Northgate plc

Annual report and accounts 2010

We are the leading light commercial vehicle hire business in the UK and Spain

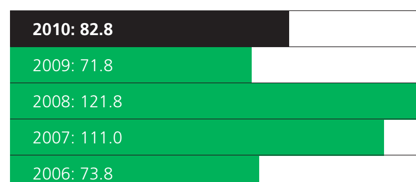
NORTHGATE

UK: Vehicle fleet

Spain: Vehicle fleet

Underlying group profit before tax[2] £m

Group operating profit[1] £m



Who we are

Northgate plc is the leading light commercial vehicle hire business in both the UK and Spain by fleet size and has been operating since 1981. Our core business is the rental of vehicles to other businesses on flexible length agreements, giving customers the flexibility to manage their vehicle fleet without a long-term commitment.

What we do

The business in the UK and Ireland operates from 65 sites with a fleet of 60,900 vehicles. In addition, we sell former rental vehicles to both retail and trade customers. We also offer an increasing range of services and products to help customers manage their fleets effectively, such as vehicle monitoring and parts procurement. Our Fleet Technique business offers the opportunity for customers to outsource fleet management whilst retaining ownership.

In Spain, we operate through two separate brands, Fualsa and Record. With 32 branches and a combined fleet of 48,900 vehicles we are the market leaders in light commercial vehicle hire in Spain.

Our customers operate in a wide range of industries, of which construction and support services are the two largest. Other major sectors include local authorities, public utilities and retailers.

Our vision

We always put our customers first, providing tailored vehicle solutions which match the needs of each individual business and offer only the leading manufacturers' products in each weight category – from a single van to a fleet of thousands. We offer access to a vehicle fleet of more than 100,000 vehicles. These principles ensure that all of our customers benefit from a friendly, focused and personal service.

Our strategy

Going forward our strategy is to concentrate on increasing the profitability and operational efficiency of the Group without compromising on the quality of service and flexibility offered to our customers. We will achieve this by managing the fleet efficiently and concentrating on doing the simple things very well.

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Highlights of the year

Group operating profit[1]

+15.4%

2010	**£82.8m**
2009	£71.8m

Underlying profit before tax[2]

+32.8%

2010	**£36.5m**
2009	£27.5m

Net Debt[5]

-£288m

2010	**£598m**
2009	£886m

Operational highlights

- **Average utilisation in the year of 91% in the UK (2009 – 88%) and 88% in Spain (2009 – 83%)**
- **Pricing improvement of 3% in the UK since April 2009**
- **Benefited from strong used vehicle markets in both the UK and Spain**
- **Closing fleet of 60,900 in the UK (2009 – 62,900) and 48,900 in Spain (2009 – 60,400)**
- **Reorganisation of the UK business underway**

Underlying financial highlights

	2010	2009
Group operating profit[1]	£82.8m	£71.8m
Underlying profit before tax[2]	£36.5m	£27.5m
Basic earnings per share[3] Earnings[3]	26.8p £28.2m	59.2p[4] £19.2m
Net debt[5]	£598m	£886m
Return on capital employed[1]	8.4%	5.8%

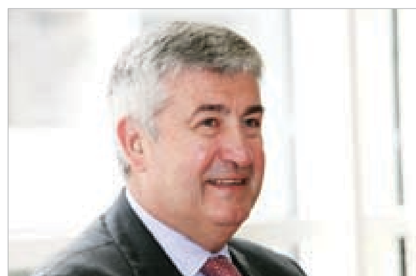
Successful completion of debt refinancing and equity fundraising during the year.

Statutory financial highlights

- Profit from operations increased to £71.1m (2009 – loss of £117.5m)
- Profit before taxation of £9.6m after exceptional items of £21.9m (2009 – loss of £195.6m after exceptional items of £217.9m)
- Basic earnings per share increased to 23.1p (2009 – loss per share of 572.6p[4])
- Profit for the year increased to £24.4m (2009 – loss of £185.7m)

1 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m) and impairment of £Nil (2009 – £180.9m).
2 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m), impairment of £Nil (2009 – £180.9m) and exceptional finance costs of £15.2m (2009 – £33.8m).
3 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m), impairment of £Nil (2009 – £180.9m), exceptional finance costs of £15.2m (2009 – £33.8m) and tax credit of £23.0m (2009 – £18.2m).
4 As restated for the bonus element of the ten for one rights issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.
5 Net debt taking into account the fixed swapped exchange rates for US loan notes.

Chairman's statement



"Since the refinancing last year, we have met substantially all of our targets. Going forward, we will concentrate on doing simple things very well. We will complete the UK restructuring. We will develop further plans for Spain, which is already significantly more operationally efficient than the UK, and will continue to focus on margin.

Our aim is 90% utilisation and if we need to further reduce the fleet so be it. Maximising returns and charging fully for ancillary services will be our prime targets.

The Group has begun the new financial year in line with expectations".

I am pleased to present my first report since joining the Group in February. Let me start with an historical perspective.

By the end of the 2008 financial year the Group had aggressively expanded its fleet to a level of 68,600 vehicles in the UK and 62,750 in Spain, but some of this growth had been at the expense of margins. When the recession hit, utilisation levels fell in 2009 to 88% in the UK and 83% in Spain, compared to historic rates of over 90% and the problem was exacerbated by a dramatic fall in vehicle residual values in both the UK and Spain.

This put inordinate strain on the balance sheet and, at the beginning of the financial year, the Group raised £108m (£77m net of equity and debt arrangement fees) from a rights issue, thus refinancing its debt and securing the capital structure up until September 2012.

By the end of 2009 the UK fleet numbers had fallen to 62,900 vehicles and in Spain to 60,400. This process continued in 2010 with the UK fleet falling by 3% to 60,900 vehicles and in Spain falling by 19% to 48,900.

Going forward, the focus of the Group will be to maintain utilisation in excess of 90%, improve operating efficiency to reduce costs and to concentrate on increasing the return on capital employed (ROCE), the key performance measure for the Group, above levels previously achieved.

The combination of the rights issue, strong cash generation and improved profitability has produced the following results for the year ended 30 April 2010:

- Underlying profit before tax[1] increased by 32.8% to £36.5m (2009 – £27.5m);
- Net debt[2] reduced by £288m to £598m (2009 – £886m);
- ROCE[3] 8.4% (2009 – 5.8%);
- Basic earnings per share increased to 23.1p (2009 – loss per share of 572.6p[4]).

