

The cover features a black and white photograph of a white car's side mirror and door handle. A large black circle is positioned on the left side, containing the text 'ANNUAL REPORT & ACCOUNTS 2009'. The year '2009' is highlighted in blue. Several thin, light blue circles of varying sizes are overlaid on the image, creating a graphic design. The background is white.

**ANNUAL
REPORT &
ACCOUNTS
2009**

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NORTHGATE PLC
IS THE LEADING
LIGHT COMMERCIAL
VEHICLE RENTAL
BUSINESS IN THE
UK AND SPAIN,
BY FLEET SIZE.

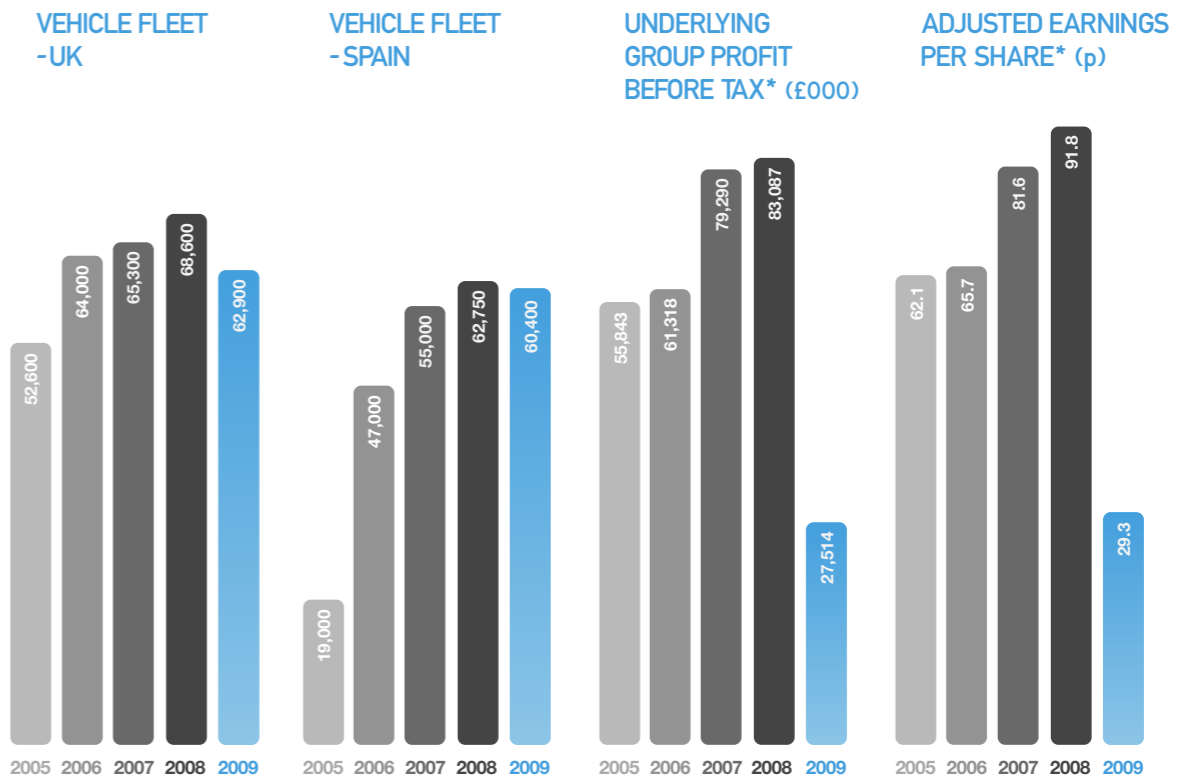
FINANCIAL HIGHLIGHTS

GROUP REVENUE FOR THE YEAR INCREASED BY 5% TO £609.6m (2008-£578.5m)

UNDERLYING PROFIT BEFORE TAX* DECREASED BY 67% TO £27.5m (2008-£83.1m)

ADJUSTED EARNINGS PER SHARE* DECREASED BY 68% TO 29.3p (2008-91.8p)

*Stated before intangible amortisation of £5.3m (2008 – £4.7m) and exceptional charges of £217.9m (2008 – profit of £1.1m).



	2009	2008
Vehicle fleet – UK	62,900	68,600
– Spain	60,400	62,750
Group profit from operations*	£71.8m	£121.8m
Underlying profit before tax*	£27.5m	£83.1m
Adjusted earnings per share*	29.3p	91.8p
Dividend per share	11.5p	28.0p
Net assets per Ordinary share	259p	564p

CHAIRMAN'S STATEMENT

FOLLOWING A PERIOD OF NINE YEARS OF CONSECUTIVE GROWTH IN SALES AND EARNINGS, THE SECOND HALF OF 2008 SAW THE GROUP'S MARKETS START TO DETERIORATE RAPIDLY. WHILST HISTORICALLY, THE FLEXIBILITY INHERENT IN THE GROUP'S BUSINESS MODEL HAS ENABLED THE GROUP TO RESPOND EFFECTIVELY TO FLUCTUATIONS IN DEMAND, THE SPEED AND SEVERITY OF THE CURRENT ECONOMIC DOWNTURN RESULTED IN A SUDDEN AND PROLONGED PERIOD OF REDUCED VEHICLE UTILISATION AND A SIGNIFICANT DECLINE IN THE RESIDUAL VALUE OF USED VEHICLES, NECESSITATING THE IMPAIRMENT OF ASSETS ANNOUNCED ON 2 MARCH 2009.

Although management responded quickly and implemented a number of operational measures to improve performance, the benefits of these actions have taken time to come through and will only be seen fully in the Group's financial results for the year to 30 April 2010.

The results for the year ended 30 April 2009, both underlying and after adjusting for the impairment of assets, are as follows:

- Group revenue increased by 5% to £609.6m (2008 – £578.5m), a decrease of 1.4% at constant exchange rates¹;
- Underlying profit before tax for the year decreased by 67% to £27.5m (2008 – £83.1m), 70% at constant exchange rates²;
- Exceptional write-off of goodwill and other assets totalling £180.9m following the impairment review;
- Other exceptional costs totalling £37.0m including costs related to the cancellation of interest rate derivatives of £32.7m;
- The Group suffered a loss per share of 263.2p (2008 – earnings of 86.7p) reflecting the fall in profit before tax and the impairment adjustment and other exceptional costs.

In the light of these results and the Group's financing requirements, the Board has recommended to shareholders that no final dividend be paid and therefore the total dividend for the year is 11.5p (2008 – 28.0p).

UK

By 30 April 2009 there was a reduction of c.6% in the number of vehicles on rent compared to the start of the year, primarily as a result of existing customers utilising the flexibility offered by our product to downsize the vehicle fleets they operate. This reduction in hire volumes from existing customers put significant pressure on the UK fleet's utilisation, with the average utilisation rate for the year ended 30 April 2009 being 88% (2008 – 91%). In addition, we saw an unprecedented fall in the used vehicle market, with average market values decreasing by over 20% in calendar year 2008. This was due to a reduction in demand, together with a lack of available credit for vehicle purchasers. Against this background we were able to actively manage our utilisation levels by disposing of 23,400 vehicles during the year (2008 – 26,800), whilst restricting purchases of new vehicles to only 16,900 (2008 – 28,500). As a consequence utilisation has improved to 91% at the present time.

Hire rates also declined by some 6% in the year ended 30 April 2009, mainly due to competitor pricing pressure and temporary discounting in some areas being applied to promote rental of otherwise unutilised stock.

To reflect the lower fleet size we have rationalised the UK structure, reducing the network of depots from 86 to 80 and the headcount by 193 people. The full year payroll costs in relation to these individuals are approximately £3.5m.

SPAIN

In Spain, we have experienced similar issues to the UK but these have been intensified by a more difficult economic environment and by our inability to dispose of the necessary volume of used vehicles in the second half of calendar year 2008. The combination of these two factors put extreme pressure on our utilisation level which fell to a low point of 78% in the third quarter of the financial year. In order to address this, we restricted new vehicle purchases to 8,800 (2008 – 20,650) whilst achieving vehicle disposals of 13,200 (2008 – 13,600).

From January 2009 we achieved a significant improvement in our used vehicle sales volumes which, coupled with a slow-down in the rate of off-hires and the restriction in vehicle purchases set out above, has seen utilisation improve to 86% currently.

Cost reduction measures similar to the UK have also been implemented, reducing the number of locations by 5 and the headcount by 166 as well as creating a single head office for the business. The full year payroll costs in relation to these individuals are approximately £3m.

GROUP

Although the profitability of the Group has been impacted by the issues outlined above, the actions taken have not only improved a number of the key operating statistics but also improved the cash generation of the Group, which was £103m in the year before the effects of currency translation.

After the impairment of goodwill and other assets announced on 2 March 2009, net tangible assets at 30 April 2009 were £155.3m (2008 – £286.9m) equivalent to a tangible net asset value of 220p per share (2008 – 407p per share).

STRATEGIC PLAN

In order to reflect the rapid change in economic circumstances, the Group prepared a strategic plan to set out its response. The plan assumes no improvement in the economic climate in the year to 30 April 2010 and only modest growth thereafter. The plan, mainly through efficient fleet management, further cost reductions and cash generation, aims to both rebuild profitability and reduce borrowings, thereby positioning the Group for a recovery in demand when that occurs.

In particular the strategic plan includes the following additional actions:

UK

- Improve revenue per vehicle from increased hire rates supplementing the actions already taken to maintain utilisation at over 90%;
- Continue refinement of the UK operating structure and operational efficiencies within the workshops;
- Implement an integrated information technology ("IT") system to provide opportunities to streamline processes.

SPAIN

- Achieve and subsequently maintain a targeted level of utilisation approaching 90%;
- Improve vehicle disposal capability to assist in the management of utilisation and enhance residual values;
- Diversify the customer base to reduce the dependency on the construction and infrastructure sector.

REFINANCING

The majority of banking facilities were renewed in September 2008, but the significant deterioration in trading conditions in the second half of the financial year, combined with the strength of the Euro relative to Sterling, put pressure on certain key financial covenants.

The Group therefore initiated discussions with all its lenders and private placement noteholders leading to the successful renegotiation of its borrowing facilities (including its private placement notes) announced on 10 July 2009. In total the Group now has facilities (including loan notes) of c.£880m based upon an equity fundraising (net of equity fundraising costs) of £108m. This positions the business well for the challenges of the current market conditions and supports the opportunity to deliver value for shareholders in the medium term.

The new borrowing facilities (including amended notes) will become effective subject to, inter alia, the Group completing an equity fundraising by 30 September 2009 of at least £100m (net of equity fundraising costs) of which at least £85m must be used to repay existing facilities (including its private placement notes). The Group announced on 10 July 2009 fully underwritten placing and rights issue raising net proceeds of £108m.

The Board believes that the placing and rights issue, in conjunction with the new borrowing facilities (including amended notes) and the implementation of the strategic plan, should enable the Group to protect and subsequently enhance shareholder value by positioning the Group to take advantage of any future recovery in its markets.

BOARD CHANGES

Steve Smith had been due to step down as Chief Executive on 1 August 2009, but has agreed, in light of recent trading conditions, the Group's debt refinancing and the equity fundraising, to remain as Chief Executive until 30 June 2010. Paul Tallentire, who has held the role of Deputy Chief Executive since joining the Group on 31 October 2008, has taken over responsibility for day to day operations of the Group. It is planned that Paul will take over the role of Chief Executive on 1 July 2010, at which time Steve will take up the role of Deputy Chairman for the nine months to 31 March 2011.

CURRENT TRADING AND OUTLOOK

Trading in the early part of the current financial year is broadly in line with the Group's internal expectations, with utilisation in the UK and Spain currently at 91% and 86% respectively. However, the Board remains cautious about the Group's outlook given the backdrop of uncertain macro-economic conditions, which continue to adversely affect the Group's markets. Accordingly, the Group will continue to focus on maximising fleet utilisation, cash management and pursuing operational efficiencies in the current financial year.

The main objective of the Board is to ensure the Group emerges from the current economic downturn in a stronger position. The Board believes that, following the placing and rights issue, the Group will, through a more resilient capital structure, be better positioned to deal with any further decline in its core markets and to take advantage of opportunities which may arise when market conditions begin to improve.

Philip Rogerson
Chairman

¹ Constant exchange rates restate the results at the same exchange rate that prevailed in the previous financial period.

² Stated before intangible amortisation of £5.3m (2008 – £4.7m) and exceptional items of £217.9m (2008 – credit £1.1m).

OPERATIONAL REVIEW

GROUP

Without doubt, the year to 30 April 2009 has been the most demanding the business has faced in its 28-year history. The deteriorating economic conditions caused customers to off-hire vehicles and produced a significant fall in vehicle residual values combining to create a "perfect storm" for the business. Against that scenario, the targets and objectives set out in our previous strategy for growth became obsolete and the focus of management has been on guiding the business through the current turmoil and creating a revised strategy for the business for the coming years. The actions we have taken in respect of both the UK and Spanish businesses are explained below, along with an outline of the revised three year strategic plan, effective from 1 May 2009.

UNITED KINGDOM AND REPUBLIC OF IRELAND

The rapid decrease in hires by existing customers created a reduction in utilisation levels during the year and a subsequent reduction in the fleet size. Combined with a reduction in hire rates in the second half of the year, this produced a fall in hire revenues of c.3% for the year. The decline in the values achieved for used vehicles reflected in the addition of £6.5m in the depreciation charge, added to the pressure on the operating margin, which fell to 11.1% (2008 – 20.6%).

VEHICLE FLEET AND UTILISATION

In response to the economic downturn, we reduced the UK fleet by c.8% from 68,600 vehicles at 30 April 2008 (and a peak of 70,700 at 31 December 2008) to 62,900 vehicles at 30 April 2009. This decline took place in the second half of the year as we sought to achieve our targeted utilisation level. Whilst utilisation for the year has averaged 88% (2008 – 91%), we recovered from a low of 84% in quarter three to finish the financial year at 90%.

In late summer 2008 we took the decision to reduce the number of vehicles we would purchase in the remainder of the financial year, particularly in respect of replacements. This was both to assist in improving utilisation by reducing the fleet size and to generate cash. As a consequence, we have purchased 16,900 vehicles in the year (2008 – 28,500) and the fleet has been aged to an average of 19.4 months (2008 – 16.2 months). This active management of our fleet has made a significant contribution to the reduction in debt referred to in the Financial Review.

HIRE RATES

During the first six months of the year hire rates remained relatively stable. From January 2009 onwards, some discounting was introduced on short-term deals to rent unutilised stock and there was also some competitive pricing pressure. As a consequence, hire rates were c.4% lower in April 2009 than in October 2008. We are planning for rates to improve in the new financial year as short-term deals end and pricing is increased; particularly as new vehicles are introduced into the fleet.

DEPOT NETWORK

The network of hire locations has reduced from 86 to 80 during the year as part of the programme of rationalisation initiated in response to the difficult trading conditions. The customer accounts managed by these branches have been transferred elsewhere within the network. This has retained the Group's national coverage whilst removing branches that had become uneconomic.

In addition headcount has reduced by 193 since the start of the financial year. The full year payroll costs in relation to these individuals is approximately £3.5m.

USED VEHICLE SALES

During calendar year 2008, there was a marked deterioration in the used vehicle market which resulted in a reduction of over 20% in the average residual values we achieved.

Although values have fallen, we have been able to achieve our targeted volumes of used vehicle sales, with total sales of 23,400 vehicles (2008 – 26,800).

Progress has also been maintained in developing our channels to the disposals market, with the retail and semi-retail channels accounting for 18% (2008 – 20%) of total disposals.

As a consequence of the weaker market, we have achieved residual values lower than we expected which, in accordance with our accounting policies, has been reflected in an increase of £6.5m (2008 – reduction of £12m) in the depreciation charge.

