NORTHGATE plc
ANNUAL
REPORT &
ACCOUNTS
2008

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NORTHGATE PLC IS THE LEADING LIGHT COMMERCIAL VEHICLE RENTAL BUSINESS IN THE UK AND SPAIN, WITH A MODERN FLEET IN EXCESS OF 130,000 VEHICLES FROM MORE THAN 125 SITES IN THE UK, IRELAND AND SPAIN.

FINANCIAL HIGHLIGHTS

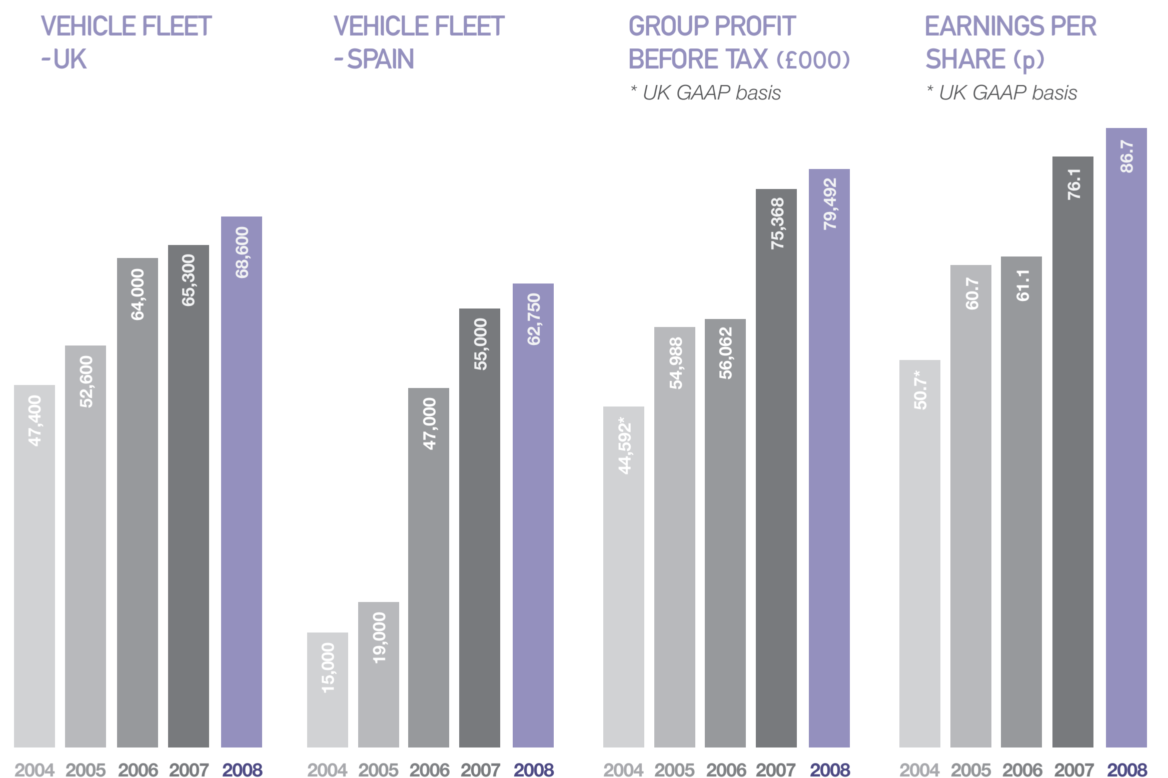
GROUP REVENUE FOR THE YEAR INCREASED BY 10% TO £578.5m (2007-£526.5m)

PROFIT BEFORE TAX UP BY 5% TO £79.5m (2007-£75.4m)

UNDERLYING PROFIT BEFORE TAX* INCREASED BY 5% TO £83.1m (2007-£79.3m)

ADJUSTED EARNINGS PER SHARE* INCREASED BY 13% TO 91.8p (2007-81.6p)

*Stated before intangible amortisation of £4.7m (2007 - £3.9m) and an exceptional property profit of £1.1m in Spain.



	2008	2007
Vehicle fleet – UK	68,600	65,300
– Spain	62,750	55,000
Group profit from operations	£118.2m	£107.1m
Profit before tax	£79.5m	£75.4m
Earnings per share	86.7p	76.1p
Dividend per share	28.0p	25.5p
Net assets per Ordinary share	564p	509p

CHAIRMAN'S STATEMENT

AGAINST A BACKDROP OF CHALLENGING ECONOMIC CONDITIONS, PARTICULARLY IN THE LATTER PART OF THE FINANCIAL YEAR, THE GROUP HAS DEMONSTRATED THE RESILIENCE OF ITS BUSINESS MODEL AND CONTINUED TO MAKE PROGRESS AGAINST THE TARGETS SET OUT IN OUR STRATEGY FOR GROWTH ANNOUNCED IN JANUARY 2006.

The Group achieved the following results for the year:

- Group revenue increased by 10% to £578.5m (2007 – £526.5m), 7% at constant exchange rates;
- Underlying profit before tax* for the year increased by 5% to £83.1m (2007 – £79.3m), 1% at constant exchange rates;
- Adjusted earnings per share* increased by 13% to 91.8p (2007 – 81.6p) reflecting the growth in profit before tax and a reduced tax rate.

Based on these results, the Board has recommended to shareholders a final dividend of 16.5p, making 28.0p in respect of the year (2007 – 25.5p) covered 3.3 times by profits*. The dividend will be payable on 18 September 2008 to those shareholders on the register on 15 August 2008.

UK

In the UK, we have benefited from a stable hire rate environment and a buoyant used vehicle market for much of the year. We have supplemented these positive external factors with our usual focus on maintaining a high level of utilisation and achieving the benefits from the restructuring of the business carried out in the last financial year. We also grew the business both organically and through the acquisition of Hampsons (Self Drive Hire) Limited ("Hampsons") on 1 November 2007 and the vehicle fleet of Abington Vehicle Rentals Limited ("Abington") on 30 November 2007.

The UK fleet has grown by 5% to close the year at 68,600 vehicles, including 1,600 arising from the acquisition of Hampsons and 270 from Abington. The improvement in vehicle utilisation to 91%, achieved in the prior year, has been maintained in the current year.

While the market remains competitive, we have successfully managed to retain hire business without discounting prices heavily and, as a consequence, hire rates have remained stable throughout the year. Due to the strong used vehicle market we have achieved residual prices £12.0m higher than expected (2007 – £8.5m). The overall outcome for the UK is an increase in operating profit* of 4% to £74.4m (2007 – £71.7m) and an overall operating margin* of 20.6% (2007 – 20.4%). The UK operating profit represented 61% of the Group's profit from operations.

SPAIN

In Spain, we have grown the fleet by 14%, including 700 vehicles acquired with the purchase of the trade and assets of Alquiservicios S.A. ("Alquiservicios") on 18 July 2007. A utilisation level of 89% is slightly below the prior year (2007 – 90%). Economies of scale in the larger Spanish business have partly compensated for the effect of the weaker vehicle residual market.

Revenue grew by 24% and operating margin* was 21.8% (2007 – 22.4%). Improved trading and the currency effect produced an increase of 21% in operating profit* to £47.4m (2007 – £39.3m), representing 39% of the Group's profit from operations*. The strength of the Euro relative to Sterling during the year accounted for £13.1m of the increase in revenue and £4.7m of the increase in operating profits.

As planned, the transition to a common IT platform for Fualsa and Record took place in May 2008. This now provides us with the opportunity to implement further efficiencies through sharing common support services.

GROUP

For the Group overall, while progress at the operating profit* level has been satisfactory with growth of 10%, net finance costs have increased by 22% to £38.7m (2007 – £31.7m). Of this £7.0m increase £1.7m (24%) arises from the strengthening of the Euro against Sterling; the remainder arises from a combination of higher interest rates and borrowings.

BOARD CHANGES

On 26 September 2007, Andrew Allner joined the Board as a non-executive Director. Andrew has a strong financial background and assumed the chairmanship of the Audit Committee from the date of his appointment.

On 31 December 2007, Gerard Murray left the Company to take up the position of Finance Director with The Vardy Group of Companies. The Board wishes him well in his new role and thanks him for his significant contribution to the continued growth and development of the Group during the last five years.

I am pleased to announce that Bob Contreras was appointed as Group Finance Director from 2 June 2008. Bob has a strong financial and operational background together with significant European experience, which will support the Group's expansion plans.

CURRENT TRADING AND OUTLOOK

The Group has continued to make progress in the past year despite more challenging economic conditions in the second half. In the current year conditions in the used vehicle market are weaker than last year, with the result that profits overall are expected to be at similar levels to last year.

If economic conditions were to deteriorate, we believe our business model has the proven flexibility to enable us to defleet rapidly in order to leave us in a strong financial position when markets improve. Additionally, we believe that the Group's flexible rental model is attractive to customers when capital is constrained and they are unwilling to commit to long-term financing arrangements. In the medium term we remain convinced that the low rental penetration level throughout Europe offers an opportunity for further expansion.

Philip Rogerson
Chairman

IN THE MEDIUM TERM WE REMAIN CONVINCED THAT THE LOW RENTAL PENETRATION LEVEL THROUGHOUT EUROPE OFFERS AN OPPORTUNITY FOR FURTHER EXPANSION.

*Stated before intangible amortisation of £4.7m (2007 – £3.9m) and an exceptional property profit of £1.1m in Spain.

OPERATIONAL REVIEW

STRATEGY FOR GROWTH

The year to 30 April 2008 is the second year that we are reporting against the three-year rolling strategic plan announced in January 2006. The aim was to maintain annual double-digit earnings growth through delivering the following key elements of the plan:

UK & REPUBLIC OF IRELAND

- An increase in fleet size from both acquisition and organic growth;
- The introduction of fleet management to enable the Group to provide a comprehensive vehicle solutions product to customers;
- A streamlining of the hire company network and management structure.

SPAIN

- Acquisition of the remaining 51% of the equity of Record;
- Continued double-digit organic fleet growth;
- The delivery of the synergies available from combining aspects of our two Spanish businesses.

NEW TERRITORY

- Expansion into a new jurisdiction.

The last two objectives for the UK and the first objective for Spain were completed in the year to 30 April 2007, leaving continued fleet growth in the UK and Spain and the merging of some activities in Spain as our key targets for this year.

We are pleased that we have substantially achieved our targets, despite a more difficult economic climate and higher interest rates in the second half of the year, thereby continuing our delivery of good growth in earnings per share.

REVIEW OF CURRENT YEAR

UNITED KINGDOM AND REPUBLIC OF IRELAND

A continued high level of utilisation and a stable hire rate environment has produced an increase in hire revenues of 2.3%. When combined with a very strong residual market for used vehicles, particularly in the first half of the year, and some further efficiencies in operations, this has led to an increase in the operating margin to 20.6% (2007 – 20.4%).

DEPOT NETWORK

Following the restructuring in the prior year, there has been little change in the depot network, with the exception of the eight additional locations arising from the acquisition of Hampsons. By 30 April 2008, we operated through 21 hire companies with a network of 86 locations. In the year ahead, we do not expect a material change to the overall number of locations, but would expect to relocate certain primary and secondary sites to achieve our optimum operating structure and improve efficiencies.

VEHICLE FLEET AND UTILISATION

In the UK, the fleet has increased from 65,300 to 68,600 vehicles, including 1,600 vehicles relating to the acquisition of Hampsons and 270 vehicles purchased from Abington, a growth rate of 5% (2% organically). Although below our target of 5%, organic growth has been stronger in the second half, with the fleet increasing by 930 vehicles organically, compared to 500 in the traditionally stronger first half of the year.

We have successfully maintained a utilisation rate of 91% for the year, despite the last few months of the year experiencing a higher level of "churn" with more frequent rental returns being compensated by additional business gains. This demonstrates the value of our product to our customers alongside the capability of our business model to react to changing circumstances. Utilisation remains our most important key performance indicator and the one on which we focus whatever the prevailing economic climate.

HIRE RATES

While competition for new business remains keen, we have not experienced the same level of downward pressure on hire rates last seen in 2005/06. Consequently, as in the previous financial year, we have been able to maintain our hire rates at constant levels.

USED VEHICLE SALES

Through the extended network of vehicle sales sites created last year, we have once again achieved a record number of disposals in the year with total sales of 26,800 vehicles (2007 – 24,700).

The extended network and, in particular, the additional retail sites and our brand "Van Monster" have also enabled us to increase the proportion of vehicles disposed of through our retail and semi-retail channels to achieve our medium-term target of 20% through these channels (2007 – 16%). The continued supply of good quality vehicles being generated by the hire company network, which improved following the acquisition of the Arriva Vehicle Rental business in 2006, is also crucial to this success.

The year has also seen one of the strongest used vehicle markets for some time, driven by both good demand and a shortage of supply, particularly in the first half of the year.

As a consequence of both the improved sales channels and the buoyant market, we have achieved residual prices £12m (2007 – £8.5m) better than expected. In accordance with our accounting policies this has been reflected in our depreciation charge for the year.

As we stated in our interim report, we expected the vehicle supply shortages to continue only in the short term and, since January this year, we have seen evidence of improved supply from manufacturers. Concerns over the economy and the credit crunch affecting availability of finance have also caused a decrease in demand for second hand vehicles. As a consequence, residual prices have eased, particularly in the latter part of the financial year, as evidenced by the split in the first half and second half adjustments to depreciation of £7m and £5m respectively.

The first part of the current financial year has seen a further easing in used vehicle prices and, as in the prior year, this would be reflected in our depreciation charge. Ongoing depreciation rates, in accordance with our accounting policies, are reviewed regularly together with vehicles' expected residual values and useful economic life.

FLEET MANAGEMENT

Over 72,000 jobs were carried out in the year by Fleet Technique Limited ("FTL"), our fleet management subsidiary, on behalf of our customers and generating revenue of £15.5m, an increase of 13% over the prior year. Within this total were a number of significant contract wins, including becoming sole supplier to a large construction company, a four year extension with a utilities company and the provision of scheduled maintenance management for a vehicle manufacturer.

There was also an improvement in operating efficiency within the business and in particular the employee cost per job, which fell by 9%.

The combination of the above produced an operating profit of £0.8m (2007 – £0.6m) with an improved operating margin of 5% (2007 – 4.2%).

Equally important however is the role played by FTL in helping to secure rental business, particularly from larger companies which require a full vehicle solutions package rather than just a rental offering. This was recently demonstrated when we secured our first complete fleet solutions offering with a FTSE listed support services company. Following a fleet audit for this customer, we were able to identify the potential for reductions in CO_2 emissions and increased efficiencies, both operational and financial, through our single sourced solution. Every product in our portfolio will be utilised to support a service that will cover over 1,800 vehicles. We expect that the success of this project will enable Northgate to deliver similar fleet solutions in the year ahead.

BODY REPAIR FACILITY

On 31 August 2007 we acquired a dedicated body repair business, situated in the Midlands, called GPS Body Repairs Limited ("GPS"). This acquisition has given us the capability to carry out a significantly higher proportion of our body repair work in-house, thereby reducing both downtime and whole life cost. Our intention is to replicate these facilities in other parts of the UK to create a small network capable of handling a substantial part of our internal work.

SPAIN

The fleet has grown during the year by 14% to 62,750 vehicles (2007 – 55,000), including 700 arising from the acquisition in July 2007 of Alquiservicios. While slightly behind our target rate of 15%, this is nevertheless an excellent achievement, particularly given the difficulties the Spanish economy is experiencing.

This fleet growth combined with utilisation of 89% (2007 – 90%) and a modest improvement in hire rates has produced an increase in Spanish rental revenue of 24% (17% at constant exchange rates).

Benefits from economies of scale, particularly in purchasing, have partly compensated for the additional depreciation charge arising from the weaker than expected used vehicle market and resulted in an operating margin of 21.8%* (2007 – 22.4%).

DEPOT NETWORK

The network of depots increased to 37 as a result of the acquisition of Alquiservicios, with its branch in Orense. In addition, we have relocated to larger premises in Barcelona, Pamplona and Zaragoza. It is not anticipated that the network will change significantly in the year ahead as our current locations already provide good geographic coverage across Spain, although there will again be a small number of relocations.

VEHICLE FLEET AND UTILISATION

In the first half of the financial year, the fleet increased by 8.2% to reach 59,500 vehicles at 31 October 2007. In the second six months, fleet growth, all organic, was 5.5% which produced a closing fleet of 62,750 vehicles.

We have seen more churn in the hire fleet in the period since 1 January 2008 due to a higher rate of off-hires, mainly from smaller businesses. As higher churn makes it more difficult to maintain utilisation in the short term, we consequently fell marginally below our targeted level of 90%. Overall, however, we still achieved an average of 89% for the year.

Given the current state of the Spanish economy, we do not expect to achieve fleet growth at the same levels in the year ahead and are forecasting single digit organic growth.

HIRE RATES

We continue to achieve a modest improvement in hire rates with the average rate up by 1% over the prior year in local currency.

USED VEHICLE SALES

We sold 13,600 vehicles during the year (2007 – 12,200) at residual values £1.9m lower than expected (2007 – £1.9m higher). In accordance with our accounting policies this has been reflected in our depreciation charge for the year. Of these disposals 4% (2007 – 5%) were through semi-retail and retail channels.

In the new financial year we plan to align operating procedures and vehicle holding periods in our two Spanish companies, Fualsa and Record, and as a consequence would expect the depreciation charge in the year to increase by some £2m.

The creation of a used vehicle disposals structure, with a capability similar to that of the UK, remains our medium-term goal and a key target for the business. The property stage is well under way and during the next few months we should have dedicated used vehicle sales locations operating in Barcelona, Madrid, Murcia and Seville. The development of other disposal channels within Spain and the creation of an export capability are also progressing.

IT

In May 2008 we successfully migrated Fualsa onto the Record operating system.

This now gives us the opportunity to implement further synergies through the sharing of common support services as well as providing information to management on a comparable basis for both businesses.

OTHER TERRITORIES

We continue to discuss potential opportunities with a number of target companies within the European Union. We expect to move forward with one of these opportunities in the current calendar year, as envisaged in our strategic plan.

Steve Smith
Chief Executive

FINANCIAL REVIEW

FINANCIAL REPORTING

SALES, MARGINS AND RETURN ON CAPITAL

Group revenue increased by 10% to £578.5m (2007 – £526.5m). In the UK, organic fleet growth of 2%, together with the 1,870 vehicles arising from acquisitions contributed to an increase in total revenue of 2.7% to £360.8m (2007 – £351.1m). In Spain, organic fleet growth of 13%, coupled with the 700 vehicles arising from the acquisition of Alquiservicios on 18 July 2007, contributed to an increase in revenue of 24% to £217.7m (2007 – £175.4m) -17% at constant exchange rates.

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:

	2008 £000	2007 £000
Revenue		
Vehicle rental	345,227	337,370
Fleet management	15,525	13,738
	360,752	**351,108**
Profit from operations		
Vehicle rental	73,627	71,137
Fleet management	770	576
Intangible amortisation	(2,569)	(2,035)
	71,828	**69,678**

Operating margins (excluding intangible amortisation)

	2008	2007
UK overall	20.6%	20.4%
Vehicle rental	21.3%	21.1%
Fleet management	5.0%	4.2%

The UK operating margin has improved to 20.6% (2007 – 20.4%), driven mainly by stable utilisation and hire rates and achieving residual values better than expected. In a weakening economic environment we would expect residual values to soften. In accordance with our accounting policies we constantly review anticipated net book values and possible changes in disposal values.