The Board has debated the dividend issue long and hard and, on balance, has decided that it is not yet prudent to pay a dividend. The Company is facing difficult economic conditions in both the UK and Spain. There will be major government cutbacks which will reduce demand for some vehicle units, but our flexible model may well prove attractive to customers who struggle to raise the capital for outright purchase or do not wish to commit to long-term lease or contract hire. As we focus our efforts on SME customers we will carefully monitor debtor age profiles. We will continue to concentrate on conserving cash and paying down debt.

UK

Our underlying UK rental margin[5] increased to 18.5%, compared to 12.8% in 2009 and utilisation rates in the UK averaged 91% (2009 – 88%). This was achieved by continuing the actions taken in 2009 to improve fleet management and to focus on hire rate improvement. This was alongside improved market conditions, particularly in the used vehicle market, where much improved residual prices for second-hand vehicles contributed £6.5m towards operating profit (2009 – £14.4m reduction in operating profit).

Historically, the Group had operated through 20 hire companies across the UK, each with its own local brand and management. There was a great degree of rivalry between these businesses which did not always operate in the best interests of either the Group or the customer. By the end of August 2010, the 20 companies will become 12 business areas operating under the Northgate Vehicle Hire brand.

A decision was taken in April to commence a restructuring of the UK business to significantly improve our efficiency and establish a solid base for growing the business and improving customer service whilst also increasing the operating margin. Along with this radical overhaul of the UK operating structure, we see the opportunity for significant cost savings, for example in maintenance, repair and overheads.

An inordinate amount of time had been dedicated in trying to develop an IT system to meet the requirements of all the separate companies within the Group. This could not be achieved. We are now adopting standardised operating procedures for all of our units and have chosen a proprietary IT solution to meet our needs. The implementation of this Group wide IT system should be complete by April 2011. This will reduce our costs and give us much better information about the profitability of our activities, processes and services. Taken together

with the consolidation of operating units and the Board changes set out below, this should result in annualised cost savings of over £10m from April 2011.

We are also establishing a national sales team to concentrate on our core SME customers.

Spain

Our Spanish business operates in an extremely difficult environment, particularly in the construction and related sectors. Despite approximately 60% of our business coming from these sectors, we have made progress in a number of operational areas. Improved fleet management has, in turn, improved average utilisation. Indeed, utilisation in the last two months of the year averaged 90%. A major contributory factor has been the successful introduction of a used vehicle disposal capability based on our UK experience. We introduced a retail website and further developed our wholesale disposal channel. As a direct consequence we were able to dispose of 19,800 vehicles (an increase of 50% on the previous year) at higher residual values.

In Spring 2009, the Record head office in Castellón was closed and its operations were integrated into the Fualsa head office in Madrid. I have to report that this resulted in considerable operating problems. This compounded the bad debt situation which was already under pressure from high levels of bankruptcy within the local economy. The bad debt charge for the year increased to €10.3m (2009 – €3.7m). Both the CEO and CFO in Spain have been replaced and our new team in Spain has made an excellent start and is concentrating on resolving the inherited administration problems. The bad debt charge in the second half of the year was reduced by €1.3m compared to the first half of the year and there was a significant improvement in debt collection resulting in a €50.6m (35.2%) reduction in Spanish debtors compared with 31 October 2009.

Balance sheet

During the year net debt has reduced by £288m to £598m. This was primarily as a result of the rights issue proceeds of £77m (net of equity and debt arrangement fees), continued strong EBITDA (earnings before interest, taxation, depreciation and amortisation) of £306m and working capital of £39m, with net interest payments of £48m and net capital expenditure on vehicles of £110m being £61m lower than in the previous year.

It is important that the Group has secure financing to support the business across the economic cycle. At 30 April 2010 we had net debt[6] of £598m, which gave us headroom of £240m on our committed debt facilities of £865m. Net debt to EBITDA was 2.0 (2009 – 2.5) and headroom on all covenants improved since the date of refinancing.

Our committed facilities mature in September 2012 and we will assess the appropriate timing of refinancing well ahead of its maturity.

Board changes

On becoming Chairman one of my first tasks, with the assistance of the Nominations Committee, has been to decide on the future management structure of the Group.

The Chief Executive, Steve Smith, originally intended to retire on 31 July 2009 but had agreed to stay on to guide the Group through its refinancing, placing and rights issue during very difficult trading conditions. Having successfully completed the task, Steve stood down on 31 March 2010. I would like to thank him not only for his efforts in the last 12 months but also for more than 20 years of dedicated service. He was very helpful in introducing me to the Group when I became Chairman.

Alan Noble founded the business in February 1981 and was the driving force behind its early growth. Regrettably due to ill health, he retired from the business on 31 March 2010. I would like to thank him for his many years of dedicated service to the Group.

As part of the review, Phil Moorhouse, UK Managing Director, agreed to bring forward his retirement from 31 December 2010 to 31 March 2010. I would like to personally thank Phil for the objective insights into the UK business which he has given me.

Bob Contreras, our Group Finance Director since June 2008, was appointed Chief Executive on 7 June 2010. I am confident that he will drive the business forward, implement the necessary changes agreed by the Board and focus on maximising returns over the coming years. We are currently conducting a thorough search for a Finance Director and will make an announcement in due course.

Paul Tallentire, the Deputy Chief Executive, decided that his future lay outside the Group and we thank him for his contribution and wish him well for the future.

Current trading and future outlook

Since the refinancing last year, we have met substantially all of our targets. Going forward, we will concentrate on doing simple things very well. We will complete the UK restructuring. We will develop further plans for Spain, which is already significantly more operationally efficient than the UK, and will continue to focus on margin.

Our aim is 90% utilisation and if we need to further reduce the fleet so be it. Maximising returns and charging fully for ancillary services will be our prime targets.

The Group has begun the new financial year in line with expectations.

Bob Mackenzie
Chairman

1 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m), impairment of £Nil (2009 – £180.9m) and exceptional finance costs of £15.2m (2009 – £33.8m).
2 Net debt taking into account the fixed swapped exchange rates for US loan notes.
3 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m) and impairment of £Nil (2009 – £180.9m).
4 As restated for the bonus element of the ten for one Rights Issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.
5 Calculated as operating profit before intangible amortisation of £2.3m (2009 – £2.6m), exceptional items of £5.8m (2009 – £0.8m) and impairment of £Nil (2009 – £61.5m), divided by revenue of £312.0m (2009 – £334.7m), excluding vehicle sales.
6 Net of £27m of unamortised arrangement fees.