Since January 2009, we have seen a modest recovery in the sales prices being achieved for used vehicles. As a consequence of this recovery and following the increase in the depreciation charge on new vehicles of 1.5% to 20.7%, which has not had a material impact on the results for the year, and the impairment of fleet asset values of £28.6m, an average of £415 per vehicle, both of which were announced on 2 March 2009, we would expect to achieve close to a break-even position on disposals of used vehicles in the year ahead.

FLEET MANAGEMENT

The fleet management business had a very successful year, with jobs managed growing by 21% to 88,200 (2008 – 72,700) and operating profit by 21% to £0.9m (2008 – £0.8m). The growth came predominantly through existing customer penetration and cross-selling of the services to Northgate vehicle rental customers. The systems capability of the fleet management business is now being used to co-ordinate external repairs for the vehicle rental business.

BODY REPAIR FACILITY

We have continued to invest in our own body repair facilities. GPS Body Repairs, purchased in 2007, has been expanded and has doubled its throughput. A new bodyshop facility was opened in Stockton and an existing site refurbished in Huddersfield. These three locations will be used to carry out over 50% of all major repairs and refurbishments in the UK business.

SPAIN

The issues which the Spanish business has faced during the year are, in essence, the same as those in the UK but have been generally more extreme due to the weaker economic environment in Spain and the higher concentration of customers operating in the construction sector, which has been severely affected by the economic downturn.

We reduced the fleet from 62,750 vehicles at 30 April 2008 to 60,400 vehicles at 30 April 2009. As the fleet reached a peak of 64,800 at 31 October 2008, the reduction in the fleet in the second half of the year was 4,400 vehicles (7%).

Despite the reduction in the closing fleet size and lower utilisation levels, as average on-hires were slightly higher than the prior year, there has been an increase in rental revenue in Spain of 0.6% at constant exchange rates (an 18% increase after currency translation).

VEHICLE FLEET AND UTILISATION

Having remained relatively stable over the first few months of the year, the number of vehicles on-hire fell by 5,900 between September 2008 and April 2009. The reduction in demand was particularly evident in the period between September and January, after which the rate of decline reduced significantly with a fall in vehicles on-hire of less than 100 in the last three months of the financial year.

The slowdown in the used vehicle market impacted our ability to reduce the fleet in response to the fall in the number of off-hires, with utilisation reaching a low of 78% for January 2009, with the average rate for the year ended 30 April 2009 being 83% (2008 – 89%). Since January 2009, our used vehicle sales capability has improved and, combined with a reduction in the rate of off-hires and restriction of vehicle purchases, we have seen utilisation gradually improve to 86% at the end of June 2009.

HIRE RATES

Hire rates have remained relatively stable during the year, with the exception of some modest discounting to rent unutilised stock and to persuade customers to continue renting vehicles beyond our normal replacement age. As with the UK, rates are expected to recover as new vehicles are gradually introduced in the year ahead.

USED VEHICLE SALES

Historically, our Spanish vehicle disposal capabilities have not been as developed as those in the UK. In the first half of the year we were unable to sell the volume of used vehicles necessary to balance the reduction in rental demand and thereby maintain utilisation at our targeted level. In that period we sold only 5,700 vehicles. The changes made to both the network of disposal sites and the management team last autumn have produced a significant increase in the number of vehicles sold in the last six months to 7,500 vehicles, thereby producing a similar total to the previous year of 13,200 vehicles (2008 – 13,600). More importantly, in the last three months of the year we sold an average of over 1,500 vehicles per month, an annualised rate of c.18,000 vehicles.

The used vehicle market in Spain experienced a material decline in sales prices over the year and, as a consequence, we achieved lower than expected residual values which, in accordance with our accounting policies, have been reflected in an increase in the depreciation charge of £14.3m (2008 – increase of £1.9m).

As we do not expect the market to make a significant recovery in the short term, we have written down the value of our vehicles in Spain by €70.8m, an average of €1,116 per vehicle, as part of the impairment review in February 2009. In addition, we have increased the depreciation rate on vehicles purchased after February by 3% to 20%, which has not had a material impact on the results for the year. We expect that these two measures will position the business to return to our targeted break-even position on disposals in future periods.

By the end of the year, we had established an improved sales team, operating from a network of six dedicated used vehicle sale sites and three locations shared with the rental business. We have also developed two disposal channels, one for export and one for retail customers within Spain. The export channel is to assist with the volume of disposals with exports representing 23% of disposals in the year ended 30 April 2009; the retail channel should improve our average margin on disposal. We have invested in developing this network during the year and have already seen a benefit, with total vehicle volumes in the last five months of the year up 50% on the same period in the prior year.

COST REDUCTION MEASURES IN SPAIN

In response to the difficult trading environment and the 7% reduction in the vehicle fleet since October 2008, we have closed branches in Alicante, Castellon, Gerona, Orense and Pamplona, transferring the business transacted through these outlets into the nearest alternative location. Following these closures the network of branches totals 32 which we believe maintains our geographic coverage across Spain.

During the year the Group successfully completed the process of integrating the head office and back office functions of the two Spanish operating companies, Fualsa and Record, including information technology, human resources, purchasing and fleet administration and finance functions. Together with the branch closures set out above these measures reduced headcount by 166 at 30 April 2009. The full year payroll costs in relation to these individuals are approximately £3m.

IT

The UK is currently implementing a new Enterprise Resource Planning ("ERP") system covering operations, asset management and finance. The ERP system will replace a number of legacy systems and will be used as a basis to streamline processes and improve customer service. The rollout of systems across the hire companies will be phased throughout the financial year with completion planned by April 2010.

OPERATIONAL REVIEW

NEW STRATEGIC PLAN

As a result of the significant deterioration in trading during the financial year, a revised strategic business plan has been formulated, approved by the Board in February 2009. The plan assumes no improvement in the economic climate in the year to 30 April 2010 and only modest economic growth thereafter. As a consequence the key features of the plan, particularly in year one, are focused on efficient fleet management, further cost reductions and cash generation.

The measures which the Group has planned to achieve these objectives can be summarised as follows:

UK

MANAGEMENT OF THE FLEET

The UK business is targeting to operate at over 90% utilisation throughout the period of the plan. The fleet is expected to age by a further two months over the first two years of the plan with new vehicle purchases being used to improve the mix of the fleet and to assist in raising hire rates.

IMPROVED HIRE RATES

We intend to improve hire rates through a combination of customer specific rate increases, increased pricing for new vehicles introduced to the fleet and the expiry of temporary discounting introduced when utilisation levels were under severe pressure in January 2009.

SECTOR FOCUS

Although the plan assumes only modest growth in years two and three, we are anticipating a continued high level of churn i.e. increased off-hires and on-hires. We will focus, through our central sales and marketing teams, on targeting large customers who will benefit from both the range of our services and our national network. The local sales teams within the hire companies will continue to focus on smaller, local businesses.

REDUCTION IN COSTS

A number of improvements are planned and will be substantially complete by 30 April 2010:

- The new ERP system, mentioned above, is expected to be implemented across the UK operations by 30 April 2010. Together with a programme for standardising processes across hire company operations this will provide a basis for streamlining processes, improving customer service and achieving an improvement in operational and financial performance.
- Operational efficiencies across the UK's network of 60 workshops in relation to purchasing, personnel management and streamlining processes.
- Continued adaptation and refinement of the branch network in order to operate from an efficient structure whilst maintaining national coverage.

VEHICLE DISPOSALS

We aim to continue the development of the retail channel for our used vehicle disposals, and we are targeting disposals through our retail channel of 30% of all used vehicle sales in the UK in the medium term.

SPAIN

MANAGEMENT OF THE FLEET

The Spanish business is targeted to operate at an average approaching 90% utilisation over the period of the strategic plan. If required we will, where we have excess capacity, continue to supply other rental companies who have seasonal demands. The vehicle sales capability of c.1,500 per month is now in line with our planned disposal volume and this, combined with continued control of new vehicle replacements, should assist in achieving the targeted level of utilisation.

IMPROVED HIRE RATES

We intend to increase hire rates generally and customer profitability analysis will be used to specifically target low margin customers with rate increases. New vehicles will be introduced to the fleet at an increased tariff.

SECTOR FOCUS

The Spanish business has a high dependency on the construction and infrastructure sectors. The focus will therefore be on winning new business in other sectors and hence creating a broader customer base by the end of the plan period. Combined with continued stringent controls on new customer credit approval this will determine the sector focus of the commercial teams.

REDUCTION IN COSTS

We will continue to balance the footprint of locations, presently 32, with the fleet size in Spain. In addition we aim to reduce the maintenance cost per vehicle by operational improvements within our own workshops, a reduction in the amount of third party work and cost reductions with retained third party suppliers.

VEHICLE DISPOSALS

We will continue to improve the Spanish vehicle disposal capabilities, with the objective of replicating the standards set by the UK operations. We believe this should allow residual values to be enhanced and provide greater flexibility in managing utilisation.

Steve Smith
Chief Executive

THE KEY FEATURES OF THE PLAN, PARTICULARLY IN YEAR ONE ARE FOCUSED ON EFFICIENT FLEET MANAGEMENT, FURTHER COST REDUCTIONS AND CASH GENERATION.

FINANCIAL REVIEW

FINANCIAL REPORTING

In response to the difficult trading circumstances referred to in the Operational Review the Group has focused on taking actions to reduce the Group's cost base and generate cash to reduce the level of indebtedness. In addition, it has been necessary to renegotiate our financing facilities and to undertake an equity fundraising in order to secure a financing structure appropriate to the Group's medium term requirements.

SALES, MARGINS AND RETURN ON CAPITAL

Group revenue increased by 5% to £609.6m (2008 – £578.5m) a decrease of 1.4% at constant exchange rates. In the UK, a reduction in average vehicles on hire of 1.2% compared to the prior year contributed to a decrease in total revenue of 2% to £352.7m (2008 – £360.8m). In Spain, the average vehicles on hire were slightly higher than the prior year and this contributed to an increase in revenue of 0.6% at constant exchange rates. With exchange rates taken into account, revenue in Spain increased by 18% to £257.0m (2008 – £217.7m).

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:

	2009 £000	2008 £000
Revenue		
Vehicle rental	334,685	345,227
Fleet management	17,993	15,525
	352,678	360,752
Profit from operations¹		
Vehicle rental	38,231	73,627
Fleet management	931	770
Intangible amortisation	(3,112)	(2,569)
	36,050	71,828
Operating margins (excluding intangible amortisation)		
	2009	2008
UK overall	11.1%	20.6%
Vehicle rental	11.4%	21.3%
Fleet management	5.2%	5.0%

The UK vehicle rental operating profit¹ margin has declined to 11.4% (2008 – 21.3%). This is directly attributable to the lower fleet utilisation achieved, the reduction in hire rates and the decline in used vehicle residual values.

SPAIN

The revenue and operating profit¹ generated by our Spanish operations are set out below:

	2009 £000	2008 £000
Revenue		
Vehicle rental	256,967	217,710
Profit from operations¹		
Vehicle rental ¹	32,605	47,404
Intangible amortisation	(2,142)	(2,124)
	30,463	45,280
Operating margins (excluding intangible amortisation and exceptional items)		
	2009	2008
	12.7%	21.8%

Spain's operating margin was 12.7% (2008 – 21.8%). Sales and profit from operations in 2009, expressed at constant exchange rates, would have been lower than reported by £38m and £4.8m, respectively.

GROUP

Group return on capital employed, calculated as Group profit from operations (excluding exceptional items) divided by average capital employed (being shareholders' funds plus net debt), is 5% (2008 – 10%).

Group return on equity, calculated as profit after tax (excluding exceptional items) divided by average shareholders' funds, is 5% (2008 – 16%).

EXCEPTIONAL ITEMS

A review of the Group's businesses in February 2009 resulted in an exceptional write-off of goodwill and intangible assets of £54.9m relating to the two businesses in Spain, together with £32.8m of goodwill and intangible assets in relation to the UK hire business. In addition to this, other assets of the Group, mainly the vehicle fleet in the UK and Spain, were written down by £93.2m. The total pre-tax exceptional charge in respect of these items was therefore £180.9m.

In order to benefit from the lower interest rate environment, the Board reviewed its interest rate hedging policy in February 2009. As a result of this review, interest rate derivatives on debt totalling €475m, with 3.3 years remaining at an average rate of 4.64%, were terminated at a cost of £32.7m on 13 February 2009. At the balance sheet date, it was reasonably foreseeable that the borrowings which had been hedged by these derivatives would be replaced by new facilities; details of which are set out below. As a result, the settlement cost of £32.7m has been treated as an exceptional cost in the year ended 30 April 2009.

Other exceptional items amounted to £4.3m and consisted of restructuring costs of £3.1m and financing fees of £1.2m in respect of deferral of covenants relating to our lending facilities.

TAXATION

The Group's effective tax charge for its UK and overseas operations is 5%, including the impact of the exceptional items referred to above. Of the exceptional items, the write off of goodwill does not attract any tax relief and certain tax assets, arising as a result of the other exceptional items, have not been recognised at the balance sheet date.

Excluding the impact of exceptional items, the Group effective tax rate is 31% (2008 – 23%). This is higher than the prior year primarily as a result of certain expenditure items which do not attract tax relief and a gradual increase in the Spanish rate.

The Spanish effective tax rate continues to benefit from concessions based on vehicle purchase reliefs that are available in Spain, albeit at a lower level than in earlier years as some elements are being phased out by 2011.

The reduction in the rate of UK Corporation tax from 30% to 28%, effective from 1 April 2008, was already recognised in the deferred tax provision at April 2008.

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.

EARNINGS PER SHARE

The decline in profitability and the post-tax exceptional costs of £201.1m produced a loss per share of 263.2p (2008 – 86.7p earnings per share). Excluding intangible amortisation of £5.3m (2008 – £4.7m) and the exceptional costs, adjusted basic earnings per share declined by 68% to 29.3p (2008 – 91.8p).

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

DIVIDEND

The Directors believe that it is in the best interests of the Group not to pay a final dividend in relation to the Ordinary shares for the year ended 30 April 2009 (2008 – 16.5p). In addition, the new borrowing facilities (including the amended notes) contain a restriction prohibiting the payment of a dividend in relation to the Ordinary shares in respect of the year ended 30 April 2009. The total dividend for the year is therefore 11.5p (2008 – 28.0p). The Directors currently envisage the reintroduction of a progressive dividend policy when market conditions stabilise and the Directors believe it is prudent to do so, taking into account the Group's earnings, cash flow and balance sheet position. Future dividend policy will be based upon maintaining a dividend cover ratio of at least three times earnings, reflecting a requirement in the new borrowing facilities (including the amended notes). In addition the new borrowing facilities (including the amended notes) provide that dividends may not be paid in the event of an actual or potential event of default under the new borrowing facilities (including the amended notes).

BALANCE SHEET AND CASH FLOW

Net tangible assets at 30 April 2009 were £155.3m (2008 – £286.9m) equivalent to a tangible net asset value of 220p per share (2008 – 407p per share). Gearing at 30 April 2009 was 602% (2008 – 312%).

The Group's net debt, calculated with loan notes stated at their fixed currency amounts, decreased by £17m to £886m (2008 – £903m). The 13% year on year increase in the value of Euro against Sterling and the cash cost of termination of the interest rate derivatives resulted in an £86.5m and £32.7m increase in debt respectively; £119.2m in total.



¹ Operating profit before exceptional items.

FINANCIAL REVIEW

REFINANCING

The severe impact the economic recession had on trading and the resultant risk that the Group would breach certain of its financial covenants in its banking facilities agreements (including its US private placement noteholder agreements) led it to initiate discussions with all its lenders in early March 2009. The Group has now reached agreement with its lenders (including its private placement noteholders) in respect of revised lending facilities appropriate for its business needs over the medium term. In addition, the Group's lenders agreed to further defer the date of testing of certain covenants under its existing facilities (including its private placement notes) until 30 September 2009.

