92% in the period, a slight improvement on the level achieved prior to our investment. A similar increase to Fualsa was achieved in hire rates.

Whilst we remain of the belief that our customers are best served by retaining two separate brands in Spain, there are opportunities to obtain synergies by combining certain areas of the two operations.

We have already brought together the purchasing activities of the two companies to benefit from the economies of scale from purchasing larger volumes, particularly vehicles. In the year ahead we intend to merge vehicle disposals into one unit. Within the next six months we expect to have appointed a CEO for Spain to allow us to further merge the businesses in the second half of the financial year. Further integration is to some extent dependent on having a common IT platform, a project currently being developed and expected to conclude in the 2007 calendar year.

Steve Smith
Chief Executive

FINANCIAL REVIEW

FINANCIAL REPORTING

The Group has delivered a resilient set of financial results, particularly taking into account the difficult trading conditions that existed in the UK during the first half of the financial year. The financial impact on these results of businesses acquired in the UK and Spain throughout the year are described separately below. Whilst the additional contribution to earnings per share in this year from these acquisitions has been marginal, they position the Group for strong growth in the future.

This report represents the first annual results prepared under IFRS. The transition to IFRS has not had a material impact on reported profit before tax or cash flow. The main presentational change to the Group's financial results is that proceeds received from the disposal of used vehicles are no longer classified as revenue. This change in policy has had the effect of reducing Group revenue as previously reported under UK GAAP. Group revenue now comprises the hire of vehicles and the supply of related goods and services in the normal course of business.

Sales, Margins and Return on Capital

Group revenue increased by 10% to £372.6m (2005 – £339.4m) as a result of an increase in UK revenue of 6% to £300.8m (2005 – £283.4m) and a 28% increase in revenue from Fualsa to £71.8m (2005 – £56.0m).

The Group acquired 49% of Record, a leading commercial vehicle rental company in Spain on 5 August 2005. The results of Record have been accounted for as an associate under the net equity method and as a consequence none of Record's revenues have been consolidated into Group revenue.

UNITED KINGDOM & REPUBLIC OF IRELAND

The composition of the Group's UK revenue and profit from operations as between vehicle rental activities and fleet management is set out below:

	2006 £000	2005 £000
Revenue		
Vehicle rental	297,433	283,414
Fleet management	3,338	–
	300,771	**283,414**
Profit from operations		
Vehicle rental	58,722*	62,863
Fleet management	119	–
Intangible amortisation	(692)	(321)
	58,149	**62,542**

* The UK profit from operations is stated after an exceptional restructuring cost of £2.6m relating to AVR following its acquisition on 3 February 2006.

Operating margins (excluding exceptional cost and intangible amortisation)

	2006	2005
UK overall	20.4%	22.2%
Vehicle rental	20.6%	22.2%
Fleet management	3.6%	–

The overall UK operating margin has declined to 20.4% (2005 – 22.2%) partly as a result of acquiring FTL, a fleet management company that generates a lower operating margin than vehicle rental. One of the main reasons for the reduction in margin, however, was a higher depreciation charge as a consequence of lower values being obtained for vehicles sold at the end of their life. This was particularly the case in the first half of the financial year when the Group held more stock than normal and long wheel base products experienced significant declines in value. The UK also experienced a highly competitive environment in hire rates and as a result the average hire rate declined by over 2% compared to 2005. In order to compensate for lower hire rates and lower residual values the operating expenses of the UK business were addressed and savings achieved. After a particularly difficult first half to the financial year an underlying operating margin in the UK vehicle rental business of 20.6% (2005 – 22.2%) is a satisfactory outcome.

SPAIN

Fualsa, a major commercial vehicle rental company in Spain, has been a wholly owned subsidiary since May 2004. On 5 August 2005 the Group acquired a 49% interest in the equity of Record, another leading Spanish commercial vehicle rental company. Fualsa has been reported as a subsidiary undertaking within the consolidated financial statements whereas Record has been accounted for as an associate.

Fualsa

The revenue and profit from operations generated by Fualsa during the year are set out below:

	2006 £000	2005 £000
Revenue		
Vehicle rental	71,838	55,968
Profit from operations		
Vehicle rental	14,984	14,229
Intangible amortisation	(535)	(534)
	14,449	**13,695**

Operating margins (excluding intangible amortisation)

	2006	2005
Overall	20.9%	25.4%

Fualsa's vehicle rental revenue increased by 28%, in line with the increase in the average rental fleet size of 26% and hire rate increases of just under 2%. The operating margin achieved by Fualsa of 25.4% in 2005 was forecast to reduce as a result of investing in the infrastructure of the business. Planned expenditure was incurred with the appointment of senior managers, upgrading IT systems and introducing credit insurance. In addition to these costs, Fualsa's vehicle repair expenditure increased substantially in the second half of the financial year as a result of a shortage of skilled technicians to service the enlarged fleet resulting in a higher proportion of maintenance being carried out by third parties. These additional costs combined with increased depreciation due to lower residual values have resulted in the operating margin reducing by 4.5%.

Record

The Group's 49% share of Record's profit before tax in the nine month period since the date of the initial investment was £5.0m. The equivalent operating margin for Record during this period was 23.7% reflecting higher utilisations and an absence of the issues surrounding repair costs that existed in Fualsa. The fleet growth of 20% in the period since acquisition indicates that the market remains very strong for our flexible rental product in Spain.

GROUP

Group return on capital employed, calculated as Group profit from operations divided by average capital employed (being shareholders' funds plus net debt), is 10% (2005 – 14%).

Group return on equity, calculated as profit after tax divided by average shareholders' funds, is 16% (2005 – 19%).

IFRS

This is the first set of Group results that have been prepared under IFRS. The Group released an announcement on 21 December 2005 detailing the impact of IFRS on the results for the year ended 30 April 2005. The comparative financial information has been restated to reflect the application of IFRS. The main impacts of IFRS on the Group's reported results, as compared with the results for 2005 reported under previous accounting standards, are set out below.

IFRS 2 (Share-based Payment): An income statement charge is recognised in respect of the cost of share options granted under the Group's various share schemes. This cost is deemed to be the fair value of the options granted and is charged over the vesting period. An amount equivalent to the charge is credited directly to equity, resulting in no impact on net assets. This accounting treatment is the same as UK GAAP except that the fair values used under IFRS 2 differ from those under UK GAAP.

IFRS 3 (Business Combinations): Separate intangible assets are recognised at fair value on the acquisition of businesses after the date of transition to IFRS, which previously formed part of goodwill under UK GAAP. These include non-contractual customer relationships, brand names and non-compete agreements, all of which are amortised over their respective estimated useful lives. The residual goodwill balance under IFRS is therefore lower in value than under UK GAAP but it is no longer amortised and is, instead, tested annually for impairment.

IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations): Vehicles held for resale are reclassified from inventories into non-current assets held for sale under IFRS.

IAS 10 (Events After the Balance Sheet Date): Under IFRS, dividends are not appropriated within the accounts until they are either paid or formally approved.

IAS 12 (Income Taxes): Deferred taxation changes arise under IFRS as a result of differences between the accounting treatment and taxation treatment in respect of share options (IFRS 2), intangible assets (IFRS 3) and holiday pay accruals (IAS 19). Under IAS 12, deferred tax liabilities are also recognised on all capitalised buildings, regardless of whether a contractual commitment to sell exists.

IAS 16 (Property, Plant and Equipment): Under IAS 16, the Group is required to review its depreciation rates and estimated useful lives on a regular basis to ensure that the net book value of disposals of tangible fixed assets are broadly equivalent to their market value. Depreciation charges are adjusted for any differences that arise between net book values and open market values of used vehicles upon transfer into non-current assets held for sale, taking into account the further direct costs to sell the vehicles.

IAS 18 (Revenue): Under IFRS, income from the sale of used vehicles is not recognised within revenue and the net book value of the vehicles sold, along with associated direct selling costs, are removed from cost of sales.

IAS 19 (Employee Benefits): An accrual is recognised for employee annual leave accrued, but not taken, at each balance sheet date. Where this applies to business combinations, the accrual required at the date of acquisition is deemed to reduce the fair value of the net assets acquired with a corresponding adjustment to goodwill.

IAS 21 (The Effects of Changes in Foreign Exchange Rates): Certain exchange differences, previously recognised directly within the profit and loss account reserve under UK GAAP, are reclassified into a separate translation reserve, directly within equity, under IFRS.

IAS 32 (Financial Instruments: Disclosure and Presentation): The Company's cumulative preference shares are deemed to be debt rather than equity under IFRS. They are reclassified from share capital to borrowings in the balance sheet and preference dividends are reclassified from dividends to finance costs in the income statement.

IAS 38 (Intangible Assets): Certain software assets are reclassified from tangible to intangible assets under IFRS. Amounts previously charged to the profit and loss account as depreciation under UK GAAP relating to these fixed assets are reclassified as amortisation within the IFRS income statement.

Separate intangible assets are also recognised within business combinations (see IFRS 3, above). These assets are amortised to the income statement over their estimated useful lives.

IAS 39 (Financial Instruments: Recognition and Measurement): Interest rate derivatives, to which the Group is party, are recognised on the balance sheet at their fair value. Subsequent changes in the fair value are recognised either within the income statement, as a finance cost, or directly in equity to the extent that the Group elects to hedge account, within the provisions of IFRS. This standard has not been applied to the prior year as allowed under the transitional rules.

FINANCIAL REVIEW

Taxation

The Group's UK operations have a total tax charge of 32% (2005 – 31%), which is slightly higher than the standard rate of 30% due to disallowable expenditure incurred within the business.

Both Fualsa's effective tax rate of 18% (2005 – 20%) and Record's of 29% are below the standard Spanish tax rate of 35% because of tax concessions based on vehicle purchase reliefs that are available to the businesses. There is draft legislation in Spain that proposes to reduce the standard rate of Corporation Tax from 35% to 30% whilst at the same time removing some of the vehicle purchase reliefs that the businesses currently claim. The timing of any change is not certain and the precise impact on the likely effective tax in Spain has not been quantified. It is expected, however, that this effective rate will be nearer to 30% in the medium term.

Dividend

The Directors recommend a final dividend of 14p per share (2005 – 12p) giving a total for the year of 23p (2005 – 20p), an increase of 15%. The dividend is covered 2.7 times (2005 – 3.0 times).

Earnings per Share

Earnings per share increased to 61.1p (2005 – 60.7p), reflecting the growth in underlying profits being offset by an exceptional restructuring cost associated with the acquisition of AVR and its subsequent reorganisation and the increased number of Ordinary shares in issue following the placing of 6.05 million shares in February 2006. Excluding intangible amortisation of £1.2m (2005 – £0.8m) and exceptional restructuring costs of £2.6m (2005 – £nil), basic earnings per share grew by 6% to 65.7p (2005 – 62.1p).

Basic earnings per share have been calculated in accordance with IAS 33.

Investments

On 5 August 2005 the Company acquired 49% of the share capital of Record for €54.8m. In the UK, the entire share capital of FTL was acquired for a consideration in cash of £5.7m on 23 January 2006 and on 3 February 2006 the Company acquired the entire share capital of AVR for £50.3m.

Ordinary shares of the Company have been acquired in the open market by Walbrook Trustees (Guernsey) Limited and Capita IRG 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 within the own shares held reserve.

Capital Structure

As at 30 April 2006 the Group's total gearing measured as net debt (including cash balances) as a percentage of shareholders' funds but after the deduction of goodwill and intangible assets increased to 204% (2005 – 198%). The net cash balance taken into account in calculating the gearing ratios for this year is £24.0m (2005 – £41.4m).

This level of gearing is in line with our expectations and is mainly due to the cash outflows following the purchase of 49% of Record and the acquisition of AVR being offset by cash generation from operations and proceeds received from the issue of 6.05 million Ordinary shares in February 2006. Since the year end the Group has acquired the remaining 51% of Record's equity. If this purchase had taken place on 30 April 2006 the consolidated balance sheet of the Group would have had gearing of 314% on a pro-forma basis.

TREASURY

Cash Flows

The Group's net debt increased by 28% to £524.5m (2005 – £410.9m) excluding the debt in Record's balance sheet. This increase reflects cash outflows associated with the purchase of 49% of Record (£37.9m), the acquisition of AVR (£124.4m), funding of fleet growth in the UK and Spain and the receipt of the proceeds of the placing of 6.05 million Ordinary shares on 3 February 2006. Gross cash generation as reflected by EBITDA* increased to £210.0m (2005 – £197.9m). The Group funded the purchase of 22,500 new vehicles in the UK and 9,400 new vehicles in Fualsa for a total cash outflow of £306.3m. The sale of 23,000 UK vehicles and 4,900 Fualsa vehicles generated a cash inflow of £150.8m. The option over the remaining 20% of Fualsa's equity, whilst exercised, has not yet given rise to a cash outflow. This deferred consideration of €14.9m is classified as debt in the Group's balance sheet and was paid after the Group's financial year end in May 2006.

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

Interest Costs

The Group's net interest costs have decreased by 6% to £20.1m (2005 – £21.2m) despite an increase in closing net debt of 28%. This is because the Group has benefited from the full effects of the refinancing arrangements put in place in January 2005 and also from having a higher proportion of debt denominated in Euros than in the prior year. Interest cover remained a healthy 3.6 times (2005 – 3.6 times).

Strategy

The Group's financing strategy, which has been approved by the Board, is to use medium and long-term debt to finance the Group's vehicle fleet and other capital expenditure. 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 with banks are negotiated and monitored centrally. In January 2006 the Group extended its facilities to a total of £745m under a series of unsecured, revolving, bilateral agreements. These extended facilities have provided funding for the acquisition of AVR and will also fund the refinancing of Record's borrowings. All funds generated by the Group's operations are controlled by a central treasury function.

Liquidity

The Group's aggregate finance facilities, including existing Fualsa loan facilities, total £756m compared to net debt of £524m. As described above, the core of these arrangements relate to the £745m unsecured facilities with the following terms:

Term	Amount (£m)
Within one year	149
Within three years	298
Within four years	298
Total	**745**

Interest Rate Management

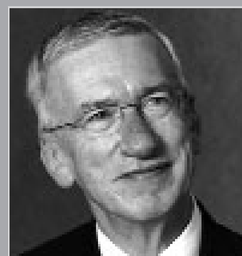
The Group's bilateral agreements incorporate variable interest rate clauses. Historically, it has sought to manage this risk by having in place a number of financial instruments covering 30% to 40% of its borrowings at any time. The current value of financial instruments represents 60% of net debt at 30 April 2006 with an average term outstanding of two years. This coverage fell to 44% of net debt following the acquisition of Record after the year end in May 2006.

In assessing the effectiveness of these instruments, the table below details the additional interest costs to the Group, based on the Group's closing net debt position at 30 April 2006 of £524m, of a series of interest rate increases, after applying the benefit of the instruments. This table is based on the cash amounts and does not take into account the effects of applying IAS 39:

Increase in interest rate	Additional interest costs		
	Sterling debt	Euro debt	Total
1%	£1.8m	£1.4m	£3.2m
2%	£3.2m	£2.7m	£5.9m
3%	£4.3m	£4.0m	£8.3m

Gerard Murray
Finance Director

BOARD OF DIRECTORS



Martin Ballinger
(age 62)

Appointed to the Board as a non-executive Director in November 2004, becoming Chairman in January 2005. Formerly Chief Executive of Go-Ahead Group plc since 1982.

Stephen Smith ACA
(age 49)

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

Phil Moorhouse FCCA
(age 53)

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. Phil 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
(age 43)

Appointed Group Finance Director in January 2003. Gerard 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.

Jan Astrand MBA
(age 59)

Appointed to the Board as a non-executive Director in February 2001. A Swedish national based in London, Jan is a Senior Independent Director of CRC Group plc. Prior to this, he was Chairman of Car Park Group AB in Stockholm and also Senior Independent 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.

Tom Brown
(age 57)

Appointed to the Board as a non-executive Director in April 2005. Tom is Chairman of Chamberlin & Hill plc and a Director of a number of private companies. He was previously Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc.

Alan Noble
(age 55)

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

Philip Rogerson
(age 61)

Appointed to the Board as a non-executive Director in November 2003. Philip is Chairman of Aggreko plc, Carillion plc and THUS Group plc and a non-executive Director of Davis Service Group plc. He was Deputy Chairman of BG plc (formerly British Gas plc) until February 1998 having been a Director since 1992.

Board Committees

AUDIT

Philip Rogerson
(Chairman)

Jan Astrand

Tom Brown
(Appointed 8 June 2005)

Ronald Williams
(Resigned 28 September 2005)

REMUNERATION

Tom Brown
(Appointed 8 June 2005 – Chairman from 1 August 2005)

Jan Astrand
(Chairman until 1 August 2005)

Philip Rogerson

Ronald Williams
(Resigned 28 September 2005)

NOMINATION

Martin Ballinger
(Chairman)

Jan Astrand

Tom Brown
(Appointed 8 June 2005)

Philip Rogerson

Stephen Smith

Ronald Williams
(Resigned 28 September 2005)

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 30 April 2006.

Results

Profit for the year after taxation was £40,594,000 (2005 – £39,231,000).

An interim dividend of 9p per share was paid on the Ordinary shares on 9 February 2006.

The Directors recommend a final ordinary dividend of 14p per share making a total for the year of 23p per share.

The final dividend, if approved, will be paid on 29 September 2006 to shareholders on the register at close of business on 1 September 2006.

Principal activities and Business Review

The Company is an investment holding company.

The principal subsidiary and associated undertakings are listed in Note 18 to the accounts.

Details of the acquisitions of Arriva Vehicle Rental Limited, Fleet Technique Limited and 49% of the share capital of Record Rent a Car SA are given in Note 18 to the accounts.

The information that fulfils the requirements of the Business Review can be found in the Operational and Financial Reviews on pages 6 to 11, which are incorporated in this report by reference.