Group at a glance

		UK Hire and Fleet Technique		Spain Hire	
Revenue (excluding vehicle sales)	**2010**	**£328.2m**		**£235.5m**	
	2009	£352.7m		£257.0m	
Operating profit[1]	**2010**	**£58.9m**		**£30.0m**	
	2009	£43.8m		£32.6m	
Operating margin[2]	**2010**	**18.0%**		**12.7%**	
	2009	12.4%		12.7%	
Number of employees	**2010**	**2,122**		**974**	
	2009	2,253		956	
Closing fleet	**2010**	**60,900**		**48,900**	
	2009	62,900		60,400	
Vehicle sales	**2010**	**£114m**	**22,700 vehicles**	**£72m**	**19,800 vehicles**
	2009	£116m	23,400 vehicles	£45m	13,200 vehicles
Vehicle purchases	**2010**	**£211m**	**18,800 vehicles**	**£99m**	**9,100 vehicles**
	2009	£198m	16,900 vehicles	£96m	8,800 vehicles
Average utilisation	**2010**	**91%**		**88%**	
	2009	88%		83%	
Locations		65		32	
Vehicle types		Car		Car	
		Car derived van		Car derived van	
		Large van		Large van	
		Medium van		Medium van	
		Minibus		Minibus	
		Short wheel base van		Short wheel base van	
		4x4		4x4	
Customers by sector		Construction & civil Engineering	30%	Construction	57%
		Support services	16%	Support services	17%
		Logistics	14%	Manufacturing	8%
		Hire of plant and vehicles	8%	Retail	4%
		Government bodies	7%	Engineering	3%
		Business supplies & services	6%	Logistics	3%
		Others (less than 5%)	19%	Others (less than 3%)	8%
Customers by fleet size		Corporate fleets (>100)	39%	Corporate fleets (>100)	32%
		Small and medium fleets (5–100)	49%	Small and medium fleets (5–100)	53%
		Micro-fleets (< 5)	12%	Micro-fleets (< 5)	15%
Main trading subsidiaries		Northgate Vehicle Hire Limited		Furgonetas de Alquiler S.A	
		Northgate Vehicle Hire (Ireland) Ltd		Record Rent a Car S.A	
		Fleet Technique Limited			

1 Before intangible asset amortisation and exceptional items. Excludes corporate costs.
2 Operating profit as per (1) and excluding vehicle sales revenue.

Key performance indicators

Going forward, the focus of the Group will be to maintain utilisation in excess of 90%, improve operating efficiency to reduce costs and to concentrate on increasing the return on capital employed (ROCE), the key performance measure for the Group, above levels previously achieved.

	Performance	Target
Utilisation Utilisation needs to be maintained at a high level in order to maximise return on capital employed whilst holding enough vehicles to meet the flexible demands of our customers.	Utilisations have improved in both hire segments as a result of efficient management of a lower fleet. **UK** Average utilisation has improved to 91% (2009 – 88%). **Spain** Average utilisation of 88% compared to 83% in the prior year, with utilisation in the last two months of the year averaging 90%.	The target for both segments is to maintain average utilisation above 90%. This is currently being achieved in the UK with the trend in Spain leading towards this being achieved in the next financial year.
Hire rate The hire rate achieved is a key contributor to return on capital employed. Hire rates need to reflect the level of flexibility and service offered to our customers.	**UK** Increase in average hire revenue per vehicle of 0.6% (although >3% since final quarter of prior year) achieved through a combination of rate increases, increased pricing for new vehicles and improvements in recharging of other costs. **Spain** Average rates reduced by 2.4% primarily as result of hiring unutilised vehicles to holiday rental companies at lower rates in the early part of the year. Rates increased in the latter part of the year following a reduction in fleet size, targeted rate increases and minimum threshold rates for new customers.	Minimum hire rate thresholds have been set for new vehicles. Further rate increases are targeted in the UK and Spain through improved sales analysis to eliminate low margin customers, and improved recovery on recharging of costs such as collection, delivery and damage recovery.
Fleet management The size and age of the fleet needs to be managed in order to maximise utilisations and minimise the overall holding cost of vehicles.	The level of vehicle purchases and sales is controlled in order to manage fleet size and ageing. Overall holding costs are minimised through managing the mix and volume of purchases from each manufacturer and by improving the effectiveness of vehicle sales channels.	The overall fleet size in the UK and Spain is expected to remain relatively stable in the short term with focus remaining on maximising utilisations and hire rates. Further holding cost savings are targeted through managing the mix of vehicle purchased through each manufacturer and maximising disposals through higher margin retail and semi-retail channels.
Return on capital employed In a capital intensive business, return on capital employed is a more important measure of performance than profitability alone, as low margin business returns low value to shareholders.	ROCE is maximised through a combination of managing utilisation, hire rates, vehicle holding and other costs. Group ROCE[1] for the year was 8.4% (2009 – 5.8%).	Each KPI above has been targeted for improvement to contribute to an overall increase in ROCE of the Group. Overall ROCE for the Group is targeted to recover to a level in excess of 10%.
Earnings per share (EPS) Basic EPS is considered to be a key short term measure of performance used by shareholders.	Basic EPS[2] of 26.8p compared to 59.2p in the prior year but with earnings increasing by 47.2% to £28.2m (2009 – £19.2m).	The target is to maximise shareholder value by increasing EPS in the short term alongside longer term return on equity.

Key performance indicators

Utilisation improvement

UK **+3%**

Spain **+5%**

	2010	2009
UK	91%	88%
Spain	88%	83%

Hire rate improvement

UK **+0.6%**

Spain **-2.4%**

Closing fleet

UK **60,900**

Spain **48,900**

ROCE Group

+2.6%

2010	**8.4%**
2009	5.8%

Earnings[3]

+47.2%

Basic EPS

2010	**26.8p**
2009	59.2p

1 Before intangible amortisation, exceptionals items and impairment.
2 Stated before intangible amortisation, exceptional items, impairment and the tax effect thereon. Shares as restated for the bonus element of the ten for one rights issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.
3 Earnings as adjusted for items stated in (2) have increased year on year, whilst basic EPS have decreased due to the increased number of shares in issue following the rights issue in September 2009.

Operational and financial reviews

"We are pleased that we have been able to meet substantially all of our targets for the year ended 30 April 2010, despite a backdrop of continuing economic uncertainty, and generate a much improved return on capital employed of 8.4% (2009 – 5.8%)."

Operational Review

Group

After the severe economic downturn in the latter part of 2008, the Group began the implementation of several operational measures in order to improve performance. In particular, in February 2009, the Board approved a three-year strategic plan, which was effective from May 2009. That plan focused on the following key performance improvements in both the UK and Spain:

- Improved fleet management;
- Pricing increases;
- Cost reduction; and
- Improvement in vehicle disposal capabilities.