SPAIN

For both years, set out below, each of Fualsa and Record have been reported as subsidiary undertakings and therefore the figures are on a comparable basis.

The revenue and profit generated by our Spanish operations are set out below:

	2008 £000	2007 £000
Revenue		
Vehicle rental	**217,710**	175,357
Profit from operations		
Vehicle rental	47,404	39,265
Non-recurring property profit	1,098	–
Intangible amortisation	(2,124)	(1,887)
	46,378	37,378

	2008	2007
Operating margins (excluding intangible amortisation and non-recurring property profit)	21.8%	22.4%

Spain's operating margin was 21.8% (2007 – 22.4%). Sales and profit from operations in 2008, expressed at constant exchange rates, would have been lower than reported by £13.1m and £4.7m respectively.

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% (2007 – 10%).

Group return on equity, calculated as profit after tax divided by average shareholders' funds, is 16% (2007 – 16%).

TAXATION

The Group's effective tax charge for its UK and overseas operations is 23% (2007 – 28%).

The UK current year rate has been affected by the reduction in UK corporation tax from 30% to 28%, effective from 1 April 2008, being applied to the deferred tax provision and further adjustments arising from the agreement of earlier year tax computations with HMRC.

The Spanish effective tax rate continues to benefit from concessions based on vehicle purchase reliefs that are available in Spain, some elements of which will be phased out by 2011. Additionally, the standard rate of Spanish corporation tax will reduce to 30% in 2009 from 32.5% currently.

The Group's treasury operations, part of which are based in Malta, have not had a significant effect upon the Group's effective tax charge for the year. However, it is anticipated this operation will contribute to maintaining the current effective rate in future periods.

EARNINGS PER SHARE

Basic earnings per share increased by 14% to 86.7p (2007 – 76.1p), reflecting the growth in profits in both the UK and Spain and the reduced tax rate. Excluding intangible amortisation of £4.7m (2007 – £3.9m) and the exceptional property profit in Spain of £1.1m, adjusted basic earnings per share grew by 13% to 91.8p (2007 – 81.6p).

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

DIVIDEND

The Directors recommend a final dividend of 16.5p per share (2007 – 15.5p) giving a total for the year of 28.0p (2007 – 25.5p), an increase of 10%. The dividend is covered 3.3 times* (2007 – 3.2 times).

INVESTMENTS

On 18 July 2007, we acquired the trade and assets of Alquiservicios for £5.2m.

On 31 August 2007 we acquired 100% of the equity of GPS for £0.3m.

On 1 November 2007, we acquired 100% of the equity of Hampsons for £9.9m plus acquired debt of £7.4m.

On 30 November 2007 we acquired the trade and vehicles of Abington for £1.3m.

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. Additionally, the Company acquired and cancelled 800,000 of its Ordinary shares during 2007.

*Stated before intangible amortisation of £4.7m (2007 – £3.9m) and an exceptional property profit of £1.1m in Spain.

CAPITAL STRUCTURE

As at 30 April 2008 the Group's total gearing, measured as net debt (including cash balances) as a percentage of shareholders' funds was 224% (2007 – 208%). Gearing calculated by deducting goodwill and intangible assets from shareholders' funds was 312% (2007 – 290%). The level of reported net debt has been significantly impacted by the exchange rate movement on Euro denominated debt. At constant exchange rates, net debt would have been £85m lower and the gearing level, calculated by deducting goodwill and intangible assets from shareholders' funds, reduced to 274%.

TREASURY

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 sourcing of finance for the Group and the related commercial terms is arranged and monitored through the Group's treasury function. In December 2007 the Group extended its loan facilities by £130m to a total of £885m, this extension being under a series of three-year unsecured, revolving, bilateral agreements. Also in December, the Group concluded a second Private Placement in the United States of America by issuing unsecured loan notes with a maturity period of five years raising $62m of new finance. The Group also entered into a series of financial instruments to fix the rate of interest at an effective rate of 5.19% per annum for the period of these new loan notes. All funds generated by the Group's operations are controlled by the treasury function, part of which is based in Malta to reflect the Group's European expansion.

LIQUIDITY

The Group's aggregate finance facilities, including existing Spanish loan facilities, total £1,103m compared to net debt of £894m at 30 April 2008 giving adequate funding for our expected growth. In addition, under the terms of our facilities, there is permission to obtain debt finance from other sources up to a maximum of £100m. As described above, the core of these arrangements relate to the £885m unsecured bank loan facilities and £201m of unsecured US loan notes which, combined with the other facilities, have the following maturity profile:

Maturing	Amount (£m)
Within 1 year	152
Within 1 - 3 years	750
Within 4 years	31
Within 7 years	63
Within 10 years	107
Total	**1,103**

FINANCIAL REVIEW

Our plan is to seek to extend the maturity profile of this debt in the current financial year consistent with the Group's strategic plan.

CASH FLOWS

The Group's net debt increased by 18% to £894m (2007 – £755.3m). This increase mainly reflects net capital expenditure relating to fleet growth in the UK £141.5m and Spain £131.9m. Additionally £85m of this increase in debt is related to currency translation resulting from the 16% year on year increase in the value of Euro against Sterling. Gross cash generation as reflected by EBITDA* increased to £339.6m (2007 – £304.9m).

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

INTEREST COSTS

The Group's profit before tax has been reduced by the £7m increase in interest costs in 2008. Of this increase £1.7m (24%) arises from the strengthening of the Euro against Sterling; the remainder arises from a combination of higher interest rates and increased borrowings.

As virtually all our UK borrowings were hedged during the year the increase in UK interest rates did not have a material effect upon interest costs.

The Group's net interest costs have increased by 22% to £38.7m (2007 – £31.7m) compared to an increase in net debt of 18%. Despite the increase in the cost of debt finance, interest cover remains healthy at 3.1 times (2007 – 3.4 times).

INTEREST RATE MANAGEMENT

The Group's bilateral facilities 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 but more recently has adopted a policy to increase this coverage to a higher level of between 50% to 75%. The proportion of net debt hedged into fixed rates was 66% at 30 April 2008. The weighting of this coverage is very much towards Sterling debt where over 90% is fixed. The Euro denominated debt has 55% of its value fixed with an average fixed rate term of 3.6 years. Some £164m of financial instruments (interest rate swaps) at an average rate of 2.74% expired in June 2008. These interest rate swaps were replaced with interest rate swaps totalling £158m at an average interest rate of approximately 5%.

RISKS AND UNCERTAINTIES

The operation of a public company involves a number of risks and uncertainties across a range of commercial, operational and financial areas. The principal risks and uncertainties that have been identified as being capable of impacting the Group's performance over the next financial year are set out below:

VEHICLE HOLDING COSTS

We aim to minimise the whole life holding cost of the vehicles in our fleet. An increase in new pricing or a reduction in the disposal values of vehicles being sold would increase our holding cost. Were we not able to recover any such increases from our customers, this would impact on our profitability. We manage the risk on new pricing by using our significant purchasing power to negotiate, before the end of the calendar year, fixed supply terms for the year ahead. As regards disposal values our business model allows us flexibility over the period we hold a vehicle, and therefore, in the event of a decline in residual values, we would attempt to mitigate the impact by ageing out our existing fleet.

CUSTOMERS AND REDUCTION IN DEMAND

The Spanish business generates 47% of its revenues from customers participating in construction. While the vast majority of these customers are focused on infrastructure projects funded by central government and EU funds with reasonable forward visibility, if there was a significant downturn in demand, vehicles could be returned. Our initial response to such an event would be to seek to place these vehicles with customers in other sectors. Were the downturn to be more widespread, we would look to maintain utilisation at 90% through a combination of a decrease, or cessation, of vehicle purchases and an increase in vehicle disposals, which although affecting short-term profitability, should generate cash and reduce debt levels.

We believe that in response to a downturn in commercial activity affecting the wider Group then similar actions would be taken with the same effect. The Group, however, could benefit in a downturn as customers who are either unable to finance the purchase of their own vehicle fleet or are unwilling to commit to long-term leasing arrangements turn to the Group's flexible rental model.

HIRE RATES

The business model is operationally geared and any increase or decrease in hire rates will impact profit to a greater effect.

In the UK the business has previously experienced pressure on hire rates particularly during 2005. Since the beginning of 2006 hire rates in the UK have been stable.

Spanish hire rates have reflected a moderate increase year on year for the past few years, mainly reflecting the inflationary nature of the Spanish economy and the increase in the capital cost of vehicles.

ACCESS TO CAPITAL

The Group requires capital both to replace vehicles that have reached their estimated useful life and for growth in the size of the existing vehicle fleet, either organically or through acquisition.

If cash generated from operations and/or available under its credit facilities is not sufficient to fund its capital requirements, additional debt and/or equity financing will be required. If such financing were not available then this could potentially adversely affect the prospects of the Group.

The Group has sufficient banking facilities to support its plans. During the year we have been able to obtain both new facilities and additional financing from the unsecured loan notes issued through a Private Placement in the United States of America. We believe that a combination of our operating cash flows and available facilities are adequate for our foreseeable needs. We are also confident that we will be able to extend the maturity profile of our existing facilities in the current financial year.

INFORMATION TECHNOLOGY SYSTEMS

The Group is dependent upon its IT systems for the effective running of its operations. Prior to any material systems changes being implemented the Board approves a project plan. The project is then led by a member of the executive team with an ongoing implementation review being carried out by internal audit and external consultants where appropriate. The objective is always to minimise the risk that business interruption could occur as a result of the system changes. In Spain we successfully transferred the Fualsa operations onto the Record IT systems in May 2008 without any material business interruption. We also commenced changing the IT systems platform for the UK business and this process will continue throughout 2008/09.

Additionally, the Group has an appropriate business continuity plan in the event of interruption arising from an IT systems failure.

Bob Contreras
Finance Director

BOARD OF DIRECTORS

Philip Rogerson (age 63)

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. His appointment as Chairman of the Company on an interim basis in November 2006 was made permanent on 5 June 2007.

Stephen Smith ACA (age 51)

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.

Andrew Allner FCA (age 54)

Appointed to the Board as a non-executive Director in September 2007. Andrew is currently also a non-executive Director of Marshalls plc. His most recent executive appointment was Group Finance Director of RHM plc. He was previously Chief Executive Officer of Enodis plc and prior to that held Board appointments with Dalgety plc, PIC International Group plc and Amersham International plc. He was also a non-executive Director of Moss Bros Group plc from 2001 to 2005. He qualified as a Chartered Accountant with Price Waterhouse in 1978, subsequently becoming a Partner.

Jan Astrand MBA (age 61)

Appointed to the Board as a non-executive Director in February 2001. A Swedish national based in London, Jan was Chairman of CRC Group plc until January 2007. 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 MBA (age 59)

Appointed to the Board as a non-executive Director in April 2005 and appointed Senior Independent Director in June 2007. Tom is Chairman of Chamberlin 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.

Bob Contreras ACA (age 45)

Appointed Group Finance Director on 2 June 2008. A Chartered Accountant, Bob has held senior positions with Azlan Group plc, Damovo Group SA and most recently with Mölnlycke Healthcare Group.

Phil Moorhouse FCCA (age 55)

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.

Alan Noble (age 57)

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

BOARD COMMITTEES

AUDIT

Andrew Allner (Chairman from 26 September 2007)
Jan Astrand
Tom Brown
Philip Rogerson (resigned as Chairman and from the Committee 26 September 2007)

REMUNERATION

Tom Brown (Chairman)
Andrew Allner (from 26 September 2007)
Jan Astrand
Philip Rogerson

NOMINATION

Philip Rogerson (Chairman)
Andrew Allner (from 26 September 2007)
Jan Astrand
Tom Brown
Stephen Smith

REPORT OF THE DIRECTORS

THE DIRECTORS PRESENT THEIR REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2008.

RESULTS
Profit for the year after taxation was £61,334,000 (2007 – £54,483,000).

An interim dividend of 11.5p per share was paid on the Ordinary shares on 31 January 2008.

The Directors recommend a final ordinary dividend of 16.5p per share making a total for the year of 28.0p per share.

The final dividend, if approved, will be paid on 18 September 2008 to shareholders on the register at close of business on 15 August 2008. There is a DRIP option.

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.

The information that fulfils the requirements of the Business Review can be found in the Operational and Financial Reviews on pages 6 to 10, 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.

SHARE CAPITAL
Details of the Company's share capital are given in Note 26 to the accounts.

INTERESTS IN SHARES
The following interests in the issued Ordinary share capital of the Company have been notified to the Company in accordance with the provisions of Chapter 5 of the Disclosure and Transparency Rules:

	Direct	Indirect
AXA S.A.	1,310,434 (1.9%)	5,705,982 (8.1%)
Capital Group	–	4,149,068 (5.9%)
Columbia Wanger Asset Management LP	3,602,000 (5.1%)	–
Lazard Asset Management LLC	–	3,494,276 (4.9%)
Legal & General Group plc	2,861,739 (4.1%)	–
Lloyds TSB Group	2,278,596 (3.2%)	4,502 (–)
Standard Life Investments Limited	5,567,049 (7.9%)	4,358,090 (6.2%)

DIRECTORS
Details of the present Directors are listed on pages 12 and 13. All have served throughout the year except Mr Allner who was appointed on 26 September 2007 and Mr Contreras who was appointed on 2 June 2008. Mr Murray resigned on 31 December 2007. Mr Brown and Mr Noble 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. All interests are beneficial unless otherwise stated.

	Ordinary Shares	
	30 April 2008	1 May 2007
P Rogerson	2,000	–
S J Smith	83,821	71,429
J Astrand	–	–
T Brown	2,000	2,000
P J Moorhouse	46,488	35,596
A T Noble	733,329	732,937
A Allner	–	–†

† on appointment

Mr Contreras had no interests in the share capital of the Company on the date of appointment or at the date of this report.

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

No changes in the above interests have occurred between 30 April 2008 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 £34,000 (2007 – £27,000) 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 2008 the Group's creditor days were as shown in Note 22 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
The present authority of the Directors under Section 80 of the Companies Act 1985 to allot unissued shares was granted at the Annual General Meeting held in September 2004 and expires on 8 September 2009. A resolution to renew that authority for a period expiring at the conclusion of the Annual General Meeting to be held in 2009 will be proposed at the Annual General Meeting. The authority will permit the Directors to allot up to £722,597.75 nominal of share capital which represents all the authorised and unissued Ordinary share capital. This is less than 33% of the present issued Ordinary share capital and is within the limits approved by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

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

A special resolution, pursuant to Section 95 of the Companies Act 1985, will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis. This authority will be limited to an aggregate nominal amount of £175,000 representing approximately 5% of the current issued Ordinary share capital.

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.

ARTICLES OF ASSOCIATION
As intimated in the explanatory notes on page 80 of last year's Report and Accounts, further changes to our Articles of Association are required in light of the additional provisions of the Companies Act 2006 ("the Act") which have been brought into effect since that time. The Government has postponed the implementation of the final provisions of the Act until October 2009. It is therefore anticipated that shareholders may be asked to approve still further changes to our Articles of Association at next year's Annual General Meeting.

The principal differences between the present and the proposed new Articles of Association are summarised on page 85. A copy of the proposed new Articles of Association will be available for inspection at the Company's registered office until 16 September 2008 and also at the Annual General Meeting. Copies are also available to shareholders on request and can be viewed on the Company's website. A special resolution adopting the new Articles of Association will be proposed at the Annual General Meeting.

SHARE SCHEME
As referred to in the Remuneration Report on page 18 it is proposed that a new executive performance share plan ("the Executive PSP") be introduced. Accordingly, a resolution seeking shareholder approval of the Executive PSP will be proposed at the Annual General Meeting.

A summary of the main provisions of the Executive PSP is set out on page 82.

FINANCIAL INSTRUMENTS
Details of the Group's use of financial instruments are given in the Financial Review on page 10 and in Notes 24 and 39 to the Accounts.

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.

This confirmation is given and should be interpreted in accordance with the provisions of Section 234ZA Companies Act 1985.

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
30 June 2008

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 Chief Executive who may be invited to attend meetings. The Company Secretary is secretary to the Committee. Neither the Chief Executive nor the Company Secretary took part in discussions relating to their own remuneration.

The Committee has access to external independent advice on matters relating to remuneration. During the year the Committee took advice from Hewitt New Bridge Street ("HNBS") (formerly New Bridge Street Consultants LLP) on remuneration matters and share scheme implementation. HNBS is appointed by the Committee and undertakes no other work for the Company or the Group. The terms of engagement between the Committee and HNBS are available on request from the Company Secretary.

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 long-term share incentives. Only basic salary is pensionable.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will seek to ensure that the incentive structure for executive Directors and senior management will not raise environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account ESG matters.

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
R L Contreras	2 June 2008
P J Moorhouse	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	£420,000
R L Contreras	£275,000
P J Moorhouse	£275,000
A T Noble	£210,000

All were last reviewed on 1 May 2008, except for R L Contreras whose salary was determined on appointment.

Basic salaries are reviewed annually taking into account the performance of the individual, changes in responsibilities, market trends and pay and employment conditions elsewhere in the Group. 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 and the relative size and complexity of the Group.

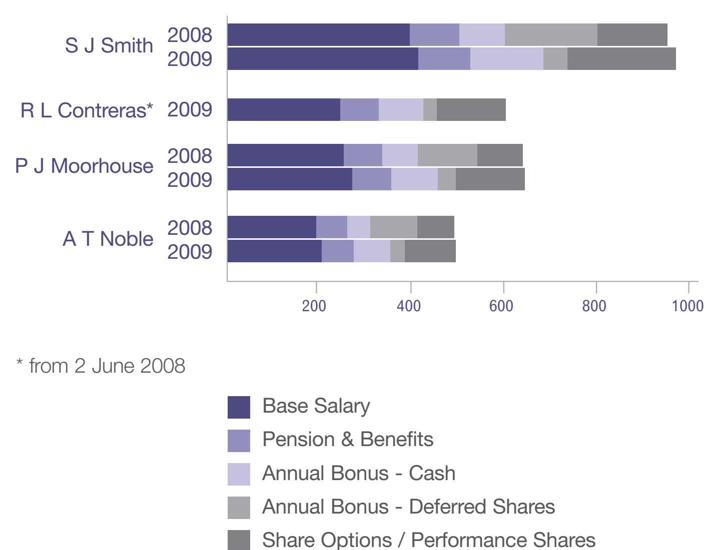
TOTAL REMUNERATION

Executive remuneration is structured so that a significant proportion relates to variable pay. The chart below shows the balance between fixed and variable performance based pay for each executive Director for the year ended 30 April 2008 and an estimate for the year ending 30 April 2009.

Total reward can only be estimated, because the actual value of share options and performance shares will not be known until the end of the three-year performance period. An estimated value has been used being 25% of the face value in respect of share options and 55% in respect of performance shares.