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
AEGON UK Plc	3,609,506 (5.1%)
Lazard Asset Management	4,151,896 (5.9%)
Standard Life Group	2,717,305 (3.8%)

Directors

Details of the present Directors, all of whom have served throughout the year, are listed on pages 12 and 13. Mr Williams retired from the Board on 28 September 2005. Mr Smith, Mr Moorhouse and Mr Murray are retiring by rotation in accordance with the Articles of Association and, being eligible, are seeking re-election.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 16 to 21.

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	
	30 April 2006	1 May 2005
M Ballinger	2,500	2,500
S J Smith	71,121	72,271
J Astrand	–	–
T Brown	2,000	–
P J Moorhouse	35,288	34,938
G T Murray	10,890	10,540
A T Noble	732,629	732,279
P Rogerson	–	–

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

No changes in the above interests have occurred between 30 April 2006 and the date of this report.

Details of options held by the Directors under the Company's various share schemes are given in the Remuneration Report on pages 16 to 21.

Directors indemnities

The Directors have the benefit of qualifying third party indemnity provisions contained in the Company's Articles of Association which were in force throughout the financial year and remained in force as at the date of signing of this report. The Company's Articles of Association are available on the Company's website.

Donations

During the year the Group made charitable donations of £18,000 (2005 – £45,000) principally to local charities serving the communities in which the Group operates.

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 2006 the Group's creditor days were as shown in Note 23 to the accounts.

Disabled employees

Applications for employment by disabled persons are given full consideration, taking into account the aptitudes of the applicant concerned. Every effort is made to try to ensure that employees who become disabled whilst already employed are able to continue in employment by making reasonable adjustments in the workplace, arranging appropriate training or providing suitable alternative employment. It is Group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees. The Group's equal opportunity policy is available on the Company's website.

Remuneration report

As required by the Directors' Remuneration Report Regulations 2002, the Remuneration Report, set out on pages 16 to 21, will be put to shareholders for approval at the Annual General Meeting.

Power to Allot Shares

A special resolution, pursuant to Section 95 of the Companies Act 1985, will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis. This authority will be limited to an aggregate nominal amount of £175,000 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 7,000,000 Ordinary shares (representing approximately 10% of the issued Ordinary share capital) and within the price constraints set out in the special resolution to be proposed at the Annual General Meeting.

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

Financial Instruments

Details of the Group's use of financial instruments are given in the Financial Review on pages 10 and 11.

Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

A resolution for the re-appointment of Deloitte & Touche LLP as auditors of the Company will be proposed at the forthcoming Annual General Meeting. This proposal is supported by the Audit Committee.

By order of the Board

D Henderson
Secretary
3 July 2006

REMUNERATION REPORT

The Remuneration Committee has written terms of reference which are available on the Company's website. Membership of the Committee is shown on page 13.

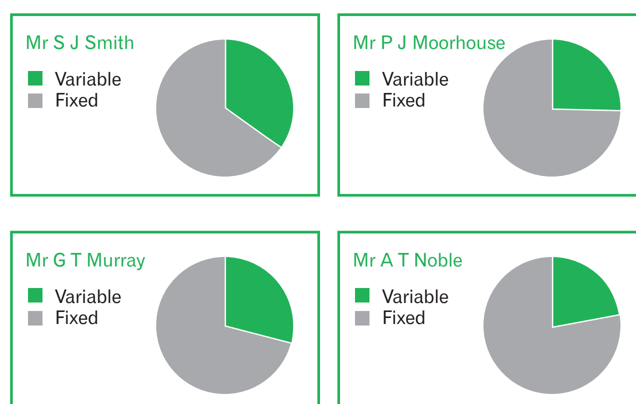
The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman, the executive Directors of the Company and of the Company Secretary. The Committee also reviews remuneration policy generally throughout the Group. 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 LLP ("NBSC") in relation to the remuneration packages of the Chairman, the executive Directors and the Company Secretary. NBSC is appointed by the Committee and undertakes no other work for the Company or the Group. The terms of engagement between the Committee and NBSC are available on request.

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 annual 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.

Executive remuneration is structured so that a significant proportion relates to variable pay. The charts below show the balance between fixed and variable performance based pay for each executive Director for the year ended 30 April 2006.



Flexible Benefits Scheme

The Company operates a flexible benefits scheme 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.

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	£350,000
P J Moorhouse	£240,000
G T Murray	£240,000
A T Noble	£185,000

All were last reviewed on 1 May 2006.

Basic salaries are reviewed annually taking into account the performance of the individual, changes in responsibilities and market trends. The Committee has determined that the most appropriate comparator group against which to benchmark executive Directors' basic salaries is the FTSE 250, taking into account the roles, responsibilities and experience of each Director. Accordingly, for the 2006/07 financial year, it agreed to increase executive Directors' basic salaries by an average of 13%, to reflect the continued strong performance of the business. Even after this increase, basic salaries are below market levels.

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. External appointments currently held are:

P J Moorhouse – Director, Renew (North East) Limited (non fee earning)

A T Noble – Director, Tees Valley Regeneration (non fee earning)

Non-executive Directors

The remuneration of the non-executive Directors (other than the Chairman) 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 shown below:

M Ballinger	Chairman	£105,000
J Astrand	Non-executive Director	£35,000
T Brown	Chairman of Remuneration Committee	£39,000
P Rogerson	Chairman of Audit Committee & Senior Independent Director	£41,000

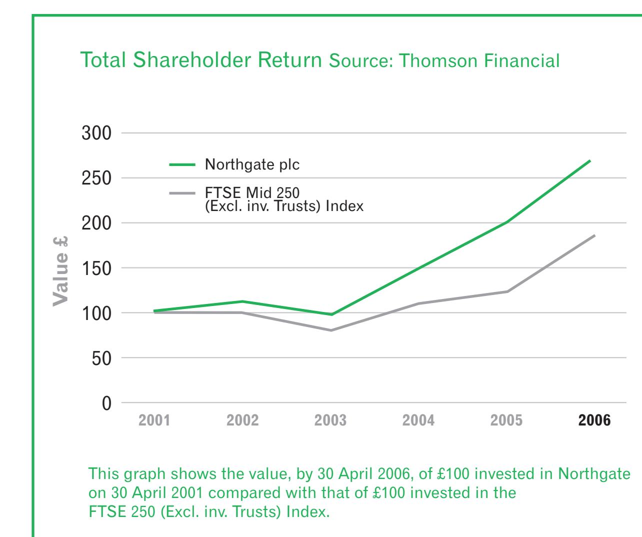
All were last reviewed on 1 May 2006. The fee structure for non-executive Directors reflects the time commitment and responsibility for carrying out non-executive duties. Fees are set taking into account market practice for similar roles in FTSE 250 companies. In addition to the fees shown, Mr Astrand receives an amount of £25,000 in recognition of the additional time commitment required following his appointment as a non-executive Director of Fualsa in May 2004 and Record in August 2005. The Board does not consider that those appointments in any way affect his independence.

Pension Schemes

Throughout the year all pension arrangements (other than the Willhire Group Scheme – see Note 39 of the accounts) operating throughout the Group were defined contribution schemes. The Group will not incur any additional costs as a result of the introduction of Pension Simplification on 6 April 2006.

Performance Graph

As required by The Directors' Remuneration Report Regulations 2002, the graph below 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. The mid-market price of the Company's Ordinary shares at 30 April 2006 was 1,100p (30 April 2005 – 812.5p) and the range during the year was 812.5p to 1,245p.



This graph shows the value, by 30 April 2006, of £100 invested in Northgate on 30 April 2001 compared with that of £100 invested in the FTSE 250 (Excl. inv. Trusts) Index.

The following elements of this report have been audited:

	Salary/fees	Cash bonus	Cost of benefits*	Chargeable expenses	2006 Total	2005 Total	2006 Pension contributions†	2005 Pension contributions†
	£000	£000	£000	£000	£000	£000	£000	£000
M Ballinger	100	–	–	–	100	37	–	–
F M Waring	–	–	–	–	–	71	–	–
S J Smith	300	108	26	1	435	425	33	30
J Astrand	56	–	–	–	56	49	–	–
T Brown	35	–	–	–	35	3	–	–
P J Moorhouse	220	45	24	3	292	301	31	29
G T Murray	210	55	23	–	288	279	19	17
A T Noble	168	25	26	–	219	229	24	23
P Rogerson	38	–	–	–	38	34	–	–
R Williams	17	–	–	–	17	40	–	–
Total emoluments excluding pension contributions	**1,144**	**233**	**99**	**4**	**1,480**	**1,468**	**–**	**–**
Total pension contributions	**–**	**–**	**–**	**–**	**–**	**–**	**107**	**99**

*These benefits include: company car, private medical insurance, permanent health insurance and life assurance.

† All contributions are to a defined contribution type scheme.

REMUNERATION REPORT

SHARE INCENTIVE PLANS

During the year, the Committee has reviewed the Group's share-based incentive arrangements.

Following the fulfilment of the Executive Incentive Scheme ("EIS") the Board, on the advice of the Committee adopted a Performance Share Plan ("PSP") for the benefit of senior management at below Board level, including, for the first time, senior managers of our Spanish operations.

The Group therefore now operates three share-based incentive schemes: Directors participate in the Northgate Share Option Scheme ("NSOS") and Deferred Annual Bonus Plan ("DABP") and below the Board, other executives in the PSP and DABP. No executives will participate in all three schemes. Expressed in face value terms, this effectively gives Directors a cap of 200% of basic salary for share awards each year (150% under the NSOS and 50% under the DABP) and other executives a cap of 150% (100% under the PSP and 50% under the DABP).

With the introduction of the PSP and the changes to the rules of the NSOS approved by shareholders at last year's Annual General Meeting, the Committee is satisfied that the share incentive arrangements now in place and the performance measures currently applying to awards are appropriate for the Group at the present time.

Performance Share Plan

The PSP is designed to reward achievement of and individual contribution to, the Group's new three-year rolling business plan ("the Plan").

Participants will receive a conditional award of free shares which will vest after three years subject to achievement of performance conditions and continued employment during the vesting period. The maximum award in any financial year will normally be 100% of salary.

The Committee believes that the most appropriate measure of performance against the Plan is one based on divisional or Group profit before tax, as relevant to the individual. There is a straight line sliding scale of vesting starting at 30% for 90% of target achievement rising to 100% for achieving 100% of target. The Committee has discretion to alter the performance targets to take account of any significant event occurring after the grant of an award but prior to vesting. Such events may include a major acquisition, debt restructuring or an equity issue.

The first awards under the Plan, totalling 134,000 shares, were made in May 2006 to 55 executives including nine in Spain.

Northgate Share Option Scheme

The NSOS was originally introduced in 2000 as a medium term incentive for senior management below the Board.

With the introduction of the PSP for management below Board level, it is intended that, with effect from awards made in 2006, only Directors will participate in the NSOS.

In line with the rule changes approved by shareholders at last year's Annual General Meeting, the performance condition applying to all options granted from 2005 onwards will be based on the growth in the Company's earnings per share ("EPS") in excess of inflation measured over a three-year period commencing with the EPS for the financial year ending immediately prior to the date of grant. This requires substantial improvement in the underlying financial performance of the Company before options may be exercised. Options over shares at grant worth 75% of basic salary or less will vest provided average annual EPS growth is at least RPI plus 5% over the performance period. Options over shares at grant worth 150% of basic salary (the maximum grant level) or less will vest provided average annual EPS growth is at least RPI plus 11% over the performance period. For grants between 75% and 150% of basic salary a pro rata sliding scale of EPS growth between 5% and 11% will apply. There is no provision for re-testing.

For options granted prior to last year's rule change, full vesting requires average annual EPS growth of at least 3% plus RPI over the three-year vesting period, with re-tests at the end of years four and five.

The Committee will apply a consistent calculation methodology following the adoption of International Financial Reporting Standards.

Options granted to Directors under the NSOS are shown on page 20.

No options held by Directors lapsed during the year.

It is proposed that an option award for 2006/07 be made in the six-week period following the announcement of the results for the year ended 30 April 2006.

In addition, options over 238,500 shares granted to 55 employees at exercise prices ranging from 403.5p to 931p were outstanding at 30 April 2006.

Deferred Annual Bonus Plan

The DABP was introduced in 2003 for Directors and senior and middle management. Part of the bonus is delivered in cash payable immediately after the year-end and part (not normally exceeding 50% of basic salary) in the form of deferred shares awarded following the announcement of the Group's full year results.

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 strong retention mechanism 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 Directors hold deferred shares (in the form of nil cost options) in the DABP as set out on page 20.

In addition, options over 93,418 shares awarded to 69 management employees were outstanding at 30 April 2006. No options held by Directors either lapsed or were exercised during the year.

The bonuses for executive Directors upon which the award for the year ended 30 April 2006 was made were based upon business and individual performance, including elements based on a target of growth in underlying earnings per share of between 5% and 12%. The bonuses payable are set out below.

	Value £000	Cash % of basic salary Awarded	Maximum
S J Smith	108	36	50
P J Moorhouse	45	20	40
G T Murray	55	26	40
A T Noble	25	15	40
	Value £000	Shares % of basic salary Awarded	Maximum
S J Smith	18	6	50
P J Moorhouse	11	5	40
G T Murray	10	5	40
A T Noble	8	5	40

It is intended that the number of shares to be awarded will be calculated based on the closing mid-market price on 4 July 2006, being the date of the Preliminary Results Announcement.

For the financial year ending 30 April 2007 the maximum awards will be the same as for the year ended 30 April 2006.

The criteria for the executive Directors for 2006/07 will be as follows:

- Share element: to be based solely on underlying earnings per share improvement over the previous year. The maximum award to be made for growth of 20%, nil for growth of less than 5% and pro rata for growth between those two figures.
- Cash element: to be based on individual key performance indicators relevant to their areas of responsibility and including an element of discretion by the Remuneration Committee.

Bonuses for other management are 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.

During the year the Committee exercised its discretion in favour of a manager who was made redundant to enable him to exercise an award of 500 shares made to him as part of his bonus for the year ended 30 April 2005.

All Employee Share Scheme

The All Employee Share Scheme ("the AESS"), which is approved by H M Revenue and Customs 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 ("the Capita Trust").

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.

REMUNERATION REPORT

SHARE INCENTIVE PLANS

	At 1 May 2005	Number granted	Number exercised	Date of exercise	Exercise price p	Share price on date of exercise p	Gross gain on exercise £	At 30 April 2006	Normally exercisable
Northgate Share Option Scheme									
S J Smith	20,000	–	–	–	663	–	–	20,000	Aug 2007 - Feb 2009
	–	27,500	–	–	931	–	–	27,500	Oct 2008 - Apr 2010
	20,000	27,500	–	–	–	–	–	47,500	
P J Moorhouse	15,000	–	–	–	663	–	–	15,000	Aug 2007 - Feb 2009
	–	19,000	–	–	931	–	–	19,000	Oct 2008 - Apr 2010
	15,000	19,000	–	–	–	–	–	34,000	
G T Murray	50,000	–	(50,000)	20 Feb 2006	380	1,120	370,000	–	
	13,500	–	–	–	663	–	–	13,500	Aug 2007 - Feb 2009
	–	19,000	–	–	931	–	–	19,000	Oct 2008 - Apr 2010
	63,500	19,000	(50,000)	–	–	–	370,000	32,500	
A T Noble	–	17,000	–	–	931	–	–	17,000	Oct 2008 - Apr 2010
	98,500	**82,500**	**(50,000)**	–	–	–	**370,000**	**131,000**	
Deferred Annual Bonus Plan									
S J Smith	15,813	–	–	–	–	–	–	15,813	Aug 2007 - Aug 2009
	–	15,832	–	–	–	–	–	15,832	Oct 2008 - Oct 2010
	15,813	15,832	–	–	–	–	–	31,645	
P J Moorhouse	10,542	–	–	–	–	–	–	10,542	Aug 2007 - Aug 2009
	–	9,672	–	–	–	–	–	9,672	Oct 2008 - Oct 2010
	10,542	9,672	–	–	–	–	–	20,214	
G T Murray	6,325	–	–	–	–	–	–	6,325	Aug 2007 - Aug 2009
	–	8,751	–	–	–	–	–	8,751	Oct 2008 - Oct 2010
	6,325	8,751	–	–	–	–	–	15,076	
	32,680	**34,255**	–	–	–	–	–	**66,935**	
Executive Incentive Scheme									
S J Smith	180,000	–	(45,000)	9 Nov 2005	492.5	988	220,887	135,000	Sep 2003 - Sep 2009
P J Moorhouse	180,000	–	(50,000)	20 Feb 2006	492.5	1,120	313,750	130,000	Sep 2003 - Sep 2009
A T Noble	174,050	–	(43,513)	9 Nov 2005	492.5	983	213,587	130,537	Sep 2003 - Sep 2009
	5,950	–	(2,975)	9 Nov 2005	503.5	983	14,275	2,975	Sep 2003 - Sep 2009
	180,000	–	(46,488)	–	–	–	227,862	133,512	
	540,000	–	**(141,488)**	–	–	–	**762,499**	**398,512**	

All Employee Share Scheme (continued)

The fifth annual cycle ended in December 2005 and resulted in 553 employees acquiring 58,876 Partnership shares at 873.25p each and being allocated the same number of Matching shares. As at 30 April 2006 the Trust held 509,480 Ordinary shares that have vested to employees from the first five cycles.

The sixth annual cycle started in January 2006 and currently some 724 employees are making contributions to the scheme at an annualised rate of £651,480.

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, that target was achieved in 2003. As the EIS was specifically aligned to that strategy plan, 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 2005, the third tranche of 25% 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 four financial years from 1 May 1999 to 30 April 2003 of at least 15% per annum compound was required: the actual growth achieved was 21.3%.