The revised facilities (including the amended notes) will become effective, subject to, inter alia, the Group completing an equity fundraising by 30 September 2009 of at least £100m (net of equity fundraising costs) of which at least £85m must be used to repay its existing facilities (including its private placement notes). The successful completion of the equity fundraising announced on 10 July 2009 will enable the Group to satisfy the equity fundraising and repayment conditions.

The key points of the refinancing are as follows:

- Total committed facilities of c.£880m post receipt of the equity fundraising proceeds;
- Maturity dates of all bank facilities September 2012;
- Private placement noteholders maturity substantially unchanged, but with a right for noteholders to require repayment on 30 September 2012 unless there has been a successful refinancing of the new bank facilities on or before September 2012;
- Margins and coupons on borrowings to be based upon a pricing grid which uses asset cover for the borrowings as a determinant;
- Amortisation of the facilities as follows:
 - £30m December 2009;
 - £40m June 2010;
 - £40m December 2010.

There are four financial covenants under the revised facilities as follows:

1. Interest cover ratio

A minimum ratio of earnings before interest and taxation ("EBIT") to net interest costs tested quarterly on a rolling 12-month basis. The ratio ranges between 1.04 and 1.39.

2. Minimum tangible net worth

Minimum tangible net worth i.e. net assets excluding goodwill and intangibles, tested monthly. This covenant has been set initially at 80% of the net tangible assets at 30 April 2009 (reduced by £6m in relation to previous refinancing fees that will be written off when the new lending facilities become effective). This covenant will then be adjusted to reflect the proceeds of the placing and rights issue and 80% of budgeted retained profits under the strategic plan.

3. Loan to value

The ratio of total consolidated net borrowings to the book value of vehicles, debtors and property, tested monthly. The ratio may not exceed 85%.

4. Debt leverage cover ratio

A minimum debt leverage ratio of net debt to EBITDA, tested quarterly on a rolling 12-month basis. The ratio ranges between 2.25 and 2.51.

The Board announced on 10 July 2009 that it is proposing to raise £108m (net of equity fundraising costs) by way of a placing and rights issue. The placing and rights issue have been fully underwritten by RBS Hoare Govett Limited and Oriel Securities Limited and are conditional upon, inter alia, approval of the relevant resolutions at the forthcoming Extraordinary General Meeting. Customary conditions and termination rights also apply.

TREASURY

INTEREST RATE MANAGEMENT

The Group's bank facilities agreements incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering 50% to 75% of its borrowings at any time. Following the cancellation of the majority of the Group's interest rate derivatives in February 2009 to benefit from the lower interest rate environment, the proportion of net debt hedged into fixed rates was 28% at 30 April 2009. This coverage is related to the US private placement notes which remained 100% hedged. Now that the Group's refinancing structure is agreed we will revert to our policy of hedging between 50% to 75% of total borrowings.

FOREIGN EXCHANGE RISK

The Group's reporting currency is, and the majority of its revenue (56%) is generated in, Sterling. The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of the Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is Euro by maintaining a proportion of its borrowings in the same currency. 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. The hedges are considered highly 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.

The Group has in issue US dollar-denominated loan notes 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. The Group will have interest cash outflows in pounds 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 pounds sterling and receive a principal amount in US dollars. As part of the refinancing, these cross-currency derivatives will be terminated at the date the refinancing becomes effective and immediately replaced with new derivatives to fix the future liability in Sterling.

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. The Group purchases substantially all of its fleet from suppliers with no agreement for the repurchase of such vehicles by the supplier or an alternative third party deal or customer. Residual values are therefore not guaranteed to the Group but, rather, are prone to fluctuations in the used vehicle market.

Were we not able to recover any such increases in vehicle holding costs from our customers, this would impact on our profitability. We manage the risk on new pricing by using our purchasing power to negotiate, before the end of the calendar year, fixed supply terms for the year ahead. In the calendar year 2009 we have retained the flexibility to make purchases during the year under variable terms to take advantage of the current environment. 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 construction industry and the other key markets of the Group have been severely affected by the current economic downturn. The Spanish business generates 57% 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, the downturn in demand from all sectors has led to a decline in the number of vehicles being rented.

Should there be any further decline we would respond as we have done in the current downturn, by seeking to place these vehicles with other businesses, or look to maintain utilisation 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.

In addition, it is possible that the Group could subsequently benefit as businesses 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 Group operates in highly competitive markets. In the current economic environment the Group's competitors may pursue aggressive pricing actions to increase hire volumes. As our business model is operationally geared, any increase or decrease in hire rates will impact profit to a greater effect.

In the UK the business experienced pressure on hire rates during 2008/09 due to the competitive environment with rates falling by c.6%.

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. This year hire rates in Spain have been broadly stable as inflationary increases have been offset by the decline in the Spanish economy and our need to adopt a more flexible approach to pricing in order to return utilisation to an acceptable level.

ACCESS TO CAPITAL

The Group requires capital both to replace vehicles that have reached the end of their estimated useful life and for growth in the size of the existing vehicle fleet, either organically or through acquisition. Additionally, due to the level of the Group's indebtedness a significant proportion of the Group's cash flow is required to service its debt obligations.

If there is a shortfall in cash generated from operations and/or available under its credit facilities the Group would reduce its capital requirements. If this is not sufficient, 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.

In order to continue to access its credit facilities the Group needs to remain in compliance with its financial covenants throughout the term of these facilities.

The Group believes that, taking into account the net proceeds of the equity offering and the revised facilities (including the amended notes), it has adequate resources for its present requirements.

IT SYSTEMS

The Group is dependent upon the proper functioning of 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 have also commenced changes to the IT systems platform for the UK business, this process will continue throughout the year ending 30 April 2010. In executing this change there is a risk of disruption to the Group's business. This risk will be mitigated by a gradual roll out as opposed to a same date implementation across the UK business.

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

GOING CONCERN

In determining whether the Group's 2009 accounts can be prepared on a going concern basis, the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowings facilities and the risks and uncertainties relating to its business activities in the current economic climate. The key risks and uncertainties are set out in further detail above.

The Directors have reviewed trading and cash flow forecasts as part of their going concern assessment, including downside sensitivities, which take into account the uncertainties in the current operating environment.

In forming their conclusions over the adoption of the going concern basis, the Directors have considered the possibility of the relevant resolutions at the forthcoming Extraordinary General Meeting, relating to the proposed equity fundraising, not being approved and on the basis of the available evidence have considered this possibility to be remote.

Having considered all the factors above impacting the Group's businesses, including downside sensitivities, the Directors are satisfied that the Group will be able to operate within the terms and conditions of the Group's financing facilities for the foreseeable future.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2009 accounts.

Bob Contreras
Finance Director

BOARD OF DIRECTORS



Philip Rogerson (age 64)

Appointed to the Board as a non-executive Director in November 2003 and appointed Chairman in June 2007. Philip is also Chairman of Aggreko plc and Carillion 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.



Stephen Smith ACA (age 52)

Appointed Chief Executive 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.

Steve will retire as Chief Executive on 30 June 2010 when he will assume the role of Executive Deputy Chairman for a period of nine months.



Jan Astrand MBA (age 62)

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.



Andrew Allner FCA (age 55)

Appointed to the Board as a non-executive Director in September 2007. Andrew is currently also a non-executive Director of Marshalls plc, CSR plc and Go Ahead Group 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.



Bob Contreras ACA (age 46)

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.



Paul Tallentire BSc (Hons) (age 47)

Appointed Deputy Chief Executive on 31 October 2008 and will take over as Chief Executive on 1 July 2010. Previously with Premier Farnell for seven years where he became President of the two major operating divisions, Newark Electronics in North America and Farnell Europe. Prior to that he held senior international management roles with ICI.



Tom Brown MBA (age 60)

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.



Phil Moorhouse FCCA (age 56)

Appointed Managing Director UK 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 58)

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)
Jan Astrand
Tom Brown

REMUNERATION

Tom Brown (Chairman)
Andrew Allner
Jan Astrand
Philip Rogerson

NOMINATION

Philip Rogerson (Chairman)
Andrew Allner
Jan Astrand
Tom Brown
Steve Smith

REPORT OF THE DIRECTORS

THE DIRECTORS PRESENT THEIR REPORT AND THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 APRIL 2009.

RESULTS

Loss for the year after taxation was £185,702,000 (2008 – profit £61,334,000).

An interim dividend of 11.5p per share was paid on the Ordinary shares on 16 January 2009.

The Directors do not recommend the payment of a final dividend on the Ordinary shares.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company.

The principal subsidiaries 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 13, 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.

CAPITAL STRUCTURE

Details of the authorised and issued share capital, together with details of any movements during year are shown in Note 26. The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

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.

The percentage of the issued nominal value of the Ordinary shares is 87.5% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restriction on the transfer of securities or on voting rights.

Details of employee share schemes are set out in the Remuneration Report. Shares held by the Capita Trust are voted on the instructions of the employees on whose behalf they are held. Shares in the Guernsey Trust are voted at the discretion of the Trustees.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regards to the appointment and replacement of directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are set out in the Articles of Association.

The Directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs because of a takeover bid.

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
Standard Life Investments Limited	5,135,071 (7.3%)	4,715,611 (6.7%)
Boussard & Gavaudan Asset Management LP/ Sark Master Fund*	–	4,878,785 (6.9%)
Credit Suisse Group AG	–	4,711,261 (6.7%)
Capital Group	–	4,149,068 (5.9%)
Columbia Wanger Asset Management LP	3,455,000 (4.9%)	–
Lazard Asset Management LLC	–	3,494,276 (4.9%)
AXA S.A.	593,630 (0.8%)	2,514,205 (3.6%)
Legal & General Group plc	2,964,399 (4.2%)	–
Lloyds TSB Group	2,278,596 (3.2%)	4,502 (–)

* This is an interest in a Contract for Difference

DIRECTORS

Details of the present Directors are listed on pages 14 and 15. All have served throughout the year except Mr Contreras who was appointed on 2 June 2008 and Mr Tallentire who was appointed on 31 October 2008: both are seeking re-appointment. Mr Moorhouse and Mr Smith are retiring by rotation in accordance with the Articles of Association and, being eligible, are also seeking re-appointment.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 18 to 23.

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 2009	1 May 2008
P Rogerson	32,000	2,000
S J Smith	242,082	83,821
A Allner	11,900	–
J Astrand	47,200	–
T Brown	106,000	2,000
R Contreras	44,000	–†
P J Moorhouse	107,132	46,488
A T Noble	737,259	733,329
P Tallentire	37,000	–†

† on appointment

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

No changes in the above interests have occurred between 30 April 2009 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 18 to 23.

DIRECTORS' INDEMNITIES

As permitted by the Company's Articles of Association, new qualifying third party indemnities for each Director of the Company were put in place during the year and remained in force as at the date of signing of this report. The Company's Articles of Association are available on the Company's website.

DONATIONS

During the year the Group made charitable donations of £18,000 (2008 – £34,000) 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 2009 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 18 to 23, will be put to shareholders for approval at the Annual General Meeting.

FINANCIAL INSTRUMENTS

Details of the Group's use of financial instruments are given in the Financial Review on page 12 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 S148 Companies Act 2006.

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

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting will be sent out after the holding of the Extraordinary General Meeting of which notice is included in the Prospectus being published at the same time as these accounts.

By order of the Board

D Henderson
Secretary
22 July 2009

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 15.

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") 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 view of the impact of recession on the performance of the company, no increase in salary was awarded to any Director at the annual review effective on 1 May 2009, and only one Director received a bonus in respect of the year 2008/09, as reported below. This policy has been replicated throughout the Group, with salary increases and bonus payments limited to an extremely small number of special cases.

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 in the case of S J Smith, P J Moorhouse and A T Noble by 12 months notice on either side or, in the case of R Contreras and P J Tallentire, by 12 months notice from the Company or by 6 months notice from the Director.

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
P J Tallentire	27 October 2008

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
P J Tallentire	£420,000

All were last reviewed on 1 May 2009, when no increases were awarded.

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.

BONUSES

No bonuses have been awarded under the DABP in respect of the year ended 30 April 2009 (see page 20).

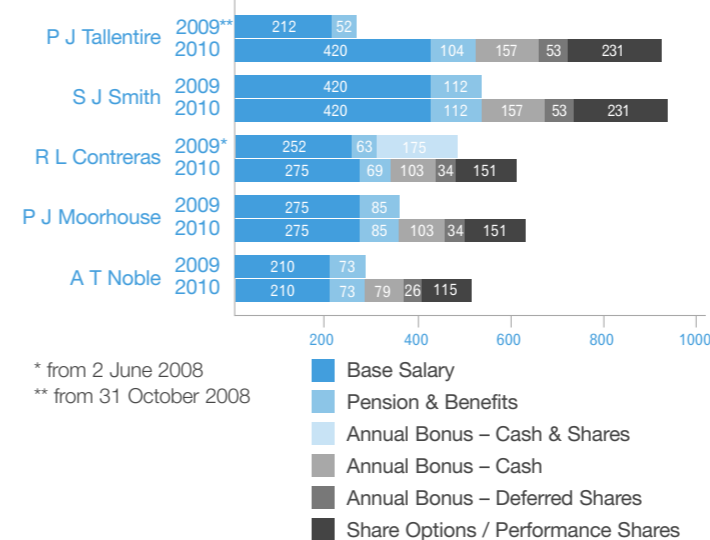
Bob Contreras joined after the start of the year and part of his bonus objectives were based on securing the refinancing and the restructuring of the Group's bank and loan note facilities. This reflected the importance of the refinancing to the Company in the year. Based on performance against these objectives, a bonus of £175,000 was awarded. The bonus will be paid 59% in shares and 41% in cash. This effectively means that the whole of the net amount of the bonus, after deduction of tax and social security contributions, will be paid as shares and none as cash. The number of shares to be awarded will be determined by reference to the closing mid-market price on the day of the announcement of the Group's results for the year ended 30 April 2009 and will be sourced through the Guernsey Trust (see below). Bob will be expected to retain these shares in line with the Board's Share Ownership Guidelines (see page 23).

TOTAL REMUNERATION

Executive remuneration is structured so that a significant proportion of the potential maximum 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 2009 and an estimate for the year ending 30 April 2010.

Total reward can only be estimated, because the actual value of deferred bonus and performance shares will not be known until the end of the three-year performance period. An estimated value has been used being 55% of the face value in respect of performance shares and 100% of the face value in respect of deferred bonus shares.

For the year ending 30 April 2010, on target performance has been assumed for the annual bonus scheme.



* from 2 June 2008

** from 31 October 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 also 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.

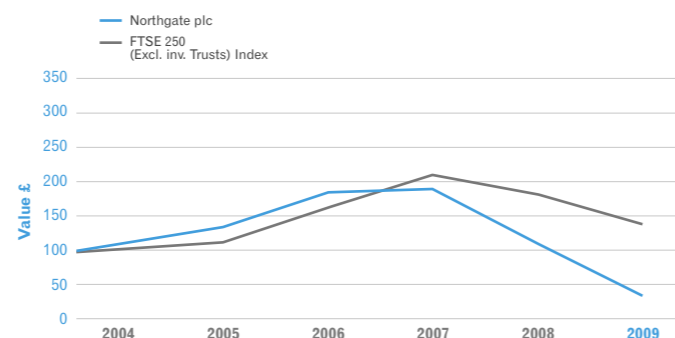
All were last reviewed on 1 May 2009 when no increases were awarded. The fee structure for non-executive Directors reflects the time commitment and responsibility for carrying out non-executive duties. Fees are set taking into account market practice for similar roles in companies of a comparable size. 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. This arrangement will terminate on 31 July 2009.

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 has been a constituent of the FTSE 250 index for the majority of the last five years, 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 2009 was 146.75p (30 April 2008 – 594p) and the range during the year was 39p to 642.5p.

Total Shareholder Return Source: Thomson Financial



This graph shows the value, by the 30 April 2009, of £100 invested in Northgate on 30 April 2004 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.