For the year ending 30 April 2009, on target performance has been assumed for the annual bonus scheme.

Mr Murray has not been included as his deferred shares and share options lapsed when he left the Company in December 2007.



* from 2 June 2008

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)

OTHER SENIOR EXECUTIVES

The senior executives below Board level, both in the UK and Spain, also have a significant influence on the ability of the Company to achieve its goals. Accordingly, in addition to setting the remuneration of the Executive Directors, the Committee reviews the remuneration for these senior employees, to ensure that rewards are competitive with the market and that they are appropriate relative to the Board and to the remaining employees.

PENSION SCHEMES

Throughout the year all pension arrangements (other than the Willhire Pension Scheme – see Note 38 of the accounts) operated by the Group were defined contribution type schemes.

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 original dates of appointment to the Board and of their current letters of appointment are:

	Date of appointment	Letter of appointment
P Rogerson	5 November 2003	5 June 2007
A Allner	26 September 2007	5 September 2007
J Astrand	13 February 2001	5 June 2007
T Brown	13 April 2005	12 May 2008

The current fees paid to the non-executive Directors are shown below:

P Rogerson	Chairman	£130,000
A Allner	Chairman of Audit Committee	†£46,000
J Astrand	Non-executive Director	£39,000
T Brown	Senior Independent Director and Chairman of Remuneration Committee	*£45,000

† Including £7,000 in respect of his Chairmanship of the Audit Committee.
* Including £6,000 in respect of his Chairmanship of the Remuneration Committee.

All were last reviewed on 1 May 2008. 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 of a comparable size. In addition to the fees shown, Mr Astrand receives an amount of £25,000 in recognition of the additional time commitment required in respect of his appointment as a non-executive Director of both Fualsa and Record and, in respect of the year ended 30 April 2008, received further fees of £41,438 in respect of work undertaken in connection with researching new jurisdictions. The Board does not consider that this work in any way affected his independence. Mr Astrand's involvement in researching new jurisdictions for expansion of the Group has been a very cost effective exercise, leveraging off his experience in European markets and avoided the inevitably higher fees that external advisers would have charged for a similar assignment. He reported directly to the Board on the work performed and operated within guidelines drawn up and agreed by the Board. His involvement in this assignment has now been completed.

THE FOLLOWING ELEMENTS OF THIS REPORT HAVE BEEN AUDITED:

	Salary/ fees £000	Cash bonus £000	Cost of benefits* £000	Total 2008 £000	Total 2007 £000	Pension contributions** 2008 £000	Pension contributions** 2007 £000
P Rogerson	120	–	–	120	73	–	–
M Ballinger	–	–	–	–	61	–	–
S J Smith	400	100	33	533	499	72	63
A J Allner***	23	–	–	23	–	–	–
J Astrand	104	–	–	104	97	–	–
T Brown	42	–	–	42	39	–	–
P J Moorhouse	260	75	33	368	333	47	43
G T Murray****	173	140	17	330	350	31	43
A T Noble	200	50	30	280	256	36	33
Total emoluments excluding pension contributions	1,322	365	113	1,800	1,708	–	–
Total pension contributions	–	–	–	–	–	186	182

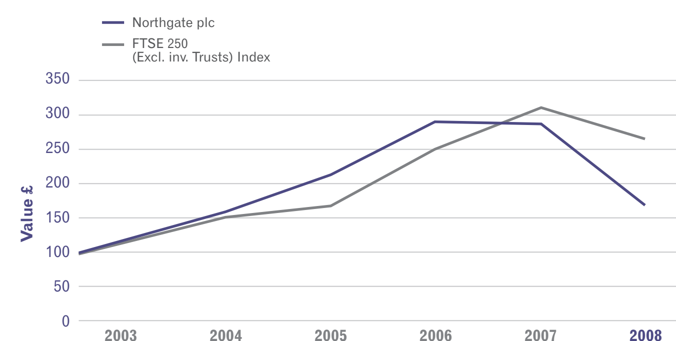
* These benefits include: company car, private medical insurance, permanent health insurance and life assurance.
** All contributions are to a defined contribution type scheme.
*** From 26 September 2007.
**** Until 31 December 2007. His bonus in respect of 2007/8 was paid wholly in cash. Mr Murray received no compensation for loss of office and his unvested share awards lapsed on his departure from the Company.

REMUNERATION REPORT

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 2008 was 594p (30 April 2007 – 1,100p) and the range during the year was 537.5p to 1,118p.

Total Shareholder Return Source: Thomson Financial



This graph shows the value, by the 30 April 2008, of £100 invested in Northgate on 30 April 2003 compared with that of £100 invested in the FTSE 250 (excl. inv. trusts) Index. The other points plotted are the values at intervening financial year-ends.

SHARE INCENTIVE PLANS

The Group currently 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 participate in the Management Performance Share Plan ("Management PSP") and DABP. No executive participates in all three schemes. Expressed in face value terms, this effectively has provided Directors with 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 Management PSP and 50% under the DABP).

At this year's Annual General Meeting shareholders will be asked to approve a new performance share plan (the Executive Performance Share Plan ("Executive PSP")). This would be solely for the benefit of executive Directors and would replace the NSOS. In anticipation of the Executive PSP coming into effect in September, no awards have been made under the NSOS since July 2007 and it is intended that no further grants will be made under this scheme. This change is being made in order to bring the long-term incentive arrangements for executive Directors more into line with current market practice. Details of the Executive PSP are given below and on page 82.

DEFERRED ANNUAL BONUS PLAN

The DABP was introduced in 2003 for executive Directors and senior and middle management. Part of the bonus is delivered in cash 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 total maximum potential bonus (cash and shares) which may be achieved by each executive Director is 100% of basic salary earned in the financial year.

The shares are retained in an employee benefit trust for three years and are subject to forfeiture if the employee leaves during that time. This provides 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 145,169 shares awarded to 95 executives were outstanding at 30 April 2008.

The bonuses for executive Directors upon which the award for the year ended 30 April 2008 was made were based upon business performance for the share element, including elements based on a target of growth in underlying earnings per share of between 6% and 11%, and individual KPIs for the cash element. The actual underlying EPS growth achieved over the year was 13% resulting in the maximum award for the share element. The bonuses payable are set out below.

		Cash	
	Value	% of basic salary	
	£000	Awarded	Maximum
S J Smith	100	25.0	50.0
P J Moorhouse	75	28.8	50.0
A T Noble	50	25.0	50.0

		Shares	
	Value	% of basic salary	
	£000	Awarded	Maximum
S J Smith	200	50.0	50.0
P J Moorhouse	130	50.0	50.0
A T Noble	100	50.0	50.0

It is intended that the number of shares to be awarded will be calculated based on the closing mid-market price on 1 July 2008, being the date of the Preliminary Results Announcement.

Mr Murray received a bonus of £140,000 in respect of the eight months to 31 December 2007, payable wholly in cash.

In respect of the year ending 30 April 2009, 75% of the total bonus for the CEO and FD shall be weighted towards EPS performance and the remaining 25% to personal KPIs. For the other executive Directors, the weighting shall remain 50% EPS/50% KPIs.

For all executive Directors, 75% of the total bonus earned will be paid in cash and the remaining 25% deferred in the form of Ordinary shares of the Company vesting three years thereafter, subject to continued employment. The increase in the proportion of the bonus that is payable in cash is being introduced in tandem with a strengthening of the performance targets for the annual bonus plan such that the level of bonus payable for "on-target" performance is being reduced from 80% of salary to 50% of salary. The maximum bonus potential will be unchanged at 100% of salary.

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.

NORTHGATE SHARE OPTION SCHEME

Only Directors have participated in the NSOS since 2006.

The performance condition applying to all options granted from 2005 onwards is 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. Options over shares at grant worth 75% of basic salary or less will vest provided EPS growth is at least RPI plus 5% p.a. over the performance period. Options over shares at grant worth 150% of basic salary (the maximum grant level) or less will vest provided EPS growth is at least RPI plus 11% p.a. 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. This requires substantial improvement in the underlying financial performance of the Company before options may be exercised. There is no provision for re-testing.

Options granted to executive Directors under the NSOS are shown on page 20. In addition, options over 117,026 shares granted to 18 employees at exercise prices ranging from 524p to 931p were outstanding at 30 April 2008. The awards granted in October 2005 are exercisable based on performance over the three financial years ending 30 April 2008. Underlying EPS performance over this period was 31.1% above RPI resulting in 98.7% of the awards becoming exercisable on the third anniversary of grant.

Subject to approval of the new Executive PSP for executive Directors at the AGM, it is intended that no further grants will be made under this Scheme.

EXECUTIVE PERFORMANCE SHARE PLAN

Shareholder approval is being sought at the AGM for the adoption of the Executive PSP to replace the existing NSOS. It is intended that only the executive Directors would participate in the Executive PSP with other executives continuing to participate in the Management PSP (see below). Awards under the Executive PSP will vest after three years subject to continued employment and the satisfaction of challenging performance targets. The maximum individual grant level under the plan is 150% of salary face value, but it is intended that grants will initially be restricted to 100% of salary. The performance targets applying to grants made in 2008 will be a mixture of EPS (2/3rds) and return on capital employed growth targets (1/3rd) measured over a three year period. 25% of each part of the award will vest for achieving the threshold performance target (EPS ≥ RPI + 3% p.a. or a 5% improvement in average ROCE as relevant) increasing to full vesting for achieving the stretch performance target (EPS ≥ RPI + 8% p.a. or an 8% improvement in average ROCE as relevant). In determining achievement of the performance condition, the Committee will take into account the average performance over each year of the performance period to encourage the participants to deliver a sustained level of growth. The Committee considers that EPS and ROCE are the most appropriate performance measures for the Executive PSP since they incentivise the executives to both improve the earnings profile of the Group and the balance sheet efficiency (important for a capital intensive business), both of which should flow through to superior returns to its shareholders. It is intended that the first grants will be made under the plan as soon as practicable following its approval at the AGM.

MANAGEMENT PERFORMANCE SHARE PLAN

The Management PSP is designed to reward achievement of and individual contribution to, the Group's three-year rolling business plan ("the business plan"). This PSP operates only for executives below Board level.

Participants 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 business plan is one based on divisional or Group profit before tax, as relevant to the individual. 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.

There is an over-riding condition that no part of an award can vest if there has been a decrease in profit before tax compared to the prior year.

Awards over 242,818 shares granted to 48 executives, including seven in Spain, were outstanding at 30 April 2008.

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.

The seventh annual cycle ended in December 2007 and resulted in 643 employees acquiring 79,490 Partnership shares at 768.75p each and being allocated the same number of Matching shares. As at 30 April 2008 the Trust held 583,506 Ordinary shares that have been allocated to employees from the first seven cycles.

The eighth annual cycle started in January 2008 and currently some 776 employees are making contributions to the scheme at an annualised rate of £716,784.

REMUNERATION REPORT

	At 1 May 2007	Number granted	Number exercised	Date of exercise	Exercise Price p	Share price on date of exercise p	Gross gain on exercise £	Number Lapsed	At 30 April 2008	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 – Oct 2015
	50,000	–	–	–	1,037	–	–	–	50,000	Jul 2009 – Jul 2016
	–	55,650	–	–	1,078	–	–	–	55,650	Jul 2010 – Jul 2017
	97,500	55,650	–	–	–	–	–	–	153,150	
P J Moorhouse	15,000	–	(10,500)	29.01.08	663	712	5,145	–	4,500	Aug 2007 – Feb 2010
	19,000	–	–	–	931	–	–	–	19,000	Oct 2008 – Oct 2015
	25,000	–	–	–	1,037	–	–	–	25,000	Jul 2009 – Jul 2016
	–	36,150	–	–	1,078	–	–	–	36,150	Jul 2010 – Jul 2017
	59,000	36,150	(10,500)	–	–	–	5,145	–	84,650	
G T Murray	13,500	–	(13,500)	13.08.07	663	1,056	53,055	–	–	Aug 2007 – Feb 2009
	19,000	–	–	–	931	–	–	(19,000)	–	Oct 2008 – Oct 2015
	25,000	–	–	–	1,037	–	–	(25,000)	–	Jul 2009 – Jul 2016
	–	36,150	–	–	1,078	–	–	(36,150)	–	Jul 2010 – Jul 2017
	57,500	36,150	(13,500)	–	–	–	53,055	(80,150)	–	
A T Noble	17,000	–	–	–	931	–	–	–	17,000	Oct 2008 – Oct 2015
	20,000	–	–	–	1,037	–	–	–	20,000	Jul 2009 – Jul 2016
	–	27,800	–	–	1,078	–	–	–	27,800	Jul 2010 – Jul 2017
	37,000	27,800	–	–	–	–	–	–	64,800	
	251,000	155,750	(24,000)	–	–	–	58,200	(80,150)	302,600	
DEFERRED ANNUAL BONUS PLAN										
S J Smith	15,813	–	(15,813)	27.07.07	–	1,055.52	166,909	–	–	Jul 2007 – Jul 2009
	15,832	–	–	–	–	–	–	–	15,832	Oct 2008 – Oct 2010
	1,750	–	–	–	–	–	–	–	1,750	Jul 2009 – Jul 2011
	–	16,234	–	–	–	–	–	–	16,234	Jul 2010 – Jul 2012
	33,395	16,234	(15,813)	–	–	–	166,909	–	33,816	
P J Moorhouse	10,542	–	–	–	–	–	–	–	10,542	Jul 2007 – Jul 2009
	9,672	–	–	–	–	–	–	–	9,672	Oct 2008 – Oct 2010
	1,100	–	–	–	–	–	–	–	1,100	Jul 2009 – Jul 2011
	–	8,905	–	–	–	–	–	–	8,905	Jul 2010 – Jul 2012
	21,314	8,905	–	–	–	–	–	–	30,219	
G T Murray	6,325	–	(6,325)	10.07.07	–	1,102.8	69,752	–	–	Jul 2007 – Jul 2009
	8,751	–	–	–	–	–	–	(8,751)	–	Oct 2008 – Oct 2010
	1,050	–	–	–	–	–	–	(1,050)	–	Jul 2009 – Jul 2011
	–	8,905	–	–	–	–	–	(8,905)	–	Jul 2010 – Jul 2012
	16,126	8,905	(6,325)	–	–	–	69,752	(18,706)	–	
A T Noble	850	–	–	–	–	–	–	–	850	Jul 2009 – Jul 2011
	–	6,865	–	–	–	–	–	–	6,865	Jul 2010 – Jul 2012
	850	6,865	–	–	–	–	–	–	7,715	
	71,685	40,909	(22,138)	–	–	–	236,661	(18,706)	71,750	
EXECUTIVE INCENTIVE SCHEME										
S J Smith	90,000	–	–	–	492.5	–	–	–	90,000	Sep 2003 – Sep 2009
P J Moorhouse	50,000	–	(50,000)	10.07.07	492.5	1,102.8	305,150	–	–	Sep 2003 – Sep 2009
A T Noble	43,512	–	–	–	492.5	–	–	–	43,512	Sep 2003 – Sep 2009
	183,512	–	(50,000)	–	–	–	305,150	–	133,512	

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 have been awarded under the EIS since January 2002 and none are planned.

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

No options held by Directors lapsed during the year. In addition to those held by Directors, options over 134,876 shares granted to 13 employees at exercise prices ranging from 367.5p to 523p were outstanding at 30 April 2008.

SOURCING OF SHARES AND DILUTION

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

EIS AND NSOS

Through the issue of new Ordinary shares. During the year 142,793 (2007 – 454,491) Ordinary shares were issued to satisfy the exercise of options under the two schemes.

The total number of options exercised and exercisable as a result of awards made under the EIS and NSOS over the last 10 years is 1,952,751, which equates to 2.8% of the issued Ordinary share capital at 30 April 2008.

DABP AND MANAGEMENT PSP

Through open market purchases by an employee benefit trust based in Guernsey ("the Guernsey Trust"). During the year 250,000 (2007 – 115,273) Ordinary shares were purchased by the Trust and 47,249 (2007 – 7,876) were used to satisfy the exercise of awards under the DABP and Management PSP. At 30 April 2008 the Trust held 508,473 (2007 – 305,722) Ordinary shares as a hedge against the Group's obligations under these schemes.

It is intended that shares for the Executive PSP will also be sourced through the Guernsey Trust.

AESS

Through open market purchases by the Capita Trust. During the year 300,000 (2007 – nil) Ordinary shares were purchased by the Capita Trust and 15,819 (2007 – 15,032) shares were forfeited as a result of early withdrawals. At 30 April 2008 the Capita Trust held 188,291 (2007 – 35,691) Ordinary shares as a hedge against the Group's obligations under this scheme.

Tom Brown
Chairman of the Remuneration Committee
30 June 2008

AUDIT COMMITTEE REPORT

ROLE

The Audit Committee is appointed by, and reports to, the Board. The Committee's terms of reference, which include all matters referred to in the Combined Code, are reviewed annually by the Committee and 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; and
- monitoring the audit process and any issues arising therefrom

MEMBERSHIP

The members of the Committee, who are all independent non-executive Directors of the Company, are:

	Date of appointment	Qualification
A J Allner (Chairman)	26 September 2007	FCA
J Astrand	6 June 2001	MBA
T Brown	8 June 2005	MBA

The Combined Code requires that at least one member of the Committee should have recent and relevant financial experience: currently, the Chairman of the Committee fulfils this requirement. All members of the Committee are expected to be financially literate.

MEETINGS

The Committee is required to meet at least three times a year. Details of attendance at meetings held in the year ended 30 April 2008 are given on page 23.

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, together with the head of internal audit and the external auditors, are normally invited to attend all meetings.

ACTIVITY

Since May 2007, the Committee has:

- reviewed the financial statements for the years ended 30 April 2007 and 2008, the half yearly report issued in December 2007 and Interim Management Statements issued in September 2007 and March 2008. As part of this review process, the Committee received reports from Deloitte & Touche LLP on each occasion;
- reviewed and agreed the scope of the audit work to be undertaken by Deloitte & Touche LLP and agreed their fees;
- monitored the Group's risk management process;
- reviewed the effectiveness of the Group's system of internal controls;
- reviewed the Group's whistle blowing service;
- reviewed its own effectiveness and terms of reference;
- reviewed papers on the Group's depreciation policy and recommended changes to the policy;
- received a report by Deloitte & Touche LLP on the Group's corporate taxation arrangements;
- monitored the progress of major IT projects in the UK and Spain, including commissioning external reports; and
- reviewed a report on goodwill impairment.

EXTERNAL AUDITORS

The Board's policy on non-audit services provided by the external auditors, developed and recommended by the Committee, 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 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.

During the year, the Committee reviewed and was satisfied as to the effectiveness and independence of the external auditors, including conducting a one-to-one meeting with the audit partner.

Consequently, the Committee has recommended to the Board the reappointment of Deloitte & Touche LLP at the Annual General Meeting.

Fees paid and payable to Deloitte & Touche LLP in respect of the year under review are as shown in Note 6 on page 42.