The performance condition for the fourth and final tranche of 30% of options to become exercisable, in September 2006, has also been satisfied. The earnings per share growth over the five financial years to 30 April 2004 was 21.7% against the 15% required.

Options held by the Directors under the EIS are shown on page 20.

No Directors were granted options during the year and none lapsed. In addition to those held by Directors, options over 341,446 shares granted to 33 employees at exercise prices ranging from 367.5p to 523p were outstanding at 30 April 2006.

Sourcing of shares

Shares to satisfy the requirements of the Group's share schemes are currently sourced as follows:

EIS and NSOS –
New issue. During the year 517,544 (2005 – 148,877) Ordinary shares were issued to satisfy the exercise of options under the two schemes.

DABP and PSP –
Through open market purchases by an employee benefit trust based in Guernsey ("the Guernsey Trust"). During the year 12,013 (2005 – 140,000) Ordinary shares were purchased by the Trust and 500 (2005 – 440) were used to satisfy the exercise of awards under the DABP. At 30 April 2006 the Trust held 198,073 (2005 – 186,560) Ordinary shares as a hedge against the Group's obligations under these schemes.

AESS –
Through open market purchases by the Capita Trust. During the year 110,000 (2005 – 125,000) Ordinary shares were purchased by the Capita Trust and 103,229 were used to satisfy the allocation made in respect of the 2005 cycle of the scheme. In the previous cycle 125,466 shares were sourced through the Guernsey Trust in respect of the 2004 allocation. In addition 14,635 (2005 – 14,182) shares were forfeited by leavers. At 30 April 2006 the Capita Trust held 138,189 (2005 – 129,887) Ordinary shares as a hedge against the Group's obligations under this scheme.

By order of the Board

D Henderson
Secretary
3 July 2006

A FLEET MANAGEMENT SOLUTION

Through Fleet Technique Limited, an independent company owned by Northgate plc, we are able to provide UK customers with a complete fleet management solution. Leading edge software combined with the efficiency of the World Wide Web offers the customer an efficient way to manage their entire fleet. Fuel management to vehicle registration and placing new vehicle orders can all be managed on-line.

Our business is about providing customers with vehicle solutions which are flexible. Our ability to now offer fleet management has further strengthened our product portfolio.

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 ("the Code").

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

1 Directors

The business of the Company is managed by the Board of Directors, currently comprising four executive and four non-executive Directors, details of whom are shown on pages 12 and 13. All the non-executive Directors are considered to be independent both in the sense outlined in the Code and in terms of the criteria laid down by the National Association of Pension Funds for judging the independence of non-executive Directors. Following the retirement of Mr Williams in September 2005, Mr Rogerson was appointed Senior 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 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	
	A	B	A	B	A	B
M Ballinger	12	12	–	4	–	4
S J Smith	12	12	–	4	–	3
J Astrand	12	11	4	3	5	5
T Brown	12	12	3	4	4	4
P J Moorhouse	12	11	–	4	–	–
G T Murray	12	12	–	4	–	–
A T Noble	12	12	–	4	–	–
P Rogerson	12	12	4	4	5	5
R Williams	5	5	2	2	2	2

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

All Directors in office at that time were present at the Annual General Meeting held in September 2005.

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.

The non-executive Directors, including the Chairman, but without executive Directors present, met informally on three occasions during the year. In addition, the non-executive Directors met informally on one occasion during the year without the Chairman being present.

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 Articles of Association provide that at each Annual General Meeting of the Company all Directors who held office at the time of the two preceding Annual General Meetings and did not retire by rotation shall be subject to re-election. In addition, any Director appointed by the Board during the year is obliged to seek re-election at the next following Annual General Meeting.

The Board has established a Nomination Committee, which is chaired by Mr Ballinger. 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 search consultants to help in the search for candidates. The Committee has written terms of reference which are available on the Company's website.

There were no formal meetings of the Committee during the year.

During the year, an evaluation process of the performance of individual Directors, of the Board as a whole and of its committees was carried out, led by the Chairman. The process consisted of a formal and detailed questionnaire completed by each Director, followed by one-to-one meetings with the Chairman. This was followed by a letter from the Chairman to each Director suggesting areas for further training, experience and intra-Board communication so as to encourage Directors individually to improve their performance and with it the performance of the Board as a whole. As a result of this process, the Chairman was satisfied that all the non-executive Directors continued to demonstrate a commitment to their role and in particular to devote adequate time to properly carry out their duties as a member of the Board and Board committees. In addition the non-executive Directors, led by the Senior Independent Director, reviewed the performance of the Chairman, taking into account the views of the executive Directors.

2 Directors' Remuneration

The Company's policy on remuneration and details of the remuneration of each Director are given in the Remuneration Report on pages 16 to 21.

3 Accountability and Audit

An assessment of the Company's position and prospects is included in the Chairman's Statement and in the Operational and Financial Reviews on pages 6 to 11.

INTERNAL CONTROL

Provision C2.1 of the Code requires the Directors to conduct an annual review of the effectiveness of the Group's system of internal controls. The Turnbull Report, published by the ICAEW in September 1999, provides relevant guidance for directors on compliance with the internal control provisions of the Code.

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

CONTROL ENVIRONMENT

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

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 risk 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.

CORPORATE GOVERNANCE

AUDIT

Details of membership of the Audit Committee is shown on page 13 and of meetings held during the year on page 24.

The Committee's terms of reference are available on the Company's website.

In summary, these include:

- monitoring the integrity of financial reporting;
- reviewing the Group's internal controls and risk management systems;
- monitoring the effectiveness of the Group's internal audit function;
- making recommendations to the Board regarding the appointment of the external auditors and approving their remuneration and terms of engagement;
- monitoring the independence and objectivity of the external auditors and developing a policy for the provision of non-audit services by the external auditor;
- monitoring the audit process and any issues arising therefrom.

Guidance contained in the Smith Report on Audit Committees recommends that at least one member of the Committee should have appropriate financial experience and preferably a recognised professional accountancy qualification: the Chairman of the Committee currently satisfies this provision.

Due to the cyclical nature of its agenda, which is linked to events in the Group's financial calendar, the Committee will generally meet four times a year. The other Directors are normally invited to attend, together with the external auditors, on at least two occasions during the year. The internal audit manager also normally makes a presentation to the Committee twice a year.

Since May 2005, the Committee has:

- reviewed the financial statements for the years ended 30 April 2005 and 2006 and the interim report issued in January 2006. As part of this review process, the Committee received reports from Deloitte & Touche on each occasion;
- reviewed and agreed the scope of the audit work to be undertaken by Deloitte & Touche and agreed their fees;
- reviewed half-yearly reports by the internal audit manager and approved the internal audit programme;
- monitored an in-depth review of the Group's risk management process and approved a new strategic risk matrix;
- reviewed the work undertaken by the Group in preparation for the introduction of International Financial Reporting Standards, including the approval of the principal accounting policies and first time adoption choices to be applied to the financial statements for the year ended 30 April 2006 and the basis of valuation of the intangible assets included in acquisitions made in 2004 and 2005;
- reviewed the Group's whistle blowing service;
- verified the ongoing independence and objectivity of Deloitte & Touche; and
- reviewed its own effectiveness.

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:

	30 April 2006 £000	30 April 2005 £000
Group statutory audit fees	332	228
Services relating to taxation	129	60
Other	88	106
	549	**394**

4 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 Company's major institutional shareholders have been advised by the Chief Executive that, in line with the provisions of the 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 its interim and full year results.

Details of proxies lodged in respect of the Annual General Meeting will be published on the Company's website immediately following the meeting.

Compliance with the Code

The Board considers that the Company complied with the provisions of the Code throughout the year with the exception that the Code states that at least half the Board, excluding the Chairman, should be comprised of independent non-executive Directors: the Directors believe that the current composition of the Board is effective.

HEALTH & SAFETY AND ENVIRONMENTAL

The Board recognises that the monitoring and control of health and safety and environmental issues forms 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 depot management.

The Group has adopted the principles set out in the management model "HSG 65 Successful Health and Safety Management". This enables the Group to apply consistent health and safety standards and disciplines at all locations.

Comprehensive health and safety procedures and vehicle user manuals provide guidance and advice on implementing the Group's health and safety policy. Relevant training is provided to all employees through a rolling programme designed to promote a positive health and safety culture throughout the business.

A head office steering group reviews health and safety and environmental policy issues on a regular basis, and Technical advice and support is provided by a chartered health and safety practitioner.

Health and safety and environmental issues impact on the Group's operations in two main areas:

Vehicle fleet

The total fleet in the UK and Republic of Ireland at 30 April 2006 was 64,000, with an average age of between 15 and 16 months, of which 14% were cars and the remainder commercial vehicles. Cars are sold after an average life of 20 months and commercial vehicles of 30 months. Our fleet is, therefore, comprised entirely of modern vehicles. Over 99% of the fleet is diesel powered.

Of the cars purchased in calendar year 2005, just over 98% were Euro IV compliant. We expect this to rise to 100% in calendar year 2006. Commercial vehicle manufacturers are still debating the launch of Euro IV products but current expectations are that such products should become available in the UK in the last quarter of 2006.

To encourage a safe driving culture amongst our own staff, 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.

The Group was the first UK vehicle rental company to participate in the Institute of Road Transport Engineers Certification scheme for motor technicians, run in conjunction with the Society of Operation Engineers. Since 2004 over 30% of our technicians have successfully completed the course with another 15% scheduled to undergo the training in this financial year.

The Group are sponsors of Brake, the road safety charity.

Property

As at 30 April 2006, the vehicle rental business in the UK and Republic of Ireland operated out of 88 properties, of which 35 were primary sites and 53 were branches. All but eight of these sites (all of which are branches) are located on industrial estates, so our activities have minimal impact on the local community of the areas in which we operate. A typical primary site will have an area of 1.2 acres, will comprise approximately 9,000 sq. ft. of workshops and office facilities, with the remainder hard-standing and will employ approximately 35 people. A typical branch location will have an area of 0.3 acres, have a small office (often of the portacabin type), a valet washbay and in some cases a workshop facility, again, often a modular building. They employ an average of nine people. Four of the primary sites are shared with Northgate Vehicle Sales who have a further five dedicated sales sites. Fleet Technique operate from offices in Gateshead and the Group's head office building in Darlington accommodates all central administrative and support services.

During the year all sites had an internal health, safety and environmental audit. Where appropriate, outside professional advice and services are also 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 and ongoing monitoring has been put in place to meet the requirements of the 2004 Asbestos Regulations, using licensed contractors;
- all workshop and hazardous waste (principally engine oils, batteries, tyres and other vehicle consumables) is collected and disposed of by a licensed waste removal contractor who has confirmed that over 94% of such waste is recycled. In addition, 100% of paper based waste from head office and all IT equipment and mobile phones are recycled;
- prior to acquiring new sites, environmental risk assessments, to ISO 9000 standard, are carried out by external consultants;
- all primary sites and some branch locations have above-ground fuel storage tanks. All such tanks comply with the guidelines relating to double-bunding laid down in the Environment Agency's PPG2 regulations;
- the Group is a member of the British Safety Council and a training programme leading to the British Safety Council Level 1 Certificate in Health and Safety is being implemented, initially for managerial staff, then progressively to all employees across the UK.

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. There was one conviction for a minor offence under the Road Traffic Act.

Following a Merit award in 2005, the Group has received a Silver award in 2006 from the Royal Society for the Prevention of Accidents for demonstrating the effective implementation of safety arrangements within the organisation.

We are currently undertaking a review of health and safety and environmental arrangements at Fualsa and Record with a view to ensuring a consistent approach at our Spanish operations.

DIRECTORS' RESPONSIBILTIES

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and accounts.

The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ("IFRS") and have also elected to prepare financial statements for the Company in accordance with IFRS. Company law requires the Directors to prepare such financial statements in accordance with IFRS, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that the financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the Preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRS. Directors are also required to:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- Provide additional disclosures where compliance with the specific requirements of IFRS are insufficient to enable users to understand the impact of a particular transaction, other events and conditions on the entity's financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Report of the Directors and Directors' Remuneration Report which comply with the Companies Act 1985.

The Directors are responsible for the maintenance and integrity of the Group website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

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

REPORT OF THE AUDITORS

We have audited the Group and individual Company financial statements ("the financial statements") of Northgate plc for the year ended 30 April 2006, which comprise the consolidated income statement, the consolidated and individual Company balance sheets, the consolidated and individual Company cash flow statements, the consolidated and individual Company statements of recognised income and expense and statements of changes in shareholders' equity and the related Notes 1 to 42. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report 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

The Directors' responsibilities for preparing the annual report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and whether the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We report to you whether, in our opinion, the information given in the Report of the Directors is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We also report to you if, in our opinion, the Company has not complied with any of the four Directors' remuneration disclosure requirements specified for our review by the Listing Rules of the Financial Services Authority. These comprise the amount of each element in the remuneration package and information on share options, details of long term incentive schemes, and money purchase and defined benefit pension schemes.

We give a statement, to the extent possible, of details of any non-compliance.

We review whether the corporate governance statement reflects the Company's compliance with the nine provisions of the 2003 FRC 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 other information contained in the annual report including the unaudited part of the Directors' Remuneration Report and we consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Directors' Remuneration Report described as having been audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, 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 Directors' Remuneration Report 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 Directors' Remuneration Report described as having been audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union, of the state of the Group's affairs as at 30 April 2006 and of its profit for the year then ended;
- the individual Company financial statements give a true and fair view, in accordance with IFRS as adopted for use in the European Union as applied in accordance with the requirements of the Companies Act 1985, of the state of the individual Company's affairs as at 30 April 2006; and
- the financial statements and the part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

Separate opinion in relation to IFRS

As explained in Note 2 to the financial statements, the Group, in addition to complying with its legal obligation to comply with IFRS as adopted for use in the European Union, has also complied with the IFRS as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view, in accordance with IFRS, of the state of the Group's affairs as at 30 April 2006 and of its profit for the year then ended.

Deloitte & Touche LLP

Chartered Accountants
and Registered Auditors
Leeds
3 July 2006

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2006

	Notes	2006 £000	2005 £000
Revenue	4,5	**372,609**	**339,382**
Cost of sales		(248,051)	(215,097)
Gross profit	5	**124,558**	**124,285**
Administrative expenses (excluding amortisation)	5,6	(50,733)	(47,193)
Amortisation	15	(1,227)	(855)
Total administrative expenses		(51,960)	(48,048)
Profit from operations	7	**72,598**	**76,237**
Investment income	9	2,047	1,814
Finance costs	10	(22,125)	(23,063)
Share of profit before taxation of associate		4,964	–
Share of taxation of associate		(1,422)	–
Share of profit of associate	19	3,542	–
Profit before taxation		**56,062**	**54,988**
Taxation	11	(15,468)	(15,757)
Profit for the year	34	**40,594**	**39,231**

Profit for the year is wholly attributable to equity holders of the parent Company.
All results arise from continuing operations.

	Notes	2006	2005
Earnings per share			
Basic	13	**61.1p**	60.7p
Diluted	13	**60.6p**	60.3p

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 APRIL 2006

	Notes	Group		Company	
		2006 £000	2005 £000	2006 £000	2005 £000
Gains on revaluation of land and properties	17	–	1,031	–	–
Revaluation of foreign currency denominated investment in subsidiary undertaking upon inception of hedge		–	–	–	1,371
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	33	1,303	(153)	–	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings		–	–	646	(1,389)
Foreign exchange differences on retranslation of interest in associate	33	413	–	413	–
Net foreign exchange differences on long term borrowings held as hedges	33	(1,571)	1,635	(1,059)	1,389
Net fair value gains on cash flow hedges	32	2,956	–	2,554	–
Share options fair value amount credited directly to equity		20	88	20	88
Net deferred tax credit recognised directly in equity	26	882	1,084	882	311
Actuarial gains on defined benefit pension scheme	39	356	–	–	–
Net income recognised directly in equity		**4,359**	**3,685**	**3,456**	**1,770**
Profit attributable to equity holders		40,594	39,231	41,059	12,767
Total recognised income and expense for the year		**44,953**	**42,916**	**44,515**	**14,537**

BALANCE SHEETS

AS AT 30 APRIL 2006

	Notes	Group		Company	
		2006 £000	2005 £000	2006 £000	2005 £000
Non-current assets					
Goodwill	14	44,582	12,448	–	–
Other intangible assets	15	18,208	4,866	–	–
Property plant and equipment: vehicles for hire	16	643,824	531,843	–	–
Other property, plant and equipment	17	50,236	37,851	3,012	3,056
Total property, plant and equipment		694,060	569,694	3,012	3,056
Investments	18	–	–	257,221	103,234
Interest in associate	19	41,927	–	–	–
		798,777	587,008	260,233	106,290
Current assets					
Inventories	20	8,918	6,696	–	–
Trade and other receivables	21	116,939	92,841	509,359	375,866
Cash and cash equivalents		24,048	41,375	8,945	46,180
		149,905	140,912	518,304	422,046
Non-current assets classified as held for sale	22	14,705	11,464	–	–
Total assets		**963,387**	**739,384**	**778,537**	**528,336**
Current liabilities					
Trade and other payables	23	57,584	44,769	8,084	8,248
Tax liabilities		19,715	7,231	–	–
Short term borrowings	24	30,024	48,410	25,982	18
		107,323	100,410	34,066	8,266
Non-current liabilities					
Long term borrowings	24	518,485	403,819	515,937	388,139
Deferred tax liabilities	26	15,846	10,124	–	–
Retirement benefit obligation	39	1,444	–	–	–
		535,775	413,943	515,937	388,139
Total liabilities		**643,098**	**514,353**	**550,003**	**396,405**
Net assets		**320,289**	**225,031**	**228,534**	**131,931**
Equity					
Share capital	27	3,538	3,209	3,538	3,209
Share premium account	28	64,998	62,544	64,998	62,544
Revaluation reserve	29	1,054	1,054	1,371	1,371
Own shares	30	(3,331)	(2,471)	–	–
Merger reserve	31	67,463	4,721	63,159	417
Hedging reserve	32	2,956	–	2,554	–
Translation reserve	33	1,627	1,482	–	–
Retained earnings	34	181,984	154,492	92,914	64,390
Total equity		**320,289**	**225,031**	**228,534**	**131,931**

Total equity is wholly attributable to equity holders of the parent Company.