THE FOLLOWING ELEMENTS OF THIS REPORT HAVE BEEN AUDITED:

	Salary/fees £000	Cash & share bonus £000	Cost of benefits* £000	Total 2009 £000	Total 2008 £000	Pension contributions** 2009 £000	2008 £000
P Rogerson	130	–	–	130	120	–	–
S J Smith	420	–	36	456	533	76	72
A Allner	46	–	–	46	23	–	–
J Astrand	64	–	–	64	104	–	–
T Brown	45	–	–	45	42	–	–
R Contreras***	252	175	18	445	–	45	–
P J Moorhouse	275	–	35	310	368	50	47
G T Murray	–	–	–	–	330	–	31
A T Noble	210	–	35	245	280	38	36
P J Tallentire****	212	–	14	226	–	38	–
Total emoluments excluding pension contributions	1654	175	138	1967	1800	–	–
Total pension contributions	–	–	–	–	–	247	186

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

** All contributions are to a defined contribution type scheme.

*** From 2 June 2008.

**** From 31 October 2008.

SHARE INCENTIVE PLANS

The Group currently operates three share-based incentive schemes: Directors participate in the Executive Performance Share Plan ("EPSP") and Deferred Annual Bonus Plan ("DABP"), and below the Board other executives participate in the Management Performance Share Plan ("MPSP") and DABP. No executive participates in all three schemes. Expressed in face value terms, this effectively provides Directors with a cap of 175% of basic salary for share awards each year (150% under the EPSP and 25% under the DABP).

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 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.

For all executive Directors, 75% of the total bonus earned will normally be paid in cash and the remaining 25% deferred as shares. The level of bonus payable for "on-target" performance is 50% of salary.

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 22.

In addition, options over 296,539 deferred shares awarded to 96 executives were outstanding at 30 April 2009.

No bonuses were awarded under the DABP in respect of the year ended 30 April 2009.

In respect of the year ending 30 April 2010, 50% of the total bonus for the CEO, Deputy CEO and FD will be weighted towards PBT performance, 25% towards cash flow, and the remaining 25% to personal KPIs with the cash flow and KPI elements also being subject to an over-riding profit qualification. For the other executive Directors, the weighting will be 50% PBT/50% KPIs, with the KPI element being subject to an over-riding profit qualification.

EXECUTIVE PERFORMANCE SHARE PLAN

Currently only the executive Directors participate in the EPSP with other executives participating in the MPSP (see below). Awards under the EPSP 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 currently grants are restricted to 100% of salary. The performance targets applying to the grants to be made in 2009 will be a mixture of underlying EPS (2/3rds) and return on capital employed targets (1/3rd). 25% of each part of the award will vest for achieving a threshold performance target increasing to full vesting for achieving a stretch performance target. Appropriate targets will be set when the outcome of the refinancing exercise is known. The Committee considers that EPS and ROCE are the most appropriate performance measures for the EPSP 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. The grants made to the Directors in 2008 are shown on page 22.

MANAGEMENT PERFORMANCE SHARE PLAN

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

The position as at 30 April 2009 with regard to awards made under the MPSP is as follows:-

	2006	2007	2008	Total
Original award	134,000	143,150	570,500	847,650
Lapsed	56,306	40,764	15,000	112,070
Will vest after 3 years	48,543	23,641	–	72,184
Remaining subject to performance	29,151	78,745	555,500	663,396

The above awards are held by 54 executives, including seven in Spain.

NORTHGATE SHARE OPTION SCHEME

The Directors participated in the NSOS in 2006 and 2007, prior to the introduction of the EPSP.

No further grants will be made under this scheme.

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 average annual EPS growth is at least RPI plus 5% over the performance period. Options over shares at grant worth 150% of basic salary (the maximum grant level) or less will vest provided average annual EPS growth is at least RPI plus 11% over the performance period. For grants between 75% and 150% of basic salary a pro rata sliding scale of annual 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 22. In addition, options over 74,893 shares granted to 6 employees at exercise prices ranging from 524p to 931p were outstanding at 30 April 2009. The awards granted in 2006 will not be exercisable as the performance condition has not been satisfied.

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.

Outstanding options held by the Directors under the EIS are shown on page 22.

No options held by Directors lapsed during the year. In addition to those held by Directors, options over 121,725 shares granted to 10 employees at exercise prices ranging from 367.5p to 523p were outstanding at 30 April 2009.

REMUNERATION REPORT

	At 1 May 2008	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 2010
	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
	153,150	-	-	-	-	-	-	-	153,150	
P J Moorhouse	4,500	-	-	-	663	-	-	-	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
	84,650	-	-	-	-	-	-	-	84,650	
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
	64,800	-	-	-	-	-	-	-	64,800	
	302,600	-	-	-	-	-	-	-	302,600	
DEFERRED ANNUAL BONUS PLAN										
S J Smith	15,832	-	(15,832)	17.10.08	-	138	21,846	-	-	Oct 2008 – Oct 2010
	1,750	-	-	-	-	-	-	-	1,750	Jul 2009 – Jul 2011
	16,234	-	-	-	-	-	-	-	16,234	Jul 2010 – Jul 2012
	-	59,041	-	-	-	-	-	-	59,041	Jul 2011 – Jul 2013
	33,816	59,041	(15,832)	-	-	-	21,846	-	77,025	
P J Moorhouse	10,542	-	(10,542)	17.10.08	-	138	14,547	-	-	Jul 2007 – Jul 2009
	9,672	-	(9,672)	17.10.08	-	138	13,347	-	-	Oct 2008 – Oct 2010
	1,100	-	-	-	-	-	-	-	1,100	Jul 2009 – Jul 2011
	8,905	-	-	-	-	-	-	-	8,905	Jul 2010 – Jul 2012
	-	38,376	-	-	-	-	-	-	38,376	Jul 2011 – Jul 2013
	30,219	38,376	(20,214)	-	-	-	27,894	-	48,381	
A T Noble	850	-	-	-	-	-	-	-	850	Jul 2009 – Jul 2011
	6,865	-	-	-	-	-	-	-	6,865	Jul 2010 – Jul 2012
	-	29,250	-	-	-	-	-	-	29,250	Jul 2011 – Jul 2013
	7,715	29,250	-	-	-	-	-	-	36,965	
	71,750	126,667	(36,046)	-	-	-	49,740	-	162,371	
EXECUTIVE INCENTIVE SCHEME										
S J Smith	90,000	-	-	-	492.5	-	-	-	90,000	Sep 2003 – Sep 2009
A T Noble	43,512	-	-	-	492.5	-	-	-	43,512	Sep 2003 – Sep 2009
	133,512	-	-	-	-	-	-	-	133,512	
EXECUTIVE PERFORMANCE SHARE PLAN										
S J Smith	-	156,862	-	-	-	-	-	-	156,862	Vest Sep 2011
R Contreras	-	102,707	-	-	-	-	-	-	102,707	Vest Sep 2011
P J Moorhouse	-	102,707	-	-	-	-	-	-	102,707	Vest Sep 2011
A T Noble	-	78,431	-	-	-	-	-	-	78,431	Vest Sep 2011
P Tallentire	-	316,384	-	-	-	-	-	-	316,384	Vest Sep 2011
	-	757,091	-	-	-	-	-	-	757,091	

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 eighth annual cycle ended in December 2008 and resulted in 684 employees acquiring 839,327 Partnership shares at 76.375p each and being allocated the same number of Matching shares. As at 30 April 2009 the Trust held 2,182,243 Ordinary shares that have been allocated to employees from the first eight cycles.

The ninth annual cycle started in January 2009 and currently some 760 employees are making contributions to the scheme at an annualised rate of £680,000.

SHARE OWNERSHIP GUIDELINES

During the year, the Board introduced Share Ownership Guidelines for executive Directors of the Company. Broadly, these require executive Directors to accumulate, over a period of five years from 1 May 2008 (or from date of appointment, whichever is the later) a holding of Ordinary shares of the Company equivalent in value to their basic annual salary, measured annually. It is intended that this should be achieved primarily through the exercise and vesting of share incentive awards and that directors are not required to go into the market to purchase shares, although any shares so acquired would count towards meeting the guidelines.

As at 30 April 2009, the value of the executive Directors' shareholdings expressed as a percentage of their basic salary on that date were:-

Name	Per cent
S J Smith	85%
R Contreras	23%
P J Moorhouse	57%
A T Noble	515%
P J Tallentire	13%

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 nil (2008 – 142,793) 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 1,890,437, which equates to 2.7% of the issued Ordinary share capital at 30 April 2009.

DABP, EPSP AND MPSP

Through open market purchases by an employee benefit trust based in Guernsey ("the Guernsey Trust"). During the year 825,000 (2008 – 250,000) Ordinary shares were purchased by the Trust and 78,242 (2008 – 47,249) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2009 the Trust held 557,399 (2008 – 508,473) Ordinary shares as a hedge against the Group's obligations under these schemes.

AESS

Through open market purchases by the Capita Trust. During the year 1,490,000 (2008 – 300,000) Ordinary shares were purchased by the Capita Trust (including 700,000 from the Guernsey Trust) and 14,596 (2008 – 15,819) shares were forfeited as a result of early withdrawals. At 30 April 2009 the Capita Trust held 9,822 (2008 – 188,291) Ordinary shares as a hedge against the Group's obligations under this scheme. With effect from January 2010 it is intended that allocations to employees are satisfied by the issue of new shares.

Tom Brown
Chairman of the Remuneration Committee
22 July 2009

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 2009 are given on page 25.

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 2008, the Committee has:

- reviewed the financial statements for the years ended 30 April 2008 and 2009, the half yearly report issued in December 2008 and Interim Management Statements issued in September 2008 and March 2009. As part of this review process, the Committee received reports from Deloitte LLP on each occasion;
- reviewed and agreed the scope of the audit work to be undertaken by Deloitte LLP and agreed their fees;
- monitored the Group's risk management process and business continuity procedures;
- reviewed the effectiveness of the Group's system of internal controls;

- reviewed the Group's whistle blowing service;
- reviewed papers on the Group's depreciation policy and made recommendations to the Board regarding changes to the policy;
- received a report by Deloitte LLP on the Group's corporate taxation arrangements;
- monitored the progress of major IT projects in the UK and Spain;
- reviewed a report on goodwill impairment and made recommendations to the Board that a degree of impairment be recognised;
- monitored the Group's going concern status; and
- reviewed its own effectiveness and terms of reference.

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 LLP at the Annual General Meeting.

Fees paid and payable to Deloitte LLP in respect of the year under review are as shown in note 6 on page 44.

INTERNAL AUDIT

In fulfilling its 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
22 July 2009

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 five executive and four non-executive Directors, details of whom are shown on pages 14 and 15. 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.

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.

During the year, Paul Tallentire was appointed to the Board as Deputy Chief Executive and will assume the role of Chief Executive on 1 July 2010, at which time Steve Smith will become Executive Deputy Chairman for a period of nine months.

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	14	6	5
P Rogerson	14	–	5
S J Smith	13	–	–
A J Allner	14	6	4
J Astrand	13	5	4
T Brown	13	6	5
P J Moorhouse	14	–	–
A T Noble	11	–	–
R Contreras*	12	–	–
P Tallentire**	7	–	–

*From 2 June 2008

**From 31 October 2008

All Directors in office at that time, with the exception of Alan Noble, were present at the Annual General Meeting held in September 2008.

The external auditors and the internal audit manager attended all 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 one occasion during the year.

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.

Pursuant to those provisions of the Companies Act 2006 relating to conflicts of interest, which came into effect on 1 October 2008, and in accordance with the authority contained in the Company's Articles of Association, the Board has put in place procedures to deal with the notification, authorisation, recording and monitoring of directors' conflicts of interest and these procedures have operated effectively throughout the period from 1 October 2008 to the date of signing of these Report and Accounts.

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 18 to 23.

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 13.

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 24.

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 half 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, 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. As has been explained above, there is a period of overlap between the appointment of Paul Tallentire as Deputy Chief Executive/Chief Executive Designate in October 2008 and the retirement of Steve Smith in March 2011 at which time it is expected that Steve Smith will step down as a director thereby increasing the proportion of the Board comprised of independent non-executive directors. The Board has considered the balance of executive and non-executive Directors and believes that, for a company of the size of Northgate, the balance is appropriate.

By order of the Board

D Henderson
Secretary
22 July 2009

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 at all locations.

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
- Regular reporting to the Board 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. During the year all UK locations underwent systematic reviews of standards and conditions by the EHS Group function.

Group EHS policies are defined and agreed during regular meetings held between senior operational location management and the EHS Department. The prime objective of these meetings is to review performance, define EHS goals 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 the Group has continued with the process of training employees to a BSC Level One Certificate in Health and Safety and the number of employees trained to this standard now exceeds six hundred. The Group remains committed to continually raising safety standards through training and has continued the policy begun last year of training at least one employee within each hire company to a Neboosh General Certificate standard.

In Spain having completed an evaluation of EHS arrangements within Fualsa and Record, we have now established an EHS function in Spain which follows similar standards and general principles as in the UK but which also takes into account local legislative requirements. 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 wastes are recycled. The Group continues to evaluate ways of reducing the waste streams generated by our activities and recycle wherever possible.

Currently within our UK and Spanish operations we are in the process of carrying out a systematic review of our environmental arrangements with a view to developing a carbon management strategy that will become a key part of the company's environmental programme for the future.

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. During the year we have received a Gold Award from RoSPA in recognition of the Group's EHS arrangements in the UK and have also received the British Safety Council's International Award for our EHS arrangements.

During the year under review, no incidents resulting in fatality or significant pollution occurred at any of our locations. One health and safety improvement notice was served on our Dublin depot. The requirements set out in the improvement notice have been complied with in full.

VEHICLE FLEET

The total fleet in the UK and Republic of Ireland at 30 April 2009 was 62,900, with an average age of 19.4 months, of which 15% were cars and the remainder commercial vehicles. The total fleet in Spain at 30 April 2009 was 60,400 vehicles with an average age of 24.5 months, of which 34% were cars and the remainder commercial vehicles.

Vehicles were sold after an average life of 31.5 months in the UK and 40.1 months in Spain.

Our fleet is, therefore, comprised entirely of modern vehicles. All purchases in the year ended 30 April 2009 were Euro IV compliant.

PROPERTY

As at 30 April 2009, the vehicle rental business in the UK and Republic of Ireland operated out of 82 properties, of which 21 are primary sites and 61 are branches. The vast majority of these sites 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 40-50 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 10-15 people. Four of the larger sites share premises with Northgate Vehicle Sales who have a further five dedicated sales sites. Fleet Technique operate from offices in Gateshead and the Group's head office building in Darlington accommodates all central administrative and support services. There is a stand alone body shop facility in Warwick.

DIRECTORS' RESPONSIBILITIES

THE DIRECTORS ARE RESPONSIBLE FOR PREPARING THE ANNUAL 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. Under that law the Directors are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs 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; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and 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 2006. 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.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, 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 management report, which is incorporated into the Directors' report, includes 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

Bob Contreras
Group Finance Director
22 July 2009

Stephen Smith
Chief Executive Officer
22 July 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NORTHGATE PLC

WE HAVE AUDITED THE FINANCIAL STATEMENTS OF NORTHGATE PLC FOR THE YEAR ENDED 30 APRIL 2009 WHICH COMPRISE THE CONSOLIDATED INCOME STATEMENT, THE CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS, THE CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS, THE CONSOLIDATED AND PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY, THE CONSOLIDATED AND PARENT COMPANY STATEMENTS OF RECOGNISED INCOME AND EXPENSE AND THE RELATED NOTES 1 TO 41.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Financial Review in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review.