INTERNAL AUDIT

In fulfilling it's duty to monitor the effectiveness of the internal audit function, the Committee has:

- reviewed the adequacy of the resources of the internal audit department for both the UK and Spain;
- ensured that the head of internal audit has direct access to the Chairman of the Board and to all members of the Committee;
- conducted a one-to-one meeting with the head of internal audit;
- approved the internal audit programme; and
- reviewed half-yearly reports by the head of internal audit.

The Chairman of the Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

Andrew Allner
Chairman of the Audit Committee
30 June 2008

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 Mr Rogerson's appointment as Chairman on a permanent basis on 5 June 2007, Mr Brown 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
No of Meetings	7	3	5
P Rogerson	7	1	5
S J Smith	7	–	–
A J Allner	5	2	3
J Astrand	7	3	5
T Brown	7	3	5
P J Moorhouse	7	–	–
G T Murray	4	–	–
A T Noble	7	–	–

All Directors in office at that time were present at the Annual General Meeting held in September 2007.

The external auditors attended three Audit Committee meetings.

The internal audit manager attended three Audit Committee meetings.

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 Rogerson. 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.

The Committee met formally on 4 occasions during the year and recommended the appointment to the Board of Andrew Allner as a non-executive Director in September 2007 and of Bob Contreras as Finance Director in June 2008.

During the year, the Chairman led an evaluation process of the performance of individual Directors, of the Board as a whole and of its committees. The process consisted of a formal and detailed questionnaire completed by each Director, one-to-one meetings with the Chairman and a Board discussion. In addition the non-executive Directors, led by the Senior Independent Director, have 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 10.

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 guidance provides relevant guidance for directors on compliance with the internal control provisions of the Code.

CORPORATE GOVERNANCE

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 Turnbull guidance.

AUDIT

An account of the work of the Audit Committee is given in the Audit Committee Report on page 22.

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 compliance with the Transparency Rules, introduced in January 2007, the Company publishes Interim Management Statements in March and September each year.

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, and that the Chairman should not be a member of the Audit Committee.

Since the retirement through illness of Mr Ballinger as Chairman in November 2006, Mr Rogerson acted as Chairman on a temporary basis while retaining his roles as Senior Independent Director and Chairman of the Audit Committee. Following his appointment as Chairman on a permanent basis in June 2007, Mr Brown was appointed Senior Independent Director. In September 2007 Mr Allner was appointed Chairman of the Audit Committee at which time Mr Rogerson ceased to be a member of the Audit Committee.

HEALTH & SAFETY AND ENVIRONMENTAL

THE BOARD RECOGNISES THAT THE MONITORING AND CONTROL OF ENVIRONMENTAL, HEALTH AND SAFETY (EHS) AND STRICT ADHERENCE TO LEGISLATIVE REQUIREMENTS IN ALL AREAS OF OPERATION 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 operational management.

In the UK the principles set out in the management model "HSG 65 Successful Health and Safety Management" have been adopted. This enables consistent health and safety standards and disciplines to be applied at all locations.

The Group is committed to pursuing sound EHS management policies and practices and continually seeks to improve EHS standards in the workplace by:

- Monitoring and managing the EHS impacts, risks and opportunities for the business for the benefit of employees, customers and the local communities in which we operate;
- Promoting awareness of EHS policy across the business to assess performance and to set objectives for improvement; and
- Reporting on the status of the EHS performance of the business.

Common standards are applied to a wide range of EHS matters, and legislative requirements are the minimum standard accepted. Working practices and procedures are continually assessed to ensure that everything is being done to meet the highest possible standards of safety using comprehensive and robust safety operating procedures manuals.

Group policies are agreed through a Steering Committee, which meets at regular intervals to consider EHS issues, review performance and to determine the necessary controls for compliance with all legislative requirements.

In the UK we are licensed to carry out a number of training courses for the British Safety Council (BSC) and the Institute of Occupational Safety and Health (IOSH). During this reporting period over five hundred employees have attended BSC Level one health & safety training courses and have successfully gained this recognised qualification. The Group remains committed to continually raising safety standards through training and has begun a process of training at least one employee within each hire company to a Nebosh General Certificate standard.

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 2008 was 68,600 vehicles with an average age of 16 months, of which 15% were cars and the remainder commercial vehicles. The total fleet in Spain at 30 April 2008 was 62,750 vehicles with an average age of 19 months, of which 33% were cars and the remainder commercial vehicles.

Cars are sold after an average life of 20 months in the UK and 35 months in Spain. Commercial vehicles are sold after an average life of 32 months in the UK and 38 months in Spain.

Our fleet is, therefore, comprised entirely of modern vehicles. All purchases in the year ended 30 April 2008 were Euro IV compliant.

PROPERTY

As at 30 April 2008, the vehicle rental business in the UK and Republic of Ireland operated out of 87 properties, of which 21 are primary sites and 66 are branches. All but 9 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. Our sites vary in size from the larger sites which will typically 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. The smaller sites will have an area of approximately 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 9 people. Four of the larger sites share premises with Northgate Vehicle Sales who have a further six 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 UK locations underwent comprehensive internal EHS audits and, having completed an evaluation of EHS arrangements in Fualsa and Record, we have now established an EHS function in Spain based on the same standards and general principles as the UK. Both Fualsa and Record are certified to the internationally recognised Environmental standard ISO 14001.

In both the UK and Spain all waste products from our workshops and bodyshops are collected by registered waste contractors: 100% of tyres are recycled and 95% of all other such waste.

The Group are sponsors of Brake, the road safety charity, and are members of the British Safety Council and the Royal Society for the Prevention of Accidents. We have received a Silver Award from RoSPA in recognition of the Group's EHS arrangements in the UK and have also been recognised by RoadSafe, the Government backed Driving for Better Business campaign, with an award for our fleet road safety programme.

During the year under review, no incidents resulting in fatality or significant pollution occurred at any of our locations. No health and safety enforcement notices were served on any company in the Group.

DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL REPORT, DIRECTORS' REMUNERATION REPORT AND THE FINANCIAL STATEMENTS IN ACCORDANCE WITH APPLICABLE LAW AND REGULATIONS.

Company law requires the Directors to prepare financial statements for each financial year. The Directors are required by the EU IAS Regulation to prepare the group financial statements under International Financial Reporting Standards ("IFRS") as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with IFRS as adopted by the European Union. The financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the EU IAS Regulation.

International Accounting Standard 1 requires that 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. However, 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 when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

DIRECTORS' -RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Operational and Financial Reviews which are incorporated into the Directors' report, include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

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.

By order of the Board

R Contreras
Director
30 June 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHGATE PLC

We have audited the Group and parent Company financial statements ("the financial statements") of Northgate plc for the year ended 30 April 2008 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Notes to the Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity, the Group Statement of Recognised Income and Expense and the related Notes 1 to 40. 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 by 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 to be audited in accordance with relevant 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 and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operational Review and Financial Review that is cross referred from the Business Review section of the Directors' Report.

In addition we 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 review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 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 as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 to be 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 Group's and 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 to be 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 to be audited.

OPINION

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 30 April 2008 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 30 April 2008;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds
30 June 2008

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2008

	Notes	2008 £000	2007 (restated) £000
Revenue	4,5	**578,462**	526,465
Cost of sales		(400,668)	(356,923)
Gross profit	5	**177,794**	169,542
Administrative expenses (excluding amortisation)	5,6	(54,895)	(58,564)
Amortisation	15	(4,693)	(3,922)
Total administrative expenses		(59,588)	(62,486)
Profit from operations	6	**118,206**	107,056
Investment income	8	3,139	3,764
Finance costs	9	(41,853)	(35,452)
Profit before taxation		**79,492**	75,368
Taxation	10	(18,158)	(20,885)
Profit for the year		**61,334**	54,483

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

	Notes	2008	2007 (restated)
Earnings per share			
Basic	12	**86.7p**	76.1p
Diluted	12	**85.8p**	75.8p

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 APRIL 2008

		Group		Company	
	Notes	2008 £000	2007 £000	2008 £000	2007 £000
Amounts attributable to equity holders of the parent Company					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	32	29,221	(1,756)	–	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings	32	–	–	–	(4,344)
Foreign exchange differences on revaluation reserve	28	164	(11)	–	–
Net foreign exchange differences on long term borrowings held as hedges	32	(34,349)	1,425	–	4,344
Other foreign exchange differences recognised directly in equity	32	–	628	–	–
Net fair value (losses) gains on cash flow hedges	31	(1,721)	4,471	3,182	3,450
Share options fair value amount credited (charged) directly to equity		3,340	(75)	3,340	(75)
Actuarial (losses) gains on defined benefit pension scheme	37	(208)	445	–	–
Net current tax credit recognised directly in equity		–	1,084	–	1,084
Deferred tax on net investment hedges	25	11,192	–	–	–
Other net deferred tax charge recognised directly in equity	25	(2,018)	(2,616)	(2,312)	(2,055)
Net income recognised directly in equity		**5,621**	3,595	**4,210**	2,404
Profit attributable to equity holders		61,334	54,483	(27,534)	11,241
Total recognised income and expense for the year		**66,955**	58,078	**(23,324)**	13,645

BALANCE SHEETS

AS AT 30 APRIL 2008

		Group		Company	
	Notes	2008 £000	2007 £000	2008 £000	2007 £000
Non-current assets					
Goodwill	14	83,152	75,120	–	–
Other intangible assets	15	28,475	26,804	–	–
Property, plant and equipment: vehicles for hire	16	1,006,792	860,052	–	–
Other property, plant and equipment	17	81,960	68,160	2,889	2,950
Total property, plant and equipment		1,088,752	928,212	2,889	2,950
Investments	18	–	–	147,895	212,279
		1,200,379	1,030,136	150,784	215,229
Current assets					
Inventories	19	12,073	8,709	–	–
Trade and other receivables	20	193,088	176,760	979,413	796,749
Cash and cash equivalents		48,763	35,039	7,152	5,036
		253,924	220,508	986,565	801,785
Non-current assets classified as held for sale	21	30,566	21,941	–	–
Total assets		**1,484,869**	1,272,585	**1,137,349**	1,017,014
Current liabilities					
Trade and other payables	22	90,182	68,570	22,905	10,139
Tax liabilities		15,728	11,973	–	–
Short term borrowings	23	8,414	20,340	4,968	14,220
		114,324	100,883	27,873	24,359
Non-current liabilities					
Long term borrowings	23	934,357	770,022	929,942	765,171
Deferred tax liabilities	25	37,082	38,694	1,773	–
Retirement benefit obligation	38	553	555	–	–
		971,992	809,271	931,715	765,171
Total liabilities		**1,086,316**	910,154	**959,588**	789,530
NET ASSETS		**398,553**	362,431	**177,761**	227,484
Equity					
Share capital	26	3,527	3,560	3,527	3,560
Share premium account	27	67,972	67,230	67,972	67,230
Revaluation reserve	28	1,207	1,043	1,371	1,371
Own shares	29	(9,006)	(4,572)	–	–
Merger reserve	30	67,463	67,463	63,159	63,159
Hedging reserve	31	7,110	5,199	6,614	4,203
Translation reserve	32	3,817	1,924	–	–
Capital redemption reserve	33	40	–	40	–
Retained earnings	34	256,423	220,584	35,078	87,961
TOTAL EQUITY		**398,553**	362,431	**177,761**	227,484

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 30 June 2008.

They were signed on its behalf by:

P Rogerson Director

R L Contreras Director

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2008

		Group		Company	
		2008 £000	2007 £000	2008 £000	2007 £000
Net cash from (used in) operating activities	(a)	**285,932**	224,765	**(35,523)**	(38,160)
Investing activities					
Interest received		2,453	3,145	1,249	12,951
Dividends received from subsidiary undertakings		–	–	66,905	30,258
Proceeds from disposal of vehicles for hire		196,113	188,512	–	–
Purchases of vehicles for hire		(469,438)	(437,947)	–	–
Proceeds from disposal of other property, plant & equipment		3,475	3,283	–	–
Purchases of other property, plant and equipment		(13,520)	(11,126)	–	–
Purchases of intangible assets		(260)	(1,281)	–	–
Payment of deferred consideration		–	(10,290)	–	(10,290)
Business combinations		(15,260)	(49,340)	–	–
Purchase of investments in subsidiary undertakings		–	–	–	(78,351)
Disposal of investments in subsidiary undertakings		–	–	–	119,352
Net cash (used in) from investing activities		**(296,437)**	(315,044)	**68,154**	73,920
Financing activities					
Dividends paid		(18,933)	(16,946)	(18,933)	(16,946)
Repayments of obligations under finance leases		(25,082)	(63,740)	–	–
Repayments of bank loans and other borrowings		(30,244)	(175,579)	(30,244)	(175,579)
Increase in bank loans and other borrowings		113,210	359,891	113,092	432,891
Loans to subsidiary undertakings		–	–	(71,741)	(942,938)
Loans repaid by subsidiary undertakings		–	–	–	659,437
Settlement of financial instruments with subsidiary undertaking		–	–	2,146	–
Proceeds from issue of share capital		749	2,254	749	2,254
Proceeds from sale of own shares		981	62	–	–
Payments to acquire own shares for share schemes		(5,415)	(1,303)	–	–
Payments to acquire own shares for cancellation		(8,166)	–	(8,166)	–
Settlement of financial instruments		(3,198)	–	(3,198)	–
Net cash from (used in) financing activities		**23,902**	104,639	**(16,295)**	(40,881)
Net increase (decrease) in cash and cash equivalents		**13,397**	14,360	**16,336**	(5,121)
Cash and cash equivalents at 1 May		34,467	20,259	(9,184)	(3,981)
Effect of foreign exchange movements		899	(152)	–	(82)
Cash and cash equivalents at 30 April	(b)	**48,763**	34,467	**7,152**	(9,184)

NOTES TO THE CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2008

	Group		Company	
(a) Net cash from (used in) operating activities	2008 £000	2007 £000	2008 £000	2007 £000
Profit (loss) from operations	118,206	107,056	(42,293)	(8,960)
Adjustments for:				
Depreciation of property, plant and equipment	216,736	193,885	61	62
Exchange differences	(337)	366	37,741	178
Amortisation of intangible assets	4,693	3,922	–	–
Gain on disposal of property, plant and equipment	(1,540)	(356)	–	–
Defined benefit pension charge	9	8	–	–
Share options fair value amount credited (charged) directly to equity	3,340	(75)	3,340	(75)
Operating cash flows before movements in working capital	**341,107**	304,806	**(1,151)**	(8,795)
(Increase) decrease in inventories	(2,408)	460	–	–
Decrease (increase) in receivables	12,078	(16,810)	1,303	(2,686)
(Decrease) increase in payables	(15,478)	(5,838)	(839)	3,637
Cash generated from (used in) operations	**335,299**	282,618	**(687)**	(7,844)
Income taxes paid	(13,447)	(22,446)	–	–
Interest paid	(35,920)	(35,407)	(34,836)	(30,316)
Net cash from (used in) operating activities	**285,932**	224,765	**(35,523)**	(38,160)

(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	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash in hand and at bank	11,372	14,384	7,152	5,036
Short term investments	37,391	20,655	–	–
Gross cash and cash equivalents as reported	48,763	35,039	7,152	5,036
Bank overdrafts	–	(572)	–	(14,220)
Net cash and cash equivalents	**48,763**	34,467	**7,152**	(9,184)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2008

	Notes	2008 £000	2007 £000
Amounts attributable to equity holders of the parent Company			
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	32	29,221	(1,756)
Foreign exchange difference on revaluation reserve		164	(11)
Net foreign exchange differences on long term borrowings held as hedges	32	(34,349)	1,425
Other foreign exchange differences recognised directly in equity	32	–	628
Net fair value (losses) gains on cash flow hedges	31	(1,721)	4,471
Share options fair value amount credited (charged) directly to equity		3,340	(75)
Actuarial (losses) gains on defined benefit pension scheme	38	(208)	445
Net current tax credit recognised directly in equity	10	–	1,084
Deferred tax on net investment hedges	25	11,192	–
Net deferred tax charge recognised directly in equity	25	(2,018)	(2,616)
Net income recognised directly in equity		**5,621**	3,595
Profit attributable to equity holders	13	61,334	54,483
Total recognised income and expense for the year		**66,955**	58,078
Dividends paid	11	(18,982)	(16,949)
Issue of Ordinary share capital (net of expenses)	26, 27	749	2,254
Net increase in own shares held	29	(4,434)	(1,241)
Cost of shares purchased for cancellation	26	(8,166)	–
Net changes in total equity		**36,122**	42,142
Opening total equity as at 1 May		362,431	320,289
Closing total equity as at 30 April		**398,553**	362,431

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2008

	Notes	2008 £000	2007 £000
Amounts attributable to equity holders of the parent Company			
Foreign exchange differences on retranslation of investments in subsidiary undertakings	32	–	(4,344)
Net foreign exchange differences on long term borrowings held as hedges	32	–	4,344
Net fair value gains on cash flow hedges	31	3,182	3,450
Share options fair value amount credited (charged) directly to equity		3,340	(75)
Net current tax credit recognised directly in equity		–	1,084
Net deferred tax charge recognised directly in equity	25	(2,312)	(2,055)
Net income recognised directly in equity		**4,210**	2,404
(Loss) profit attributable to equity holders	13	(27,534)	11,241
Total recognised income and expense for the year		**(23,324)**	13,645
Dividends paid	11	(18,982)	(16,949)
Issue of Ordinary share capital (net of expenses)	26, 27	749	2,254
Cost of shares purchased for cancellation	26	(8,166)	–
Net changes in total equity		**(49,723)**	(1,050)
Opening total equity as at 1 May		227,484	228,534
Closing total equity as at 30 April		**177,761**	227,484

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2008

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 86. 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 10.

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.

On 1 May 2007, the Group adopted IFRS 7 (*Financial Instruments: Disclosures*).

There is no impact on the income statement or equity in either year as a result of the adoption.

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

IFRS 8	*Operating segments*
IFRIC 11	*IFRS 2 - Group and treasury share transactions*
IFRIC 14	*IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

The Directors anticipate that the adoption of the Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional disclosures when the relevant standards come into effect for periods commencing on or after 1 January 2009.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the European Union (EU) and therefore comply with Article 4 of the EU IAS Regulation.

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 2007 and 30 April 2008. The results of a new subsidiary undertaking are included from the date of its 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.

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, except in the case of certain revalued buildings, 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	50 years or over the life of the lease, whichever is shorter
Plant, equipment and fittings	3 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 reflect adjustments made as a result of differences between expected and actual residual values of used vehicles, 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 disposal 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.

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.

Current and 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 current or 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, 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.

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 net assets 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 exchange differences 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.

In the prior year, the Company maintained certain borrowings in the same currency as the functional currency of its overseas subsidiary undertakings, as a hedge against the net assets of the subsidiaries. These borrowings were translated into UK Sterling using the exchange rate prevailing at the balance sheet date. Any variances were 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 hired 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. 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. The costs of these plans are charged to the income statement as they fall due.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

2 PRINCIPAL ACCOUNTING POLICIES (continued)

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 payments to certain employees.

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 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 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.

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.

Investment income and finance costs

Investment income and finance costs are recognised in the income statement as they fall due.