The financial statements were approved by the Board of Directors and authorised for issue on 3 July 2006.

They were signed on its behalf by:

M Ballinger Director

G T Murray Director

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2006

		Group		Company	
		2006 £000	2005 £000	2006 £000	2005 £000
Net cash from operating activities	(a)	**172,178**	**150,457**	**(20,278)**	**(16,084)**
Investing activities					
Interest received		1,931	1,957	13,603	10,052
Dividends received from subsidiary undertakings		–	–	–	15,500
Proceeds from disposal of vehicles for hire		150,849	116,895	–	–
Purchases of vehicles for hire		(306,273)	(274,517)	–	–
Proceeds from disposal of other property, plant and equipment		3,307	378	–	–
Purchases of other property, plant and equipment		(12,208)	(7,613)	(18)	–
Purchases of intangible assets		(927)	(19)	–	–
Acquisitions of subsidiary undertakings, including net cash and bank overdraft balances acquired		(130,047)	(19,353)	–	–
Purchase of investments in subsidiary undertakings		–	–	(50,316)	(15,143)
Purchase of interest in associate		(37,972)	–	(37,972)	–
Net cash (used in) from investing activities		**(331,340)**	**(182,272)**	**(74,703)**	**10,409**
Financing activities					
Dividends paid		(13,459)	(11,874)	(13,459)	(11,874)
Repayments of obligations under finance leases		(36,994)	(279,243)	–	–
New finance lease agreements		–	93,663	–	–
Increase in bank loans and other borrowings		130,988	221,166	63,202	21,330
Loans to subsidiary undertakings		–	–	(70,430)	(2,652)
Proceeds from issue of share capital		65,525	722	65,525	722
Proceeds from sale of own shares		511	–	–	–
Payments to acquire own shares		(1,371)	(1,141)	–	–
Net cash from financing activities		**145,200**	**23,293**	**44,838**	**7,526**
Net (decrease) increase in cash and cash equivalents		**(13,962)**	**(8,522)**	**(50,143)**	**1,851**
Cash and cash equivalents at 1 May		34,057	42,675	46,162	44,311
Effect of foreign exchange movements		164	(96)	–	–
Cash and cash equivalents at 30 April	(b)	**20,259**	**34,057**	**(3,981)**	**46,162**

NOTES TO THE CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2006

	Group		Company	
(a) Net cash from operating activities	2006 £000	2005 £000	2006 £000	2005 £000
Profit (loss) from operations	72,598	76,237	(4,082)	(4,186)
Adjustments for:				
Depreciation of property, plant and equipment	136,209	120,831	62	61
Exchange differences	(16)	–	–	–
Amortisation of intangible assets	1,227	855	–	–
(Gain) loss on disposal of property, plant and equipment	(209)	39	710	(324)
Defined benefit pension credit	(386)	–	–	–
Share options fair value amount credited directly to equity	20	88	20	88
Operating cash flows before movements in working capital	**209,443**	**198,050**	**(3,290)**	**(4,361)**
(Increase) decrease in inventories	(2,191)	1,665	–	–
(Increase) decrease in receivables	(1,131)	(7,735)	1,257	(2,577)
Increase (decrease) in payables	3,139	(3,634)	(230)	297
Cash generated from (used in) operations	**209,260**	**188,346**	**(2,263)**	**(6,641)**
Income taxes paid	(15,156)	(15,241)	–	–
Interest paid	(21,926)	(22,648)	(18,015)	(9,443)
Net cash from operating activities	**172,178**	**150,457**	**(20,278)**	**(16,084)**

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and at bank, investments in money market instruments and bank overdrafts.

Bank overdrafts are included within cash equivalents on the grounds that they are repayable on demand and form an integral part of the Group's cash management.

Cash and cash equivalents, as described above, included in the cash flow statement comprise the following balance sheet amounts.

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Cash in hand and at bank	22,201	39,601	8,945	46,180
Short term investments	1,847	1,774	–	–
Gross cash and cash equivalents as reported	24,048	41,375	8,945	46,180
Bank overdrafts	(3,789)	(7,318)	(12,926)	(18)
Net cash and cash equivalents	**20,259**	**34,057**	**(3,981)**	**46,162**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2006

	Notes	2006 £000	2005 £000
Amounts attributable to equity holders of the parent Company			
Gains on revaluation of land and properties	17	–	1,031
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	33	1,303	(153)
Foreign exchange differences on retranslation of interest in associate	33	413	–
Net foreign exchange differences on long term borrowings held as hedges	33	(1,571)	1,635
Net fair value gains on cash flow hedges	32	2,956	–
Share options fair value amount credited directly to equity		20	88
Actuarial gains on defined benefit pension scheme	39	356	–
Net deferred tax credit recognised directly in equity	26	882	1,084
Net income recognised directly in equity		**4,359**	**3,685**
Profit attributable to equity holders		40,594	39,231
Total recognised income and expense for the year		**44,953**	**42,916**
Dividends paid	12	(13,437)	(11,916)
Issue of Ordinary share capital (net of expenses)	27, 28, 31	65,525	722
Net increase in own shares held	30	(860)	(1,141)
Net changes in total equity		**96,181**	**30,581**
Opening total equity as at 1 May		225,031	194,450
Transitional adjustment on adoption of IAS 32 & IAS 39	42	(923)	–
Opening total equity after adoption of IAS 32 & IAS 39		224,108	194,450
Closing total equity as at 30 April		**320,289**	**225,031**

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2006

	Notes	2006 £000	2005 £000
Amounts attributable to equity holders of the parent Company			
Revaluation of foreign currency denominated investment in subsidiary undertaking upon inception of hedge	29	–	1,371
Foreign exchange differences on retranslation of investments in subsidiary undertakings	33	646	(1,389)
Foreign exchange differences on retranslation of interest in associate	33	413	–
Net foreign exchange differences on long term borrowings held as hedges	33	(1,059)	1,389
Net fair value gains on cash flow hedges	32	2,554	–
Adjustment for share options granted		20	88
Net deferred tax credit recognised directly in equity	26	882	311
Net income recognised directly in equity		**3,456**	**1,770**
Profit attributable to equity holders		41,059	12,767
Total recognised income and expense for the year		**44,515**	**14,537**
Dividends paid	12	(13,437)	(11,916)
Issue of Ordinary share capital (net of expenses)	27, 28, 31	65,525	722
Net changes in total equity		**96,603**	**3,343**
Opening total equity as at 1 May		131,931	128,588
Closing total equity as at 30 April		**228,534**	**131,931**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(1) General information

Northgate plc is a Company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 88. The nature of the Group's operations and its principal activities are set out in Note 5 and in the Operational and Financial reviews on pages 6 to 9.

The financial statements are presented in UK Sterling because this is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in Note 2.

At the date of authorisation of these financial statements, the following Standards and Interpretations, which have not been applied in these financial statements were in issue but not yet effective:

IFRS 7 *Financial instruments: Disclosures*

IAS 1 *Presentation of financial statements (Amendment on capital disclosures)*

The Directors anticipate that the adoption of the Standard and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

(2) Principal accounting policies

Statement of compliance and first time adoption choices

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB). These are the Group's first consolidated financial statements prepared under IFRS and IFRS1 has been applied. The disclosures required by IFRS1 concerning the transition from UK GAAP to IFRS are given in Note 42.

Basis of preparation

The financial information has been prepared on the historical cost basis, except for the revaluation of certain land and buildings and the treatment of certain financial instruments.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated financial statements include the financial statements of the Company and its undertakings made up to 30 April 2005 and 30 April 2006. The results of new subsidiary undertakings are included from the dates of acquisition. Where an entity has ceased to be a subsidiary undertaking during the year, its results are included to the date of cessation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary undertaking are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

Where necessary, adjustments are made to the financial statements of subsidiary undertakings to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Group revenue is measured at the fair value of the consideration received or receivable in respect of the hire of vehicles and the supply of related goods and services in the normal course of business, net of value added tax and discounts.

Revenue from vehicle rentals is recognised evenly over the rental period and revenue from sales of other related goods and services is recognised at the point of sale.

Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiary undertakings and interests in associates and is the difference between the cost of the acquisition and the fair value of the net identifiable assets and liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses identified through an annual test for impairment.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous UK GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(2) Principal accounting policies (continued)

Intangible assets – arising on business combinations

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer relationships	5 to 13 years
Brand names	5 to 10 years
Non-compete agreements	2 to 4 years

Intangible assets – other

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Software assets are amortised over their estimated useful lives, which do not exceed three years.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any provision for impairment. Depreciation is provided so as to write off the cost of assets to residual values on a straight-line basis over the assets' useful estimated lives as follows:

Freehold buildings	50 years
Leasehold buildings	Over 50 years or over the life of the lease
Plant, equipment and fittings	Over 8 to 10 years
Vehicles for hire	3 to 6 years
Motor vehicles	3 to 6 years

Vehicles for hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between three and six years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into non-current assets held for sale is in line with the open market values for those vehicles. Depreciation charges are adjusted for any differences that arise between net book values and open market values of used vehicles upon transfer into non-current assets held for sale, taking into account the further direct costs to sell the vehicles.

Property under construction is not depreciated. Depreciation commences when these assets are ready for their intended use.

Freehold land is not depreciated.

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings.

The residual value, if not insignificant, is reassessed annually.

Non-current assets held for sale

Non-current assets classified as held for sale are valued at the lower of carrying amount or fair value less estimated costs to sell. Non-current assets are classified as held for sale if their carrying amount will be recovered through a sales transaction.

Fixed asset investments

Fixed asset investments are shown at cost less any provision for impairment.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units and then to reduce the carrying amount of other assets in the unit on a pro rata basis.

Inventories

Inventories comprise spare parts and consumables and are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(2) Principal accounting policies (continued)

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial instruments and hedge accounting

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

Trade receivables are non-interest bearing and are stated at their nominal value less any appropriate provision for irrecoverable amounts. Trade payables are non-interest bearing and are stated at their nominal value.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are stated at fair value. Any gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of resultant gain or loss depends on the nature of the items being hedged.

The fair value of interest rate derivatives is the estimated amount that the Group would receive or pay to terminate the derivative at the balance sheet date, taking into account current interest rates and the current creditworthiness of the derivative counterparties.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity, and the ineffective portion is recognised in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting for cash flow hedges is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement as a net profit or loss for the period.

Bank loans and issue costs

Bank loans are stated at the amount of proceeds after deduction of issue costs, which are amortised over the period of the loan. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(2) Principal accounting policies (continued)

Foreign currencies

Transactions in foreign currencies other than UK Sterling are recorded at the rate prevailing at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the balance sheet date or, if appropriate, at the forward contract rate and any variances are reflected in the income statement.

The accounts of overseas subsidiary undertakings are translated into UK Sterling at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is recognised directly in equity. All other translation differences are taken to the income statement with the exception of differences in equity on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are recognised directly in equity, together with the exchange difference on the net investment in these enterprises.

The results of overseas subsidiary undertakings and joint ventures are translated into UK Sterling using average exchange rates for the financial period and variances compared with the exchange rate at the balance sheet date are recognised directly in equity.

The Company maintains certain borrowings in the same currency as the functional currency of its overseas subsidiary undertaking, as a hedge against the net assets of the subsidiary. These borrowings are translated into UK Sterling using the exchange rate prevailing at the balance sheet date. Any variances are recognised directly in equity.

Goodwill and fair value adjustments, arising on acquisition of a foreign entity, are treated as assets and liabilities of the foreign entity. They are denominated in the functional currency of the foreign entity and translated at the exchange rate prevailing at the balance sheet date, with any variances reflected directly in equity.

All foreign exchange differences reflected directly in equity are shown in the currency translation reserve component of equity.

Leasing and hire purchase commitments

As Lessee:

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value or, if lower, the present value of the future minimum lease payments and are depreciated over their useful economic lives using Group policies. The capital elements of future obligations under finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the income statement over the periods of the leases and hire purchase contracts so as to produce a constant rate of return on the outstanding balance.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

As Lessor:

Motor vehicles and equipment leased to certain customers under operating leases are included within property, plant and equipment. Income from such leases is taken to the income statement evenly over the period of the operating lease agreement.

Retirement benefit costs

The Group predominantly operates defined contribution pension schemes and has one defined benefit scheme as a result of the acquisition of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) as detailed in Note 35. Contributions in respect of defined contribution arrangements are charged to the income statement in the period they fall due. Pension contributions in respect of one of these arrangements are held in trustee administered funds, independently of the Group's finances.

For the defined benefit scheme, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of recognised income and expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost, and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

The Group also operate Group personal pension plans.

Employee share schemes and share based payments

The Group has applied the requirements of IFRS 2 (Share-based Payment). In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 30 April 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(2) Principal accounting policies (continued)

Equity-settled employee schemes, including employee share options and deferred annual bonuses, provide employees with the option to acquire shares of the Company. Employee share options and deferred annual bonuses are generally subject to performance or service conditions.

The fair value of equity-settled share-based payments is measured at the date of grant and charged to the income statement over the period during which performance or service conditions are required to be met, or immediately where no performance or service criteria exist. The fair value of equity-settled share-based payments granted is measured using the Black-Scholes model. The amount recognised as an expense is adjusted to reflect the actual number of employee share options that vest, except where forfeiture is only due to market based performance criteria not being met.

For cash-settled share-based payments a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date.

The Group also operates a Share Incentive Plan (SIP) under which employees each have the option to purchase an amount of shares annually and receive an equivalent number of free shares. The Group recognises the free shares as an expense evenly throughout the period over which the employees must remain in the employ of the Group in order to receive the free shares.

Dividends

Dividends on Ordinary shares are recognised as a liability in the period in which they are either paid or formally approved, whichever is earlier.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(3) Critical accounting judgments and key sources of estimation uncertainty

In the process of applying the Group's accounting policies, which are described in Note 2, the Directors have made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Depreciation

Vehicles for hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between three and six years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into non-current assets held for sale is in line with the open market values for those vehicles.

Under IAS 16, the Group is required to review its depreciation rates and estimated useful lives regularly to ensure that the net book value of disposals of tangible fixed assets are broadly equivalent to their market value.

Depreciation charges are adjusted for any differences that arise between net book values and open market values of used vehicles upon transfer into non-current assets held for sale, taking into account the further direct costs to sell the vehicles.

Intangible assets

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. The Directors have made assumptions with regard to the evidence in the market, at the time of acquisitions, when determining these estimated useful lives.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value. The carrying value of goodwill at the balance sheet date was £44,582,000 (Note 14).

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(4) Revenue
All revenue recognised is from the rendering of services.

(5) Business and geographical segments

Business segments
For management purposes, the Group currently has one material business segment, which is the hire of vehicles.

As such, the Directors consider that this is the only business segment on which the Group should report.

Geographical segments
The Group's operations are located in the United Kingdom, Republic of Ireland and Spain.

The Directors consider the United Kingdom and Republic of Ireland to be a single geographical segment on the grounds that the results and net assets of operations in the Republic of Ireland are immaterial to the Group as a whole. The results of the associate in the current year all arose in Spain.

	UK & Republic of Ireland 2006 £000	Spain 2006 £000	Total 2006 £000
Revenue	**300,771**	**71,838**	**372,609**
Gross profit	102,724	21,834	124,558
Administrative expenses	(43,883)	(6,850)	(50,733)
Amortisation	(692)	(535)	(1,227)
Profit from operations	**58,149**	**14,449**	**72,598**
Investment income			2,047
Finance costs			(22,125)
Share of profit of associate			3,542
Profit before taxation			**56,062**
Other Information			
Capital additions	239,304	75,374	314,678
Depreciation	113,537	22,672	136,209
Balance Sheet			
Segment assets	726,536	194,924	921,460
Interest in associate			41,927
Consolidated total assets			**963,387**
Segment liabilities	482,187	160,911	643,098

	UK & Republic of Ireland 2005 £000	Spain 2005 £000	Total 2005 £000
Revenue	**283,414**	**55,968**	**339,382**
Gross profit	103,509	20,776	124,285
Administrative expenses	(40,646)	(6,547)	(47,193)
Amortisation	(321)	(534)	(855)
Profit from operations	**62,542**	**13,695**	**76,237**
Investment income			1,814
Finance costs			(23,063)
Profit before taxation			**54,988**
Other Information			
Capital additions	240,474	63,009	303,483
Depreciation	103,712	17,119	120,831
Balance Sheet			
Segment assets	583,771	155,613	739,384
Segment liabilities	382,970	131,383	514,353

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(6) Restructuring costs
In February 2006, the Group acquired the entire issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) (Note 35). To the extent that employees could not be integrated, termination terms were agreed and, to the extent that properties would not be utilised in the future, amounts have been provided in respect of onerous contracts.

	2006 £000	2005 £000
Redundancy costs (net of pension credit – see Note 39)	1,673	–
Onerous contracts	934	–
	2,607	–

The above amounts have been included within administrative expenses in the income statement.