We are pleased that we have been able to meet substantially all of our targets for the year ended 30 April 2010, as explained in more detail below, despite a backdrop of continuing economic uncertainty, and generate a much improved return on capital employed[1] of 8.4% (2009 – 5.8%).

The Group also successfully refinanced its debt and completed a placing and rights issue in the year. The financial stability that these measures produced will allow the Group to focus on the implementation of longer-term operational improvements.

United Kingdom hire of vehicles

The successful management of fleet utilisation, from an average of 88% in the previous financial year to 91% in the current financial year, combined with improvements achieved in pricing, operational efficiencies and increases in used vehicle residual values have led to an increase in operating margin [2] from 12.8% to 18.5%.

Vehicle fleet and utilisation

We managed the UK fleet size down by 3% to 60,900 vehicles at 30 April 2010 (2009 – 62,900). However, the closing number of vehicles on hire fell by only 600 compared to 30 April 2009 and utilisation for the year averaged 91% (2009 – 88%), better than anticipated in our three-year plan. As part of our goal to increase return on capital employed, utilisation remains a key area of focus, at all stages of the economic cycle, and therefore we aim to maintain an average rate of at least 91% going forward.

As part of the process to increase utilisation we purchased 18,800 vehicles in the year (2009 – 16,900) but increased the average age of the fleet from 19.4 months to 20.8 months. Whilst this does not represent a significant ageing of the fleet, it has made a contribution to the substantial level of operating cash generation of the Group in the year, as referred to in the Financial Review.

Hire rates

Average hire revenue per vehicle in the year was 0.6% higher than in the previous year. However, since increased hire rates were specifically targeted in the final quarter of the previous financial year, the increase in revenue has been in excess of 3%. This is a combination of increased headline hire rates with both new and existing customers, as well as initiatives to improve the levels of recharges in areas such as collection and delivery and damage recovery.

Depot network

As part of the ongoing rationalisation of operating costs and increased efficiency, we reduced the network of hire locations by 15 from 80 to 65 during the year. This is part of the continuing move towards a structure of larger hubs with a smaller number of satellite locations. Customer accounts managed by those closed branches have been transferred elsewhere within the network.

As part of the ongoing focus on efficiency, headcount has reduced by 131 (6%) since the start of the financial year. The full year saving in payroll costs in relation to these individuals is approximately £2.6m.

We have also driven additional efficiencies in our vehicle repair workshops, with a 1% reduction in the net maintenance cost of each of our vehicles in the year, compared to 2009; this is despite the slight increase in the ageing of the fleet during the year noted above.

One Northgate

During the 2011 financial year we will conduct a fundamental reorganisation of the UK business. We will create 'One Northgate' – what does this mean?

A best in class support services company under one brand and one set of operating procedures, maximising operating efficiencies and eliminating duplication.
Our employees will receive improved training allowing them to provide the customer with a consistent service throughout our network.

One Northgate will initially involve:

- Consolidating 20 hire companies down to 12 business areas rebranded as Northgate Vehicle Hire
- A new IT system and roll-out of a business blueprint which will allow us to operate as one business
- The same consistent service throughout our network
- Centralisation of certain administrative functions
- Annualised savings of over £10m by April 2011 with other areas being identified for review

c. £10m

Annualised costs savings to be implemented by April 2011

Restructuring

The latter part of the financial year has seen the commencement of a restructuring of the UK business. A key part of this restructuring is the reduction in the number of hire companies from 20 to 12, as well as the movement to a single common brand. Northgate Vehicle Hire will replace the existing local brands of each of the hire companies. It is expected that this restructuring will be completed during the first half of the financial year ending 30 April 2011.

Once the overall rationalisation of the business is complete, it is anticipated that the ongoing cost savings will be approximately £10m per annum from April 2011 with total implementation costs by that date of a similar amount, the majority of which has been incurred in the year ended 30 April 2010.

Used vehicle sales

There has been a significant improvement in the resale values achieved for used vehicles during the financial year, mainly due to the recovery in market prices.

During the year, a total of 22,700 vehicles (2009 – 23,400) were sold with the retail and semi-retail channels accounting for 19% (2009 – 18%) of those disposals.

The improvement in the values achieved for the vehicles disposed, above our expectations, has been reflected in a decrease of £6.5m (2009 – £14.4m increase, as restated) in the depreciation charge.

IT

The UK will complete the roll-out of the Group-wide Enterprise Resource Planning (ERP) system by April 2011 as part of the restructuring of that business. This will cover operations, asset management and finance and will be used as a basis to improve customer service and reduce costs through further operational efficiencies.

Fleet Technique

Fleet Technique, which manages fleet on behalf of those of our customers that own their own vehicles, increased its level of operating profit to £1.3m (2009 – £0.9m), despite the number of jobs managed slightly falling by 1.9% to 86,500 (2009 – 88,200). The Fleet Technique business continues to add value to the Group as a whole as we leverage its systems capability to coordinate external repairs for the vehicle rental business.

Spain hire of vehicles

Improved fleet management together with significant improvements in our used vehicle disposal capability, despite challenging economic conditions, has led to current fleet utilisation in excess of 90% and better residual values achieved for used vehicles when sold. Alongside this, ongoing operational efficiency improvements have offset reductions in vehicles on hire and hire rates charged per vehicle, as well as a higher incidence of bad debts to maintain the operating margin[10] at 12.7% (2009 – 12.7%).

Vehicle fleet and utilisation

As anticipated in the three-year plan, the total fleet fell from 60,400 vehicles at 30 April 2009 to 48,900 vehicles at 30 April 2010. Of this fall, vehicles on hire fell by 6,400 and we reduced the fleet by a further 5,100 vehicle to increase utilisation. The average utilisation rate for the financial year was 88% (2009 – 83%) and utilisation at the year end exceeded 90%.

One of the reasons for the achievement of 90% utilisation in the last quarter of the year was the focus on a reduction in the number of vehicles under repair, from 9% at December 2009 to 4% at April 2010.

Another factor in achieving this increased utilisation level was the continued low level of vehicle purchases, with only 9,100 vehicles purchased in the year (2009 – 8,800). This, in conjunction with the level of vehicle disposals explained below, resulted in an increase in the average age of the fleet from 25.5 to 27.2 months.

Fleet management

Utilisation is a key foundation of driving return on assets. The average for the year was 91% in the UK and 88% in Spain compared to 88% in the UK and 83% in Spain in the prior year. Utilisation is targeted to be in excess of 90% for the 2011 financial year.