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 reflect adjustments made as a result of differences between expected and actual residual values of used vehicles, 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 £83,152,000 (Note 14).

Taxation

The Group carries out tax planning consistent with a group of its size and makes appropriate provision, based on best estimates, until tax computations are agreed with the tax authorities.

4. REVENUE

Revenue shown in the consolidated income statement of £578,462,000 (2007 – £526,465,000) arises from the rendering of services.

5. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

The Group's operations are located in the United Kingdom, Republic of Ireland and Spain. These geographical locations are the basis on which the Group reports its primary segment information.

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.

	UK & Republic of Ireland 2008 £000	Spain 2008 £000	Total 2008 £000
Revenue	360,752	217,710	578,462
Gross profit	118,743	59,051	177,794
Administrative expenses	(44,346)	(10,549)	(54,895)
Amortisation	(2,569)	(2,124)	(4,693)
Profit from operations	71,828	46,378	118,206
Investment income			3,139
Finance costs			(41,853)
Profit before taxation			79,492
Other Information			
Capital additions	301,991	200,992	502,983
Depreciation	125,922	90,814	216,736
Balance Sheet			
Segment assets	918,666	566,203	1,484,869
Segment liabilities	560,808	472,698	1,033,506
Income tax liabilities			52,810
			1,086,316

	UK & Republic of Ireland 2007 £000	Spain (restated) 2007 £000	Total (restated) 2007 £000
Revenue	351,108	175,357	526,465
Gross profit	117,638	51,904	169,542
Administrative expenses	(45,925)	(12,639)	(58,564)
Amortisation	(2,035)	(1,887)	(3,922)
Profit from operations	69,678	37,378	107,056
Investment income			3,764
Finance costs			(35,452)
Profit before taxation			75,368

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

	UK & Republic of Ireland 2007 £000	Spain (restated) 2007 £000	Total (restated) 2007 £000
Other Information			
Capital additions	266,485	190,755	457,240
Depreciation	127,030	66,855	193,885
Balance Sheet			
Segment assets	703,891	568,694	1,272,585
Segment liabilities (as restated)	492,331	367,156	859,487
Income tax liabilities			50,667
			910,154

2007 segment liabilities have been restated to exclude income tax liabilities, in accordance with IAS 14.

Business segments

For management purposes, the Group has two material business segments, which are the hire of vehicles and fleet management.

As such, the Directors consider that these are the two business segments on which the Group should report.

	Hire of vehicles 2008 £000	Fleet management 2008 £000	Total 2008 £000
Revenue	562,937	15,525	578,462
Segment assets	1,475,570	9,299	1,484,869
Capital additions	502,721	2	502,723

	Hire of vehicles 2007 £000	Fleet management 2007 £000	Total 2007 £000
Revenue	512,727	13,738	526,465
Segment assets	1,263,974	8,611	1,272,585
Capital additions	457,228	12	457,240

6. PROFIT FROM OPERATIONS

	Notes	2008 £000	2007 £000
Profit from operations is stated after charging (crediting):			
Depreciation of property, plant and equipment	16, 17	216,736	193,885
Amortisation of intangible assets	15	4,693	3,922
Net foreign exchange (gains) losses		(337)	366
Non-recurring property profits (below)		(1,098)	–
Staff costs	7	84,272	77,622
Cost of inventories recognised as an expense		43,281	39,402
Auditors' remuneration for audit services (below)		336	308
Auditors' remuneration for non-audit services (below)		143	301

During the year, the Group made a non-recurring profit as a result of insurance proceeds received in respect of a fire at one of the Group's operational sites in Spain.

The above cost of inventories recognised as an expense includes movements in stock provisions which are immaterial.

The 2007 consolidated income statement has been restated to reclassify certain costs which are considered more appropriately classified within cost of sales than administrative expenses. The impact of this restatement has been to increase cost of sales by £11,473,000 and reduce administrative expenses by the same amount. There is no impact on profit from operations or profit before taxation for the year ended 30 April 2007, the Group cash flow statement for the year ended 30 April 2007 or the Group balance sheet as at 30 April 2007 as a result of this restatement.

6. PROFIT FROM OPERATIONS (continued)

	2008 £000	2007 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	227	196
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	109	112
Total audit fees	**336**	308
Other services pursuant to legislation	21	20
Tax services	96	263
Corporate finance services	18	–
Other services	8	18
Total non-audit fees	**143**	301

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the audit committee is set out on pages 22 to 24 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. STAFF COSTS

	2008 Number	2007 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,977	1,862
Administration	464	503
	2,441	2,365
Spain:		
Direct operations	872	752
Administration	195	198
	1,067	950
	3,508	3,315

The above United Kingdom administration employee numbers include 18 (2007 – 18) in respect of the Company.

	2008 £000	2007 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	72,850	67,755
Social security costs	9,715	8,387
Other pension costs	1,707	1,480
	84,272	77,622

The above employee remuneration includes wages and salaries costs of £2,423,000 (2007 – £1,888,000), social security costs of £324,000 (2007 – £402,000) and other pension costs of £357,000 (2007 – £462,000) in respect of the Company.

Details of Directors' remuneration, pension contributions and share options are provided in the audited part of the Remuneration Report on pages 16 to 21.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

8. INVESTMENT INCOME

	2008 £000	2007 £000
Interest on bank and other deposits	3,139	3,141
Change in fair value of interest rate derivatives (Note 24)	–	623
	3,139	3,764

9. FINANCE COSTS

	2008 £000	2007 £000
Interest on bank overdrafts and loans	40,560	33,583
Interest on obligations under finance leases	616	1,844
Total borrowing costs	41,176	35,427
Change in fair value of interest rate derivatives (Note 24)	652	–
Preference share dividends	25	25
	41,853	35,452

10. TAXATION

	2008 £000	2007 £000
Current tax:		
UK corporation tax	82	2,697
Adjustment in respect of prior years	(3,679)	1,200
Foreign tax	16,955	9,552
	13,358	13,449
Deferred tax:		
Current year	3,012	7,232
Adjustment in respect of prior years	1,788	204
	4,800	7,436
	18,158	20,885

Corporation tax is calculated at 30% (2007 – 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:

	2008 £000	%	2007 £000	%
Profit before taxation	79,492		75,368	
Tax at the UK corporation tax rate of 30% (2007 – 30%)	23,848	30.0	22,610	30.0
Tax effect of expenses that are not deductible in determining taxable profit	628	0.8	346	0.4
Difference in taxation in overseas subsidiary undertakings	(3,032)	(3.8)	(2,277)	(3.0)
Reduction in overseas tax rate	–	–	(1,198)	(1.6)
Reduction in UK tax rate	(1,395)	(1.8)	–	–
Adjustment to tax charge in respect of prior years	(1,891)	(2.4)	1,404	1.9
Tax expense and effective tax rate for the year	**18,158**	**22.8**	20,885	27.7

In addition to the amount charged to the income statement, a net deferred tax amount of £9,174,000 has been credited (2007 – £2,616,000 charged) directly to equity (Note 25).

On 1 April 2008, the UK corporation tax rate changed from 30% to 28%. This will have the effect of reducing the future effective tax rate. At the same time, the rate of capital allowances, an important part of UK qualifying expenditure, fell from 25% to 20% per annum. This will not impact the UK effective tax rate but will result in a short-term cash outflow to the Group.

11. DIVIDENDS

	2008 £000	2007 £000
Amounts recognised as distributions to equity holders of the parent Company:		
Final dividend for the year ended 30 April 2007 of 15.5p per share	11,072	–
Interim dividend for the year ended 30 April 2008 of 11.5p per share	7,910	–
Final dividend for the year ended 30 April 2006 of 14p per share	–	9,853
Interim dividend for the year ended 30 April 2007 of 10p per share	–	7,096
	18,982	16,949

The proposed final dividend of 16.5p 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 2008.

12. EARNINGS PER SHARE

(a) Basic and diluted earnings per share	2008	2007
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	61,334	54,483

	Number	Number
Number of shares		
Weighted average number of Ordinary shares for the purposes of basic earnings per share	70,756,672	71,584,744
Effect of dilutive potential Ordinary shares:		
– share options	737,756	250,032
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	**71,494,428**	71,834,776
Basic earnings per share	**86.7p**	76.1p
Diluted earnings per share	**85.8p**	75.8p

(b) Earnings per share before amortisation and non-recurring property profit	£000	£000
Earnings for the purposes of basic and diluted earnings per share (above)	61,334	54,483
Amortisation	4,693	3,922
Non-recurring property profit (Note 6)	(1,098)	–
Earnings for the purposes of basic and diluted earnings per share before amortisation and non-recurring property profit	**64,929**	58,405
Basic earnings per share before amortisation and non-recurring property profit	**91.8p**	81.6p
Diluted earnings per share before amortisation and non-recurring property profit	**90.8p**	81.3p

13. RESULT OF THE PARENT COMPANY

A loss of £27,534,000 (2007 – profit of £11,241,000) 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 2008

14. GOODWILL

Group	2008 £000	2007 £000
Cost:		
At 1 May	75,120	44,582
Exchange differences	6,421	(572)
Business combinations (Note 35)	1,611	31,439
Adjustment in respect of subsidiary undertaking acquired in prior year	–	(329)
At 30 April	**83,152**	75,120

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	2008 £000	2007 £000
Record Rent a Car S.A.	35,881	31,010
Northgate (AVR) Limited	27,726	27,726
Furgonetas de Alquiler S.A.	11,010	9,527
Fleet Technique Limited	3,589	3,589
Hampsons (Self Drive Hire) Limited	996	–
GPS Body Repairs Limited	224	–
Alquiservicios LSL S.A.	458	–
Other UK vehicle hire companies	3,268	3,268
	83,152	75,120

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 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 one-year annual financial budgets approved by the Directors and extrapolates these cash flows for the period relevant to the CGU.

With the exception of Fleet Technique Limited, which uses a growth rate of 5%, the following is applied to all CGUs:

Growth rate	Nil
Discount rate	7%
Cash flow period	10 years

The growth rate of nil is only assumed for the purpose of impairment review modelling and is less than the expected long-term growth rate for the market.

The periods over which cash flows have been extrapolated exceed five years on the basis that economic benefit is expected to flow to the Group over a longer period.

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 2006	4,488	13,887	285	168	3,067	21,895
Additions	–	–	–	–	1,279	1,279
Business combinations	11,725	3,575	123	–	57	15,480
Disposals	(4,165)	–	–	–	(94)	(4,259)
Exchange differences	(46)	(10)	(1)	–	(5)	(62)
At 1 May 2007	12,002	17,452	407	168	4,304	34,333
Additions	–	–	–	–	260	260
Business combinations	–	4,157	–	–	–	4,157
Exchange differences	1,744	785	29	–	142	2,700
At 30 April 2008	**13,746**	**22,394**	**436**	**168**	**4,706**	**41,450**
Amortisation:						
At 1 May 2006	864	674	65	11	2,073	3,687
Charge for the year	1,329	1,836	117	34	606	3,922
Eliminated on disposals	–	–	–	–	(65)	(65)
Exchange differences	(9)	(2)	–	–	(4)	(15)
At 1 May 2007	2,184	2,508	182	45	2,610	7,529
Charge for the year	1,329	2,325	121	34	884	4,693
Exchange differences	486	144	30	–	93	753
At 30 April 2008	**3,999**	**4,977**	**333**	**79**	**3,587**	**12,975**
Carrying amount:						
At 30 April 2008	**9,747**	**17,417**	**103**	**89**	**1,119**	**28,475**
At 30 April 2007	9,818	14,944	225	123	1,694	26,804

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

16. PROPERTY, PLANT AND EQUIPMENT: VEHICLES FOR HIRE

Group	£000
Cost or valuation:	
At 1 May 2006	807,342
Additions	444,835
Business combinations	158,750
Transfer to motor vehicles	(113)
Exchange differences	(3,465)
Disposals	(323,731)
At 1 May 2007	1,083,618
Additions	489,203
Business combinations	19,119
Transfer from motor vehicles	1,628
Exchange differences	78,029
Disposals	(400,448)
At 30 April 2008	**1,271,149**
Depreciation:	
At 1 May 2006	163,518
Charge for the year	190,095
Exchange differences	(217)
Transfer to motor vehicles	(61)
Eliminated on disposals	(129,769)
At 1 May 2007	223,566
Charge for the year	213,650
Exchange differences	15,224
Transfer from motor vehicles	37
Eliminated on disposals	(188,120)
At 30 April 2008	**264,357**
Carrying amount:	
At 30 April 2008	**1,006,792**
At 30 April 2007	860,052

The carrying amount of the Group's vehicles for hire includes an amount of £52,000 (2007 – £39,550,000) in respect of assets held under finance lease agreements.

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 2006	51,263	9,607	1,341	62,211
Additions	8,150	2,173	803	11,126
Business combinations	11,936	1,843	–	13,779
Transfer from vehicles for hire	–	–	113	113
Exchange differences	(276)	(33)	–	(309)
Disposals	(2,769)	(1,102)	(848)	(4,719)
At 1 May 2007	68,304	12,488	1,409	82,201
Additions	5,899	5,410	2,211	13,520
Business combinations	135	313	75	523
Transfer to vehicles for hire	–	–	(1,628)	(1,628)
Exchange differences	5,564	1,077	–	6,641
Disposals	(1,265)	(626)	(858)	(2,749)
At 30 April 2008	**78,637**	**18,662**	**1,209**	**98,508**
Depreciation:				
At 1 May 2006	5,489	6,185	301	11,975
Charge for the year	1,445	2,006	339	3,790
Exchange differences	1	6	–	7
Transfer from vehicles for hire	–	–	61	61
Eliminated on disposals	(402)	(1,026)	(364)	(1,792)
At 1 May 2007	6,533	7,171	337	14,041
Charge for the year	976	1,746	363	3,085
Exchange differences	107	165	–	272
Transfer to vehicles for hire	–	–	(37)	(37)
Eliminated on disposals	(261)	(198)	(354)	(813)
At 30 April 2008	**7,355**	**8,884**	**309**	**16,548**
Carrying amount:				
At 30 April 2008	**71,282**	**9,778**	**900**	**81,960**
At 30 April 2007	61,771	5,317	1,072	68,160

Cost or valuation at 30 April 2008 is represented by:				
Valuation performed in 1992	525	–	–	525
Valuation performed in 2004	3,403	–	–	3,403
Additions at cost	74,709	18,662	1,209	94,580
	78,637	18,662	1,209	98,508

17. OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

Group Land and buildings by category:	2008 £000	2007 £000
Freehold	62,117	53,179
Short leasehold	9,165	8,592
	71,282	61,771

At 30 April 2008, the Group had entered into contractual commitments for the acquisition of plant, property and equipment amounting to £66,000 (2007 – £892,000).

Certain of the above freehold properties were valued as at 30 April 1992 by Jones Lang Wooton, Chartered Surveyors, and certain other freehold properties as at 3 May 2004 by Amercian Appraisal, Professional Valuers, on the basis of open market value for existing use.

At 30 April 2008, under the historical cost convention, land and buildings would have been stated at £78,915,000 (2007 – £68,582,000) and related accumulated depreciation of £7,442,000 (2007 – £6,621,000).

Company	Land & buildings £000
Cost:	
At 1 May 2006, 1 May 2007 and 30 April 2008	3,239
Depreciation:	
At 1 May 2006	227
Charge for the year	62
At 1 May 2007	289
Charge for the year	61
At 30 April 2008	350
Carrying amount:	
At 30 April 2008	2,889
At 30 April 2007	2,950

18. INVESTMENTS

Company	Shares in subsidiary undertakings £000	Loans to Group undertakings £000	Total £000
Cost:			
At 1 May 2007	167,714	47,000	214,714
Disposal of interest in subsidiary undertaking (see below)	(64,384)	–	(64,384)
At 30 April 2008	103,330	47,000	150,330
Accumulated provisions:			
At 1 May 2007 and 30 April 2008	2,435	–	2,435
Carrying amount:			
At 30 April 2008	**100,895**	**47,000**	**147,895**
At 30 April 2007	165,279	47,000	212,279

On 25 April 2008, the Company disposed of its interest in the share capital of Northgate (St Helier) Limited. The proceeds from the disposal were £64,384,000 and were settled by intercompany accounts.

At 30 April 2008, the principal subsidiary undertaking of the Company was Northgate Vehicle Hire Limited, a company registered in England and Wales, whose principal activity is the hire of vehicles.

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

At 30 April 2008, the principal subsidiary undertakings of the Group were as follows:

Fleet Technique Limited
Furgonetas de Alquiler S.A.
Northgate (Europe) Limited
Northgate (Malta) Limited
Northgate (MT) Limited
Northgate (TM) Limited
Northgate Vehicle Hire (Ireland) Limited
Northgate Vehicle Hire Limited
Record Rent a Car S.A.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

19. INVENTORIES

Inventories comprise spare parts and consumables.

20. OTHER FINANCIAL ASSETS

	Group		Company	
Trade and other receivables	**2008 £000**	2007 £000	**2008 £000**	2007 £000
Trade amounts receivable	171,888	142,461	–	–
Amounts due from subsidiary undertakings	–	–	915,446	787,908
Other taxes	–	8,374	1,976	1,481
Deferred tax asset (Note 25)	–	–	–	275
Financial instrument asset (Note 24)	3,361	4,347	61,059	5,536
Other debtors and prepayments	17,839	21,578	932	1,549
	193,088	176,760	**979,413**	796,749

		2008	2007
The average credit periods taken on goods are	UK	52 days	51 days
	Spain	138 days	149 days

Allowances for estimated irrecoverable amounts are considered in Note 39.

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

The deferred tax asset of £275,000 carried in the Company balance sheet at 30 April 2007 has been disclosed within other financial assets, rather than separately on the face of the Company balance sheet, on the grounds that in the opinion of the Directors, it is immaterial.

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 39.

21. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

These comprise vehicles held for sale in both the UK and Spain. It is anticipated that these will be disposed of during the ordinary course of business within the next financial year.

22. OTHER FINANCIAL LIABILITIES

	Group		Company	
Trade and other payables	2008 £000	2007 £000	2008 £000	2007 £000
Trade payables	36,640	33,538	58	163
Financial instrument liability (Note 24)	2,985	3,868	2,884	3,738
Social security and other taxes	3,173	3,435	99	117
Accruals and deferred income	47,384	27,729	19,864	6,121
	90,182	68,570	22,905	10,139

Trade payables comprise amounts outstanding for trade purchases.

		2008	2007
The average credit period taken on trade purchases is	UK	50 days	45 days
	Spain	85 days	90 days

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

23. BORROWINGS

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

Except as detailed in Note 39, the Directors consider that the carrying amounts of the Group's borrowings approximate to their fair value.