(7) Profit from operations

	Notes	2006 £000	2005 £000
Profit from operations is stated after charging (crediting):			
Depreciation of property, plant and equipment	16, 17	136,209	120,831
Amortisation of intangible assets	15	1,227	855
Net foreign exchange gains		(16)	–
Restructuring costs	6	2,607	–
Staff costs	8	62,699	52,366
Auditors' remuneration for audit services (see below)		332	228
Amounts payable to Deloitte & Touche LLP and their associates by the Company and its subsidiary undertakings in respect of non-audit services		217	166

Further detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2006 £000	2005 £000
Audit services		
– statutory reporting	332	228
	332	228
Tax services		
– compliance services	55	60
– advisory services	74	–
	129	60
Other services	88	106
	549	**394**

A description of the work of the audit committee is set out in the corporate governance statement on pages 24 to 26 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(8) Staff costs

	2006 Number	2005 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,647	1,476
Administration	489	387
	2,136	**1,863**
Spain:		
Direct operations	323	250
Administration	68	56
	391	306
	2,527	**2,169**

	2006 £000	2005 £000
Their aggregate remuneration comprised:		
Wages and salaries	54,678	45,855
Social security costs	6,575	5,386
Other pension costs	1,446	1,125
	62,699	**52,366**

(9) Investment income

	2006 £000	2005 £000
Interest on bank and other deposits	1,744	1,814
Change in fair value of interest rate derivatives (Note 25)	303	–
	2,047	**1,814**

(10) Finance costs

	2006 £000	2005 £000
Interest on bank overdrafts and loans	20,220	16,551
Interest on obligations under finance leases	1,345	5,998
Amortisation of deferred consideration (Note 24)	535	489
Total borrowing costs	22,100	23,038
Preference share dividends	25	25
	22,125	**23,063**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(11) Taxation

	2006 £000	2005 £000
Current tax:		
UK corporation tax	13,615	15,308
Overprovision from prior years	(270)	(1,214)
Foreign tax	1,390	1,696
	14,735	15,790
Deferred tax:		
Current year	247	(807)
Adjustment in respect of prior years	486	774
	733	(33)
	15,468	**15,757**

Corporation tax is calculated at 30% (2005 – 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

The charge for the year can be reconciled to the profit before taxation as stated in the income statement as follows:

	2006 £000	%	2005 £000	%
Profit before taxation	56,062		54,988	
Tax at the UK corporation tax rate of 30% (2005 – 30%)	16,819	30.0	16,496	30.0
Tax effect of expenses that are not deductible in determining taxable profit	753	1.3	474	0.9
Amortisation charge not deductible in determining taxable profit	368	0.7	257	0.5
Difference in taxation in overseas subsidiary undertakings	(1,631)	(2.9)	(1,030)	(1.9)
Tax effect of share of results of associate	(1,057)	(1.9)	–	–
Adjustment to tax charge in respect of prior years	216	0.4	(440)	(0.8)
Tax expense and effective tax rate for the year	**15,468**	**27.6**	**15,757**	**28.7**

In addition to the amount charged to the income statement, a deferred tax asset relating to share options of £882,000 (2005 – £901,000) has been credited directly to equity (Note 26). A further deferred tax asset of £183,000 relating to holiday pay was credited directly to equity upon the transition of the Group to IFRS on 1 May 2004.

(12) Dividends

	2006 £000	2005 £000
Amounts recognised as distributions to equity holders of the parent Company		
Final dividend for the year ended 30 April 2005 of 12p per share	7,676	–
Interim dividend for the year ended 30 April 2006 of 9p per share	5,761	–
Final dividend for the year ended 30 April 2004 of 10.6p per share	–	6,780
Interim dividend for the year ended 30 April 2005 of 8p per share	–	5,136
	13,437	**11,916**

The proposed final dividend of 14p per share is subject to approval by the shareholders at the Annual General Meeting and has not been included as a liability as at 30 April 2006.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(13) Earnings per share

(a) Basic and diluted earnings per share	2006	2005
The calculation of basic and diluted earnings per share is based on the following data:		
Earnings	**£000**	£000
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to equity holders of the parent	**40,594**	**39,231**

Number of shares	Number	Number
Weighted average number of Ordinary shares for the purposes of basic earnings per share	66,481,499	64,598,909
Effect of dilutive potential Ordinary shares: – share options	464,060	465,690
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	66,945,559	65,064,599
Basic earnings per share	**61.1p**	**60.7p**
Diluted earnings per share	**60.6p**	**60.3p**

(b) Earnings per share before amortisation and exceptional restructuring costs	£000	£000
Earnings for the purposes of basic earnings per share (above)	40,594	39,231
Amortisation	1,227	855
Exceptional restructuring costs (net of UK corporation tax at 30%)	1,825	–
Earnings for the purpose of basic earnings per share before amortisation and exceptional restructuring costs	**43,646**	**40,086**
Basic earnings per share before amortisation and exceptional restructuring costs	**65.7p**	**62.1p**
Diluted earnings per share before amortisation and exceptional restructuring costs	**65.2p**	**61.6p**

(14) Goodwill

Group	2006 £000	2005 £000
Cost:		
As at 1 May	12,448	6,274
Exchange differences	490	–
Recognised on acquisitions of subsidiary undertakings (Note 35)	31,644	6,174
As at 30 April	**44,582**	**12,448**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(14) Goodwill (continued)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from the business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

Group	2006 £000	2005 £000
Northgate (AVR) Limited	28,055	–
Furgonetas de Alquiler SA ("Fualsa")	9,670	9,180
Fleet Technique Limited	3,589	–
Other UK vehicle hire companies	3,268	3,268
	44,582	12,448

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from the value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth rates forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the Directors and extrapolates cash flows for the periods indicated below.

The relevant growth rates and discount rates applied to each CGU are set out below:

	Growth Rate	Discount Rate	Cash Flow Period
Northgate (AVR) Limited	Nil	8%	10 years
Fualsa	4%	8%	10 years
Fleet Technique Limited	25%	8%	5 years
Other UK vehicle hire companies	Nil	8%	5 years

The periods over which cash flows for Northgate (AVR) Limited and Fualsa have been extrapolated exceed five years on the basis that economic benefit is expected to flow to the Group over a longer period in these instances.

The growth rates used do not exceed the average long-term growth rate for relevant markets, with the exception of Fleet Technique Limited which has been increased due to the immature market in which this company operates.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(15) Other intangible assets

Group	Brand names £000	Customer relationships £000	Non compete agreements £000	Software technology £000	Other software £000	Total £000
Fair value						
At 1 May 2004	–	–	–	–	1,913	1,913
Additions	–	–	–	–	19	19
Acquisitions of subsidiary undertakings	3,953	1,273	137	–	109	5,472
Disposals	–	–	–	–	(84)	(84)
At 1 May 2005	3,953	1,273	137	–	1,957	7,320
Additions	–	–	–	–	925	925
Acquisitions of subsidiary undertakings	535	12,614	148	168	177	13,642
Exchange differences	–	–	–	–	8	8
At 30 April 2006	4,488	13,887	285	168	3,067	21,895
Amortisation:						
At 1 May 2004	–	–	–	–	1,681	1,681
Charge for the year	408	159	26	–	262	855
Eliminated on disposals	–	–	–	–	(82)	(82)
At 1 May 2005	408	159	26	–	1,861	2,454
Charge for the year	456	515	39	11	206	1,227
Exchange differences	–	–	–	–	6	6
At 30 April 2006	864	674	65	11	2,073	3,687
Carrying amount:						
At 30 April 2006	**3,624**	**13,213**	**220**	**157**	**994**	**18,208**
At 30 April 2005	3,545	1,114	111	–	96	4,866

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(16) Property, plant and equipment: vehicles for hire

Group	£000
Cost or valuation:	
At 1 May 2004	488,793
Additions	295,851
Acquisitions of subsidiary undertakings	95,342
Transfer to motor vehicles	(134)
Exchange differences	(757)
Disposals	(201,603)
At 1 May 2005	677,492
Additions	301,546
Acquisitions of subsidiary undertakings (Note 35)	92,423
Transfer to motor vehicles	(171)
Exchange differences	3,917
Disposals	(267,865)
At 30 April 2006	807,342
Depreciation:	
At 1 May 2004	109,447
Charge for the year	117,799
Exchange differences	(252)
Transfer to motor vehicles	(35)
Eliminated on disposals	(81,310)
At 1 May 2005	145,649
Charge for the year	133,367
Exchange differences	630
Transfer to motor vehicles	(32)
Eliminated on disposals	(116,096)
At 30 April 2006	163,518
Carrying amount:	
At 30 April 2006	**643,824**
At 30 April 2005	531,843

The carrying amount of the Group's vehicles for hire includes an amount of £12,103,000 (2005 – £26,085,000) in respect of assets leased under finance lease agreements.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(17) Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost or valuation:				
At 1 May 2004	23,096	8,032	1,405	32,533
Additions	5,817	1,203	593	7,613
Acquisitions of subsidiary undertakings	9,833	689	–	10,522
Transfer from vehicles for hire	–	–	134	134
Exchange differences	(42)	(8)	–	(50)
Disposals	(179)	(1,476)	(851)	(2,506)
At 1 May 2005	38,525	8,440	1,281	48,246
Additions	9,737	1,765	705	12,207
Acquisitions of subsidiary undertakings (Note 35)	5,246	216	169	5,631
Transfer from vehicles for hire	–	–	171	171
Exchange differences	322	30	–	352
Disposals	(2,567)	(844)	(985)	(4,396)
At 30 April 2006	51,263	9,607	1,341	62,211
Depreciation:				
At 1 May 2004	3,495	5,528	400	9,423
Charge for the year	1,061	1,494	477	3,032
Exchange differences	(2)	(2)	–	(4)
Transfer from vehicles for hire	–	–	35	35
Eliminated on disposals	(175)	(1,375)	(541)	(2,091)
At 1 May 2005	4,379	5,645	371	10,395
Charge for the year	1,238	1,283	321	2,842
Exchange differences	5	(1)	–	4
Transfer from vehicles for hire	–	–	32	32
Eliminated on disposals	(133)	(742)	(423)	(1,298)
At 30 April 2006	5,489	6,185	301	11,975
Carrying amount:				
At 30 April 2006	**45,774**	**3,422**	**1,040**	**50,236**
At 30 April 2005	34,146	2,795	910	37,851
Cost or valuation at 30 April 2006 is represented by				
Valuation performed in 1992	525	–	–	525
Valuation performed in 2004	3,403	–	–	3,403
Additions at cost	47,335	9,607	1,341	58,283
	51,263	9,607	1,341	62,211

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(17) Other property, plant and equipment (continued)

Group Land and buildings category:	2006 £000	2005 £000
Freehold	38,985	26,031
Short leasehold	6,789	8,115
	45,774	**34,146**

At 30 April 2006, the Group had entered into contractual commitments for the acquisitions of plant, property and equipment amounting to £530,000 (2005 – £119,000).

Certain of the above freehold properties were valued as at 30 April 2002 by Jones Lang Wootton, Chartered Surveyors, and certain other freehold properties as at 3 May 2004 by American Appraisal, Professional Valuers, on the basis of open market value for existing use.

At 30 April 2006, under the historical cost convention, land and buildings would have been stated at £51,544,000 (2005 – £38,803,000) and related accumulated depreciation of £5,584,000 (2005 – £4,472,000).

During the prior year the Group increased its holding in Fualsa from 40% to 100%. A fair value adjustment was made in the prior year to revalue fixed assets which resulted in 40% of the revaluation, relating to the Group's existing interest in Fualsa prior to 3 May 2004, being debited to fixed assets. The Group revaluation reserve in the consolidated balance sheet was credited with the corresponding amount of £1,031,000.

Company	£000
Cost	
At 1 May 2004 and 1 May 2005	3,221
Additions	18
At 30 April 2006	3,239
Depreciation	
At 1 May 2004	104
Charge for the year	61
At 1 May 2005	165
Charge for the year	62
At 30 April 2006	227
Carrying amount:	
At 30 April 2006	**3,012**
At 30 April 2005	3,056

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(18) Investments

Company	Shares in subsidiary undertakings £000	Investment in associate £000	Loans to group undertakings £000	Total £000
Cost:				
At 1 May 2005	58,669	–	47,000	105,669
Acquisitions of subsidiary undertakings	114,749	–	–	114,749
Purchase of interest in associate	–	37,972	–	37,972
Foreign exchange differences on investments denominated in foreign currency	853	413	–	1,266
At 30 April 2006	174,271	38,385	47,000	259,656
Accumulated provisions:				
At 1 May 2005 and 30 April 2006	2,435	–	–	2,435
Carrying amount:				
At 30 April 2006	**171,836**	**38,385**	**47,000**	**257,221**
At 30 April 2005	56,234	–	47,000	103,234

On 5 August 2005, the Company purchased 49% of the issued share capital of Record Rent a Car S.A. ("Record"), a company registered in Spain, for a cash consideration of £37,972,000 (Note 19). The principal activity of Record is vehicle hire.

On 3 February 2006, the Company acquired 100% of the issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) for a cash consideration of £50,316,000 (Note 35).

On 3 February 2006, the Company acquired 100% of the issued share capital of Northgate (St Helier) Limited. The consideration of £64,432,500 was settled through the issue of 6,050,000 Ordinary shares, with nominal value £302,500 (Note 27).

At 30 April 2006, the principal subsidiary undertakings of the Company were as follows:

Northgate Vehicle Hire Limited	Vehicle hire	England and Wales
Furgonetas de Alquiler SA ("Fualsa")	Vehicle hire	Spain
Fleet Technique Limited	Vehicle management	England and Wales

A full list of the Company's subsidiary undertakings was included with the Annual Return filed with the Registrar of Companies.

The investments in Fualsa and Record are denominated in Euro in the Company balance sheet. The foreign exchange movements recognised in investments arise when the investment amounts are retranslated at the foreign exchange rate prevailing on the balance sheet date.

(19) Interest in associate

On 5 August 2005, the Group purchased 49% of the issued share capital of Record, a company registered in Spain, for a cash consideration, payable to the vendors of €54,800,000. In accordance with IAS 28, this investment, including associated costs, has been accounted as an associate under the equity method of accounting.

Relevant book values relating to 100% of Record are as follows:

	£000
Total assets	220,104
Total liabilities	160,592
Results for the period 5 August 2005 to 30 April 2006	
Revenues	55,816
Profit before taxation	10,131
Taxation	(2,902)
Profit after taxation	7,229
49% share of profit after taxation of associate	3,542
Purchase of investment in associate (Note 18)	38,385
Interest in associate at 30 April 2006	**41,927**

(20) Inventories

Inventories comprise spare parts and consumables.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(21) Other financial assets

	Group		Company	
Trade and other receivables	**2006 £000**	2005 £000	**2006 £000**	2005 £000
Trade amounts receivable	94,855	76,291	–	–
Amounts due from subsidiary undertakings	–	–	503,161	371,300
Other taxes	3,199	1,447	1,171	1,163
Corporation tax	691	492	–	–
Deferred tax asset (Note 26)	–	–	1,829	1,598
Financial instrument asset (Note 25)	2,747	–	2,747	–
Other debtors	2,916	2,389	–	1,144
Prepayments	12,531	12,222	451	661
	116,939	**92,841**	**509,359**	**375,866**

		2006	2005
The average credit periods taken on goods are	UK	49 days	49 days
	Spain	138 days	135 days

		2006 £000	2005 £000
Allowances for estimated irrecoverable amounts	UK	2,786	2,101
	Spain	1,469	1,129
Total		**4,255**	**3,230**

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

Bank balances and cash

These comprise cash held by the Group and short-term deposits with an original maturity of three months or less.
The Directors consider that the carrying amounts of these assets approximates to their fair value.

Credit risk

Consideration of the Group's credit risk is documented in Note 24.

(22) Non-current assets classified as held for sale

These comprise vehicles held for resale.

(23) Other financial liabilities

	Group		Company	
Trade and other payables	**2006 £000**	2005 £000	**2006 £000**	2005 £000
Trade payables	27,941	20,008	58	48
Amounts due to subsidiary undertakings	–	–	5,696	5,693
Financial instrument liability (Note 25)	411	–	–	–
Social security and other taxes	5,779	2,138	102	88
Accruals and deferred income	23,453	22,623	2,228	2,419
	57,584	**44,769**	**8,084**	**8,248**

Trade payables comprise amounts outstanding for trade purchases.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(23) Other financial liabilities (continued)

		2006	2005
The average credit periods taken for trade purchases are	UK	44 days	43 days
	Spain	84 days	68 days

The Directors consider that the carrying amount of the trade and other payables approximates to their fair value.

(24) Borrowings

The creditors falling due after more than one year comprise bank loans, finance lease obligations and other borrowings.

The Directors consider that the carrying amounts of the Group's borrowings approximate to their fair value.

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
Total borrowings				
Bank overdrafts	3,789	7,318	12,926	18
Bank loans	518,393	382,221	518,203	378,091
Vehicle related finance lease obligations	12,326	48,642	–	–
Deferred consideration	10,290	9,548	10,290	9,548
Property loans	2,019	3,742	–	–
Cumulative Preference shares	500	500	500	500
Other	1,192	258	–	–
	548,509	**452,229**	**541,919**	**388,157**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(24) Borrowings (continued)

The borrowings are repayable as follows:

	Group		Company	
	2006 £000	2005 £000	2006 £000	2005 £000
On demand or within one year (shown under current liabilities)				
Bank overdrafts	3,789	7,318	12,926	18
Bank loans	2,956	3,946	2,766	–
Vehicle related finance lease obligations	11,527	36,491	–	–
Deferred consideration	10,290	–	10,290	–
Property loans	270	458	–	–
Other	1,192	197	–	–
	30,024	**48,410**	**25,982**	**18**
In the second year				
Bank loans	–	185	–	–
Vehicle related finance lease obligations	610	11,470	–	–
Deferred consideration	–	9,548	–	9,548
Property loans	216	921	–	–
Other	–	61	–	–
	826	**22,185**	**–**	**9,548**
In the third to fifth years				
Bank loans	515,437	378,090	515,437	378,091
Vehicle related finance lease obligations	189	681	–	–
Property loans	697	–	–	–
	516,323	**378,771**	**515,437**	**378,091**
Due after more than five years				
Cumulative Preference shares	500	500	500	500
Property loans	836	2,363	–	–
	1,336	**2,863**	**500**	**500**
Total borrowings	**548,509**	**452,229**	**541,919**	**388,157**
Less: Amount due for settlement within one year (shown under current liabilities)	**30,024**	**48,410**	**25,982**	**18**
Amount due for settlement after one year	**518,485**	**403,819**	**515,937**	**388,139**

Bank overdrafts

Bank overdrafts are repayable on demand and are unsecured.