Geoffrey Taylor
(Senior Statutory Auditor)
for and on behalf of Deloitte LLP

**Chartered Accountants
and Statutory Auditors
Leeds, England**
22 July 2009

FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2009

	Notes	Before exceptional items 2009 £000	Exceptional items 2009 £000	Total 2009 £000	Total 2008 £000
Revenue	4,5	609,645	-	609,645	578,462
Cost of sales		(478,459)	-	(478,459)	(400,668)
Gross profit	5	131,186	-	131,186	177,794
Administrative expenses (excluding impairment of assets and intangible amortisation)	5,6	(59,419)	(3,123)	(62,542)	(54,895)
Impairment of assets	35	-	(180,921)	(180,921)	-
Intangible amortisation	15	(5,254)	-	(5,254)	(4,693)
Total administrative expenses		(64,673)	(184,044)	(248,717)	(59,588)
Profit (loss) from operations	6	66,513	(184,044)	(117,531)	118,206
Investment income	8	6,438	-	6,438	3,139
Finance costs	9	(50,691)	(33,830)	(84,521)	(41,853)
Profit (loss) before taxation		22,260	(217,874)	(195,614)	79,492
Taxation	10	(6,813)	16,725	9,912	(18,158)
Profit (loss) for the year		15,447	(201,149)	(185,702)	61,334

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

The above consolidated income statement includes exceptional items in respect of both years as explained in Note 35.

Earnings per share

	Notes	2009	2008
Basic	12	21.9p	(263.2)p
Diluted	12	21.4p	(257.4)p

STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 30 APRIL 2009

	Notes	Group		Company	
		2009 £000	2008 £000	2009 £000	2008 £000
Amounts attributable to equity holders of the parent Company					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	32	-	29,221	-	-
Foreign exchange differences on retranslation of net assets of subsidiary undertakings prior to inception of net investment hedging relationship	32	(4,976)	-	-	-
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after initial inception of net investment hedging relationship	32	51,118	-	-	-
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after subsequent change in level of net investment hedging relationship	32	(18,108)	-	-	-
Net foreign exchange differences on long term borrowings held as hedges	32	-	(34,349)	-	-
Net foreign exchange differences on long term borrowings held as hedges between initial inception and subsequent change in level of net investment hedging relationship	32	(37,556)	-	-	-
Net foreign exchange differences on long term borrowings held as hedges after subsequent change in level of net investment hedging relationship	32	5,299	-	-	-
Foreign exchange difference on revaluation reserve	28	158	164	-	-
Net fair value (losses) gains on cash flow hedges	31	(7,801)	(1,721)	(2,035)	3,182
Share options fair value charge	34	788	3,340	788	3,340
Share options exercised	34	(1,600)	-	-	-
Actuarial losses on defined benefit pension scheme	38	(109)	(208)	-	-
Deferred tax on net investment hedges	25	-	11,192	-	-
Other net deferred tax credit (charge) recognised directly in equity	25	870	(2,018)	675	(2,312)
Net (expense) income recognised directly in equity		(11,917)	5,621	(572)	4,210
(Loss) profit attributable to equity holders		(185,702)	61,334	21,565	(27,534)
Total recognised income and expense for the year		(197,619)	66,955	20,993	(23,324)

BALANCE SHEETS

AS AT 30 APRIL 2009

	Notes	Group		Company	
		2009 £000	2008 £000	2009 £000	2008 £000
Non-current assets					
Goodwill	14	3,589	83,152	-	-
Other intangible assets	15	23,875	28,475	-	-
Property, plant and equipment: vehicles for hire	16	843,101	1,006,792	-	-
Other property, plant and equipment	17	89,917	81,960	2,828	2,889
Total property, plant and equipment		933,018	1,088,752	2,828	2,889
Investments	18	-	-	147,895	147,895
		960,482	1,200,379	150,723	150,784
Current assets					
Inventories	19	10,950	12,073	-	-
Trade and other receivables	20	248,003	193,088	1,022,974	979,413
Current tax asset		4,006	-	-	-
Deferred tax assets	25	17,138	-	-	-
Cash and cash equivalents		80,036	48,763	13,215	7,152
		360,133	253,924	1,036,189	986,565
Non-current assets classified as held for sale	21	19,809	30,566	-	-
Total assets		1,340,424	1,484,869	1,186,912	1,137,349
Current liabilities					
Trade and other payables	22	86,685	90,182	27,414	22,905
Tax liabilities		5,572	15,728	-	-
Short term borrowings	23	92,621	8,414	58,835	4,968
		184,878	114,324	86,249	27,873
Non-current liabilities					
Long term borrowings	23	922,931	934,357	919,648	929,942
Deferred tax liabilities	25	49,391	37,082	1,620	1,773
Retirement benefit obligation	38	465	553	-	-
		972,787	971,992	921,268	931,715
Total liabilities		1,157,665	1,086,316	1,007,517	959,588
NET ASSETS		182,759	398,553	179,395	177,761
Equity					
Share capital	26	3,527	3,527	3,527	3,527
Share premium account	27	67,972	67,972	67,972	67,972
Revaluation reserve	28	1,365	1,207	1,371	1,371
Own shares	29	(2,302)	(9,006)	-	-
Merger reserve	30	67,463	67,463	63,159	63,159
Hedging reserve	31	4,851	7,110	5,254	6,614
Translation reserve	32	(5,656)	3,817	-	-
Capital redemption reserve	33	40	40	40	40
Retained earnings	34	45,499	256,423	38,072	35,078
TOTAL EQUITY		182,759	398,553	179,395	177,761

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 22 July 2009.

They were signed on its behalf by:

P Rogerson Director
R L Contreras Director

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2009

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Net cash from (used in) operating activities (a)	328,328	285,932	(53,076)	(35,523)
Investing activities				
Interest received	7,183	2,453	–	1,249
Dividends received from subsidiary undertakings	–	–	82,823	66,905
Proceeds from disposal of vehicles for hire	160,526	196,113	–	–
Purchases of vehicles for hire	(315,263)	(469,438)	–	–
Proceeds from disposal of other property, plant & equipment	1,813	3,475	–	–
Purchases of other property, plant and equipment	(9,234)	(13,520)	–	–
Purchases of intangible assets	(936)	(260)	–	–
Payment of deferred consideration	(519)	–	–	–
Business combinations	–	(15,260)	–	–
Net cash (used in) from investing activities	(156,430)	(296,437)	82,823	68,154
Financing activities				
Dividends paid	(19,302)	(18,933)	(19,302)	(18,933)
Repayments of obligations under finance leases	(331)	(25,082)	–	–
Repayments of bank loans and other borrowings	(107,174)	(30,244)	(167,250)	(30,244)
Increase in bank loans and other borrowings	30,873	113,210	61,969	113,092
Loans to subsidiary undertakings	–	–	143,211	(71,741)
Settlement of financial instruments with subsidiary undertaking	–	–	–	2,146
Proceeds from issue of share capital	–	749	–	749
Proceeds from sale of own shares	1,373	981	–	–
Payments to acquire own shares for share schemes	(4,057)	(5,415)	–	–
Payments to acquire own shares for cancellation	–	(8,166)	–	(8,166)
Settlement of financial instruments	(9,646)	(3,198)	(9,646)	(3,198)
Termination of financial instruments	(32,666)	–	(32,666)	–
Net cash (used in) from financing activities	(140,930)	23,902	(23,684)	(16,295)
Net increase in cash and cash equivalents	30,968	13,397	6,063	16,336
Cash and cash equivalents at 1 May	48,763	34,467	7,152	(9,184)
Effect of foreign exchange movements	305	899	–	–
Cash and cash equivalents at 30 April (b)	80,036	48,763	13,215	7,152

NOTES TO THE CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2009

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
(a) Net cash from (used in) operating activities				
(Loss) profit from operations	(117,531)	118,206	(4,766)	(42,293)
Adjustments for:				
Depreciation of property, plant and equipment	278,205	216,736	61	61
Impairment of assets	180,921	–	–	–
Exchange differences	28	(337)	(458)	37,741
Amortisation of intangible assets	5,254	4,693	–	–
Gain on disposal of property, plant and equipment	(82)	(1,540)	–	–
Defined benefit pension charge	–	9	–	–
Share options fair value charge	788	3,340	788	3,340
Operating cash flows before movements in working capital	347,583	341,107	(4,375)	(1,151)
Decrease (increase) in inventories	1,320	(2,408)	–	–
Decrease (increase) in receivables	18,293	12,078	(3,570)	1,303
Increase (decrease) in payables	22,871	(15,478)	409	(839)
Cash generated from (used in) operations	390,067	335,299	(7,536)	(687)
Income taxes paid	(10,698)	(13,447)	–	–
Interest paid	(51,041)	(35,920)	(45,540)	(34,836)
Net cash from (used in) operating activities	328,328	285,932	(53,076)	(35,523)

(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.

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

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
Cash in hand and at bank	27,757	11,372	13,215	7,152
Short term investments	52,279	37,391	–	–
Net cash and cash equivalents	80,036	48,763	13,215	7,152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2009

	Notes	2009 £000	2008 £000
Amounts attributable to equity holders of the parent Company			
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	32	–	29,221
Foreign exchange differences on retranslation of net assets of subsidiary undertakings prior to inception of net investment hedging relationship	32	(4,976)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after initial inception of net investment hedging relationship	32	51,118	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after subsequent change in level of net investment hedging relationship	32	(18,108)	–
Net foreign exchange differences on long term borrowings held as hedges	32	–	(34,349)
Net foreign exchange differences on long term borrowings held as hedges between initial inception and subsequent change in level of net investment hedging relationship	32	(37,556)	–
Net foreign exchange differences on long term borrowings held as hedges after subsequent change in level of net investment hedging relationship	32	5,299	–
Foreign exchange difference on revaluation reserve	28	158	164
Net fair value losses on cash flow hedges	31	(7,801)	(1,721)
Share options fair value charge	34	788	3,340
Share options exercised	34	(1,600)	–
Actuarial losses on defined benefit pension scheme	38	(109)	(208)
Deferred tax on net investment hedges	25	–	11,192
Other net deferred tax credit (charge) recognised directly in equity	25	870	(2,018)
Net (expense) income recognised directly in equity		(11,917)	5,621
(Loss) profit attributable to equity holders		(185,702)	61,334
Total recognised income and expense for the year		(197,619)	66,955
Dividends paid	11	(19,359)	(18,982)
Issue of Ordinary share capital (net of expenses)		–	749
Net decrease (increase) in own shares held	29	1,184	(4,434)
Cost of shares purchased for cancellation		–	(8,166)
Net changes in total equity		(215,794)	36,122
Opening total equity as at 1 May		398,553	362,431
Closing total equity as at 30 April		182,759	398,553

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2009

	Notes	2009 £000	2008 £000
Amounts attributable to equity holders of the parent Company			
Net fair value (losses) gains on cash flow hedges	31	(2,035)	3,182
Share options fair value charge	34	788	3,340
Net deferred tax credit (charge) recognised directly in equity	25	675	(2,312)
Net (expense) income recognised directly in equity		(572)	4,210
Profit (loss) attributable to equity holders	13	21,565	(27,534)
Total recognised income and expense for the year		20,993	(23,324)
Dividends paid	11	(19,359)	(18,982)
Issue of Ordinary share capital (net of expenses)		–	749
Cost of shares purchased for cancellation		–	(8,166)
Net changes in total equity		1,634	(49,723)
Opening total equity as at 1 May		177,761	227,484
Closing total equity as at 30 April		179,395	177,761

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

1 GENERAL INFORMATION

Northgate plc is a Company incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on page 85. 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 13.

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

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

IFRS 1 (amended)/IAS 27 (amended) – *Cost of an Investment in a subsidiary, jointly controlled entity or associate*, IFRS 2 (amended) – *share based payments – vesting conditions and cancellations*, IFRS 8 – *operating segments*, IAS 1 (revised 2007) – *Presentation of financial statements*, IAS 23 (revised 2007) – *Borrowing costs*, IAS 27 (Revised 2008) – *Consolidated and separate financial statements*, IAS 32 (amended)/IAS 1 (amended) – *Puttable financial instruments and obligations arising on liquidation* and IFRIC 16 – *Hedges of a net investment in a foreign operation*.

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 subsidiary undertakings made up to 30 April 2008 and 30 April 2009. 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 annual or other tests for impairment.

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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 on a straight line basis 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.

Certain estimates in respect of depreciation of vehicles for hire have been amended in the current year. The impact on the loss for the year is considered immaterial. It is impracticable to quantify the impact on future periods.

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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.

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 2009

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.

Impairment of goodwill and other non-current assets

Determining whether goodwill and other non-current assets are impaired requires an estimation to their value in use in the cash generating units. 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 £3,589,000 (Note 14), after the recognition of an impairment charge of £180,921,000 (Note 35).

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. To the extent that tax estimates result in the recognition of deferred tax assets, those assets are only carried in the balance sheet to the extent that it is considered that they are likely to be recovered in the short term. In the current year, deferred tax assets totalling £21,692,000 (2008 – £nil) have been derecognised on this basis, as explained further in Note 10.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

4 REVENUE

Revenue recognised of £609,645,000 (2008 – £578,462,000) arises from the rendering of services.

5 GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

The Group's material 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 & Republic of Ireland to be a single geographical segment on the grounds that the results and net assets of operations in the Republic of Ireland are immaterial to the Group as a whole.

The whole of the Company's profit (loss) arises from operations in the UK from the business of being a parent company.

	UK & Republic of Ireland	Spain	Total
	2009	2009	2009
	£000	£000	£000
Revenue	352,678	256,967	609,645
Gross profit	81,778	49,408	131,186
Administrative expenses	(42,616)	(16,803)	(59,419)
Impairment of assets	(61,487)	(119,434)	(180,921)
Other exceptional items	(846)	(2,277)	(3,123)
Amortisation	(3,112)	(2,142)	(5,254)
Loss from operations	(26,283)	(91,248)	(117,531)
Investment income			6,438
Finance costs			(84,521)
Loss before taxation			(195,614)
Other Information			
Capital additions	197,721	101,609	299,330
Depreciation	164,410	113,795	278,205
Balance Sheet			
Segment assets	728,083	591,197	1,319,280
Income tax assets			21,144
			1,340,424
Segment liabilities	653,597	449,105	1,102,702
Income tax liabilities			54,963
			1,157,665

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

5 GEOGRAPHICAL AND BUSINESS SEGMENTS (continued)

	UK & Republic of Ireland	Spain	Total
	2008	2008	2008
	£000	£000	£000
Revenue	360,752	217,710	578,462
Gross profit	118,743	59,051	177,794
Administrative expenses	(44,346)	(11,647)	(55,993)
Exceptional items	–	1,098	1,098
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

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	Fleet management	Total
	2009	2009	2009
	£000	£000	£000
Revenue	591,652	17,993	609,645
Segment assets	1,312,430	6,850	1,319,280
Capital additions	299,312	18	299,330
	Hire of vehicles	Fleet management	Total
	2008	2008	2008
	£000	£000	£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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

6. (LOSS) PROFIT FROM OPERATIONS

Notes	2009 £000	2008 £000	
(Loss) profit from operations is stated after charging (crediting):			
Depreciation of property, plant and equipment	16, 17	278,205	216,736
Amortisation of intangible assets	15	5,254	4,693
Net foreign exchange losses (gains)		28	(337)
Exceptional items	35	184,044	(1,098)
Staff costs	7	90,643	84,272
Cost of inventories recognised as an expense		47,361	43,281
Net impairment of trade receivables	39	5,275	3,232
Auditors' remuneration for audit services (below)		411	336
Auditors' remuneration for non-audit services (below)		178	143

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

	2009 £000	2008 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	273	227
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	138	109
Total audit fees	411	336
Other services pursuant to legislation	21	21
Tax services	140	96
Corporate finance services	–	18
Other services	17	8
Total non-audit fees	178	143

Fees payable to Deloitte 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 24 to 26 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

7. STAFF COSTS

	2009 Number	2008 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,869	1,977
Administration	455	464
	2,324	2,441
Spain:		
Direct operations	909	872
Administration	169	195
	1,078	1,067
	3,402	3,508

The above United Kingdom administration employee numbers include 21 (2008 – 18) in respect of the Company.