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
Total borrowings				
Bank overdrafts	–	572	–	14,220
Bank loans	735,970	601,326	733,268	596,043
Loan notes	201,142	168,628	201,142	168,628
Vehicle related finance lease obligations	356	16,104	–	–
Deferred consideration	519	–	–	–
Property loans	2,668	2,718	–	–
Cumulative Preference shares	500	500	500	500
Other	1,616	514	–	–
	942,771	790,362	934,910	779,391

23. BORROWINGS (continued)

The borrowings are repayable as follows:

	Group		Company	
	2008 £000	2007 £000	2008 £000	2007 £000
On demand or within one year (shown under current liabilities)				
Bank overdrafts	–	572	–	14,220
Bank loans	5,504	2,939	4,968	–
Vehicle related finance lease obligations	292	15,894	–	–
Deferred consideration	519	–	–	–
Property loans	483	421	–	–
Other	1,616	514	–	–
	8,414	20,340	4,968	14,220
In the second year				
Bank loans	629,129	952	628,577	–
Vehicle related finance lease obligations	64	210	–	–
Property loans	523	631	–	–
	629,716	1,793	628,577	–
In the third to fifth years				
Bank loans	101,337	597,435	99,723	596,043
Loan notes	31,285	–	31,285	–
Property loans	1,662	373	–	–
	134,284	597,808	131,008	596,043
Due after more than five years				
Loan notes	169,857	168,628	169,857	168,628
Cumulative Preference shares	500	500	500	500
Property loans	–	1,293	–	–
	170,357	170,421	170,357	169,128
Total borrowings	942,771	790,362	934,910	779,391
Less: Amount due for settlement within one year (shown under current liabilities)	8,414	20,340	4,968	14,220
Amount due for settlement after one year	934,357	770,022	929,942	765,171

Bank overdrafts

Bank overdrafts are repayable on demand and are unsecured.

They are denominated in UK Sterling and Euro. Sterling denominated bank overdrafts bear interest at 1% above the Bank of England base rate and Euro denominated bank overdrafts bear interest at 0.75% to 0.85% above EURIBOR. This exposes the Group to cash flow interest rate risk.

Bank loans

Bank loans are unsecured and bear interest at rates of 0.425% to 0.6% above the relevant interest rate index, being LIBOR for UK Sterling denominated debt and EURIBOR for Euro denominated debt. This exposes the Group to cash flow interest rate risk.

In December 2007, the Company committed additional term loan facilities of £130,000,000 with five major UK and European banks. The total facilities of £885,000,000 (2007 – £755,000,000) have commitment dates one and three years from the agreement dates.

23. BORROWINGS (continued)

Loan notes

In December 2007 the Company issued fixed rate, unsecured loan notes with a total nominal value of US$62,000,000 to investors principally based in the United States. The total of all US dollar loan notes ("the US notes") issued by the Group is $357,000,000 and £21,000,000 (2007 – $295,000,000 and £21,000,000). They are not publicly tradeable and have the following maturity profile:

Value of loan notes	Redemption date	Carrying value 30 April 2008 £000	Carrying value 30 April 2007 £000	Weighted average fixed interest rate on the US Notes at 30 April 2008	Overall weighted average fixed interest rate at 30 April 2008
US$62,000,000 5 year loan notes	December 2012	31,285	–	5.52%	5.19%
US$125,000,000 7 year loan notes	December 2013	63,075	62,554	5.73%	5.78%
US$120,000,000 10 year loan notes	December 2016	60,552	60,052	5.73%	5.78%
£21,000,000 10 year loan notes	December 2016	21,000	21,000	5.73%	5.78%
US$50,000,000 10 year loan notes	January 2017	25,230	25,022	5.73%	5.78%
		201,142	**168,628**		

The redemption of the US Notes and interest payments on the US Notes are due to the loan note holders in the same currency as the issue currency of the US Notes. These factors expose the Group to foreign currency exchange risk. As explained in further detail in Note 24, the Group has entered into cross currency swap financial instruments in order to mitigate this risk. Both the weighted average fixed interest rate on the US Notes and the overall weighted average fixed interest rate (taking into account the interest rates within the cross currency swap instruments) are shown in the table above.

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 (2007 – 1,300,000), of which 1,000,000 (2007 – 1,000,000) were allotted and fully paid at the balance sheet date.

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 2008, the average borrowing rate for vehicle related finance leases was 4.1% (2007 – 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.

Group	Minimum lease payments 2008 £000	Minimum lease payments 2007 £000	Present value of minimum lease payments 2008 £000	Present value of minimum lease payments 2007 £000
Amounts payable under vehicle related finance leases:				
Within one year	296	16,239	292	15,894
In the second to fifth years inclusive	67	220	64	210
	363	16,459	356	16,104
Less future finance charges	(7)	(355)	–	–
Present value of lease obligations	**356**	16,104	**356**	16,104
Less: amount due for settlement within one year (shown under current liabilities)			(292)	(15,894)
Amount due for settlement after one year			**64**	210

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

23. BORROWINGS (continued)

Deferred consideration

The deferred consideration of £519,000 relates to the purchase of Hampsons (Self Drive Hire) Limited (Note 35) and was settled on 24 June 2008.

Property loans

All property loans relate to land and buildings held in Spain and are accounted for as finance lease obligations. The loans are secured on the properties to which they relate.

The average lease term is ten years. For the year ended 30 April 2008, the average borrowing rate for property loans was 5.2% (2007 – 4.7%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments 2008 £000	Minimum lease payments 2007 £000	Present value of minimum lease payments 2008 £000	Present value of minimum lease payments 2007 £000
Amounts payable under property loans:				
Within one year	551	481	483	421
In the second to fifth years inclusive	2,518	1,139	2,185	1,004
After more than five years	–	1,510	–	1,293
	3,069	3,130	2,668	2,718
Less future finance charges	(401)	(412)	–	–
Present value of lease obligations	**2,668**	2,718	**2,668**	2,718
Less: amount due for settlement within one year (shown under current liabilities)			(483)	(421)
Amount due for settlement after one year			**2,185**	2,297

Other borrowings

Other borrowings of £1,616,000 (2007 – £514,000) represent Spanish debt discounting arrangements which are unsecured and all fall due within one year.

Total borrowing facilities

The Group has various borrowing 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, were as follows:

	2008 £000	2007 £000
Less than one year	97,981	178,474
In one year to five years	63,233	7,958
	161,214	186,432

The total amount permitted to be borrowed by the Company and its subsidiary undertakings in terms of the Articles of Association shall not exceed six times the aggregate of the issued share capital of the Company and Group reserves, as defined in those Articles.

23. BORROWINGS (continued)

Analysis of consolidated net debt

	At 1 May 2007 £000	Cash flow £000	Business combinations £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2008 £000
Cash at bank and in hand	14,384	(4,922)	1,011	–	899	11,372
Short term investments	20,655	16,736	–	–	–	37,391
Bank overdraft due within one year	(572)	593	(21)	–	–	–
	34,467	12,407	990	–	899	48,763
Bank loans	(601,326)	(52,300)	(57)	–	(82,287)	(735,970)
Loan notes	(168,628)	(30,244)	–	–	(2,270)	(201,142)
Vehicle related finance lease obligations	(16,104)	25,082	(8,472)	–	(862)	(356)
Deferred consideration	–	–	–	(519)	–	(519)
Cumulative Preference shares	(500)	–	–	–	–	(500)
Property loans and other borrowings	(3,232)	(422)	(128)	–	(502)	(4,284)
	(755,323)	(45,477)	(7,667)	(519)	(85,022)	(894,008)

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 2008, the gearing of the Group amounted to 311.6% (2007 – 289.9%) where net borrowings are £894,008,000 (2007 – £755,323,000) and shareholders' funds less goodwill and the net book value of intangible assets are £286,926,000 (2007 – £260,507,000).

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

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 financial 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 more complex financial instruments. Further details regarding derivative financial instruments are shown in Note 24.

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 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.

23. BORROWINGS (continued)

Financing and interest rate risk

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

Cash at bank and on deposit yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate derivatives as detailed in Note 24. 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 2008, 72% (2007 – 66%) of gross borrowings were at fixed or capped rates of interest, comprising £140,000,000, €425,000,000 and US$357,000,000 of derivative financial instruments, as detailed in Note 24.

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 (Note 24) and with the exception of US Dollar denominated loan notes, as explained above.

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

Group	Sterling £000	Euro £000	US Dollars £000	Total £000
At 30 April 2008				
Borrowings				
Bank loans	122,931	613,039	–	735,970
Loan notes	21,000	–	180,142	201,142
Vehicle related finance lease obligations	164	192	–	356
Cumulative Preference shares	500	–	–	500
Deferred consideration	519	–	–	519
Property loans	–	2,668	–	2,668
Other	–	1,616	–	1,616
	145,114	617,515	180,142	942,771

At 30 April 2007	Sterling £000	Euro £000	US Dollars £000	Total £000
Borrowings				
Bank overdrafts	572	–	–	572
Bank loans	81,069	520,257	–	601,326
Loan notes	21,000	–	147,628	168,628
Vehicle related finance lease obligations	779	15,325	–	16,104
Cumulative Preference shares	500	–	–	500
Property loans	–	2,718	–	2,718
Other	–	514	–	514
	103,920	538,814	147,628	790,362

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments at the balance sheet date comprise interest rate swaps, interest rate collars and cross-currency swaps.

Their net estimated fair values are as follows:

	2008 £000	2007 £000
Interest rate derivatives	(102)	4,217
Cross-currency derivatives	478	(3,738)
	376	479
They are represented in the balance sheet as follows:		
Financial instrument asset (Note 20)	3,361	4,347
Financial instrument liability (Note 22)	(2,985)	(3,868)
	376	479

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings and deposits is managed through the use of interest rate swaps 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. The interest rate derivatives to which the Group is party as at 30 April 2008 are summarised below:

	Total nominal values	Weighted average contract rates	Weighted average remaining life
GBP denominated interest rate swaps	£55,000,000	4.3%	0.2 years
EUR denominated interest rate swaps	€425,000,000	3.6%	2.8 years
GBP denominated interest rate collars	£85,000,000	5.8% (cap) 3.8% (floor)	0.8 years

The interest rate swaps to which the Group is party are all pay fixed, receive floating rate instruments, the fixed rates being as indicated above.

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:

	2008 £000	2007 £000
Interest rate swaps	(78)	3,840
Interest rate collars	(24)	377
	(102)	4,217

All of the interest rate swaps are designated 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, a net amount of £251,000 has been charged (2007 – £6,000 credited) to the income statement.

Interest rate collars are not hedge accounted for and, accordingly, an amount of £401,000 (2007 – £617,000 credit) has been charged to the income statement.

The total change in fair values of interest rate derivatives charged to the income statement of £652,000 is shown within finance costs (Note 9). In the prior year, a total change in fair value of £623,000 was credited to the income statement and is shown within investment income (Note 8).

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24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Cross currency derivatives

Market values have been used to determine fair values of cross-currency derivatives at each balance sheet date.

The estimated fair values are as follows:

	2008 £000	2007 £000
Sterling/US Dollar cross-currency swaps	4,467	(3,738)
Euro/Sterling cross-currency swap	(3,989)	–
	478	(3,738)

Sterling/US Dollar cross-currency swaps

The Group has in issue US Dollar denominated loan notes of capital value US$357,000,000 (2007 – US$295,000,000) which bear fixed rate interest in US Dollars. The payment of this interest and the capital repayment of the loan notes at maturity expose the Group to foreign exchange risk. To mitigate this risk, the Group has entered into a series of Sterling/US Dollar cross-currency swaps. The effective start dates and termination dates of these contracts are the same as the loan notes against which hedging relationships are designated and which are shown in Note 23. During the current year, the Group issued US Dollar denominated loan notes of total nominal value US$62,000,000 and entered into cross-currency swaps of the same value.

The Group will have interest cash outflows in UK Sterling and interest cash inflows in US Dollars over the life of the contracts. On the termination date of each of the contracts, the Group will pay a principal amount in UK Sterling and receive a principal amount in US Dollars. The weighted average interest rate that the Group pays in UK Sterling is 5.87%.

All Sterling/US Dollar swaps are designated and fully effective as cash flow hedges.

	£000
Gross movement in fair values initially deferred in hedging reserve:	
At 30 April 2007	(3,738)
Movement in fair value of hedged instruments	8,205
At 30 April 2008	4,467
Cumulative amounts recycled to the income statement:	
At 30 April 2007	6,951
Movement for the year	(2,270)
At 30 April 2008	4,681
Net fair value deferred in hedging reserve:	
At 30 April 2008	9,148
At 30 April 2007	3,213

The amount recycled to the income statement represents the movement on the foreign exchange elements of the total fair value of the derivatives. This matches the exchange difference on retranslation of the loan notes at the exchange rate prevailing at the balance sheet date, leaving a net impact of £nil in the income statement. The net fair value remaining in the hedging reserve represents the fair value of the interest rate element of the derivatives (Note 31).

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Euro/Sterling cross-currency swaps

During the current year, the Group entered into a Euro/Sterling cross-currency swap of total notional value €43,555,000. The Group will have interest cash inflows in Sterling and interest cash outflows in Euro over the life of the contract. On the termination date of the contract, the Group will pay a principal amount in Euro and receive a principal amount in UK Sterling. The interest rate that the Group pays in Euro is 5.19%. This swap is designated as a net investment hedge and is highly effective. The total fair value of the Euro swap is £(3,989,000) and this has been deferred to equity (Note 31). Of this, £4,171,000 has been transferred to the currency translation reserve, representing the fair value of the foreign exchange element of the total fair value of the derivative. The net impact is that the hedging reserve has been credited with £182,000, representing the fair value of the interest rate element of the derivative.

Net investment hedges

The Group manages its exposure to movements in the reported results of those subsidiary undertakings whose functional currency is Euro ("the Euro Subsidiaries") by maintaining UK based borrowings, including relevant attributable financial instruments, denominated in Euro in the parent Company. In accordance with IAS21, the net assets of the Euro Subsidiaries includes goodwill attributable to those subsidiaries. The Group achieves net investment hedging through a combination of pre-tax and post-tax net investment hedging relationships.

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

The hedges are considered fully effective in the current and prior year and the exchange differences arising on the borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro Subsidiaries.

25. 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 2006	20,672	3,492	(2,347)	5,345	(433)	(10,883)	15,846
(Credit) charge to income	(860)	(535)	(479)	(1,692)	133	10,665	7,232
Charge to equity	–	–	831	–	134	1,651	2,616
Business combinations	6,730	2,319	–	3,940	–	–	12,989
Exchange differences	(140)	(33)	–	(20)	–	–	(193)
Adjustments in respect of prior years	149	–	–	–	–	55	204
At 1 May 2007	26,551	5,243	(1,995)	7,573	(166)	1,488	38,694
(Credit) charge to income	(14,585)	(3,506)	(143)	(1,383)	73	22,556	3,012
Charge (credit) to equity	–	–	1,541	–	(62)	(10,653)	(9,174)
Business combinations	1,091	–	–	1,074	–	–	2,165
Exchange differences	713	432	–	649	–	(106)	1,688
Adjustments in respect of prior years	(435)	–	–	–	–	2,223	1,788
Transfer relating to acquired subsidiary undertaking	(1,091)	–	–	–	–	–	(1,091)
At 30 April 2008	**12,244**	**2,169**	**(597)**	**7,913**	**(155)**	**15,508**	**37,082**

In the current year, the net credit to equity of £10,653,000, in respect of other timing differences, comprises a credit of £11,192,000, which has been reflected in the translation reserve as part of a post-tax net investment hedge (Note 32) and a charge of £539,000 in respect of derivative financial instruments which has been reflected in the hedging reserve (Note 31).

25. DEFERRED TAX (continued)

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 2006	192	(1,759)	(262)	(1,829)
Charge (credit) to income	17	(490)	(28)	(501)
Charge to equity	–	254	1,801	2,055
At 1 May 2007	209	(1,995)	1,511	(275)
(Credit) charge to income	(170)	(143)	49	(264)
Charge to equity	–	1,541	771	2,312
At 30 April 2008	**39**	**(597)**	**2,331**	**1,773**

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of the subsidiaries for which deferred tax liabilities have not been recognised was £157,600,000 (2007 – £112,153,000). 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.

26. SHARE CAPITAL

Group and Company	2008 £000	2007 £000
Authorised:		
85,000,000 Ordinary shares of 5p each	4,250	4,250
Allotted and fully paid:		
70,548,045 (2007 – 71,205,252) Ordinary shares of 5p each	3,527	3,560

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

During the year the Company issued 142,793 Ordinary shares with a nominal value of £7,140 pursuant to the exercise of options under the Group's various share schemes, for cash consideration of £748,731. The premium on the issue of these shares has been credited to the share premium account (Note 27).

During the year the Company purchased and cancelled 800,000 Ordinary shares with a nominal value of £40,000 for a total cash consideration of £8,166,324. The nominal value of these shares has been credited to the capital redemption reserve (Note 33) and the total cost of the purchases has been charged to retained earnings (Note 34).

27. SHARE PREMIUM ACCOUNT

Group and Company	2008 £000	2007 £000
At 1 May	67,230	64,998
Premium on Ordinary shares issued (Note 26)	742	2,232
At 30 April	**67,972**	67,230

28. REVALUATION RESERVE

	Group £000	Company £000
At 1 May 2006	1,054	1,371
Foreign exchange differences	(11)	–
At 1 May 2007	1,043	1,371
Foreign exchange differences	164	–
At 30 April 2008	**1,207**	1,371

29. OWN SHARES

	Group £000	Company £000
At 1 May 2006	(3,331)	–
Purchase of own shares	(1,303)	–
Disposal of own shares	62	–
At 1 May 2007	(4,572)	–
Purchase of own shares	(5,415)	–
Disposal of own shares	981	–
At 30 April 2008	**(9,006)**	–

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 37).

The results of the trusts are consolidated into the results of the Group in accordance with SIC 12 *(Consolidation – Special Purpose Entities).*

30. MERGER RESERVE

	Group £000	Company £000
At 1 May 2006, 1 May 2007 and 30 April 2008	**67,463**	63,159

31. HEDGING RESERVE

	Group £000	Company £000
At 1 May 2006	2,956	2,554
Movement in fair value of hedged interest rate derivatives	1,264	221
Movement in fair value of hedged foreign currency derivatives	(3,738)	(3,738)
Deferred taxation on fair value of interest rate and foreign currency derivatives	(2,228)	(1,801)
Transfer to income statement	6,945	6,967
At 1 May 2007	5,199	4,203
Movement in fair value of hedged interest rate derivatives	(3,918)	(3,189)
Movement in fair value of hedged foreign currency derivatives	4,216	4,217
Deferred taxation on fair value of interest rate and foreign currency derivatives	(539)	(771)
Transfer to income statement	(2,019)	2,154
Transfer to translation reserve (Note 32)	4,171	–
At 30 April 2008	**7,110**	**6,614**

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate and foreign currency derivatives that are deferred in equity, as explained in Note 2 and Note 24, less amounts transferred to the income statement and translation reserve.

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32. TRANSLATION RESERVE

	Group £000	Company £000
At 1 May 2006	1,627	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(1,756)	–
Foreign exchange differences on retranslation of investments in subsidiary undertakings	–	(4,344)
Net foreign exchange differences on long term borrowings held as hedges	1,425	4,344
Other foreign exchange differences recognised directly in equity	628	–
At 1 May 2007	1,924	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	29,221	–
Net foreign exchange differences on long term borrowings held as hedges	(34,349)	–
Deferred taxation recognised in translation reserve as part of net investment hedge	11,192	–
Transfer from hedging reserve (Note 31)	(4,171)	–
At 30 April 2008	**3,817**	–

The management of the Group's foreign exchange translation risks is detailed in Note 24.