They are denominated in UK Sterling and bear interest at 1% above the Bank of England base rate, thereby exposing the Group to cash flow interest rate risk.

Bank loans

On 10 January 2006, the Company committed term loan facilities with seven major UK and European banks. The total facilities of £745,000,000 (2005 – £565,000,000) have commitment dates one, three and four years from the agreement dates.

Bank loans are unsecured and bear interest at rates of 0.475% to 0.525% above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt. This exposes the Group to cash flow interest rate risk.

Cumulative Preference shares

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.

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2005 - 1,300,000), of which 1,000,000 (2005 - 1,000,000) were allotted and fully paid at the balance sheet date.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(24) Borrowings (continued)

Vehicle related finance lease obligations

The Group previously had a policy of leasing certain of its vehicles for hire under finance leases. The average lease term is three years. For the year ended 30 April 2006, the average borrowing rate for vehicle related finance leases was 4.4% (2005 – 4.1%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Finance lease obligations are secured by fixed charges over the vehicles to which they relate.

	Minimum lease payments		Present value of minimum lease payments	
Group	2006 £000	2005 £000	2006 £000	2005 £000
Amounts payable under finance leases:				
Within one year	11,703	37,544	11,527	36,491
In the second year to fifth years inclusive	853	12,212	799	12,151
	12,556	49,756	12,326	48,642
Less future finance charges	(230)	(1,114)	–	–
Present value of lease obligations	12,326	48,642	12,326	48,642
Less: amount due for settlement within one year (shown under current liabilities)			(11,527)	(36,491)
Amount due for settlement after one year			799	12,151

Vehicle related finance lease obligations are denominated in Sterling and Euro.

Deferred consideration

The deferred consideration is due in respect of 20% of the issued share capital of Fualsa, the purchase of which occurred in May 2004. At the point of the purchase, the amount due was discounted by the Group's cost of capital and resulted in an income statement charge of £489,000 for the year ended 30 April 2005, which was classified as a financing cost. After allowing for exchange differences, an additional amount of £535,000 was charged to the income statement for the year ended 30 April 2006 and the balance of £10,290,000 represents the actual amount payable. This amount is unsecured.

Property loans

All property loans relate to land and buildings held in Spain. The loans are secured on the properties to which they relate.

The average loan term is eight years. For the year ended 30 April 2006, the average borrowing rate for property loans was 3.3% (2005 – 3.3%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
Group	2006 £000	2005 £000	2006 £000	2005 £000
Amounts payable under property loans:				
Within one year	274	465	270	458
In the second year to fifth years inclusive	992	996	913	921
After more than five years	973	2,474	836	2,363
	2,239	3,935	2,019	3,742
Less future finance charges	(220)	(193)	–	–
Present value of lease obligations	2,019	3,742	2,019	3,742
Less: amount due for settlement within one year (shown under current liabilities)			(270)	(458)
Amount due for settlement after one year			1,749	3,284

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(24) Borrowings (continued)

Other borrowings

Other borrowings of £1,192,000 represent Spanish debt discounting arrangements which are unsecured and are all due within one year.

Total borrowing facilities

The Group has various borrowings facilities available to it. The undrawn committed facilities at the balance sheet date, in respect of which all conditions precedent had been met at that date, are as follows:

	2006 £000	2005 £000
In one year or less	194,215	144,338
In one year to five years	129,608	87,421
	323,823	231,759

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.

Analysis of consolidated net debt

	1 May 2005 £000	Cash flow £000	Acquisitions (Note 35) £000	Other non-cash changes £000	Foreign exchange movements £000	30 April 2006 £000
Cash at bank and in hand	39,601	(22,131)	4,567	–	164	22,201
Short term investments	1,774	73	–	–	–	1,847
Bank overdraft due within one year	(7,318)	81,244	(77,715)	–	–	(3,789)
	34,057	59,186	(73,148)	–	164	20,259
Bank loans	(382,221)	(131,865)	–	–	(4,307)	(518,393)
Vehicle related finance lease obligations	(48,642)	36,994	–	–	(678)	(12,326)
Deferred consideration	(9,548)	–	–	(535)	(207)	(10,290)
Preference shares	(500)	–	–	–	–	(500)
Property loans and other borrowings	(4,000)	877	–	–	(88)	(3,211)
	(410,854)	**(34,808)**	**(73,148)**	**(535)**	**(5,116)**	**(524,461)**

The Group calculates gearing to be net borrowings as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net borrowings comprise borrowings less cash at bank and short term investments. At 30 April 2006, the gearing of the Group amounted to 203.7% (2005 – 197.8%) where net borrowings are £524,461,000 (2005 – £410,854,000) and shareholders' funds less goodwill and the net book value of intangible assets are £257,499,000 (2005 – £207,717,000).

Financial instruments

Financial assets

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Group's credit risk is primarily attributable to its trade. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers in the UK.

The credit risk associated with trade receivables in Fualsa is more concentrated in larger customers and, consequently, the Group has put a credit insurance policy in place to mitigate this risk.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(24) Borrowings (continued)

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 of Directors.

The Group uses derivative instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using the more complex financial instruments. Further details regarding derivative financial instruments are shown in Note 25.

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.

Financing and interest rate risk

The Group's policy is to finance operating subsidiary undertakings by a combination of retained earnings and bank borrowings including medium term loans.

Cash at bank and on deposit yield interest based principally on LIBOR 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 2006, 58% of gross borrowings were at fixed or capped rates of interest: £205,000,000 plus €162,000,000 of interest rate derivatives as detailed in Note 25.

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euro as net investment hedges against its Euro denominated investments, as detailed in Note 25.

An analysis of the Group's borrowings by currency is given below:

Group	Sterling £000	Euro £000	Total £000
At 30 April 2006			
Borrowings			
Bank overdrafts	3,789	–	3,789
Bank loans	292,082	226,311	518,393
Vehicle related finance lease obligations	1,255	11,071	12,326
Cumulative Preference shares	500	–	500
Deferred consideration	–	10,290	10,290
Property loans	–	2,019	2,019
Other	–	1,192	1,192
	297,626	**250,883**	**548,509**

At 30 April 2005	Sterling £000	Euro £000	Total £000
Borrowings			
Bank overdrafts	7,318	–	7,318
Bank loans	258,500	123,721	382,221
Vehicle related finance lease obligations	3,454	45,188	48,642
Cumulative Preference shares	500	–	500
Deferred consideration	–	9,548	9,548
Property loans	–	3,742	3,742
Other	–	258	258
	269,772	**182,457**	**452,229**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(25) Derivative financial instruments

Interest rate derivatives

The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate swaps, caps and collars. 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. In addition to those derivatives currently running, the Group has further structures with forward starting dates. The nominal value, interest rate and length of each contract is shown below:

UK Sterling contracts effective as at 30 April 2006

Cap amount (£m)	Cap %	Finish date
5	7.50	June 2006
5		

Collar amount (£m)	Cap %	Floor %	Finish date
10	7.00	5.00	April 2007
10	7.00	5.00	April 2007
10	7.00	5.00	April 2008
10	7.00	5.00	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
10	7.00	5.00	April 2010
115			

Swap amount (£m)	Swap %	Finish date
10	6.45	March 2007
10	5.99	March 2007
10	7.36	July 2007
10	7.35	July 2007
25	4.05	May 2008
10	3.93	May 2008
10	3.82	June 2008
85		

Total value of current contracts (£m)
205

UK Sterling contract to commence after 30 April 2006

Collar amount (£m)	Cap %	Floor %	Start date	Finish date
10	6.50	4.50	April 2007	April 2012
10				

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(25) Derivative financial instruments (continued)

Euro contracts effective as at 30 April 2006

Cap amount (€m)	Cap %	Finish date
12	3.75	October 2006
12		

Swap amount (€m)	Swap %	Finish date
50	2.30	June 2008
50	2.28	June 2009*
50	2.23	June 2009*
150		

Total value of current contracts (€m)
162

*The counterparty to these contracts has a right to cancel this arrangement, with no cost to the Company or the counterparty, on the third anniversary of the inception date of the contract. Both contracts were incepted in June 2005.

Fair values of interest rate derivatives

Market values have been used to determine fair values of interest rate derivatives at each balance sheet date.

The estimated fair values are as follows:

Group	2006 £000	2005 £000
Interest rate swaps	2,576	(577)
Interest rate collars	(240)	(346)
Interest rate caps	–	–
	2,336	**(923)**

All of the interest rate swaps are designated and effective as cash flow hedges and their fair value, along with changes in fair value between balance sheet dates, has been deferred in equity. To the extent that the interest rate swaps are not 100% effective, an amount of £197,000 has been credited to the income statement.

Interest rate caps and collars are not hedge accounted for and, accordingly, an amount of £106,000 has been credited in the income statement.

The total change in fair values of interest rate derivatives recognised in the income statement of £303,000 is shown within investment income (Note 9). No such adjustments were made in the year ended 30 April 2005 as the Group did not adopt IAS 39 until 1 May 2005, in accordance with the transitional provisions of IFRS 1.

At 30 April 2006, the net negative fair value of the Group's interest rate derivatives is recognised in the balance sheet and comprises an asset of £2,747,000 (Note 21) and a liability of £411,000 (Note 23).

Net investment hedges

The Group manages its exposure to movements in the reported results of Fualsa by maintaining UK based borrowings denominated in Euro in the parent Company equivalent to the net assets plus goodwill of Fualsa. The level of these Euro borrowings is revised every month to reflect the closing net assets and goodwill of Fualsa at the previous month end.

The hedging objective is to reduce the risk of spot re-translation foreign exchange gains or losses arising in the consolidated results of the Group upon the translation of Fualsa from Euro to Sterling at each reporting date in the hedging period, which is each period between each roll-over of the Euro denominated borrowings which comprise the net investment hedge.

The hedge is considered fully effective in the current and prior year and the exchange differences arising on the loans have been recognised directly within equity along with the exchange differences on retranslation of the net assets of Fualsa.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(26) Deferred tax

The following are the major deferred tax liabilities and assets recognised by the Group and movements thereon during the current and prior years:

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payment £000	Intangible assets £000	Retirement benefit obligations £000	Other timing differences £000	Total £000
At 1 May 2004	8,562	300	(589)	–	–	(1,924)	6,349
Charge (credit) to income	392	(13)	31	(202)	–	(241)	(33)
Credit to equity	–	–	(901)	–	–	(183)	(1,084)
Acquisitions of subsidiary undertakings	2,430	666	–	1,839	–	(43)	4,892
At 1 May 2005	11,384	953	(1,459)	1,637	–	(2,391)	10,124
Charge (credit) to income	(1,929)	(9)	(6)	(331)	253	2,755	733
Credit to equity	–	–	(882)	–	–	–	(882)
Acquisitions of subsidiary undertakings	11,153	2,548	–	4,039	(686)	(94)	16,960
Exchange differences	64	–	–	–	–	–	64
Transfer relating to acquired subsidiary undertaking	–	–	–	–	–	(11,153)	(11,153)
At 30 April 2006	**20,672**	**3,492**	**(2,347)**	**5,345**	**(433)**	**(10,883)**	**15,846**

The following are the major deferred tax liabilities and assets recognised by the Company and movements thereon during the current and prior years:

Company	Accelerated capital allowances £000	Share based payment £000	Other timing differences £000	Total £000
At 1 May 2004	110	(590)	(256)	(736)
Charge (credit) to income	57	31	(639)	(551)
Credit to equity	–	(311)	–	(311)
At 1 May 2005	167	(870)	(895)	(1,598)
Charge (credit) to income	25	(7)	633	651
Credit to equity	–	(882)	–	(882)
At 30 April 2006	**192**	**(1,759)**	**(262)**	**(1,829)**

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiary undertakings for which deferred tax liabilities have not been recognised was £1,201,000 (2005 – £569,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences in connection with interests in associates are insignificant.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(27) Share capital

Group and Company	2006 £000	2005 £000
Authorised:		
80,000,000 Ordinary shares of 5p each	4,000	4,000
Allotted and fully paid:		
70,750,761 (2005 – 64,183,217) Ordinary shares of 5p each	3,538	3,209

The Company has one class of Ordinary share which carries no right to fixed income.

During the year the Company completed a placing of 6,050,000 new Ordinary shares in exchange for ordinary and preference shares in Northgate (St Helier) Limited. The price of the issued Ordinary shares of the Company was 1,065p each, raising £63,045,000 (net of expenses). In accordance with Section 131 of the Companies Act 1985 the premium on the issue has been credited to the merger reserve (Note 31).

During the year the Company issued 517,544 Ordinary shares with a nominal value of £25,877 pursuant to the exercise of options under the Group's various share schemes, for cash consideration of £2,480,116. The premium on the issue of these shares has been credited to the share premium account (Note 28).

(28) Share premium account

Group and Company	2006 £000	2005 £000
At 1 May	62,544	61,829
Premium on Ordinary shares issued (Note 27)	2,454	715
At 30 April	**64,998**	**62,544**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(29) Revaluation reserve

	Group £000	Company £000
At 1 May 2004	23	–
Revaluation of land and buildings (Note 17)	1,031	–
Revaluation of foreign currency denominated investment in subsidiary undertaking upon inception of hedge	–	1,371
At 1 May 2005 and 30 April 2006	**1,054**	**1,371**

(30) Own shares

	Group £000	Company £000
At 1 May 2004	(1,330)	–
Purchase of own shares	(2,567)	–
Sale of own shares	1,426	–
At 1 May 2005	(2,471)	–
Purchase of own shares	(1,371)	–
Sale of own shares	511	–
At 30 April 2006	**(3,331)**	**–**

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 38).

(31) Merger reserve

	Group £000	Company £000
At 1 May 2004 and 1 May 2005	4,721	417
Premium on Ordinary shares issued (Note 27)	62,742	62,742
At 30 April 2006	**67,463**	**63,159**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(32) Hedging reserve

	Group £000	Company £000
At 1 May 2005	–	–
Movement in fair value of hedged interest rate derivatives	3,153	2,747
Transfer to income statement	(197)	(193)
At 30 April 2006	**2,956**	**2,554**

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate derivative financial instruments that are deferred in equity, as explained in Note 2 and Note 25, less amounts transferred to the income statement.

(33) Translation reserve

	Group £000	Company £000
At 1 May 2004	–	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(153)	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings	–	(1,389)
Net foreign exchange differences on long term borrowings held as hedges	1,635	1,389
At 1 May 2005	1,482	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	1,303	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings	–	646
Foreign exchange differences on retranslation of interest in associate	413	413
Net foreign exchange differences on long term borrowings held as hedges	(1,571)	(1,059)
At 30 April 2006	**1,627**	**–**

During the year, the Company maintained borrowings denominated in Euro in order to hedge its Euro denominated investments in Fualsa and Record. The investment balance in Fualsa was translated into Sterling at the exchange rate prevailing when this hedge was put into place and the exchange difference arising was reflected in the revaluation reserve of the Company. The Company retranslated the borrowings and the investments into Sterling using the exchange rate prevailing at the balance sheet date. The exchange differences on the retranslation of the investments have been recognised directly in reserves and the exchange difference on the retranslation of the borrowings has been recognised directly in reserves to the extent that it offsets the exchange differences arising on the retranslation of the investments. The remaining exchange difference on the retranslation of the borrowings has been recognised in the income statement of the Company.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(34) Retained earnings

	Group £000	Company £000
At 1 May 2004	126,005	63,140
Profit for the year	39,231	12,767
Dividends paid	(11,916)	(11,916)
Share options fair value amount credited directly to equity	88	88
Net deferred tax credit recognised directly in equity	1,084	311
At 1 May 2005	**154,492**	**64,390**
Transitional adjustment in respect of IAS 32 and IAS 39 (Note 42)	(923)	–
At 1 May 2005 after adoption of IAS 32 and IAS 39	153,569	64,390
Profit for the year	40,594	41,059
Dividends paid	(13,437)	(13,437)
Share options fair value amount credited directly to equity	20	20
Defined benefit pension credit recognised directly in equity	356	–
Net deferred tax credit recognised directly in equity	882	882
At 30 April 2006	**181,984**	**92,914**

(35) Acquisitions of subsidiary undertakings

Fleet Technique Limited

On 23 January 2006, the Group acquired the entire issued share capital of Fleet Technique Limited ("FTL") for a cash consideration of £6,583,000, including goodwill of £3,589,000. The transaction has been accounted for in accordance with the purchase method of accounting.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Intangible assets	177	2,785	2,962
Property, plant and equipment	204	–	204
Trade and other receivables	2,763	30	2,793
Cash and cash equivalents	1,266	–	1,266
Bank overdraft	(358)	–	(358)
Trade and other payables	(3,038)	–	(3,038)
Deferred tax liabilities	–	(835)	(835)
	1,014	**1,980**	**2,994**
Goodwill			3,589
Acquisition cost (including expenses)			6,583
Fair value of consideration:			
Cash			6,583
Net cash acquired with subsidiary undertaking			(908)
Cash outflow in the year on acquisition of FTL			5,675

The goodwill arising on the acquisition of FTL is attributable to the fair value of the workforce, in place at the date of acquisition, and other potential future economic benefit that it is anticipated will be derived from the business.

FTL contributed £3,338,000 of revenue and £110,000 profit before tax for the period between 23 January 2006 and the balance sheet date.