	2009 £000	2008 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	78,589	72,850
Social security costs	10,651	9,715
Other pension costs	1,403	1,707
	90,643	84,272

The above employee remuneration includes wages and salaries costs of £2,844,000 (2008 – £2,423,000), social security costs of £259,000 (2008 – £324,000) and other pension costs of £358,000 (2008 – £357,000) 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 18 to 23.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

8. INVESTMENT INCOME

	2009 £000	2008 £000
Interest on bank and other deposits	6,438	3,139

9. FINANCE COSTS

	2009 £000	2008 £000
Interest on bank overdrafts and loans	49,708	40,560
Write off of terminated interest rate derivatives	31,006	–
Amortisation of terminated interest rate derivatives	1,660	–
Covenant deferral fees	1,164	–
Interest on obligations under finance leases	6	616
Total borrowing costs	83,544	41,176
Change in fair value of interest rate derivatives (Note 24)	952	652
Preference share dividends	25	25
	84,521	41,853

Included in interest on bank overdrafts and loans is a gain of £1,083,000 representing the change in the fair value of the Group's Euro/Sterling cross currency derivative prior to its designation within a net investment hedging relationship in the year (Note 24) and a gain of £3,600,000 on retranslation of certain group borrowings prior to the inception of net investment hedging. These amounts have been recognised as part of the cost of borrowings in accordance with IAS 21.

The write off and amortisation of terminated interest rate derivatives represents amounts recycled to the income statement from the hedging reserve (Note 31).

The total amount relating to terminated interest rate derivatives of £32,666,000 and covenant deferral fees of £1,164,000 are shown as exceptional items in the consolidated income statement.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

10. TAXATION

	2009 £000	2008 £000
Current tax:		
UK corporation tax	227	82
Adjustment in respect of prior years	(47)	(3,679)
Foreign tax	(4,274)	16,955
	(4,094)	13,358
Deferred tax:		
Origination and reversal of timing differences	(27,671)	3,012
Adjustment in respect of prior years	161	1,788
Derecognition of deferred tax assets	21,692	–
	(5,818)	4,800
	(9,912)	18,158

Corporation tax is calculated at 28% (2008 – 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:

	2009 £000	%	2008 £000	%
(Loss) profit before taxation	(195,614)		79,492	
Tax at the UK corporation tax rate of 28% (2008 – 30%)	(54,772)	28.0	23,848	30.0
Tax effect of expenses that are not deductible in determining taxable profit	1,989	(1.0)	628	0.8
Goodwill impairment not deductible in determining taxable profit	25,075	(12.8)	–	–
Difference in taxation in overseas subsidiary undertakings	(4,010)	2.0	(3,032)	(3.8)
Derecognition of deferred tax assets (below)	21,692	(11.1)	–	–
Reduction in UK tax rate	–	–	(1,395)	(1.8)
Adjustment to tax charge in respect of prior years	114	–	(1,891)	(2.4)
Tax expense and effective tax rate for the year	(9,912)	5.1	18,158	22.8

In addition to the amount credited (2008 – charged) to the income statement, a net deferred tax amount of £870,000 (2008 – £9,174,000) has been credited directly to equity (Note 25).

Deferred tax assets of £21,692,000 have been derecognised in the current year (2008 – £nil) to the extent that it is no longer considered probable that they will be recovered in the short term. These assets will be available for offset against future taxable profits of the Group and, consequently, will impact the future effective tax rate of the Group.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

11. DIVIDENDS

	2009 £000	2008 £000
Amounts recognised as distributions to equity holders of the parent Company:		
Final dividend for the year ended 30 April 2008 of 16.5p per share	11,433	–
Interim dividend for the year ended 30 April 2009 of 11.5p per share	7,926	–
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
	19,359	18,982

The Directors do not propose a final dividend for the year ended 30 April 2009

12 EARNINGS PER SHARE

(a) Basic and diluted earnings per share	2009 £000	2008 £000
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 (loss) profit attributable to equity holders of the parent	(185,702)	61,334

	Number	Number
Number of shares		
Weighted average number of Ordinary shares for the purposes of basic earnings per share	70,548,045	70,756,672
Effect of dilutive potential Ordinary shares: – share options	1,597,946	737,756
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	72,145,991	71,494,428
Basic earnings per share	(263.2)p	86.7p
Diluted earnings per share	(257.4)p	85.8p

(b) Earnings per share before amortisation and exceptional items	£000	£000
Earnings for the purposes of basic and diluted earnings per share (above)	(185,702)	61,334
Exceptional items (Note 35)	201,149	(1,098)
Earnings for the purposes of basic and diluted earnings per share before exceptional items	15,447	60,236
Amortisation	5,254	4,693
Earnings for the purposes of basic and diluted earnings per share before amortisation and exceptional items	20,701	64,929
Basic earnings per share before exceptional items	21.9p	85.1p
Diluted earnings per share before exceptional items	21.4p	84.3p
Basic earnings per share before amortisation and exceptional items	29.3p	91.8p
Diluted earnings per share before amortisation and exceptional items	28.7p	90.8p

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

13 RESULT OF THE PARENT COMPANY

A profit of £21,565,000 (2008 – loss of £27,534,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under Section 408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

14. GOODWILL

Group	2009 £000	2008 £000
Book value:		
At 1 May	83,152	75,120
Exchange differences	6,169	6,421
Business combinations	–	1,611
Impairment write down (below)	(85,732)	–
At 30 April	3,589	83,152

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	2009 £000	2008 £000
Record Rent a Car S.A.	40,556	35,881
Northgate (AVR) Limited	27,726	27,726
Furgonetas de Alquiler S.A.	12,444	11,010
Fleet Technique Limited	3,589	3,589
Hampsons (Self Drive Hire) Limited	996	996
GPS Body Repairs Limited	224	224
Alquiservicios LSL S.A.	518	458
Other UK vehicle hire companies	3,268	3,268
	89,321	83,152

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

As explained in Note 35, an impairment of goodwill of £85,732,000 has been recognised in the current year (2008 – £nil), after which the carrying amount of goodwill is made up as follows:

Group	2009 £000	2008 £000
Record Rent a Car S.A.	–	35,881
Northgate (AVR) Limited	–	27,726
Furgonetas de Alquiler S.A.	–	11,010
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
	3,589	83,152

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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 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 1 May 2008	13,746	22,394	436	168	4,706	41,450
Additions	-	-	-	-	936	936
Exchange differences	1,693	747	28	-	152	2,620
At 30 April 2009	15,439	23,141	464	168	5,794	45,006
Amortisation:						
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 1 May 2008	3,999	4,977	333	79	3,587	12,975
Charge for the year	1,550	2,742	40	34	888	5,254
Impairment (Note 35)	1,043	923	8	5	-	1,979
Exchange differences	545	246	24	-	108	923
At 30 April 2009	7,137	8,888	405	118	4,583	21,131
Carrying amount:						
At 30 April 2009	8,302	14,253	59	50	1,211	23,875
At 30 April 2008	9,747	17,417	103	89	1,119	28,475

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

16. PROPERTY, PLANT AND EQUIPMENT: VEHICLES FOR HIRE

Group	£000
Cost:	
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 1 May 2008	1,271,149
Additions	289,160
Exchange differences	77,064
Disposals	(361,271)
At 30 April 2009	1,276,102
Depreciation:	
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 1 May 2008	264,357
Charge for the year	273,551
Exchange differences	18,687
Impairment (Note 35)	91,814
Eliminated on disposals	(215,408)
At 30 April 2009	433,001
Carrying amount:	
At 30 April 2009	843,101
At 30 April 2008	1,006,792

The carrying amount of the Group's vehicles for hire includes an amount of £37,000 (2008 – £52,000) in respect of assets held under finance lease agreements.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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 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 1 May 2008	78,637	18,662	1,209	98,508
Additions	5,508	3,179	547	9,234
Exchange differences	5,615	1,321	–	6,936
Disposals	(1,302)	(278)	(856)	(2,436)
At 30 April 2009	88,458	22,884	900	112,242
Depreciation:				
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 1 May 2008	7,355	8,884	309	16,548
Charge for the year	1,573	2,666	415	4,654
Exchange differences	133	299	–	432
Impairment (Note 35)	–	1,396	–	1,396
Eliminated on disposals	(2)	(117)	(586)	(705)
At 30 April 2009	9,059	13,128	138	22,325
Carrying amount:				
At 30 April 2009	79,399	9,756	762	89,917
At 30 April 2008	71,282	9,778	900	81,960
Cost or valuation at 30 April 2009 is represented by:				
Valuation performed in 1992	525	–	–	525
Valuation performed in 2004	3,403	–	–	3,403
Additions at cost	84,530	22,884	900	108,314
	88,458	22,884	900	112,242

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

17. OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

Land and buildings by category:	2009 £000	2008 £000
Freehold and long leasehold	69,548	62,117
Short leasehold	9,851	9,165
	79,399	71,282

At 30 April 2009, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1,161,000 (2008 – £66,000).

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

At 30 April 2009, under the historical cost convention, land and buildings would have been stated at £88,736,000 (2008 – £78,915,000) and related accumulated depreciation of £9,145,000 (2008 – £7,442,000).

Company	Land & buildings £000
Cost:	
At 1 May 2007, 1 May 2008 and 30 April 2009	3,239
Depreciation:	
At 1 May 2007	289
Charge for the year	61
At 1 May 2008	350
Charge for the year	61
At 30 April 2009	411
Carrying amount:	
At 30 April 2009	2,828
At 30 April 2008	2,889

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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	
	2009 £000	2008 £000	2009 £000	2008 £000
Trade and other payables				
Trade payables	35,975	36,640	101	58
Financial instrument liability (Note 24)	9,904	2,985	15,688	2,884
Social security and other taxes	13,454	3,173	130	99
Accruals and deferred income	27,352	47,384	11,495	19,864
	86,685	90,182	27,414	22,905

Trade payables comprise amounts outstanding for trade purchases.

		2009	2008
		The average credit period taken on trade purchases is	UK
	Spain	85 days	85 days

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

23. BORROWINGS

Borrowings comprise bank loans, loan notes, property loans 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	
	2009 £000	2008 £000	2009 £000	2008 £000
Total borrowings				
Bank loans	736,584	735,970	714,423	733,268
Loan notes	263,560	201,142	263,560	201,142
Vehicle related finance lease obligations	37	356	–	–
Deferred consideration	–	519	–	–
Property loans	4,331	2,668	–	–
Cumulative Preference shares	500	500	500	500
Other	10,540	1,616	–	–
	1,015,552	942,771	978,483	934,910

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

23. BORROWINGS (continued)

The borrowings are repayable as follows:

	Group		Company	
	2009 £000	2008 £000	2009 £000	2008 £000
On demand or within one year (shown under current liabilities)				
Bank loans	80,996	5,504	58,835	4,968
Vehicle related finance lease obligations	37	292	–	–
Deferred consideration	–	519	–	–
Property loans	1,048	483	–	–
Other	10,540	1,616	–	–
	92,621	8,414	58,835	4,968
In the second year				
Bank loans	128,223	629,129	128,223	628,577
Vehicle related finance lease obligations	–	64	–	–
Property loans	1,645	523	–	–
	129,868	629,716	128,223	628,577
In the third to fifth years				
Bank loans	527,365	101,337	527,365	99,723
Loan notes	127,055	31,285	127,055	31,285
Property loans	1,638	1,662	–	–
	656,058	134,284	654,420	131,008
Due after more than five years				
Loan notes	136,505	169,857	136,505	169,857
Cumulative Preference shares	500	500	500	500
	137,005	170,357	137,005	170,357
Total borrowings	1,015,552	942,771	978,483	934,910
Less: Amount due for settlement within one year (shown within current liabilities)	92,621	8,414	58,835	4,968
Amount due for settlement after one year	922,931	934,357	919,648	929,942

Bank loans

Bank loans are unsecured and bear interest at rates of 0.425% to 1.5% 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 September 2008, the Company entered into committed term loan facilities of €772,821,000 and £15,000,000 with six major UK and European banks. The total facilities of €800,821,000 and £205,000,000 (2008 – £885,000,000) have commitment dates, one, two and three years from the agreement dates.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

23 BORROWINGS (continued)

Loan notes

In 2006 and 2007, the Company issued unsecured loan notes to investors principally based in the United States. The total of these loan notes ("the US Notes") issued by the Group is \$357,000,000 and £21,000,000 (2008 – \$357,000,000 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 2009 £000	Carrying value 30 April 2008 £000	Weighted average fixed interest rate on the US Notes	Overall weighted average fixed interest rate
US\$62,000,000 5 year loan notes	December 2012	42,125	31,285	5.52%	5.19%
US\$125,000,000 7 year loan notes	December 2013	84,930	63,075	5.73%	5.78%
US\$120,000,000 10 year loan notes	December 2016	81,533	60,552	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	33,972	25,230	5.73%	5.78%
		263,560	201,142		

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 (2008 – 1,300,000), of which 1,000,000 (2008 – 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 2009, the average borrowing rate for vehicle related finance leases was 4.1% (2008 – 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		Present value of minimum lease payments	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts payable under vehicle related finance leases:				
Within one year	39	296	37	292
In the second to fifth years inclusive	–	67	–	64
	39	363	37	356
Less future finance charges	(2)	(7)	–	–
Present value of lease obligations	37	356	37	356
Less: amount due for settlement within one year (shown under current liabilities)			(37)	(292)
Amount due for settlement after one year			–	64

Vehicle related finance lease obligations at 30 April 2009 are denominated in Sterling.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

23 BORROWINGS (continued)

Deferred consideration

At 30 April 2008, the deferred consideration of £519,000 related to the purchase of Hampsons (Self Drive Hire) Limited 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 2009, the average borrowing rate for property loans was 2.5% (2008 – 5.2%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts payable under property loans:				
Within one year	1,155	551	1,048	483
In the second to fifth years inclusive	3,414	2,518	3,283	2,185
	4,569	3,069	4,331	2,668
Less future finance charges	(238)	(401)	–	–
Present value of lease obligations	4,331	2,668	4,331	2,668
Less: amount due for settlement within one year (shown under current liabilities)			(1,048)	(483)
Amount due for settlement after one year			3,283	2,185

Other borrowings

Other borrowings of £10,540,000 (2008 – £1,616,000) represent Spanish debt discounting arrangements which are unsecured and are all fall due within one year. These arrangements bear interest at a range of 0.5% to 1.25% above EURIBOR.

Total borrowing facilities

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

	2009 £000	2008 £000
Less than one year	4,641	97,981
In one year to five years	177,348	63,233
	181,989	161,214

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

23 BORROWINGS (continued)

Analysis of consolidated net debt

	At 1 May 2008 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2009 £000
Cash at bank and in hand	11,372	16,080	-	305	27,757
Short term investments	37,391	14,888	-	-	52,279
	48,763	30,968	-	305	80,036
Bank loans	(735,970)	84,351	(672)	(84,293)	(736,584)
Loan notes	(201,142)	-	-	(62,418)	(263,560)
Vehicle related finance lease obligations	(356)	331	-	(12)	(37)
Deferred consideration	(519)	519	-	-	-
Cumulative Preference shares	(500)	-	-	-	(500)
Property loans and other borrowings	(4,284)	(8,050)	-	(2,537)	(14,871)
	(894,008)	108,119	(672)	(148,955)	(935,516)

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 2009, the gearing of the Group amounted to 602.4% (2008 - 311.6%) where net borrowings are £935,516,000 (2008 - £894,008,000) and shareholders' funds less goodwill and the net book value of intangible assets are £155,295,000 (2008 - £902,861,000).

Net borrowings at 30 April 2009, taking into account the fixed swapped exchange rates for the US loan notes, are £886,446,000 (2008 - £902,861,000)

Financial instruments (see also Note 39)

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.