In order to restore utilisations to levels previously achieved the fleet was managed down to a closing size of 60,900 in the UK and 48,900 in Spain. This was achieved through the sale of 22,700 and 19,800 vehicles in the UK and Spain respectively. An increased proportion of UK sales was generated through the higher margin retail and semi-retail channels with Spain also reducing the proportion of lower margin export sales.

Fleet age in the UK increased from 19.4 months to 20.8 months and in Spain increased to 27.2 months from 25.5 months.This action in the year has made a significant contribution to cash generation.

>90%

Targeted utilisation levels in UK and Spain

Vehicle fleet over the last three years

UK

2010: 60,900

2009: 62,900

2008: 68,600

Spain

2010: 48,900

2009: 60,400

2008: 62,750

The increase in average age of vehicles has caused an increase in the average repair cost per vehicle of 5% compared to the prior year. The planned reduction in average age of the fleet, combined with further operational efficiencies, should see a reduction in this cost going forward.

Hire rates

The economic conditions have remained challenging in Spain. In the first half of the year, utilisation levels were maintained partly through the hire of unutilised vehicles to holiday rental companies whilst we developed the used vehicle sales capability necessary to execute the fleet reduction programme set out in our strategic plan. The rates charged for those vehicles were lower than our core average hire rate. However, as with the UK, we sought to increase the revenue generated from each vehicle on hire, through a combination of minimum threshold rates for new vehicles as well as targeted price increases with some existing customers. The success we had in this area in the latter part of the financial year was not, however, sufficient to fully offset the discounts offered earlier in the year. Consequently, the full year revenue per vehicle on hire is some 2.4% lower than the previous financial year.

Going forward, our improvement of utilisation rates means that there is no anticipation of significant rate discounts on future rentals to holiday rental companies.

Depot network

During the year, the size of the hire network has remained at 32 sites. This is after the actions taken in the previous financial year to reduce the size of the network from 37 to 32 sites whilst maintaining geographical coverage across the country.

Sector focus

Given the relatively high proportion of Spanish customers that operate in the construction industry, compared to the UK, significant focus is being directed towards diversifying the business into other sectors, in light of the particular difficulties experienced by companies operating in the Spanish construction sector. The proportion of the Spanish revenue derived from customers in the construction industry in the year ended April 2010 was 55% compared to 57% in the previous year. We are targeting further progress in the year ending 30 April 2011.

Used vehicle sales

A key objective of our strategic plan, announced in 2009, was the improvement of our Spanish vehicle disposal capabilities to a level closer to those in our UK business.

In the year ended 30 April 2010, we have improved the quality and the overall capability of our vehicle disposal operations such that we were able to dispose of 19,800 vehicles (2009 – 13,200), at an average of 1,650 vehicles per month, an increase of 50% compared to the previous year. The reliance on export sales has been reduced from 21% to 8%.

This improvement, which was above our expectations, along with a modest increase in the general market prices for used vehicles, has been reflected in a lower increase of €4.8m (2009 – €21.0m, as restated) in the depreciation charge.

Bad debts

The incidence of bad debt has increased in Spain in the year ended 30 April 2010 to €10.3m compared with €3.7m in the previous financial year. However, the second half of the year saw an improvement with a bad debt expense of €4.5m compared to €5.8m in the first half. Significant work is ongoing in the area of receivables collection with days' sales outstanding of 109 in our Spanish business at April 2010 compared to 140 at April 2009.

Cost reduction

We continue to focus on increasing the efficiency of our operation. We have achieved total cost savings of 9% (€3.7m) in staff costs and overheads, excluding bad debt charges explained above, compared to the previous year.

Pricing

Our focus is on hire rate improvement as the key to increasing return on capital employed. This has been a cultural change for the business, recognising that seeking growth at the expense of return does not increase shareholder value.

Our competitors have restricted access to capital, cost of funds has increased and there is upward price pressure on vehicle purchases as manufacturers attempt to increase their returns. We therefore have an opportunity to promote our flexible product and charge appropriately for the added value that we provide to our customers. During the 2011 financial year we are targeting overall price increases higher than those achieved last year and will pursue this at the expense of growth if it means increasing shareholder returns.

+3%

Pricing improvement achieved in the UK since the final quarter of 2009 financial year

Financial Review

Financial reporting

Group

A summary of the Group's underlying financial performance for 2010, with a comparison to 2009, is shown below:

	2010 £m	2009 £m
Revenue	**749.6**	770.5
Profit from operations[1]	**82.8**	71.8
Net interest expense[3]	**(46.3)**	(44.3)
Profit before tax[4]	**36.5**	27.5
Profit after tax[5]	**28.2**	19.2
Basic earnings per share[5]	**26.8p**	59.2p[6]

Group revenue in 2010 decreased by 2.7% to £749.6m (2009 – £770.5m) or 4.4% at constant exchange rates.

Net underlying cash generation[7] was £184.6m (2009 – £171.9m) after net capital expenditure of £114.4m (2009 – £179.6m) resulting in closing net debt[11] of £598.3m (2009 – £886.4m).

On a statutory basis, operating profit has increased to £71.1m (2009 – operating loss of £117.5m) with profit before tax increasing to £9.6m (2009 – loss before tax of £195.6m). Basic earnings per share increased to 23.1p (2009 – loss per share of 572.6p). Net cash from operations, including net capital expenditure on vehicles for hire, increased by 9% to £188.5m (2009 – £173.6m), with net debt falling by 34% from £935.5m at 30 April 2009 to £615.1m at 30 April 2010.

UK

The composition of the Group's UK revenue and profit from operations is set out below:

	2010 £m	2009 £m
Revenue		
Vehicle rental	**312.0**	334.7
Fleet Technique	**16.2**	18.0
Vehicle sales	**114.3**	115.9
	442.5	468.6
Profit from operations[8]		
Vehicle rental	**57.7**	42.8
Fleet Technique	**1.3**	0.9
	59.0	43.7

The reduction in the average number of vehicles on hire of 5.8% has contributed to a decrease in rental revenue of 6.8% to £312m (2009 – £335m).

The revenue impact of a decrease in vehicles on hire was partially offset by a 0.6% improvement in hire rates reflecting a more focused strategy on removing low margin business.

The recovery in residual values of used vehicles contributed £6.5m of the profit from operations which is reflected as a reduction in the depreciation charge for the year.

Operating margins (excluding intangible amortisation, exceptional items, and vehicle sales revenue) were as follows:

	2010	2009
UK overall	**18.0%**	12.4%
Vehicle rental	**18.5%**	12.8%
Fleet Technique	**7.8%**	5.2%

The UK vehicle rental operating profit margin[2] has increased to 18.5% (2009 – 12.8%). This is due to increased utilisation achieved through more efficient fleet management, improved hire rates as mentioned above, targeted cost savings and increases in used vehicle residual values.