If the acquisition of FTL had been completed on the first day of the financial year then, excluding the impact of the acquisition of Northgate (AVR) Limited (see below), Group revenues for the year would have been £382,279,000 and Group profit before taxation would have been £56,382,000.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(35) Acquisitions of subsidiary undertakings (continued)

Northgate (AVR) Limited

On 3 February 2006, the Group acquired the entire issued share capital of Northgate (AVR) Limited (formerly Arriva Vehicle Rental Limited) ("AVR") for a cash consideration of £50,316,000, including goodwill of £28,055,000. The transaction has been accounted for in accordance with the purchase method of accounting.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Goodwill	16,909	(16,909)	–
Intangible assets	4,219	6,461	10,680
Property, plant and equipment: vehicles for hire	93,728	(1,305)	92,423
Other property, plant and equipment	5,764	(337)	5,427
Inventories	44	(17)	27
Non-current assets held for sale	2,320	–	2,320
Trade and other receivables	16,378	(8)	16,370
Cash and cash equivalents	3,301	–	3,301
Bank overdraft	(77,357)	–	(77,357)
Trade and other payables	(11,956)	(568)	(12,524)
Deferred tax liabilities	(11,145)	(4,980)	(16,125)
Defined benefit pension obligation	(1,537)	(744)	(2,281)
	40,668	**(18,407)**	**22,261**
Goodwill			28,055
Acquisition cost (including expenses)			**50,316**
Fair value of consideration:			
Cash			50,316
Net bank overdraft acquired with subsidiary undertaking			74,056
Cash outflow in the year on acquisition of AVR			**124,372**

The goodwill arising on the acquisition of AVR is attributable to the fair value of the workforce, in place at the date of acquisition, and other potential future economic benefit that it is anticipated will be derived from the business.

Between the date of acquisition and the balance sheet date, the trade of AVR was transferred into existing subsidiary undertakings of the Group. The underlying trade of AVR contributed £14,180,000 of revenue and £851,000 of profit before taxation for the period between 3 February 2006 and the balance sheet date.

If the acquisition of AVR had been completed on the first day of the financial year then, excluding the impact of the acquisition of Fleet Technique Limited (see above), Group revenues for the year would have been £419,414,000 and Group profit before taxation would have been £59,029,000.

In both of the above acquisitions, the fair values represent the Directors' current estimates of the net assets acquired. In accordance with IFRS 3, the values attributed may be revised as further information becomes available.

(36) Profit of the parent Company

A profit of £41,059,000 (2005 – £12,767,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under Section 230 of the Companies Act 1985 and not presented an income statement for the Company alone.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(37) Operating lease arrangements

As lessee

Group	2006 £000	2005 £000
Minimum lease payments under operating leases recognised in the income statement for the year	5,981	5,080

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	2006 £000	2005 £000
Within one year	4,592	4,840
In the second to fifth years inclusive	9,141	11,415
After five years	7,926	8,934
	21,659	**25,189**

Operating lease payments represent rentals payable by the Group for certain of its operating sites as well as rentals for certain vehicles.

Leases are negotiated for an average term of nine years and rentals are fixed for an average number of four years.

As lessor

The revenue of the Group is generated from the hire of vehicles under operating lease arrangements. There is no minimum contracted rental period. The revenue of the Group under these arrangements is as shown in the consolidated income statement. There are no contingent rentals recognised in income.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(38) Share based payments

The Group's various share option incentive plans are explained on pages 18 to 21.

The Group recognised total expenses of £1,301,000 (2005 – £1,184,000) related to equity-settled share-based payment transactions in the year.

Further details regarding the plans are outlined below.

Northgate Share Option Scheme

	2006		2005	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	379,500	5.16	385,850	4.72
Granted during the year	141,600	9.31	83,500	6.63
Exercised during the year	(151,600)	4.42	(75,850)	4.53
Lapsed during the year	–	–	(14,000)	4.98
At 30 April	369,500	7.03	379,500	5.16
Exercisable at the end of the year	38,400	4.61	23,000	4.32

Share options were exercised at several points during the year. The weighted average share price of the Company's Ordinary shares during the year was £10.24. The options outstanding at 30 April 2006 had a weighted average exercise price of £7.03 and a weighted average remaining contractual life of 5.3 years. In the current year, options were granted in October 2005. The aggregate of the estimated fair values of the options granted on this date is £215,000. In the prior year, options were granted in August 2004. The aggregate of the estimated fair values of the options granted on this date is £102,000.

	2006	2005
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£9.31	£6.84
Weighted average exercise price	£9.31	£6.63
Expected volatility	19.5%	19.5%
Expected life	4.7 years	4.7 years
Risk free rate	4.3%	5.0%
Expected dividends	3.2%	3.2%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(38) Share based payments (continued)

Executive Incentive Scheme

No options have been granted since 24 January 2002 under this scheme.

	2006		2005	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	1,107,075	4.90	1,348,500	4.91
Exercised during the year	(365,944)	4.92	(182,176)	4.94
Lapsed during the year	(1,173)	3.675	(59,249)	4.93
At 30 April	739,958	4.90	1,107,075	4.90
Exercisable at the end of the year	337,083	4.91	392,692	4.93

Share options were exercised at several points during the year. The weighted average share price of the Company's Ordinary shares during the year was £10.24. The options outstanding at 30 April 2006 had a weighted average exercise price of £4.91 and a weighted average remaining contractual life of 3.6 years.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(38) Share based payments (continued)

Deferred Annual Bonus Plan

All options granted under this scheme are nil cost options.

	2006 Number of share options	2005 Number of share options
At 1 May	83,143	–
Granted during the year	77,960	84,346
Exercised during the year	(500)	(440)
Expired during the year	(250)	(763)
At 30 April	**160,353**	**83,143**

No options were exercisable at the end of either year.

The weighted average share price at the date of exercise of options was £9.82 (2005 – £7.10).

The options outstanding at 30 April 2006 had a weighted average remaining contractual life of 1.7 years. In the current year, options were granted in July 2005. The aggregate of the estimated fair values of the options granted on this date is £515,000. In the prior year, options were granted in July 2004. The aggregate of the estimated fair values of the options granted on this date is £641,000.

	2006	2005
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£9.05	£6.83
Weighted average exercise price	£nil	£nil
Expected volatility	19.5%	19.5%
Expected life	3 years	3 years
Risk free rate	4.2%	5.1%
Expected dividends	3.2%	3.2%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(38) Share based payments (continued)

All Employee Share Scheme

The vesting period for partnership shares is one year. The vesting period for matching shares is four years.

Matching share options are nil cost options and are forfeited if the employee either sells the partnership shares or leaves the Group before the matching share options vest.

Details of the share options outstanding during the year are as follows:

	2006 Number of share options	2005 Number of share options
At 1 May	200,171	199,352
Granted during the year	58,876	69,434
Forfeited during the year	(11,343)	(16,976)
Exercised during the year	(60,417)	(51,639)
At 30 April	**187,287**	**200,171**

No options were exercisable at the end of either year.

The weighted average share price at the date of exercise for share options exercised during the period was £10.27 (2005 – £7.79). The options outstanding at 30 April 2006 had a weighted average remaining contractual life of 1.6 years. In the current year, matching share options were granted in January 2006. The aggregate of the estimated fair values of the options granted on this date is £522,000. In the prior year, options were granted in January 2005. The aggregate of the estimated fair values of the options granted on this date is £467,000.

	2006	2005
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£10.35	£8.73
Weighted average exercise price	£nil	£nil
Expected volatility	19.5%	19.5%
Expected life	5 years	5 years
Risk free rate	4.2%	4.4%
Expected dividends	3.2%	3.2%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(39) Retirement benefit schemes

Defined contribution schemes

During the year the Group operated two defined contribution arrangements. The pension cost to the Group of these arrangements was £1,369,000 (2005 – £1,125,000).

Upon the acquisition of Northgate (AVR) Limited on 3 February 2006 (Note 35), the Group also acquired a further defined contribution scheme and a defined benefit scheme (see below).

The defined contribution scheme acquired with Northgate (AVR) Limited is established under Trust. Independent fund managers are employed by the Trustees to invest the contributions received from the employer and the employees.

The pension cost to the Group of this arrangement was £77,000 (2005 – £nil).

Defined benefit scheme

The Willhire Group Limited 1991 Retirement and Death Benefit Plan ("the Plan") was acquired by the Group as part of the acquisition of Northgate (AVR) Limited on 3 February 2006 (Note 35).

Certain employees of the Group participate in the Plan which is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

Contributions to the Plan are based upon actuarial advice following the most recent actuarial valuation of the fund. Actuarial valuations of the Plan were performed as at 3 February 2006 and 30 April 2006 by a Fellow of the Institute of Actuaries representing Watson Wyatt Actuaries.

The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

The principal actuarial assumptions used were:

	Valuation at 30 April 2006 %pa	Valuation at 3 February 2006 %pa
Discount rate	5.1	4.7
Inflation rate	3.0	2.9
Salary increases	4.5	4.4
Future pension increases	3.0	2.9

Amounts recognised in the income statement in respect of the Plan are as follows:

	From 3 February 2006 to 30 April 2006 £000
Service cost	48
Interest cost	62
Expected return on scheme assets	(53)
Curtailments	(443)
Total pension credit	**(386)**

All of the credit for the period has been included in administrative expenses. The £443,000 credit in respect of curtailments relates to the restructuring of Northgate (AVR) Limited subsequent to acquisition by the Group. Consequently, this credit is included within restructuring costs as referred to in Note 6.

Actuarial gains and losses have been reported directly in equity, within retained earnings.

The actual return on the Plan assets was £48,000. There are no reimbursement rights.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(39) Retirement benefit schemes (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of the Plan is as follows:

	30 April 2006 £000	3 February 2006 £000
Present value of defined benefit obligations	(4,595)	(5,236)
Fair value of Plan assets	3,151	2,955
Deficit in Plan	(1,444)	(2,281)

The deficit of £2,281,000 as at 3 February 2006 has been included as part of the fair value of net assets of Northgate (AVR) Limited acquired (Note 35).

The net movements in the deficit were as follows:

	2006 £000
At 3 February 2006	**2,281**
Pension credit recognised in the income statement	(386)
Actuarial gains	(356)
Contributions	(95)
At 30 April 2006	**1,444**

Movements in the present value of the defined benefit obligations were as follows:

	2006 £000
At 3 February 2006	5,236
Current service cost	35
Interest cost	62
Actuarial gains	(308)
Past service cost	13
Curtailments	(443)
At 30 April 2006	**4,595**

Movements in the fair value of the defined benefit assets were as follows:

	2006 £000
At 3 February 2006	2,955
Expected return on Plan assets	53
Contributions	95
Actuarial gains	48
At 30 April 2006	**3,151**

The derivation of the overall expected return on assets reflects the actual allocation at the measurement date combined with an expected return for each asset class. The bond return is based on the prevailing return available on bonds. The return on equities and property is based on a number of factors including the income yield at the measurement date, the long-term growth prospects for the economy in general, the long-term relationship between each asset class and bond returns and the movement in market indices since the previous measurement date.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(39) Retirement benefit schemes (continued)

The analysis of the Plan assets and the expected rate of return at the balance sheet date was as follows:

	30 April 2006 Expected return %	30 April 2006 Fair value of assets £000
Equity instruments	7.9	2,663
Debt instruments	4.5	305
Other	4.0	183
		3,151

The Plan assets do not comprise any of the Group's own financial instruments nor does the Group occupy any property or use any other assets held by the Plan.

The estimated amount of contributions expected to be paid to the Plan during the year ended 30 April 2007 is £265,000.

The history of experience adjustments is supplied only for the period since the acquisition of the Plan as part of the acquisition of Northgate (AVR) Limited by the Group on 3 February 2006.

	Period ended 30 April 2006 £000
Funded status:	
Present value of defined benefit obligation	4,595
Fair value of Plan assets	3,151
Deficit in the Plan	**1,444**
Experience adjustments on Plan obligations:	
Amount	48
Percentage of Plan obligations	1.5%
Experience adjustments on Plan assets:	
Amount	493
Percentage of Plan obligations	10.7%

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(40) Events after the balance sheet date

On 5 August 2005, the Group acquired a 49% share in Record Rent a Car SA ("Record'), a Company registered in Spain, for a cash consideration, payable to the vendors, of €54,800,000. In accordance with IAS 28, this investment, including associated costs, has been accounted for as an associate (Note 19).

On 11 May 2006, the Group acquired the remaining 51% of the issued share capital of Record for a consideration of €72,700,000 under the share purchase agreement.

The book values of the net assets acquired are detailed below.

	Book value £000
Net assets acquired:	
Intangible assets	57
Property, plant and equipment: vehicles for hire	158,526
Other property, plant and equipment	14,038
Non-current assets classified as held for sale	3,162
Trade and other receivables	44,022
Cash and cash equivalents	299
Trade and other payables	(7,618)
Borrowings	(146,244)
Deferred tax liabilities	(6,730)
	59,512

In accordance with IFRS 3, the Directors will assess the fair values of the net assets acquired as further information becomes available.

(41) Related party transactions

Trading transactions

Transactions between the Company and its subsidiary undertakings, which are related parties, have been eliminated on consolidation and are not disclosed here.

Remuneration of key management personnel

The remuneration of the Directors, who are the key management personnel of the Group, is set out in the audited part of the Remuneration Report on pages 16 to 21.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to International Financial Reporting Standards ("IFRS")

The year ended 30 April 2006 is the first year that the Group has presented its financial statements under IFRS. The following disclosures are required for the year of transition. The last financial statements under UK GAAP were for the year ended 30 April 2005 and the date of transition to IFRS was 1 May 2004.

Differences between UK GAAP and IFRS

All relevant accounting standards have been applied to the financial information and the following accounting standards are those that have the most significant impact on the Group.

IFRS 2 *(Share-based Payment):* An income statement charge is recognised in respect of the cost of share options granted under the Group's various share schemes. This cost is deemed to be the fair value of the options granted and is charged over the vesting period. An amount equivalent to the charge is credited directly to equity, resulting in no net impact on net assets. This accounting treatment is the same as UK GAAP except that the fair values used under IFRS 2 differ from those under UK GAAP.

IFRS 3 *(Business Combinations):* Separate intangible assets are recognised at fair value on the acquisition of businesses after the date of transition to IFRS, which previously formed part of goodwill under UK GAAP. These include non-contractual customer relationships, brand names and non-compete agreements, all of which are amortised over their respective estimated useful lives. The residual goodwill balance under IFRS is therefore lower in value than under UK GAAP but it is no longer amortised and is, instead, tested annually for impairment.

IFRS 5 *(Non-current Assets Held for Sale and Discontinued Operations):* Vehicles held for resale are reclassified from inventories into non-current assets held for sale under IFRS.

IAS 10 *(Events After the Balance Sheet Date):* Under IFRS, dividends are not appropriated within the accounts until they are either paid or formally approved.

IAS 12 *(Income Taxes):* Deferred taxation changes arise under IFRS as a result of differences between the accounting treatment and taxation treatment in respect of share options (IFRS 2), intangible assets (IFRS 3) and holiday pay accruals (IAS 19). Under IAS 12, deferred tax liabilities are also recognised on all capitalised buildings, regardless of whether a contractual commitment to sell exists.

IAS 16 *(Property, Plant and Equipment):* Under IAS 16, the Group is required to review its depreciation rates and estimated useful lives on an annual basis to ensure that the net book value of disposals of tangible fixed assets are broadly equivalent to their market value. Depreciation charges are adjusted for any differences that arise between net book values and open market values of used vehicles upon transfer into non-current assets held for sale, taking into account the further direct costs to sell the vehicles.

IAS 18 *(Revenue):* Under IFRS, income from the sale of used vehicles is not recognised within revenue and the net book value of vehicles sold is removed from cost of sales.

IAS 19 *(Employee Benefits):* An accrual is recognised for employee annual leave accrued, but not taken, at each balance sheet date. Where this applies to business combinations, the accrual required at the date of acquisition is deemed to reduce the fair value of the net assets acquired with a corresponding adjustment to goodwill.

IAS 21 *(The Effects of Changes in Foreign Exchange Rates):* Certain exchange differences, previously recognised directly within the profit and loss account reserve under UK GAAP, are reclassified into a separate translation reserve, directly within equity, under IFRS.

IAS 32 *(Financial Instruments: Disclosure and Presentation):* The Company's cumulative Preference shares are deemed to be debt rather than equity under IFRS. They are reclassified from share capital to borrowings in the balance sheet and preference dividends are reclassified from dividends to finance costs in the income statement.

IAS 38 *(Intangible Assets):* Certain software assets are reclassified from tangible to intangible assets under IFRS. Amounts previously charged to the profit and loss account as depreciation under UK GAAP relating to these fixed assets are reclassified as amortisation within the IFRS income statement.

Separate intangible assets are also recognised within business combinations (see IFRS 3 above). These assets are amortised to the income statement over their estimated useful lives.