33. CAPITAL REDEMPTION RESERVE

	Group £000	Company £000
At 1 May 2007	–	–
Cancellation of Ordinary shares (Note 26)	40	40
At 30 April 2008	**40**	**40**

34. RETAINED EARNINGS

	Group £000	Company £000
At 1 May 2006	181,984	92,914
Profit for the year	54,483	11,241
Dividends paid	(16,949)	(16,949)
Share options fair value amount charged directly to equity	(75)	(75)
Defined benefit pension credit recognised directly in equity	445	–
Net current tax credit recognised directly in equity	1,084	1,084
Net deferred tax charge recognised directly in retained earnings	(388)	(254)
At 1 May 2007	220,584	87,961
Profit (loss) for the year	61,334	(27,534)
Dividends paid	(18,982)	(18,982)
Share options fair value amount credited directly to equity	3,340	3,340
Defined benefit pension charge recognised directly in equity	(208)	–
Net deferred tax charge recognised directly in retained earnings	(1,479)	(1,541)
Cancellation of Ordinary shares (Note 26)	(8,166)	(8,166)
At 30 April 2008	**256,423**	**35,078**

35. BUSINESS COMBINATIONS

(a) Alquiservicios LSL S.A.

On 18 July 2007 the Group purchased the trade and fixed assets of Alquiservicios LSL S.A. ("Alquiservicios") for a cash consideration of €7,755,000.This transaction has been accounted for under the purchase method of accounting.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Intangible assets	–	550	550
Property plant and equipment: vehicles for hire	4,435	–	4,435
Other property, plant and equipment	22	–	22
Deferred tax liabilities	–	(165)	(165)
	4,457	385	4,842
Goodwill			391
Acquisition cost			5,233
Cash outflow in the year on acquisition of Alquiservicios			5,233

The goodwill arising is attributable to potential future economic benefits that it is anticipated will be derived from the assets.

The purchase of Alquiservicios has no material impact on the Group turnover or profit before taxation for the period from 18 July 2007 to the balance sheet date.

(b) GPS Body Repairs Limited

On 31 August 2007 the Group purchased 100% of the issued share capital of GPS Body Repairs Limited ("GPS") for a cash consideration of £286,000. This transaction has been accounted for under the purchase method of accounting.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Property, plant and equipment	219	(15)	204
Inventories	31	–	31
Trade and other receivables	222	–	222
Cash and cash equivalents	15	–	15
Bank overdraft	(21)	–	(21)
Trade and other payables	(173)	–	(173)
Borrowings	(216)	–	(216)
	77	(15)	62
Goodwill			224
Acquisition cost			286
Fair value of consideration:			
Cash			286
Net bank overdraft acquired with subsidiary undertaking			6
Cash outflow in the year on acquisition of GPS			292

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

GPS contributed £704,000 of turnover and a loss before tax of £139,000 for the period between 31 August 2007 and the balance sheet date.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

35. BUSINESS COMBINATIONS (continued)

(c) Hampsons (Self Drive Hire) Limited

On 1 November 2007 the Group purchased 100% of the issued share capital of Hampsons (Self Drive Hire) Limited ("Hampsons") for a total consideration of £9,939,000, including deferred consideration of £519,000. This transaction has been accounted for under the purchase method of accounting.

	Book value £000	Fair value adjustments £000	Fair value £000
Net assets acquired:			
Intangible assets	–	3,607	3,607
Property plant and equipment: vehicles for hire	13,373	–	13,373
Other property, plant and equipment	297	–	297
Inventories	112	–	112
Trade and other receivables	2,842	–	2,842
Cash and cash equivalents	996	–	996
Trade and other payables	(1,843)	–	(1,843)
Borrowings	(8,441)	–	(8,441)
Deferred tax liabilities	(1,091)	(909)	(2,000)
	6,245	2,698	8,943
Goodwill			996
Acquisition cost			9,939
Fair value of consideration:			
Deferred consideration			519
Cash			9,420
Total consideration			9,939
Cash consideration			9,420
Net cash acquired with subsidiary undertaking			(996)
Cash outflow in the year on acquisition of Hampsons			8,424

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

Hampsons contributed £5,487,000 of turnover and £283,000 profit before tax for the period between 1 November 2007 and the balance sheet date.

The deferred consideration of £519,000 was paid on 24 June 2008. There is no material difference between the carrying value of the deferred consideration and its fair value as at the balance sheet date.

(d) Abington Vehicle Rentals Limited

On 30 November 2007, the Group purchased the trade and vehicles for hire of Abington Vehicle Rentals Limited ("Abington") for a total cash consideration of £1,311,000. The vehicles for hire had a book value and fair value of £1,311,000 and no goodwill arose on the transaction.

The purchase of Abington has no material impact on the Group turnover or profit before taxation for the period from 30 November 2007 to the balance sheet date.

If the purchases of GPS and Hampsons had been completed on the first day of the year, Group revenues for the year would have been £590,492,000 and Group profit before taxation would have been £79,849,000.

In all of the above business combinations, 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. OPERATING LEASE ARRANGEMENTS

As lessee

Group	2008 £000	2007 £000
Minimum lease payments under operating leases recognised in the income statement for the year	6,094	6,134

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	2008 £000	2007 £000
Within one year	5,442	4,680
In the second to fifth years inclusive	13,704	11,115
After five years	7,117	7,880
	26,263	23,675

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 (2007 – ten) years and rentals are fixed for an average number of four (2007 – 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.

37. SHARE BASED PAYMENTS

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

The Group and Company recognised total expenses of £3,340,000 (2007 – £1,634,000) related to equity-settled payment transactions in the year.

Further details regarding the plans are outlined below.

Northgate Share Option Scheme

	2008		2007	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	387,100	8.60	369,500	5.16
Granted during the year	155,750	10.78	120,000	10.37
Exercised during the year	(41,500)	5.99	(93,400)	5.11
Forfeited during the year	(81,724)	10.28	–	–
Lapsed during the year	–	–	(9,000)	4.22
At 30 April	**419,626**	**9.34**	387,100	8.60
Exercisable at the end of the year	84,000	6.15	46,000	5.18

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 £8.47 (2007 – £10.68). The options outstanding at 30 April 2008 had a weighted average exercise price of £9.34 and a weighted average remaining contractual life of 7.0 years. In the current year, options were granted in October 2007 when the aggregate of the estimated fair values of the options granted was £492,000. In the prior year, options were granted in July 2006 when the aggregate of the estimated fair values of the options granted was £280,000.

37. SHARE BASED PAYMENTS (continued)

	2008	2007
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£10.90	£10.33
Weighted average exercise price	£10.78	£10.37
Expected volatility	28.1%	26.9%
Expected life	6.7 years	4.6 years
Risk free rate	5.0%	4.7%
Expected dividends	2.6%	2.9%

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

Executive Incentive Scheme

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

	2008		2007	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	371,742	4.89	739,958	4.90
Exercised during the year	(101,293)	4.94	(361,091)	4.92
Lapsed during the year	(2,061)	4.90	–	–
Forfeited during the year	–	–	(7,125)	4.20
At 30 April	**268,388**	**4.87**	371,742	4.89
Exercisable at the end of the year	254,700	4.85	333,492	4.91

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 £8.47 (2007 – £10.68). The options outstanding at 30 April 2008 had a weighted average exercise price of £4.87, and a weighted average remaining contractual life of 1.6 years.

37. SHARE BASED PAYMENTS (continued)

Deferred Annual Bonus Plan
All options granted under this scheme are nil cost options.

	2008 Number of share options	2007 Number of share options
At 1 May	179,867	160,353
Granted during the year	101,068	31,050
Exercised during the year	(41,452)	(7,876)
Forfeited during the year	(22,564)	(3,660)
At 30 April	**216,919**	179,867

38,320 (2007 – 3,031) options were exercisable at the end of the year.

The weighted average share price at the date of exercise of options in the current year was £10.35 (2007 – £10.76).

The options outstanding at 30 April 2008 had a weighted average remaining contractual life of 3.0 years. In the current year, options were granted in July 2007. The aggregate of the estimated fair values of the options granted on this date is £957,000. In the prior year, options were granted in July 2006. The aggregate of the estimated fair values of the options granted on this date is £294,000.

	2008	2007
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£10.33	£10.33
Weighted average exercise price	£nil	£nil
Expected volatility	31.3%	26.9%
Expected life	3 years	3 years
Risk free rate	4.3%	4.7%
Expected dividends	2.7%	2.9%

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

All Employee Share Scheme
The scheme has a 12 month Accumulation period. Partnership shares are purchased by the employee at the end of the Accumulation period from the amount contributed by the employee during that period. The Company allocates an amount of free Matching shares equivalent to the number of Partnership shares purchased. The vesting period for Matching shares is three years.

Matching shares are forfeited if the employee either sells the related Partnership shares or leaves the Group before the three years have elapsed.

Details of Matching shares which had not vested at 30 April were as follows:

	2008 Number of shares	2007 Number of shares
At 1 May	160,002	187,287
Allocated during the year	79,490	57,242
Forfeited during the year	(30,265)	(15,032)
Vested during the year	(45,179)	(69,495)
At 30 April	**164,048**	160,002

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37. SHARE BASED PAYMENTS (continued)

The share price at the date of vesting for Matching shares which vested during the year was £7.03 (2007 – £11.14). The non-vested Matching shares outstanding at 30 April 2008 had a weighted average remaining period until vesting of 1.5 years. In the current year, Matching shares were allocated in January 2008. The aggregate of the estimated fair values of the Matching shares allocated on this date was £542,000. In the prior year, Matching shares were allocated in January 2007. The aggregate of the estimated fair values of the Matching shares allocated on this date was £597,000.

	2008	2007
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£7.81	£12.06
Weighted average vesting price	£nil	£nil
Expected volatility	29.1%	27.0%
Expected life	5 years	5 years
Risk free rate	4.3%	5.2%
Expected dividends	2.7%	2.9%

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

Performance Share Plan
All options granted under this scheme are nil cost options. The first grant of options under this scheme occurred in May 2006.

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

	2008 Number of share options	2007 Number of share options
At 1 May	113,000	–
Granted during the year	143,150	134,000
Forfeited during the year	(13,332)	(21,000)
At 30 April	**242,818**	113,000

No options were exercisable at the end of either year.

The options outstanding at 30 April 2008 had a weighted average remaining contractual life of 8.7 years. In the current year, share options were granted in July 2007. The aggregate of the estimated fair values of the options granted on this date was £1,442,000. In the prior year, options were granted in May 2006. The aggregate of the estimated fair values of the options granted on this date was £1,330,000.

	2008	2007
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£10.90	£10.83
Weighted average exercise price	£nil	£nil
Expected volatility	28.1%	25.5%
Expected life	3 years	3 years
Risk free rate	5.0%	4.5%
Expected dividends	2.6%	2.9%

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

38. RETIREMENT BENEFIT SCHEMES

During the year the Group operated two group personal pension plans and The Willhire Pension Scheme ("the Scheme"), which includes both defined benefit and defined contribution sections. The total pension cost to the Group of all these arrangements was £1,707,000 (2007 – £1,480,000) of which £1,698,000 (2007 – £1,459,000) related to the defined contribution schemes.

The Scheme

The Scheme, which is established under Trust, is financed through separate Trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

During the prior year, the Scheme was closed to both new members and to future service accrual for existing members.

Contributions to the Scheme are based upon actuarial advice following the most recent actuarial valuation of the fund. Actuarial valuations of the Scheme were performed as at 3 February 2006 and 30 April 2006 by a Fellow of the Institute of Actuaries, representing Watson Wyatt Limited, and at 30 April 2007 and 30 April 2008 by a Fellow of the Institute of Actuaries, representing JLT Benefit Solutions Limited.

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.

	Valuation at 30 April 2008 %pa	Valuation at 30 April 2007 %pa
Discount rate	5.9	5.5
Inflation rate	3.8	3.4
Salary increases	n/a	n/a
Future pension increases	3.7	3.3

Amounts recognised as costs (income) in respect of the Scheme are as follows:

	2008 £000	2007 (restated) £000
Service cost	9	21
Interest cost	212	234
Expected return on plan assets	(179)	(247)
Total pension charge	**42**	**8**

The charge for service cost has been included in administrative expenses.

Actuarial gains and losses have been reported directly in equity, within retained earnings. The cumulative net amount of actuarial gains reflected directly in equity since 3 February 2006 is £593,000 (2007 – £801,000 gain).

The actual return on the scheme assets was a gain of £3,000 (2007 – loss of £236,000). There are no reimbursement rights.

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FOR THE YEAR ENDED 30 APRIL 2008

38. RETIREMENT BENEFIT SCHEMES (continued)

The amount included in the balance sheet arising from the Group's obligations in respect of its defined retirement benefit scheme is as follows:

	2008 £000	2007 £000
Present value of defined benefit obligations	(4,055)	(3,900)
Fair value of plan assets	3,502	3,345
Liability recognised in the balance sheet	**(553)**	**(555)**

The net movements in the deficit were as follows:

	2008 £000	2007 £000
At 1 May	555	1,444
Pension charge recognised in the income statement	42	8
Actuarial losses (gains)	208	(445)
Contributions	(252)	(452)
At 30 April	553	555

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

	2008 £000	2007 £000
At 1 May	3,900	4,595
Current service cost	9	21
Interest cost	212	234
Actuarial losses (gains)	32	(928)
Benefits paid	(98)	(22)
At 30 April	4,055	3,900

Movements in the fair value of Scheme assets were as follows:

	2008 £000	2007 £000
At 1 May	3,345	3,151
Expected return on Scheme assets	179	247
Contributions	252	452
Benefits paid	(98)	(22)
Actuarial losses	(176)	(483)
At 30 April	3,502	3,345

The derivation of the overall expected return on assets reflects the actual asset 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 the bond returns and the movement in market indices since the previous measurement date.

38. RETIREMENT BENEFIT SCHEMES (continued)

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

	30 April 2008		30 April 2007	
	Expected return %	Fair value of assets £000	Expected return %	Fair value of assets £000
Equity instruments	5.9	2,094	6.0	2,046
Debt instruments	3.9	1,054	4.0	1,137
Other	3.9	354	4.0	162
		3,502		3,345

The Scheme 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 Scheme.

During the current year, contributions have been made of £21,000 per month in accordance with latest actuarial advice received. The estimated amount of contributions expected to be paid to the scheme during the year ended 30 April 2009 is £252,000.

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

	Year ended 30 April 2008 £000	Year ended 30 April 2007 £000	Period ended 30 April 2006 £000
Funded status:			
Present value of defined benefit obligation	4,055	3,900	4,595
Fair value of Scheme assets	3,502	3,345	3,151
Deficit in the Scheme	553	555	1,444
Experience adjustments on Scheme obligations:			
Amount	(185)	738	48
Percentage of Scheme obligations (%)	(5.0)%	19.0%	1.5%
Experience adjustments on Scheme assets:			
Amount	(176)	(483)	493
Percentage of Scheme assets (%)	(5.0)%	(14.0)%	10.7%

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39. FINANCIAL INSTRUMENTS

The following disclosures and analysis relate to the Group's financial instruments, as defined by IFRS 7 *(Financial Instruments: Disclosures).*

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 23, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 26 to 34.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as discussed in Notes 23 and 24.

The carrying amounts of the Group's foreign currency denominated monetary liabilities at the reporting date are disclosed in Note 23.

Foreign currency sensitivity analysis

The Group is exposed to movements in the exchange rate between Euro and Sterling and US Dollars and Sterling, where Sterling is the functional currency of the Group. As explained in more detail below, identical key terms between US Dollar denominated loan note liabilities and Sterling/US Dollar cross currency derivatives mean that the profit and loss and equity of the Group is materially insensitive to fluctuations in the exchange rate between US Dollars and Sterling.

This means that the material sensitivity of the profit or loss and equity of the Group to exchange rate movements arises due to fluctuations in the exchange rate between Euro and Sterling only.

The following tables detail the Group's sensitivity to a €0.10 increase and decrease in the Euro/Sterling exchange rate. A €0.10 movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.10 change in foreign currency rates.

	As stated in annual report 30 April 2008 £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
2008			
Total equity	398,553	396,112	400,383

	As stated in annual report 30 April 2008 £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
2007			
Total equity	362,431	363,275	360,950

There is no material impact on the income statement in either year.

Sterling/US Dollar Cross currency derivatives

As explained in Note 24, the Group has Sterling/US Dollar cross currency derivatives to manage its exposure to foreign exchange movements between US Dollars, the denomination of loan note liabilities, and Sterling, the functional currency of the Group. The movement in fair value of these derivatives is a function of both the Sterling/US Dollar exchange rate and market interest rates prevailing in the United Kingdom and United States.

As a result of the key terms of the cross currency derivatives and the loan notes, against which a hedging relationship is designated, being identical, any gains or losses on foreign exchange included in the fair value of the Sterling/US Dollar cross currency swaps are transferred to the income statement and are exactly offset in the income statement by an equal and opposite amount on retranslation of the US dollar loan notes to the closing rate prevailing at the balance sheet date, leaving a net impact of £nil on the income statement for all Sterling/US Dollar exchange rates.

The net impact on the hedging reserve, arising from these particular derivatives, therefore represents only the gain or loss on the interest rate element of the fair value of the derivatives, as explained further in Note 24. Consequently, any fluctuation in the rate of the US dollar has no impact on either profit and loss or equity.

39. FINANCIAL INSTRUMENTS (continued)

Interest rate risk management

The Group is exposed to interest rate risk, as entities within the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap and collar contracts. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rates for floating rate liabilities and related derivatives. For the floating rate liabilities, the analysis is prepared on the basis of both the average liability outstanding over the period and average rate applicable for the period. In all instances it is assumed that any derivatives designated in hedging relationships are 100% effective.

A 0.5% increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rate.

	As stated in annual report £000	As would be stated if 0.5% increase £000	As would be stated if 0.5% decrease £000
2008			
Profit before taxation	79,492	77,314	80,976
Total equity	398,553	402,717	394,058

	As stated in annual report £000	As would be stated if 0.5% increase £000	As would be stated if 0.5% decrease £000
2007			
Profit before taxation	75,368	73,312	76,730
Total equity	362,431	365,020	359,872

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding at the reporting date:

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate 2008 %	Average contract fixed interest rate 2007 %	Notional principal amount 2008 £000	Notional principal amount 2007 £000	Fair value 2008 £000	Fair value 2007 £000
Sterling						
Less than 1 year	4.34%	5.73%	55,000	20,000	142	(82)
1 to 2 years	–	4.34%	–	55,000	–	953
Euro						
Less than 1 year	2.27%	–	118,523	–	688	–
1 to 2 years	–	2.27%	–	102,430	–	2,428
2 to 5 years	4.38%	3.97%	217,291	51,215	(908)	541

39. FINANCIAL INSTRUMENTS (continued)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 23 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. All interest cash flows and the weighted average effective interest rate have been calculated using interest rate conditions prevailing at the balance sheet date.