Spain

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

	2010 £m	2009 £m
Revenue		
Vehicle rental	**235.5**	257.0
Vehicle sales	**71.6**	45.0
	307.1	302.0
Profit from operations[9]		
Vehicle rental	**30.0**	32.6

The reduction in average vehicles on hire of 10.0% contributed to a decrease in rental revenue of 8.4% (7.2% at constant exchange rates).

Residual value improvement and an improved sales capability with 19,800 vehicles sold (2009 – 13,200), reduced the decrease in profit from operations to £2.6m.

The Spanish operating margin (excluding intangible amortisation, exceptional items and vehicle sales revenue) was as follows:

	2010	2009
Operating margin[10]	**12.7%**	12.7%

Vehicle rental revenue and profit from operations in 2010, expressed at constant exchange rates, would have been lower than reported by £9.8m and £1.3m respectively.

Vehicle hire rates were lower in the year primarily due to the rental of unutilised vehicles to holiday rental companies at lower than average rates. The hire rate is now recovering as a more highly utilised fleet means that higher margin business can be targeted.

The incidence of bad debts in Spain had a significant adverse impact on operating margins with a charge of £9.1m (2009 – £3.1m), equivalent to 3.9% of operating margin (2009 – 1.2%). Whilst the economic environment in Spain is expected to remain challenging the level of bad debts is targeted to fall following management actions to tighten credit risk and control procedures.

Return on capital employed

Group return on capital employed, calculated as Group profit from operations (excluding intangible amortisation and exceptional items) divided by average capital employed (being shareholders' funds plus net debt[11]) as 8.4% (2009 – 5.8%). This represents a substantial improvement on the prior year, and underlines the Group's success in applying its current strategy of maximising returns in the medium term through more efficient fleet management and improving hire rates.

Group return on equity, calculated as profit after tax (excluding intangible amortisation and exceptional items) divided by average shareholders' funds, was 12% (2009 – 5%).

Exceptional items

During the year, £2.6m for the deferral of covenant testing and other fees were incurred as well as the write off of unamortised financing fees of £3.8m, all of which relate to the borrowing facilities replaced in September 2009.

Financing fees of £8.8m also arose due to the issuance of 'make-whole' notes to the private placement noteholders as a result of the partial repayment of existing notes and in respect of future scheduled borrowing amortisations.

Other exceptional items amounting to £6.7m consisted of restructuring costs of £6.3m, mainly in respect of the UK, and £0.4m of net property losses, which comprised £0.8m of losses in the UK and a £0.4m profit related to the disposal of a property in Spain.

Interest

Net finance charges for the year before exceptional items were £46.3m (2009 – £44.3m).

The charge includes £5.9m of non-cash interest from borrowing fees amortised in the year (2009 – £1.9m).

Net cash interest has decreased by £2.0m to £40.4m, mainly as a result of the reduction in average net debt offset by the increase in borrowing costs.

Taxation

The Group's effective tax charge for its UK and overseas operations is (153)% (2009 – 5%), including the impact of exceptional items referred to above, and the recognition of £15.5m previously unrecognised deferred tax assets (2009 – £21.7m derecognised).

Excluding the impact of exceptional items, deferred tax asset recognition and intangible amortisation, the Group effective tax rate is 23% (2009 – 30%). This is lower than the previous year primarily as a result of a £2.6m tax credit in respect of prior years. Excluding this impact the underlying Group effective tax rate is 30% (2009 – 30%).

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

Basic earnings per share, before amortisation and exceptional items, were 26.8p (2009 – 59.2p[6]). Basic statutory earnings per share were 23.1p (2009 – loss of 572.6p[6]).

Dividend

The Directors do not recommend the payment of a dividend in relation to the Ordinary shares for the year ended 30 April 2010 (2009 – 11.5p).

Balance sheet

Net tangible assets at 30 April 2010 were £281.1m (2009 – £155.3m), equivalent to a tangible net asset value of 211.4p per share (2009 – 478.9p per share[6]).

Gearing at 30 April 2010 was 213% (2009 – 571%), which demonstrates that the capital structure following refinancing is in a position to be able to meet the Group's medium term goals.

Cash flow

A summary of the Group's cash flows is shown below:

	2010 £m	2009 £m
Underlying operational cash generation	**345.7**	406.5
Net capital expenditure	**(114.4)**	(180.1)
Net taxation and interest payments	**(46.7)**	(54.6)
Net underlying cash generation[7]	**184.6**	171.9
Proceeds from issue of share capital	**108.3**	–
Refinancing fees	**(31.4)**	–
Dividends	**–**	(19.3)
Termination of swaps	**–**	(42.3)
Other	**(0.7)**	(2.7)
Net cash generated	**260.8**	107.6
Opening net debt[11]	**886.4**	902.9
Net cash generated	**(260.8)**	(107.6)
Financing fees paid and amortised as well as issue of make-whole notes	**(18.2)**	0.7
Exchange differences	**(9.1)**	90.4
Closing net debt[11]	**598.3**	886.4

Underlying operational cash generation (as defined in the table above) of £345.7m, coupled with tight control over capital expenditure and £108.3m of equity, raised as part of the Group's refinancing, are the main factors which have enabled the Group to reduce net debt by £288m in the year to a closing position of £598.3m[11].

A total of £299.1m was invested in new vehicles in order to replace fleet. This was partially funded by £189.4m of cash generated from the sale of used vehicles, with other net capital expenditure of £4.7m.

After capital expenditure and payments of interest and tax of £46.7m, net cash generated from operations was £184.6m, which represents a 7.4% improvement on the prior year (2009 – £171.9m).

Borrowing facilities

The new financing arrangements came into effect in September 2009 and comprise committed secured facilities of £865m, giving headroom of £240m compared to debt (gross of £27m of unamortised arrangement fees) of £625m at 30 April 2010.

The Group's facilities are shown below:

	Bank facilities £m	US loan notes £m	Total facilities £m
Facility	**652**	**213**	**865**
Drawn	**412**	**213**	**625**
Headroom	**240**	**–**	**240**
Maturity	**Sept 12**	**Nov 12 to Dec 16**	

The maturity of US loan notes is subject to the successful renewal of bank facilities on or before September 2012.

US loan notes bear fixed interest of 8.6%. A proportion of bank debt is fixed at 5.6% giving an overall fixed rate debt of 7.1%. Including floating rate debt, the overall cost of the Group's borrowings is 5.9%.