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, as in the UK 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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 yield 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 2009, 28% (2008 - 72%) of gross borrowings were at fixed or capped rates of interest, comprising £20,000,000 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 investments 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 2009				
Borrowings				
Bank loans	185,572	551,012	-	736,584
Loan notes	21,000	-	242,560	263,560
Vehicle related finance lease obligations	37	-	-	37
Cumulative Preference shares	500	-	-	500
Property loans	-	4,331	-	4,331
Other	-	10,540	-	10,540
	207,109	565,883	242,560	1,015,552

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments at the balance sheet date comprise interest rate collars and cross-currency swaps. At the previous balance sheet date, the Group was also party to interest rate swaps.

Their net estimated fair values are as follows:

	2009 £000	2008 £000
Interest rate derivatives	(1,012)	(102)
Cross-currency derivatives	56,136	478
	55,124	376

They are represented in the balance sheet as follows:

	2009 £000	2008 £000
Financial instrument asset (Note 20)	65,028	3,361
Financial instrument liability (Note 22)	(9,904)	(2,985)
	55,124	376

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings and deposits is managed through the use of interest rate derivatives. 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 2009 and 30 April 2008 are summarised below:

	Total nominal values	Weighted average contract rates	Weighted average remaining life
30 April 2009			
GBP denominated interest rate collars	£20,000,000	6.75% (cap) 4.75% (floor)	1.9 years
30 April 2008			
GBP denominated interest rate swaps	£55,000,000	4.30%	0.2 years
EUR denominated interest rate swaps	€425,000,000	3.60%	2.8 years
GBP denominated interest rate collars	£85,000,000	5.8% (cap) 3.8% (floor)	0.8 years

During the current year, £55,000,000 and €150,000,000 notional value of interest rate swaps and £65,000,000 notional value of interest rate collars matured and the Group entered into €200,000,000 of interest rate swaps with a weighted average interest rate of 5.0% and weighted average maturity of 4.4 years.

In February 2009, the group terminated all of its Euro-denominated interest rate swaps, of total notional value €475,000,000, with a weighted average interest rate of 4.6% and weighted average maturity of 3.3 years, at a cash cost of £32,666,000, being their fair value at that time.

All of the Group's interest rate swaps were designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, were deferred in equity. To the extent that the interest rate swaps were not 100% effective, a net amount of £36,000 has been credited (2008 – £251,000 charged) to the income statement.

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

The estimated fair values of interest rate derivatives are as follows:

	2009 £000	2008 £000
Interest rate swaps	–	(78)
Interest rate collars	(1,012)	(24)
	(1,012)	(102)

Interest rate collars are not hedge accounted for and, accordingly, an amount of £988,000 (2008 – £401,000) has been charged to the income statement.

The total change in fair values of interest rate derivatives charged to the income statement of £952,000 (2008 – £652,000) is shown within finance costs (Note 9).

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:

	2009 £000	2008 £000
Sterling/US Dollar cross-currency swaps	65,028	4,467
Euro/Sterling cross-currency swap	(8,892)	(3,989)
	56,136	478

Sterling/US Dollar cross-currency swaps

The Group has in issue US Dollar denominated loan notes of capital value US\$357,000,000 (2008 – US\$357,000,000) 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.

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 5.78%.

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

Euro/Sterling cross-currency swaps

The Group also has 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%.

Between the date of inception of the contract and 30 April 2008, this swap was designated in a net investment hedging relationship and was highly effective with the negative fair value of £3,989,000 deferred to equity as at 30 April 2008. On 1 May 2008, the designation of the derivative in a net investment hedging relationship ceased and a hedging relationship was not redesignated until 6 October 2008. Consequently, the positive change in fair value of the derivative between 1 May 2008 and 6 October 2008 of £1,083,000 was recognised directly in the income statement, within finance costs (Note 9), with the subsequent negative change in fair value of £5,986,000 between 6 October 2008 and 30 April 2009 deferred to equity (Note 31), as the derivative was highly effective between those dates.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

24. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Sterling/ US Dollar £000	Euro/ Sterling £000
Gross movement in fair values initially deferred in hedging reserve:		
At 30 April 2008	4,467	(3,989)
Movement in fair value of hedged instruments	60,561	(5,986)
At 30 April 2009	65,028	(9,975)
Cumulative amounts recycled to the income statement:		
At 30 April 2008	4,681	–
Movement for the year	(62,418)	–
At 30 April 2009	(57,737)	–
Cumulative amounts recycled to the currency translation reserve:		
At 30 April 2008	–	4,171
Movement for the year	–	5,250
At 30 April 2009	–	9,421
Net fair value deferred in hedging reserve:		
At 30 April 2009	7,291	(554)
At 30 April 2008	9,148	182

Amounts recycled to the income statement from the hedging reserve represent the movements on the foreign exchange elements of the total fair value of the Sterling/US Dollar swaps. 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 amount recycled to the currency translation reserve represents the movement on the foreign exchange elements of the total fair value of the derivative subsequent to the designation of the Euro/Sterling swap as a net investment hedge. The net fair value remaining in the hedging reserve represents the fair value of the interest rate element of the derivatives (Note 31).

Net investment hedges

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is Euro by maintaining a proportion of its borrowings in the same currency. 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. The hedges are considered highly 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.

The Group has in issue US dollar-denominated loan notes 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. The Group will have interest cash outflows in pounds 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 pounds sterling and receive a principal amount in US dollars. As part of the refinancing these cross-currency derivatives will be terminated at the date the refinancing becomes effective and immediately replaced with new derivatives to fix the future liability in Sterling.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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	Losses £000	Other timing differences £000	Total £000
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 1 May 2008	12,244	2,169	(597)	7,913	(155)	–	15,508	37,082
(Credit) charge to income	(26,926)	(304)	395	(1,811)	56	(18,389)	19,308	(27,671)
Derecognition of deferred tax assets (Note 10)	13,023	–	–	–	–	8,669	–	21,692
Credit to equity	–	–	–	–	(31)	–	(839)	(870)
Exchange differences	328	60	–	454	–	563	454	1,859
Adjustments in respect of prior years	(2,273)	–	–	–	–	–	2,434	161
At 30 April 2009	(3,604)	1,925	(202)	6,556	(130)	(9,157)	36,865	32,253

Deferred taxation at 30 April 2009 is represented in the balance sheet as follows:

At 30 April 2009								
Deferred tax asset	6,500	–	202	–	130	9,157	1,149	17,138
Deferred tax liabilities	2,896	1,925	–	6,556	–	–	38,014	49,391
Net deferred taxation asset (liability)	3,604	(1,925)	202	(6,556)	130	9,157	(36,865)	(32,253)

At 30 April 2008, there were no material deferred tax assets presented separately in the balance sheet.

In the current year, the net credit to equity of £839,000 (2008 – £10,653,000), in respect of other timing differences, comprises a credit of £Nil (2008 – £11,192,000), which has been reflected in the translation reserve as part of a post-tax net investment hedge (Note 32) and a credit of £839,000 (2008 – charge of £539,000) in respect of derivative financial instruments which has been reflected in the hedging reserve (Note 31).

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 2007	209	(1,995)	1,511	(275)
(Credit) charge to income	(170)	(143)	49	(264)
Charge to equity	–	1,541	771	2,312
At 1 May 2008	39	(597)	2,331	1,773
(Credit) charge to income	(39)	395	166	522
Credit to equity	–	–	(675)	(675)
At 30 April 2009	–	(202)	1,822	1,620

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 £81,130,000 (2008 – £157,600,000). 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

26. SHARE CAPITAL

Group and Company	2009 £000	2008 £000
Authorised:		
85,000,000 Ordinary shares of 5p each	4,250	4,250
Allotted and fully paid:		
70,548,045 Ordinary shares of 5p each	3,527	3,527

The Company has one class of Ordinary shares which carries no right to fixed income. No shares were issued during the year.

27. SHARE PREMIUM ACCOUNT

Group and Company	2009 £000	2008 £000
At 1 May	67,972	67,230
Premium on Ordinary shares issued	–	742
At 30 April	67,972	67,972

28. REVALUATION RESERVE

	Group £000	Company £000
At 1 May 2007	1,043	1,371
Foreign exchange differences	164	–
At 1 May 2008	1,207	1,371
Foreign exchange differences	158	–
At 30 April 2009	1,365	1,371

29. OWN SHARES

	Group £000	Company £000
At 1 May 2007	(4,572)	–
Purchase of own shares	(5,415)	–
Disposal of own shares	981	–
At 1 May 2008	(9,006)	–
Purchase of own shares	(4,057)	–
Disposal of own shares	5,241	–
Market value adjustment to own shares (Note 34)	5,520	–
At 30 April 2009	(2,302)	–

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*).

At the balance sheet date, the own shares reserve has been adjusted to reflect the market value of those shares effected through a transfer to retained earnings (Note 34). The total value paid for the shares held at 30 April 2009 is £7,822,000 (2008 – £9,006,000).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

30. MERGER RESERVE

	Group £000	Company £000
At 1 May 2007, 1 May 2008 and 30 April 2009	67,463	63,159

31. HEDGING RESERVE

	Group £000	Company £000
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 1 May 2008	7,110	6,614
Movement in fair value of hedged interest rate derivatives	(32,588)	(32,808)
Movement in fair value of hedged foreign currency derivatives	54,575	60,561
Deferred taxation on fair value of interest rate and foreign currency derivatives	839	675
Amortisation of terminated interest rate derivatives (below)	1,660	1,660
Write off of terminated interest rate derivatives to income statement (below)	31,006	31,006
Transfer to income statement	(62,454)	(62,454)
Transfer to retained earnings (below)	(547)	–
Transfer to translation reserve (Note 32)	5,250	–
At 30 April 2009	4,851	5,254

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 other components of equity.

As explained in Note 24, interest rate swaps were terminated in the current year at a cash cost of £32,666,000. Prior to their termination, these instruments were all designated in cash flow hedging relationships. In accordance with the provisions of IAS39 in respect of early termination of cash flow hedges, this value remained deferred in equity to be amortised to the income statement over the remaining life of the originally designated cash flow hedge. An amount of £1,660,000 has been transferred to the income statement in the current year in this regard, recognised within finance costs (Note 9). At the balance sheet date, the Directors anticipate that the debt, against which the derivatives were originally specifically designated in the cash flow hedge relationships, would cease to exist and, consequently, the hedged transaction is no longer expected to occur. In accordance with IAS39, a further cumulative amount of £31,006,000 has been transferred to the income statement, also recognised within finance costs.

During the current year, certain interest rate swaps matured, the fair value of which was initially recognised in retained earnings upon the transition of the Group to IAS 32 and IAS39 on 1 May 2005. As such, the residual value remaining in the hedging reserve in respect of these instruments was transferred, upon their maturity, into retained earnings. The amount transferred was £547,000.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

32 TRANSLATION RESERVE

	Group £000	Company £000
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 1 May 2008	3,817	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings prior to inception of net investment hedging relationship	(4,976)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after initial inception of net investment hedging relationship	51,118	–
Net foreign exchange differences on long term borrowings held as hedges between initial inception and subsequent change in level of net investment hedging relationship	(37,556)	–
Foreign exchange element of fair value movement of hedged derivatives, between date of initial inception and date of subsequent change in level of net investment hedging relationship, transferred from hedging reserve (Note 31)	(7,825)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after subsequent change in level of net investment hedging relationship	(18,108)	–
Net foreign exchange differences on long term borrowings held as hedges after subsequent change in level of net investment hedging relationship	5,299	–
Foreign exchange element of fair value movement of hedged derivatives, after subsequent change in level of net investment hedging relationship, transferred from hedging reserve (Note 31)	2,575	–
At 30 April 2009	(5,656)	–

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	40	40
At 30 April 2008 and at 30 April 2009	40	40

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

34 RETAINED EARNINGS

	Group £000	Company £000
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 charge	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 share capital	(8,166)	(8,166)
At 1 May 2008	256,423	35,078
(Loss) profit for the year	(185,702)	21,565
Dividends paid	(19,359)	(19,359)
Share options exercised	(1,600)	–
Market value adjustment to own shares	(5,520)	–
Share options fair value charge	788	788
Defined benefit pension charge recognised directly in equity	(109)	–
Net deferred tax credit recognised directly in retained earnings	31	–
Transfer from hedging reserve	547	–
At 30 April 2009	45,499	38,072

35 EXCEPTIONAL ITEMS

During the year, the Group recognised a total pre-tax exceptional charge in the income statement of £217,874,000 (2008 – profit £1,098,000) made up as follows:

	Gross £000	Tax £000	Net £000
Restructuring costs	3,123	(920)	2,203
Impairment of assets	180,921	(28,025)	152,896
Termination of interest rate swaps	32,666	(9,146)	23,520
Covenant deferral fees	1,164	(326)	838
Derecognition of deferred tax assets	–	21,692	21,692
	217,874	(16,725)	201,149

The initial tax impact of these adjustments was a credit of £38,417,000 (2008 – £329,000 charge) to the income statement. However, of this amount of deferred tax asset initially recognised, an amount of £21,692,000 was subsequently derecognised at the balance sheet date (Note 10)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

35. EXCEPTIONAL ITEMS (continued)

Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £3,123,000, of which £846,000 arose in the United Kingdom and £2,277,000 in Spain.

Impairment of assets

The Group tests its cash generating units (CGUs) annually for impairment, or more frequently if there are indications that assets 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. In the current year an additional impairment review was carried out, due to a deterioration in macroeconomic conditions. This review resulted in a shortfall in the value in use of certain CGUs compared to their book value.

In accordance with IAS 36, the impairment of a particular CGU was allocated firstly against goodwill and then to the extent that the impairment exceeded the book value of the goodwill, the excess impairment was then allocated against the remaining assets of the CGU on a pro-rata basis with the exception of assets already carried at their recoverable amount or otherwise excluded from the scope of the Standard. Consequently, the following impairment write down of £180,921,000 has been recognised in the current year analysed as follows:

	Goodwill £000	Other intangible assets £000	Plant and equipment £000	Vehicles for hire £000	Total £000
Record Rent a Car S.A.	40,556	847	372	20,877	62,652
Northgate (AVR) Limited	27,726	320	–	–	28,046
Furgonetas de Alquiler S.A.	12,444	557	876	42,387	56,264
Hampsons (Self Drive Hire) Limited	996	109	–	–	1,105
GPS Body Repairs Limited	224	–	–	–	224
Alquiservicios LSL S.A.	518	–	–	–	518
Other UK vehicle hire companies	3,268	146	148	28,550	32,112
	85,732	1,979	1,396	91,814	180,921

The Group prepared cash flow forecasts derived from a three year business plan approved by the Directors in February 2009 with the following growth rates applied to each CGU:

	Growth Rate	Cashflow period
Record Rent a Car S.A.	2 to 3.5%	10 Years
Northgate (AVR) Limited	1 to 2%	10 Years
Furgonetas de Alquiler S.A.	2 to 3.5%	10 Years
Fleet Technique Limited	1 to 2%	10 Years
Hampsons (Self Drive Hire) Limited	1 to 2%	10 Years
GPS Body Repairs Limited	1 to 2%	10 Years
Alquiservicios LSL S.A.	2 to 3.5%	10 Years
Other UK vehicle hire companies	1 to 2%	10 Years

The discount rate used for UK CGUs was 4%. The discount rate used for Spanish CGUs was 4%.

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.

Termination of interest rate swaps

As explained in Note 24 in February 2009, the Group terminated all of its Euro-denominated interest rate swaps, of total notional value €475,000,000, at a cash cost of £32,666,000. This is reflected in the consolidated income statement as the write off of terminated interest rate derivatives of £31,006,000 and amortisation of terminated interest rate derivatives of £1,660,000 both reflected as exceptional items within finance costs (Note 9).