2008	Weighted average effective interest rate	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	36,640	–	–	–	36,640
Finance lease liability	2.84%	296	67	–	–	363
Fixed interest rate instruments	5.70%	11,484	11,484	64,847	193,734	281,549
Variable interest rate instruments	5.53%	8,588	689,435	120,481	–	818,504
		57,008	700,986	185,328	193,734	1,137,056

2007	Weighted average effective interest rate	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	33,538	–	–	–	33,538
Finance lease liability	4.31%	16,240	220	–	–	16,460
Fixed interest rate instruments	5.78%	9,686	9,687	29,035	202,007	250,415
Variable interest rate instruments	4.61%	4,730	1,794	673,610	2,035	682,169
		64,194	11,701	702,645	204,042	982,582

The following table details the Group's liquidity analysis for its derivative financial instruments. It includes both liabilities and assets to illustrate how the cashflows are matched in each period.

The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross cash inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amounts disclosed have been determined by reference to the floating rates applicable at the balance sheet date, which have then been used to project future cash flows.

2008 (£000)	<1 year	2nd year	3-5 years	>5 years	Total
Liabilities					
Net settled:					
Interest rate swaps	203	230	477	–	910
Gross settled:					
Cross currency derivatives	(12,651)	(12,651)	(100,764)	(174,447)	(300,513)
	(12,448)	(12,421)	(100,287)	(174,447)	(299,603)
Assets					
Net settled:					
Interest rate swaps	778	298	578	–	1,654
Interest rate collars	67	–	–	–	67
Gross settled:					
Cross currency derivatives	12,175	12,175	96,235	168,026	288,611
	13,020	12,473	96,813	168,026	290,332

39. FINANCIAL INSTRUMENTS (continued)

2007 (£000)	<1 year	2nd year	3-5 years	>5 years	Total
Liabilities					
Net settled:					
Interest rate swaps	(138)	(27)	(2)	–	(167)
Gross settled:					
Cross currency derivatives	(8,954)	(8,954)	(26,861)	(183,401)	(228,170)
	(9,092)	(8,981)	(26,863)	(183,401)	(228,337)
Assets					
Net settled:					
Interest rate swaps	2,549	465	75	–	3,089
Interest rate collars	208	54	–	–	262
Gross settled:					
Cross currency derivatives	8,467	8,467	25,400	175,111	217,445
	11,224	8,986	25,475	175,111	220,796

Fair value of financial instruments
The fair values of financial assets and financial liabilities are determined as follows:

Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on applicable yield curves derived from quoted interest rates.

The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values or, in the case of interest rate swaps and collars and cross currency derivatives, are held at fair value:

	Carrying amount		Fair value	
	2008 £000	2007 £000	2008 £000	2007 £000
Financial liabilities				
Loan notes	201,142	168,628	267,558	234,363

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

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.

Trade Receivables	2008 £000	2007 £000
Trade Receivables	178,014	147,652
Allowance for doubtful debt accounts	(6,126)	(5,191)
	171,888	142,461

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39. FINANCIAL INSTRUMENTS (continued)

	2008 £000	2007 £000
Ageing of trade accounts not impaired		
Not overdue	148,227	117,460
Past due not more than two months	20,073	22,422
Past due more than two months but not more than four months	2,223	1,040
Past due more than four months but not more than six months	188	510
Past due more than six months but not more than one year	1,177	1,029
	171,888	142,461

Before accepting any new customers, the Group will perform credit analysis on any new customers to assess the credit risk on an individual basis. This ensures the Group will only deal with creditworthy customers therefore reducing the risk of financial loss from defaults. Of the trade receivables balance at the end of the year, approximately £2,057,000 (2007 – £1,997,000) is due from the Group's largest customer. There are no other customers who represent more than 5 per cent of the total balance of trade receivables.

The Group has no significant concentration of credit risk as trade receivables consist of a large number of customers, spread across diverse industries and geographical areas in the UK and Spain.

Included in the Group's trade receivable balance are debtors with a carrying amount of £23,661,000 (2007 – £25,001,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

Movement in the allowance for doubtful debts	2008 £000	2007 £000
Balance at the beginning of year	5,191	3,629
Impairment losses recognised	4,805	5,656
Amounts written off as uncollectible	(2,736)	(1,944)
Impaired losses reversed	(1,573)	(2,137)
Exchange differences	439	(13)
At 30 April	6,126	5,191

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of creditor risk is limited due to the customer base being large and mainly unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful debts are trade receivables which have been placed under liquidation of £720,000 (2007 – £490,000).

Ageing of impaired trade receivables	2008 £000	2007 £000
Not overdue	1,089	954
Past due not more than two months	331	181
Past due more than two months but not more than four months	1,289	1,854
Past due more than four months but not more than six months	536	57
Past due more than six months but not more than one year	2,881	2,145
	6,126	5,191

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

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2008

40 RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are as follows:

	2008 £000	2007 £000
Net interest (payable) receivable	(459)	11,327
Management charges	300	300
	(159)	11,627

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 20 and 22.

Remuneration of key management personnel

In the current and prior year, the Directors of Northgate plc are determined to be the key management personnel of the Group as, in the opinion of the Directors, only the Directors of Northgate plc have the power to determine the main financial and operating policies of the Group.

In respect of the compensation of key management personnel, the short-term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the audited part of the Remuneration Report on pages 17 to 21. The fair value charged to the consolidated income statement in respect of equity-settled payment transactions with the Directors is £536,000 (2007 – £443,000). There are no other long-term benefits accruing to key management personnel, other than as set out in the audited part of the Remuneration Report.

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 2008 £000	IFRS 2007 £000	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000
Revenue	**578,462**	526,465	372,609	339,382	355,624
Profit from operations	118,206	107,056	72,598	76,237	55,605
Share of joint venture profit from operations	–	–	–	–	4,342
	118,206	107,056	72,598	76,237	59,947
Net finance costs	**(38,714)**	(31,688)	(20,078)	(21,249)	(15,355)
Share of profit before taxation of associate	–	–	4,964	–	–
Share of taxation of associate	–	–	(1,422)	–	–
Profit before taxation	79,492	75,368	56,062	54,988	44,592
Taxation	(18,158)	(20,885)	(15,468)	(15,757)	(13,303)
Profit for the year	**61,334**	54,483	40,594	39,231	31,289
Basic earnings per Ordinary share	**86.7p**	76.1p	61.1p	60.7p	50.7p
Dividends	18,982	16,949	13,437	11,916	11,064
Dividends per Ordinary share	**28.0p**	25.5p	23.0p	20.0p	17.6p

Balance sheet

	IFRS 2008 £000	IFRS 2007 £000	IFRS 2006 £000	IFRS 2005 £000	UK GAAP 2004 £000
Assets employed					
Non-current assets	1,200,379	1,030,136	798,777	587,008	419,136
Net current assets (liabilities)	139,600	119,625	42,582	40,502	(15,929)
Non-current assets held for sale	30,566	21,941	14,705	11,464	–
Non-current liabilities	(971,992)	(809,271)	(535,775)	(413,943)	(214,900)
	398,553	362,431	320,289	225,031	188,307
Financed by					
Share capital	3,527	3,560	3,538	3,209	3,702
Share premium account	67,972	67,230	64,998	62,544	61,829
Reserves	327,054	291,641	251,753	159,278	122,776
	398,553	362,431	320,289	225,031	188,307
Net asset value per Ordinary share	**564p**	509p	453p	351p	293p

NOTICE OF ANNUAL GENERAL MEETING

THIS NOTICE OF ANNUAL GENERAL MEETING IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you have any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000. If you have sold or otherwise transferred all your ordinary shares in Northgate plc, please send this document, together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Notice is hereby given that the one hundred and tenth Annual General Meeting of Northgate plc will be held at Norflex House, Allington Way, Darlington at 11.30 am on 16 September 2008 for the following purposes:

1. To receive and adopt the Directors' report and audited accounts of the Company for the year ended 30 April 2008.
2. To declare a final dividend of 16.5p per Ordinary share.
3. To approve the Remuneration Report for the financial year ended 30 April 2008 set out on pages 16 to 21 of the 2008 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 A J Allner as a Director.
7. To re-elect Mr R L Contreras as a Director.
8. To re-elect Mr T Brown as a Director.
9. To re-elect Mr A T Noble as a Director.

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

10. That the Directors be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of the said Section 80) up to an aggregate nominal amount of £722,597.75 during the period commencing on the date of the passing of this Resolution and expiring at the conclusion of the Annual General Meeting of the Company to be held in 2009 but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of such offers or agreements.
11. That, subject to the passing of Resolution 10, the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ('the Act'), to allot equity securities (within the meaning of Section 94 of the Act) for cash, pursuant to the authority given in accordance with Section 80 of the Act by Resolution 10 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 2009 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.

12. 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;

NOTICE OF ANNUAL GENERAL MEETING

(d) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2009 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.

13. That the Regulations contained in the document submitted to the Meeting marked 'A' and signed by the Chairman of the Meeting for the purposes of identification be and the same are hereby adopted as the Articles of Association of the Company to the exclusion of and in substitution for all existing Articles of Association of the Company.
14. That the rules of the Executive Performance Share Plan ("the Plan"), in the document submitted to the Meeting marked 'B' and signed by the Chairman of the Meeting for the purposes of identification, be and are hereby approved and the Directors be authorised to make such modifications to the Plan as they may consider appropriate to take account of the requirements of best practice and for the implementation of the Plan and to adopt the Plan as so modified and to do all such other acts and things as they may consider appropriate to implement the Plan.

The Directors of the Company consider that all the proposals to be considered at the Annual General Meeting are in the best interests of its shareholders as a whole and they recommend that you vote in favour of them.

By Order of the Board

D Henderson
Secretary
30 June 2008
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 14 September 2008 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.

SUMMARY OF THE PRINCIPAL TERMS OF THE EXECUTIVE PERFORMANCE SHARE PLAN

Operation
The Remuneration Committee of the Board of Directors of the Company ("the Committee") will supervise the operation of the Executive Performance Share Plan ("Executive PSP").

Eligibility
Any employee (including an executive Director) of the Company and its subsidiaries will be eligible to participate in the Executive PSP at the discretion of the Committee. It is currently anticipated that only the Company's most senior executives will be considered for participation in the Executive PSP.

Grant of awards
The Committee may grant awards to acquire Ordinary shares in the Company ("Shares") within six weeks following the Company's announcement of its results for any period. The Committee may also grant awards within six weeks of shareholder approval of the Executive PSP or at any other time when the Committee considers there are exceptional circumstances which justify the granting of awards. It is intended that the first awards will be made shortly following the adoption of the Executive PSP.

The Committee may grant awards as conditional shares, a nil (or nominal) cost option with a short exercise period or as forfeitable shares. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash.

An award may not be granted more than 10 years after shareholder approval of the Executive PSP.

No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual limit
An employee may not receive awards in any financial year over Shares having a market value in excess of 150% of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit is increased to 250% of an employee's annual base salary.

The current intention is that the initial grant of awards to executive Directors, to be made shortly following the Annual General Meeting, will be over Shares having a market value of 100% of salary.

Performance conditions
The vesting of awards will be subject to performance conditions, which will be set by the Committee.

The performance conditions applying to the initial grants made to executive Directors under the Executive PSP will measure the Company's earnings per share ("EPS") and return on capital employed ("ROCE") performance over a fixed three-year performance period (being three consecutive financial years of the Company, commencing with the Company's 2008/09 financial year).

The vesting of two thirds of the shares under such initial awards ("Part A") will be dependent on the EPS element of the performance conditions, with the following vesting schedule proposed:

EPS growth over the performance period	Vesting % of Part A
<RPI + 3% p.a.	0%
RPI + 3% p.a.	25%
RPI +8% p.a. or more	100%
Between RPI+ 3% and RPI+ 8% p.a.	Pro-rata between 25% and 100%

The vesting of the remaining third of the shares under such initial awards ("Part B") will be dependent on the ROCE element of the performance conditions, with the following vesting schedule proposed:

Improvement in average ROCE over the performance period	Vesting % of Part B
< 5%	0%
5%	25%
8% or more	100%
Between 5% and 8%	Pro-rata between 25% and 100%

SUMMARY OF THE PRINCIPAL TERMS OF THE EXECUTIVE PERFORMANCE SHARE PLAN

For the purposes of determining the improvement in ROCE, ROCE will be averaged over the three-year period and compared to the ROCE in the financial year of the Company prior to the grant of the awards. So, if the base year ROCE were to be 10%, the average ROCE over the 3 year performance period would need to be 10.8% for full vesting of Part B to take place (e.g. 10.4%, 10.8% and 11.2%).

EPS and ROCE will be calculated on such normalised and consistent basis as the Committee selects.

The Committee can set different performance conditions from those described above for future awards provided that, in the reasonable opinion of the Committee, the new targets are not materially less challenging in the circumstances than those described above.

The Committee may also vary the performance conditions applying to existing awards without prior shareholder approval if an event has occurred which causes the Committee to consider that it would be appropriate to amend the performance conditions, provided the Committee considers the varied conditions are fair and reasonable and not materially less challenging than the original conditions would have been but for the event in question.

Vesting of awards
Awards will normally vest three years after grant to the extent that the applicable performance conditions (see above) have been satisfied and provided the participant is still employed in the Company's group.

Leaving employment
As a general rule, an award will lapse upon a participant ceasing to hold employment or be a Director within the Company's group. However, if a participant ceases to be an employee or a Director because of his death, ill health, injury, disability, retirement, redundancy, his employing company or the business for which he works being sold out of the Company's group or in other circumstances at the discretion of the Committee ("good leaver" reasons), then his award will normally vest when he leaves. The extent to which an award will vest in these situations will depend upon two factors: (i) the extent to which the performance conditions have been satisfied by reference to the date of cessation; and (ii) the pro-rating of the award to reflect the reduced period of time between its grant and vesting, although the Committee can decide not to pro-rate an award for time if it regards it as inappropriate to do so in the particular circumstances.

If a participant ceases to be an employee or Director in the Company's group for one of the "good leaver" reasons specified above, the Committee can decide that his award will vest on the date when it would have vested if he had not ceased such employment or office, subject to: (i) the performance conditions measured at that time; and (ii) any pro-rating by reference to the time of cessation as described above.

Corporate events
In the event of a takeover or winding up of the Company (not being an internal corporate reorganisation) all awards will vest early subject to: (i) the extent that the performance conditions have been satisfied at that time; and (ii) the pro-rating of the awards to reflect the reduced period of time between their grant and vesting, although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances.

In the event of an internal corporate reorganisation awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that awards should vest on the basis which would apply in the case of a takeover.

Participants' rights
Awards of conditional shares and options will not confer any shareholder rights until the awards have vested or the options have been exercised and the participants have received their Shares. Holders of awards of forfeitable Shares will have shareholder rights from when the awards are made except they may be required to waive their rights to receive dividends.

The Committee may decide that participants will receive a payment (in cash and/or Shares) on or shortly following the vesting of their awards, of an amount equivalent to the dividends that would have been paid on those Shares between the time when the awards were granted and the time when they vest. Alternatively, participants may have their awards increased as if dividends were paid on the Shares subject to their award and then reinvested in further Shares.

Rights attaching to Shares
Any Shares allotted when an award vests or is exercised will rank equally with Shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital
In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the Shares, the Committee may make such adjustment as it considers appropriate to the number of Shares subject to an award and/or the exercise price payable (if any).

Overall Plan limits
The Executive PSP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

SUMMARY OF THE PRINCIPAL TERMS OF THE EXECUTIVE PERFORMANCE SHARE PLAN

In any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

(a) 10% of the issued ordinary share capital of the Company under the Executive PSP and any other employee share plan adopted by the Company; and

(b) 5% of the issued ordinary share capital of the Company under the Executive PSP and any other executive share plan adopted by the Company.

Treasury Shares will count as new issue Shares for the purposes of these limits unless institutional investors decide that they need not count.

Alterations to the Executive PSP

The Committee may, at any time, amend the Executive PSP in any respect, provided that the prior approval of shareholders is obtained for any amendments that are to the advantage of participants in respect of the rules governing eligibility, limits on participation, the overall limits on the issue of Shares or the transfer of treasury Shares, the basis for determining a participant's entitlement to, and the terms of, the Shares or cash to be acquired and the adjustment of awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Executive PSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group.

EXPLANATORY NOTES ON THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

FOR THE YEAR ENDED 30 APRIL 2008

DIRECTORS CONFLICTS OF INTEREST (ARTICLES 107, 115 AND 116)

Resolution 13 seeks to adopt new Articles of Association to reflect those provisions of the Companies Act 2006 ("2006 Act") relating to directors' conflicts of interest which are due to come into force on 1 October 2008.

The 2006 Act sets out directors' general duties which largely codify the existing law but with some changes. Under the 2006 Act, from 1 October 2008, a director has a statutory duty to avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation.

The 2006 Act allows directors of public companies to authorise conflicts and potential conflicts where appropriate, if the articles of association contain a provision to this effect. The 2006 Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

Article 115, which is the provision dealing with conflicts in our current Articles of Association, allowing directors to be interested in transactions and to be an officer of, or employed by, or interested in, a body corporate in which the Company is interested, is being amended so that it confirms that such interests, offices or employment will not infringe the conflicts duty as codified in the 2006 Act.

Article 116 will give the directors authority to approve conflict situations including other directorships held by the directors and include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards that will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed amendment to Article 107, which deals with the quorum requirement for board meetings, clarifies that a director cannot count in the quorum for a matter or resolution on which he is not entitled to vote but he may count in the quorum for the other matters or resolutions to be considered or voted on at the meeting.

Article 116 will also contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director from being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

It is the directors' intention to report annually on the Company's procedures for ensuring that the directors' powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

PERMITTED INTERESTS AND VOTING (ARTICLES 117 TO 122)

Articles 117 to 119 and 121 will be updated to reflect the position under the 2006 Act and existing best practice. The provisions in Article 120 relating to resolving of an interest of the chairman of the meeting have been deleted as this will be covered in Article 119. The provisions in Article 122 which previously deemed certain interests of a director's connected persons to be the interests of the director himself for the purposes of Articles 115 to 121 have also been deleted. There is no requirement in the 2006 Act to include such a provision and the 2006 Act contains a much wider definition of "connected person" of a director. The director and the Company must still take a view each time a matter is being considered as to whether the interests of the director's connected persons mean that the director should be treated as interested for the purposes of Articles 115 to 121.

INFORMATION FOR SHAREHOLDERS

Classification
Information concerning day to day movements in the price of the Company's Ordinary shares is available on Cityline (09058 171690).

The Company's listing symbol on the London Stock Exchange is NTG.

The Company's joint corporate brokers are Citigroup Global Marketing Limited and UBS Limited and the Company's Ordinary shares are traded on SETSmm.

Financial calendar

December	Publication of Half Yearly Report
January	Payment of interim dividend
March	Publication of Interim Management Statement
July	Announcement of year end results Report and accounts posted to shareholders
September	Annual General Meeting Payment of final dividend Publication of Interim Management Statement

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