In order to satisfy the terms of the revised facilities, the Group successfully raised £108m of equity (net of equity fundraising costs) by way of a placing and rights issue. From the amount raised, £93m was used to repay existing facilities (including private placement notes).

Since the initial refinance, the Group has repaid scheduled amortisations of c.£15m. This, coupled with the underlying cash generation of the business, has resulted in total borrowing repayments of £255m in the year.

Further scheduled debt repayments of £80m are due to be made by December 2010, along with a further amortisation of c.£55m due to provisions of the financing agreement requiring certain excess cash to be used to pay down facilities and private placement notes. The remaining bank facilities are due to mature in September 2012.

There are four financial covenants under the Group's 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 historic 12-month basis. The covenant ratio ranges between 1.04 and 1.39.

Interest cover at 30 April 2010 was 1.92 with EBIT headroom, all else being equal, of c.£28m, at that time.

2. Minimum tangible net worth

Minimum tangible net worth, i.e. net assets excluding goodwill and intangibles, tested monthly. This covenant has been set at 80% of the net tangible assets at 30 April 2009 as adjusted for write off of previous refinancing fees, the proceeds of the placing and rights issue and 80% of budgeted retained profits under the strategic plan.

Headroom at 30 April 2010 was c.£51m.

3. Loan to value

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

Loan to value at 30 April 2010 was 67% giving net debt headroom, all else being equal, of c.£176m, at that time.

4. Debt leverage cover ratio

A maximum ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA), tested quarterly on a rolling historic 12-month basis. The covenant ratio ranges between 2.25 and 2.51.

Debt leverage cover at 30 April 2010 was 2.04 with EBITDA headroom, all else being equal, of c.£51m, at that time.

Treasury

The function of Group Treasury is to mitigate 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 with 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.

Credit risk

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.

Liquidity and funding

The Group has sufficient funding facilities to meet its normal funding requirements in the medium term as discussed above. Covenants attached to those facilities as discussed above are not restrictive to the Group's operations.

Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Operating subsidiary undertakings are financed by a combination of retained earnings, loan notes and bank borrowings, including medium term bank loans.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure. As discussed above, gearing at 30 April 2010 was 213% compared to 571% at 30 April 2009.

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. The proportion of gross borrowings hedged into fixed rates was 71% at 30 April 2010 (2009 – 28%).

Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (58%) is generated in pounds sterling. The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish businesses must be translated into sterling to produce the Group's consolidated financial statements.

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

	2010 **£ : €**	2009 £ : €
Average	**1.13**	1.18
Year end	**1.15**	1.12

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. The hedging objective is to reduce the risk of spot retranslation 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.

Going concern

In determining whether the Group's 2010 accounts should 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 of the Group are outlined on pages 16 and 17. Measures taken by the Directors in order to mitigate those risks are also outlined.

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

The Group has sufficient headroom compared to its committed borrowing facilities and against all covenants as detailed in this report.

Having considered all the factors above impacting the Group's businesses, including reasonably possible 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 2010 accounts.

Bob Contreras
Chief Executive

1 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m) and impairment of £Nil (2009 – £180.9m).

2 Calculated as operating profit before intangible amortisation of £2.3m (2009 – £2.6m), exceptional items of £5.8m (2009 – £0.8m) and impairment of £Nil (2009 – £61.5m), divided by revenue of £312.0m (2009 – £334.7m), excluding vehicle sales.

3 Stated before exceptional items of £15.2m (2009 – £33.8m).

4 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m), impairment of £Nil (2009 – £180.9m) and exceptional finance costs of £15.2m (2009 – £33.8m).

5 Stated before intangible amortisation of £5.0m (2009 – £5.3m), exceptional items of £6.7m (2009 – £3.1m), impairment of £Nil (2009 – £180.9m), exceptional finance costs of £15.2m (2009 – £33.8m) and tax credit of £23.0m (2009 – £18.2m).

6 As restated for the bonus element of the ten for one rights issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.

7 Net increase in cash and cash equivalents before financing activities.

8 Excluding amortisation of intangible assets of £3.0m (2009 – £3.1m), exceptional items of £5.8m (2009 – £0.9m) and impairment of £Nil (2009 – £61.5m).

9 Excluding amortisation of intangible assets of £2.0m (2009 – £2.1m), exceptional credit of £(0.1)m (2009 – charge of £2.3m) and impairment of £Nil (2009 – £119.4m).

10 Calculated as profit from operations[9] divided by vehicle rental revenue.

11 Net debt taking into account the fixed swapped exchange rates for US loan notes.

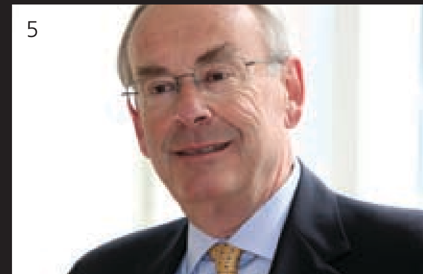
Principal risks and uncertainties

	Impact	Mitigation
Customers and reduction in demand	The construction industry and other key markets of the Group have been particularly sensitive to the downturn in the economic climate which has led to a decline in the number of vehicles rented in recent periods. A further decline could affect the profitability and cash generation of the business. The underlying macro-economic conditions have also increased the risk of customer failure, particularly in Spain, which may lead to the occurrence of increased bad debt charges. The Group generates a large proportion of revenue from customers in the construction industry but is seeking to diversify its customer base across a range of market segments.	Should there be a further significant economic downturn, the flexible nature of the Group's business model enables vehicles to be placed with other customers. Alternatively, utilisation can be maintained through a combination of a decrease in vehicle purchases and increase in disposals, which although affecting short-term profitability, generates cash and reduces debt levels. An economic downturn also presents opportunities to increase rentals to customers wishing to benefit from the Group's flexible renting solutions, either due to a lack of available finance or an unwillingness to commit to long term rental. No individual customer contributes more than five per cent of total revenue generated, and credit analysis is performed on new customers to assess credit risk.
Vehicle holding costs	The overall holding cost of a vehicle is affected by the pricing levels of new vehicles and the disposal value of vehicles sold. The Group purchases substantially all of its fleet from suppliers with no agreement for the repurchase of vehicles at the end of their hire life cycle. The Group is therefore exposed to fluctuations in residual values in the used vehicle market. An increase in the holding cost of vehicles, if not recovered through hire rate increases, would affect profitability, shareholder return and cash generation.	Risk is managed on new pricing by negotiating fixed pricing terms with manufacturers a year in advance. Flexibility is maintained to make purchases throughout the year under variable supply terms. Flexibility in our business model allows us to determine the period over which 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.
Competition and hire rates	The Group operates in highly competitive markets with competitors often pursuing aggressive pricing actions to increase hire volumes. The market is also fragmented, with numerous competitors at a local and national level. Low barriers to entry mean that local competitors often attempt to enter the market through lower pricing. Our business is highly operationally geared therefore any increase or decrease in hire rates will impact profit and shareholder return to a greater effect.	The Group is now more strongly focused on maximising return on capital therefore hire rates are not being reduced below certain thresholds. In co-ordinating this policy with fleet management, utilisations are being maintained at higher rates. The current lack of access to capital in the market is enabling us to pursue this strategy without facing significant price competition. Prices are also benchmarked against competitors to ensure that we remain competitive.