IAS 39 *(Financial Instruments: Recognition and Measurement):* Interest rate derivatives, to which the Group is party, are recognised on the balance sheet at their fair value. Subsequent changes in the fair value are recognised either within the income statement, as a finance cost, or directly in equity to the extent that the Group elects to hedge account, within the provisions of IFRS. As explained under IFRS 1 options below, this standard was applied by the Group from 1 May 2005 only.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

IFRS 1 (First-time Adoption of IFRS) has been applied to the financial statements for the year ended 30 April 2006 and the relevant comparative financial information. The first-time adoption choices are as follows:

IFRS options	Basis of election
Share based payments	
There are two first-time adoption exemptions for accounting for share based payments:	
• Share based payments granted on or before 7 November 2002 and vested before 1 May 2005 may be restated but restatement is not mandatory;	• Share options granted on or before 7 November 2002 and vested before 1 May 2005 have not been restated in accordance with IFRS 2.
• Share based payments granted on or before 7 November 2002 and not vested before 1 May 2005 may be restated but restatement is not mandatory.	• IFRS 2 has been applied to all share options granted on or after 7 November 2002 which had not vested by 1 May 2005.
Business combinations and goodwill	
The standard is mandatory for all acquisitions after the Company's transition date, 1 May 2004.	The standard has been applied only to business combinations taking place after the Group's transition date of 1 May 2004.
However, the standard allows a first-time adopter to apply the standard to all business combinations that occurred before this date.	Goodwill relating to acquisitions prior to the transition date will be held at net book value on 1 May 2004, no longer amortised and subject to annual impairment review (IAS 36).
Financial instruments	
The standard is applicable from the Company's transition date, 1 May 2004.	The Group will not account retrospectively for financial instruments, including derivatives.
However, the standard grants a first year exemption from its application to the comparative period but also allows first-time adopters to retrospectively account for financial instruments in line with the standard.	The restated results for the year to 30 April 2005 do not reflect the impact of IAS 32 and IAS 39 and the related applicable financial instruments have been accounted for under UK GAAP, with the exception of the Preference shares.
Foreign exchange differences	
IFRS requires certain translation differences to be recognised as a separate component of equity, rather than within retained earnings, and to be considered as part of the profit or loss on disposal of foreign operations in future.	The Group will deem cumulative exchange differences to be zero as at 1 May 2004 and will not consider any cumulative exchange differences arising prior to 1 May 2004 if the relevant foreign operations are disposed of in the future.
However, the standard allows first-time adopters to deem the cumulative translation differences to be zero at the date of transition.	

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Group

Reconciliation of equity at 1 May 2004

	Notes	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Goodwill	(a)	1,981	–	1,981
Other intangible assets	(b)	–	232	232
Property, plant and equipment		402,688	(232)	402,456
Interest in joint venture		14,467	–	14,467
Total non-current assets		**419,136**	**–**	**419,136**
Inventories	(c)	15,285	(9,671)	5,614
Trade and other receivables		56,382	–	56,382
Cash and cash equivalents		46,160	–	46,160
Total current assets		**117,827**	**(9,671)**	**108,156**
Non-current assets classified as held for sale	(c)	–	9,671	9,671
Total assets		**536,963**	**–**	**536,963**
Trade and other payables	(e)	31,926	609	32,535
Tax liabilities		7,143	–	7,143
Short term borrowings		87,907	–	87,907
Proposed dividends		6,780	(6,780)	–
Total current liabilities		**133,756**	**(6,171)**	**127,585**
Long term borrowings	(f)	208,079	500	208,579
Deferred tax liabilities	(g)	6,821	(472)	6,349
Total non-current liabilities		**214,900**	**28**	**214,928**
Total liabilities		**348,656**	**(6,143)**	**342,513**
Net assets		**188,307**	**6,143**	**194,450**
Share capital	(f)	3,702	(500)	3,202
Share premium account		61,829	–	61,829
Revaluation reserve		23	–	23
Own shares		(1,330)	–	(1,330)
Merger reserve		4,721	–	4,721
Retained earnings		119,362	6,643	126,005
Total equity		**188,307**	**6,143**	**194,450**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Group

Reconciliation of equity at 30 April 2005

	Notes	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Goodwill	(a)	14,110	(1,662)	12,448
Other intangible assets	(b)	–	4,866	4,866
Property, plant and equipment		569,790	(96)	569,694
Total non-current assets		**583,900**	**3,108**	**587,008**
Inventories	(c)	18,160	(11,464)	6,696
Trade and other receivables		92,841	–	92,841
Cash and cash equivalents		41,375	–	41,375
Total current assets		**152,376**	**(11,464)**	**140,912**
Non-current assets classified as held for sale	(c)	–	11,464	11,464
Total assets		**736,276**	**3,108**	**739,384**
Trade and other payables	(e)	43,925	803	44,728
Tax liabilities		7,231	–	7,231
Short term borrowings		48,410	–	48,410
Proposed dividends		7,718	(7,677)	41
Total current liabilities		**107,284**	**(6,874)**	**100,410**
Long term borrowings	(f)	403,319	500	403,819
Deferred tax liabilities	(g)	9,424	700	10,124
Total non-current liabilities		**412,743**	**1,200**	**413,943**
Total liabilities		**520,027**	**(5,674)**	**514,353**
Net assets		**216,249**	**8,782**	**225,031**
Share capital	(f)	3,709	(500)	3,209
Share premium account		62,544	–	62,544
Revaluation reserve		1,054	–	1,054
Own shares		(2,471)	–	(2,471)
Merger reserve		4,721	–	4,721
Translation reserve	(h)	–	1,482	1,482
Retained earnings		146,692	7,800	154,492
Total equity		**216,249**	**8,782**	**225,031**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Group

Reconciliation of profit for the year ended 30 April 2005

	Notes	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Revenue	(i)	458,267	(118,885)	339,382
Cost of sales	(j)	(333,913)	118,816	(215,097)
Gross profit		**124,354**	**(69)**	**124,285**
Administrative expenses	(k)	(47,557)	364	(47,193)
Amortisation	(l)	(1,116)	261	(855)
Profit from operations		75,681	556	76,237
Investment income		1,814	–	1,814
Finance costs	(m)	(23,038)	(25)	(23,063)
Profit before taxation		**54,457**	**531**	**54,988**
Taxation	(n)	(15,963)	206	(15,757)
Profit after taxation		**38,494**	**737**	**39,231**
Preference dividends	(m)	(25)	25	–
Ordinary dividends	(o)	(12,812)	896	(11,916)
Profit for the year		**25,657**	**1,658**	**27,315**

Company

Reconciliation of equity at 1 May 2004

	Notes	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Property, plant and equipment		3,117	–	3,117
Investments		79,050	–	79,050
Total non-current assets		**82,167**	**–**	**82,167**
Trade and other receivables	(d)	122,881	(15,500)	107,381
Cash and cash equivalents		44,311	–	44,311
Total current assets		**167,192**	**(15,500)**	**151,692**
Total assets		**249,359**	**(15,500)**	**233,859**
Trade and other payables	(e)	5,417	90	5,507
Proposed dividends		6,780	(6,780)	–
Total current liabilities		**12,197**	**(6,690)**	**5,507**
Borrowings	(f)	100,000	500	100,500
Deferred tax liabilities	(g)	(119)	(617)	(736)
Total non-current liabilities		**99,881**	**(117)**	**99,764**
Total liabilities		**112,078**	**(6,807)**	**105,271**
Net assets		**137,281**	**(8,693)**	**128,588**
Share capital	(f)	3,702	(500)	3,202
Share premium account		61,829	–	61,829
Merger reserve		417	–	417
Retained earnings		71,333	(8,193)	63,140
Total equity		**137,281**	**(8,693)**	**128,588**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Company

Reconciliation of equity at 30 April 2005

	Notes	UK GAAP £000	Effect of transition to IFRS £000	IFRS £000
Property, plant and equipment		3,056	–	3,056
Investments		103,234	–	103,234
Total non-current assets		**106,290**	**–**	**106,290**
Trade and other receivables	(d)	391,968	(16,102)	375,866
Cash and cash equivalents		46,180	–	46,180
Total current assets		**438,148**	(16,102)	**422,046**
Total assets		**544,438**	**(16,102)**	**528,336**
Trade and other payables	(e)	8,110	97	8,207
Borrowings		18	–	18
Proposed dividends		7,718	(7,677)	41
Total current liabilities		**15,846**	**(7,580)**	**8,266**
Borrowings	(f)	387,639	500	388,139
Total non-current liabilities		**387,639**	**500**	**388,139**
Total liabilities		**403,485**	**(7,080)**	**396,405**
Net assets		**140,953**	**(9,022)**	**131,931**
Share capital	(f)	3,709	(500)	3,209
Share premium account		62,544	–	62,544
Revaluation reserve		1,371	–	1,371
Merger reserve		417	–	417
Retained earnings		72,912	(8,522)	64,390
Total Equity		**140,953**	**(9,022)**	**131,931**

Company

Reconciliation of profit for the year ended 30 April 2005

	£000
Profit for the year under UK GAAP	14,225
Adjustment for fair value of share options granted	103
De-recognition of intergroup dividend for the year ended 30 April 2005	(17,000)
Recognition of intergroup dividend for the year ended 30 April 2004	15,500
Holiday pay accrual	(7)
Preference dividends reclassified as finance costs	(25)
Taxation adjustments	(29)
Profit for the year under IFRS	**12,767**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Notes to the reconciliation of equity as at 1 May 2004 and 30 April 2005

	Group		Company	
	30 April 2005 £000	01 May 2004 £000	30 April 2005 £000	01 May 2004 £000
(a) Goodwill				
UK GAAP	14,110	1,981	–	–
Amounts reclassified into other intangible assets	(5,363)	–	–	–
Reversal of goodwill amortisation, not charged under IFRS 3	1,116	–	–	–
Deferred tax adjustments in respect of intangible assets	1,839	–	–	–
Deferred tax adjustments in respect of assets and liabilities acquired with Fualsa and Foley	623	–	–	–
Reduction in Fualsa net assets acquired due to recognition of holiday pay accrual	123	–	–	–
IFRS	**12,448**	**1,981**	–	–
(b) Other intangible assets				
UK GAAP	–	–	–	–
Reclassification of software assets at net book value	96	232	–	–
Brand names recognised*	3,953	–	–	–
Non-contractual customer relationships recognised*	1,273	–	–	–
Non-compete agreements recognised*	137	–	–	–
Amortisation of recognised intangible assets	(593)	–	–	–
IFRS	**4,866**	**232**	–	–
** Previously classified within goodwill under UK GAAP*				
(c) Inventories				
UK GAAP	18,160	15,285	–	–
Net book value of used vehicles held for resale reclassified from inventories to non-current assets held for sale in accordance with IFRS 5	(11,464)	(9,671)	–	–
IFRS	**6,696**	**5,614**	–	–
(d) Trade and other receivables				
UK GAAP	92,841	56,382	391,968	122,881
Deferred tax adjustments (Note (g))	–	–	898	–
De-recognition of intergroup dividends	–	–	(17,000)	(15,500)
IFRS	**92,841**	**56,382**	**375,866**	**107,381**
(e) Trade and other payables				
UK GAAP	43,925	31,926	8,110	5,417
Holiday entitlement accrued by employees but not taken as at the balance sheet date under IAS 19	802	609	96	90
Unpaid preference dividends reclassified under IAS 32	1	–	1	–
IFRS	**44,728**	**32,535**	**8,207**	**5,507**
(f) Borrowings				
UK GAAP	403,319	208,079	387,639	100,000
Book and fair value of Preference shares reclassified from equity to debt under IAS32	500	500	500	500
IFRS	**403,819**	**208,579**	**388,139**	**100,500**
(g) Deferred tax				
UK GAAP	9,424	6,821	(700)	(119)
Date of transition adjustments	(472)	–	(617)	–
Deferred tax provision on intangible assets	1,637	–	–	–
Deferred tax provision on buildings	652	300	–	–
Deferred tax asset on share options	(869)	(589)	(280)	(589)
Deferred tax asset on holiday pay accrual	(248)	(183)	(1)	(28)
IFRS	**10,124**	**6,349**	**(1,598)**	**(736)**
(h) Translation reserve				
UK GAAP	–	–	–	–
Cumulative exchange difference from 1 May 2004 to 30 April 2005 reclassified from retained earnings into separate component	1,482	–	–	–
IFRS	**1,482**	–	–	–

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Notes to the reconciliation of Group profit for the year ended 30 April 2005

	2005 £000
(i) Revenue	
UK GAAP	458,267
Removal of used vehicle sales proceeds from revenue in accordance with IAS18	(118,885)
IFRS	**339,382**
(j) Cost of sales	
UK GAAP	333,913
Removal of cost of used vehicles sold from cost of sales to correspond with revenue adjustment (Note (i))	(111,725)
Adjustment to depreciation on updated estimate of residual values of vehicles sold	(7,160)
Additional holiday pay accrual	69
IFRS	**215,097**
(k) Administrative expenses	
UK GAAP	47,557
Adjustment to fair value of share options granted	(103)
Additional holiday pay accrual	1
Reclassification of depreciation of software assets as amortisation	(262)
IFRS	**47,193**
(l) Amortisation	
UK GAAP	1,116
Reversal of goodwill amortisation	(1,116)
Amortisation of intangible assets	593
Reclassification of depreciation of software assets as amortisation	262
IFRS	**855**
(m) Finance costs and preference dividends	
UK GAAP	23,038
Preference dividends reclassified from dividends to finance costs to match reclassification of Preference shares from equity to debt	25
IFRS	**23,063**
(n) Taxation	
UK GAAP	15,963
Deferred tax credit on intangible assets	(202)
Deferred tax credit on buildings	(13)
Deferred tax charge on share options	31
Deferred tax credit on holiday pay	(22)
IFRS	**15,757**
(o) Ordinary dividends	
UK GAAP	12,812
Reversal of 2005 final dividend not formally approved at 30 April 2005	(7,676)
2004 final dividend formally approved in the year ended 30 April 2005	6,780
IFRS	**11,916**

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2006

(42) Transition to IFRS (continued)

Adoption of IAS 32 and IAS 39 on 1 May 2005

In accordance with the transitional provisions of IFRS 1, the date of transition of the Group in respect of IAS 32 and IAS 39 only is 1 May 2005. The reconciliation of equity as at 1 May 2005 in respect of IAS 32 and IAS 39 only is as follows:

Group	£000
Total equity at 30 April 2005	225,031
Fair value of financial instruments	(923)
Total equity at 1 May 2005 after the adoption of IAS 32 and IAS 39	224,108

There is no impact on the total equity of the Company.

Explanation of material adjustments to the cash flow statement for the year ended 2005

The significant differences between the Group cash flow statements under IFRS, as compared to UK GAAP, are as follows:

Movements in non-current assets held for sale and movements in trade debtors relating specifically to these non-current assets, between the previous and current balance sheet dates, are both classified within "proceeds of disposal of vehicles for hire" and form part of cash flows from investing activities under IFRS. Under UK GAAP, the non-current assets were classified within "stock" and their movement formed part of "(increase) decrease in stock" and the changes in debtors formed part of "(increase) decrease in debtors", both of which were classified within net cash flows from operating activities.

Preference dividends form part of finance costs under IFRS and payments of preference dividends are classified as "interest paid" within net cash from operating activities. Under UK GAAP, these amounts were separately classified within "returns on investments and servicing of finance".

All UK GAAP to IFRS adjustments that impact on profit from operations have no net impact on net cash flows from operating activities under IFRS.

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.

Income statement

	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000	UK GAAP 2002 £000
Revenue	**372,609**	**339,382**	**355,624**	**337,875**	**277,289**
Profit from operations	72,598	76,237	55,605	49,015	45,055
Share of joint venture profit from operations	–	–	4,342	2,620	–
	72,598	**76,237**	**59,947**	**51,635**	**45,055**
Net finance costs	(20,078)	(21,249)	(15,355)	(15,032)	(13,381)
Share of profit before taxation of associate	4,964	–	–	–	–
Share of taxation of associate	(1,422)	–	–	–	–
Profit before taxation	56,062	54,988	44,592	36,603	31,674
Taxation	(15,468)	(15,757)	(13,303)	(11,497)	(9,953)
Profit for the year	**40,594**	**39,231**	**31,289**	**25,106**	**21,721**
Basic earnings per Ordinary share	**61.1p**	**60.7p**	**50.7p**	**41.4p**	**35.8p**
Dividends	13,437	11,916	11,064	9,736	9,119
Dividends per Ordinary share	**23.0p**	**20.0p**	**17.6p**	**16.0p**	**15.0p**

Balance sheet

	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000	UK GAAP 2003 £000	UK GAAP 2002 £000
Assets employed					
Non-current assets	798,777	587,008	419,136	402,173	344,494
Net current assets (liabilities)	42,582	40,502	(15,929)	(86,615)	(60,676)
Non-current assets held for sale	14,705	11,464	–	–	–
Non-current liabilities	(535,775)	(413,943)	(214,900)	(162,597)	(147,201)
	320,289	**225,031**	**188,307**	**152,961**	**136,617**
Financed by					
Share capital	3,538	3,209	3,702	3,545	3,542
Share premium account	64,998	62,544	61,829	45,635	45,471
Reserves	251,753	159,278	122,776	103,781	87,604
	320,289	**225,031**	**188,307**	**152,961**	**136,617**
Net asset value per Ordinary share	**453p**	**351p**	**293p**	**250p**	**224p**

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and eighth Annual General Meeting of Northgate plc will be held at Norflex House, Allington Way, Darlington at 11.00 am on 27 September 2006 for the following purposes:

1. To receive and adopt the Report of the Directors and audited accounts of the Company for the year ended 30 April 2006.
2. To declare a final dividend of 14p per Ordinary share.
3. To approve the Remuneration Report for the financial year ended 30 April 2006 set out on pages 16 to 21 of the 2006 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 S J Smith as a Director.
7. To re-elect Mr P J Moorhouse as a Director.
8. To re-elect Mr G T Murray as a Director.

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

9. That the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the authority given in accordance with Section 80 of the Act by a resolution passed at the Annual General Meeting of the Company held on 8 September 2004 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 £175,000.

And shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2007 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.

10. 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 7,000,000 Ordinary shares;

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

(c) the Company does not pay more for each share than 5% over the average of the middle market price of the Ordinary shares according to the Daily Official List of the London Stock Exchange for the 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 2007 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.

By Order of the Board

D Henderson
Secretary
3 July 2006
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 25 September 2006 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
Norflex House
Allington Way
Darlington
DL1 4DY

Tel: 01325 467558

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0870 1623100

The Group's website address is www.northgateplc.com

NOTES