Covenant deferral fees

At 30 April 2009, the Company was engaged in renegotiating the terms of certain of its borrowings. As a result, the Company incurred fees of £1,164,000 payable to certain lenders to defer the testing of covenants at 30 April 2009.

Property profit

In 2008, the exceptional profit was the result of insurance proceeds received in respect of a fire at one of the Group's operating sites in Spain.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

36. OPERATING LEASE ARRANGEMENTS

As lessee

Group	2009 £000	2008 £000
Minimum lease payments under operating leases recognised in the income statement for the year	8,722	6,094

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	2009 £000	2008 £000 (as restated)
Within one year	6,218	5,564
In the second to fifth years inclusive	15,385	14,195
After five years	20,732	16,950
	42,335	36,709

Operating lease payments represent rentals payable by the Group for certain of its operating sites as well as rentals for certain vehicles. The prior year figures have been restated to include certain long leasehold land and buildings.

Leases are negotiated for an average term of twelve (2008 – nine) years and rentals are fixed for an average number of six (2008 – 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 23.

The Group and Company recognised total expenses of £788,000 (2008 – £3,340,000) related to equity-settled share-based payment transactions in the year.

Further details regarding the plans are outlined below.

Northgate Share Option Scheme

	2009		2008	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	419,626	9.34	387,100	8.60
Granted during the year	–	–	155,750	10.78
Exercised during the year	–	–	(41,500)	5.99
Forfeited during the year	(42,133)	6.19	(81,724)	10.28
At 30 April	377,493	9.69	419,626	9.34
Exercisable at the end of the year	162,893	8.49	84,000	6.15

No share options were exercised during the year. The options outstanding at 30 April 2009 had a weighted average exercise price of £9.69 and a weighted average remaining contractual life of 6.5 years. No options were granted in the year. In the prior year, options were granted in October 2007. The aggregate of the estimated fair values of the options granted in the prior year was £492,000.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

37. SHARE BASED PAYMENTS (continued)

	2008
The inputs into the Black-Scholes model were as follows:	
Weighted average share price	£10.90
Weighted average exercise price	£10.78
Expected volatility	28.1%
Expected life	6.7 years
Risk free rate	5.0%
Expected dividends	2.6%

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.

	2009		2008	
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
At 1 May	268,388	4.87	371,742	4.89
Exercised during the year	–	–	(101,293)	4.94
Lapsed during the year	(13,151)	4.46	(2,061)	4.90
At 30 April	255,237	4.89	268,388	4.87
Exercisable at the end of the period	255,237	4.89	254,700	4.85

No share options were exercised during the year. The options outstanding at 30 April 2009 had a weighted average exercise price of £4.89, and a weighted average remaining contractual life of 0.6 years.

Deferred Annual Bonus Plan

All options granted under this scheme are nil cost options.

	2009	2008
	Number of share options	Number of share options
At 1 May	216,919	179,867
Granted during the year	326,433	101,068
Exercised during the year	(76,074)	(41,452)
Forfeited during the year	(8,368)	(22,564)
At 30 April	458,910	216,919

22,595 (2008 – 38,320) 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 £2.31 (2008 – £10.35).

The options outstanding at 30 April 2009 had a weighted average remaining contractual life of 3.7 years. In the current year, options were granted in July 2008. The aggregate of the estimated fair values of the options granted on this date is considered to be £nil at the balance sheet date. In the prior year, options were granted in July 2007. The aggregate of the estimated fair values of the options granted on this date was £957,000.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

37. SHARE BASED PAYMENTS (continued)

	2009	2008
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	£3.39	£10.33
Weighted average exercise price	£nil	£nil
Expected volatility	56.1%	31.3%
Expected life	3 years	3 years
Risk free rate	5.2%	4.3%
Expected dividends	1.5%	2.7%

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:

	2009	2008
	Number of shares	Number of shares
At 1 May	164,048	160,002
Allocated during the year	839,327	79,490
Forfeited during the year	(12,234)	(30,265)
Vested during the year	(59,468)	(45,179)
At 30 April	931,673	164,048

The share price at the date of vesting for Matching shares which vested during the year was £0.83 (2008 – £7.03). The non-vested Matching shares outstanding at 30 April 2009 had a weighted average remaining period until vesting of 2.5 years (2008 – 1.5 years). In the current year, Matching shares were allocated in January 2009. The aggregate of the estimated fair values of the Matching shares allocated on this date was £480,000. In the prior 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.

	2009	2008
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	£0.66	£7.81
Weighted average vesting price	£nil	£nil
Expected volatility	49.2%	29.1%
Expected life	5 years	5 years
Risk free rate	2.9%	4.3%
Expected dividends	1.7%	2.7%

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

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

37. SHARE BASED PAYMENTS (continued)

Management 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:

	2009 Number of share options	2008 Number of share options
At 1 May	242,818	113,000
Granted during the year	570,500	143,150
Exercised during the year	(2,168)	–
Forfeited during the year	(75,570)	(13,332)
At 30 April	735,580	242,818

No options were exercisable at the end of either year.

The options outstanding at 30 April 2009 had a weighted average remaining contractual life of 9.0 years. In the current year, share options were granted in July 2008 and December 2008. The aggregate of the estimated fair values of the options granted on this date was £nil because at the balance sheet date the performance conditions are considered unlikely to be satisfied. In the prior year, matching 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.

	2009	2008
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	£1.38	£10.90
Weighted average exercise price	£nil	£nil
Expected volatility	75.7%	28.1%
Expected life	3 years	3 years
Risk free rate	3.4%	5.0%
Expected dividends	2.5%	2.6%

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

Executive Performance Share Plan

All options granted under this scheme are nil cost options. The first grant of options under this scheme occurred in July 2008.

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

	2009 Number of share options
At 1 May	–
Granted during the year	757,091
At 30 April	757,091

No options were exercisable at the end of the year.

The options outstanding at 30 April 2009 had a weighted average remaining contractual life of 2.3 years. In the current year, share options were granted in July 2008 and October 2008. The aggregate of the estimated fair values of the options granted on this date is considered to be £nil as at the balance sheet date.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

37. SHARE BASED PAYMENTS (continued)

	2009
The inputs into the Black-Scholes model in 2009 were as follows:	
Weighted average share price	£2.88
Weighted average exercise price	£nil
Expected volatility	59.9%
Expected life	3 years
Risk free rate	4.8%
Expected dividends	1.7%

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 operating pension cost to the Group of all these arrangements was £1,403,000 (2008 – £1,707,000) of which £1,403,000 (2008 – £1,698,000) 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.

The Scheme is 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, 30 April 2008 and 30 April 2009 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 2009 %pa	Valuation at 30 April 2008 %pa
Discount rate	6.3	5.9
Inflation rate	3.4	3.8
Salary increases	n/a	n/a
Future pension increases	3.3	3.7
Life expectancy of retirees in current year	22 to 25 years	22 to 25 years
Life expectancy of retirees 25 years hence	23 to 26 years	23 to 26 years

The Directors do not consider that the Group is sensitive to changes in these key assumptions of the Scheme.

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

	2009 £000	2008 £000
Service cost	–	9
Interest cost	238	212
Expected return on plan assets	(183)	(179)
Total pension charge	55	42

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 £484,000 (2008 – £593,000 gain).

The actual return on the scheme assets was a loss of £426,000 (2008 – gain of £3,000). There are no reimbursement rights.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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:

	2009 £000	2008 £000
Present value of defined benefit obligations	(3,659)	(4,055)
Fair value of plan assets	3,194	3,502
Liability recognised in the balance sheet	(465)	(553)

The net movements in the deficit were as follows:

	2009 £000	2008 £000
At 1 May	553	555
Pension charge recognised in the income statement	55	42
Actuarial losses	109	208
Contributions	(252)	(252)
At 30 April	465	553

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

	2009 £000	2008 £000
At 1 May	4,055	3,900
Current service cost	–	9
Interest cost	238	212
Actuarial (gains) losses	(500)	32
Benefits paid	(134)	(98)
At 30 April	3,659	4,055

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

	2009 £000	2008 £000
At 1 May	3,502	3,345
Expected return on Scheme assets	183	179
Contributions	252	252
Benefits paid	(134)	(98)
Actuarial losses	(609)	(176)
At 30 April	3,194	3,502

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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 2009		30 April 2008	
	Expected return %	Fair value of assets £000	Expected return %	Fair value of assets £000
Equity instruments	5.9	1,301	5.9	2,094
Debt instruments	3.9	1,682	3.9	1,054
Other	3.9	211	3.9	354
		3,194		3,502

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 2010 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 2009 £000	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	3,659	4,055	3,900	4,595
Fair value of Scheme assets	3,194	3,502	3,345	3,151
Deficit in the Scheme	465	553	555	1,444
Experience adjustments on Scheme obligations:				
Amount	(59)	(185)	738	48
Percentage of Scheme obligations (%)	(0.2)%	(5.0)%	19.0%	1.5%
Experience adjustments on Scheme assets:				
Amount	(609)	(176)	(483)	493
Percentage of Scheme assets (%)	(19.1)%	(5.0)%	(14.0)%	10.7%

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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.

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 and in Note 24, identical key terms between US Dollar denominated loan note liabilities and US\$/GBP cross currency derivatives mean that the profit and loss and equity of the Group is not materially sensitive 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 details the Group's sensitivity to a €0.20 increase and decrease in the Euro/Sterling exchange rate. A €0.20 movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates in the near term (€0.10 in the prior year). The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.20 change in foreign currency rates.

	As stated in annual report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2009			
Total equity	182,759	197,528	161,564
	As stated in annual report £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

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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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 1.0% increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rate in the near term (2008 – 0.5%).

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2009			
Loss before taxation	(195,614)	(198,127)	(193,101)
Total equity	182,759	180,950	184,568
	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

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		Notional principal amount		Fair value	
	2009 %	2008 %	2009 £000	2008 £000	2009 £000	2008 £000
Sterling						
Less than 1 year	–	4.34%	–	55,000	–	142
Euro						
Less than 1 year	–	2.27%	–	118,523	–	688
2 to 5 years	–	4.38%	–	217,291	–	(908)

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

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.

2009	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%	35,975	–	–	–	35,975
Finance lease liability	2.84%	38	–	–	–	38
Fixed interest rate instruments	5.70%	15,040	15,040	166,284	156,711	353,075
Variable interest rate instruments	2.01%	94,275	165,697	531,047	–	791,019
		145,328	180,737	697,331	156,711	1,180,107

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

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.

2009 (£000)	<1 year	2nd year	3-5 years	>5 years	Total
Liabilities					
Net settled:					
Interest rate collars	(660)	(305)	(305)	–	(1,270)
Gross settled:					
Cross currency derivatives	(12,885)	(12,885)	(99,999)	(167,405)	(293,174)
	(13,545)	(13,190)	(100,304)	(167,405)	(294,444)
Assets					
Gross settled:					
Cross currency derivatives	15,731	15,731	110,805	217,154	359,421
	15,731	15,731	110,805	217,154	359,421

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

39. FINANCIAL INSTRUMENTS (continued)

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

Fair value of financial instruments

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

Derivative financial instruments 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	
	2009 £000	2008 £000	2009 £000	2008 £000
Financial liabilities				
Loan notes	263,560	201,142	336,020	267,558

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.

	2009 £000	2008 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	173,824	178,014
Allowance for doubtful debt accounts	(7,949)	(6,126)
	165,875	171,888

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

39. FINANCIAL INSTRUMENTS (continued)

	2009 £000	2008 £000
Ageing of trade receivables not impaired		
Not overdue	135,734	148,227
Past due not more than two months	23,887	20,073
Past due more than two months but not more than four months	5,406	2,223
Past due more than four months but not more than six months	848	188
Past due more than six months but not more than one year	–	1,177
	165,875	171,888

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 £2,356,000 (2008 – £2,057,000) 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 £30,422,000 (2008 – £23,661,000) 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.

	2009 £000	2008 £000
Movement in the allowance for doubtful debts		
Balance at the beginning of year	6,126	5,191
Impairment losses recognised	9,071	4,805
Amounts written off as uncollectible	(4,020)	(2,736)
Impaired losses reversed	(3,796)	(1,573)
Exchange differences	568	439
At 30 April	7,949	6,126

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 £23,000 (2008 – £720,000).

	2009 £000	2008 £000
Ageing of impaired trade receivables		
Not overdue	1,559	1,089
Past due not more than two months	446	331
Past due more than two months but not more than four months	857	1,289
Past due more than four months but not more than six months	239	536
Past due more than six months but not more than one year	4,848	2,881
	7,949	6,126

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

Trade receivables (Note 20), cash and cash equivalents and trade payables (Note 22) are shown at amortised cost. All other financial instruments are at fair value.

The Company has no trade receivables and no intercompany receivables past due date.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 APRIL 2009

40. RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings

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

	2009 £000	2008 £000
Net interest receivable (payable)	1,451	(459)
Management charges	300	300
	1,751	(159)

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 participate in the main financial and operating policies of the Group as a whole.

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 18 to 23. The fair value charged to the consolidated income statement in respect of equity-settled share-based payment transactions with the Directors is £123,000 (2008 – £536,000). 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.

41. EVENTS AFTER THE BALANCE SHEET DATE

On 10 July 2009, the Board announced an agreement with its lenders (including its US private placement noteholders) in respect of revised lending facilities. In addition, the Group's lenders agreed to further defer the date of testing of certain covenants under its existing facilities (including its private placement notes) until 30 September 2009. The revised facilities (including the amended notes) will become effective, subject to, inter alia, the Group completing an equity fundraising by 30 September 2009 of at least £100m (net of equity fundraising costs) of which at least £85m must be used to repay its existing facilities (including its private placement notes).

On the same day, the Board announced that it is proposing to raise £108m (net of equity fundraising costs) by way of a placing and rights issue. The placing and rights issue have been fully underwritten by RBS Hoare Govett Limited and Oriol Securities Limited and are conditional upon, inter alia, approval of the relevant resolutions at the forthcoming Extraordinary General Meeting. Customary conditions and termination rights also apply.

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

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Revenue	609,645	578,462	526,465	372,609	339,382
(Loss) profit from operations	(117,531)	118,206	107,056	72,598	76,237
Net finance costs	(78,083)	(38,714)	(31,688)	(20,078)	(21,249)
Share of profit before taxation of associate	–	–	–	4,964	–
Share of taxation of associate	–	–	–	(1,422)	–
(Loss) profit before taxation	(195,614)	79,492	75,368	56,062	54,988
Taxation	9,912	(18,158)	(20,885)	(15,468)	(15,757)
(Loss) profit for the year	(185,702)	61,334	54,483	40,594	39,231
Basic earnings per Ordinary share	(263.2)p	86.7p	76.1p	61.1p	60.7p
Dividends	19,359	18,982	16,949	13,437	11,916
Dividends per Ordinary share	11.5p	28.0p	25.5p	23.0p	20.0p

Balance sheet

	2009 £000	2008 £000	2007 £000	2006 £000	2005 £000
Assets employed					
Non-current assets	960,482	1,200,379	1,030,136	798,777	587,008
Net current assets	175,255	139,600	119,625	42,582	40,502
Non-current assets held for sale	19,809	30,566	21,941	14,705	11,464
Non-current liabilities	(972,787)	(971,992)	(809,271)	(535,775)	(413,943)
	182,759	398,553	362,431	320,289	225,031
Financed by					
Share capital	3,527	3,527	3,560	3,538	3,209
Share premium account	67,972	67,972	67,230	64,998	62,544
Reserves	111,260	327,054	291,641	251,753	159,278
	182,759	398,553	362,431	320,289	225,031
Net asset value per Ordinary share	259p	564p	509p	453p	351p

INFORMATION FOR SHAREHOLDERS

Classification

Information concerning day to day movements in the price of the Company's Ordinary shares is available on Cityline (09068 123456) code 2722.

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

The Company's joint corporate brokers are RBS Hoare Govett Limited and Oriel Securities 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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