	Impact	Mitigation
Access to capital	The Group requires capital to both replace vehicles that have reached the end of their useful life and for growth in the fleet. 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. In order to continue to access its credit facilities the Group needs to remain in compliance with its financial covenants throughout the term of its bank and other facilities. Current bank facilities are due to mature in September 2012. There is a risk that the Group cannot successfully extend its bank facilities past this date. Failure to access sufficient financing or meet financial covenants could potentially adversely affect the prospects of the Group.	Financial covenants are reviewed on a monthly basis in conjunction with cash flow forecasts to ensure on-going compliance. If there is a shortfall in cash generated from operations and/or available under its credit facilities, the Group would reduce its capital requirements. The Group believes that its existing facilities provide adequate resources for present requirements. The Group is currently assessing options to refinance bank facilities past September 2012. The impact of access to capital on the wider risk of going concern is considered page 15.
IT systems	The Group's business involves a high volume of transactions and the need to track assets which are located at numerous sites. Reliance is placed upon the proper functioning of IT systems for the effective running of operations. Any interruption to the Group's IT systems would have a materially adverse effect on its business.	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. Additionally, the Group has an appropriate business continuity plan in the event of interruption arising from an IT systems failure.

The operation of a public company involves a number of risks and uncertainties across a full 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 above.

Board of directors



1 Bob Mackenzie ACA

Appointed to the Board as Chairman on 5 February 2010. Bob is also currently Chairman of Dometic Holdings AB, a Swedish based manufacturing company. Prior to his appointment, he was Chief Executive of Sea Containers Ltd, including the Chairmanship of its subsidiary GNER. He was previously Chairman of PHS Group plc and held senior executive board appointments with National Parking Corporation, BET plc, Storehouse plc and Hanson plc. He has also acted as a senior adviser to a number of private equity funds. He qualified as a Chartered Accountant with KPMG in 1978. Age 57.

2 Bob Contreras ACA

Appointed Chief Executive on 7 June 2010 having been Group Finance Director since 2 June 2008 when he joined the Group. A Chartered Accountant, Bob has held senior positions with Azlan Group plc, Damovo Group SA and most recently with Mölnlycke Healthcare Group. Age 47.

3 Andrew Allner FCA

Appointed to the Board as a non-executive Director in September 2007. Andrew is currently also Chairman of Marshalls plc and a non-executive Director of 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. Age 56.

4 Jan Astrand MBA

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. Age 63.

5 Tom Brown MBA

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, a non-executive Director of CO2Sense Ltd 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. Age 61.

Board committees

Audit
Andrew Allner Chairman
Jan Astrand
Tom Brown

Remuneration
Tom Brown Chairman
Andrew Allner
Jan Astrand
Bob Mackenzie

Nominations
Bob Mackenzie Chairman
Andrew Allner
Jan Astrand
Tom Brown

Report of the Directors

The Directors present their Report and the Audited Accounts for the Year Ended 30 April 2010.

Results

Profit for the year after taxation was £24,356,000 (2009 – loss £185,702,000).

No interim dividend was paid on the Ordinary shares.

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 15, 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 issued share capital, together with details of any movements during the year are shown in Note 26. The Company has one class of Ordinary shares which carries 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 99.25% 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	Contracts for Difference
Standard Life Investments Limited	7,431,348 (5.6%)	12,510,385 (9.4%)	–
Aviva plc	3,474,099 (2.6%)	6,434,628 (4.8%)	–
Blackrock Inc	–	6,706,114 (5.0%)	1,158,011 (0.9%)
Legal & General Group plc	5,160,216 (3.9%)	–	–
Royal London Asset Management	4,886,705 (3.7%)	–	–
Ignis Investment Services Ltd	–	3,915,857 (2.9%)	82,683 (0.1%)

In addition to the above, Capital Group notified an indirect interest in 4,149,068 Ordinary shares of 5p each in January 2008, then representing 5.9% of the issued Ordinary share capital. As no later notification, post rights and consolidation has been received, it is assumed that Capital Group, as investment managers, still retains an interest in between 5% and 10% of the current issued Ordinary share capital.

Directors

Details of the present Directors are listed on pages 18 and 19. All have served throughout the year except Bob Mackenzie who was appointed on 5 February 2010. In addition, Philip Rogerson resigned from the Board on 31 December 2009 and Steve Smith, Phil Moorhouse and Alan Noble all retired from the Board on 31 March 2010. Subsequent to the year end, Paul Tallentire resigned from the Board with effect from 4 June 2010.

The Board has decided to adopt, with immediate effect, the provision in the new UK Corporate Governance Code (which will replace the Combined Code with effect from accounting periods beginning on or after 29 June 2010) which requires all directors of FTSE 350 companies to be subject to annual election. Accordingly, resolutions to re-appoint each of the five Directors in office at the date of this report will be proposed at the Annual General Meeting.

Although not yet having conducted a formal evaluation process (see section 1 of the Corporate Governance Report on page 30), the Chairman is satisfied that the non-executive Directors continue to act effectively and to fulfill the duties and responsibilities expected of them, demonstrating commitment to the role, including commitment of time for meetings and meeting preparation.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 23 to 28.

The following are the interests of the Directors who were in office at the end of the financial year in the share capital of the Company. All interests are beneficial unless otherwise stated.

	Ordinary Shares of 50p each	Ordinary Shares of 5p each
	30 April 2010	1 May 2009
A Allner	**13,090**	11,900
J Astrand	**51,920**	47,200
T Brown	**52,634**	106,000
R Contreras	**105,000**	44,000
R Mackenzie	**–**	–†
P Tallentire	**40,700**	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 2010 and the date of this report, or, in the case of Paul Tallentire, the date of his resignation on 4 June 2010.

Details of options held by the Directors under the Company's various share schemes are given in the Remuneration Report on pages 23 to 28.

Directors' indemnities

As permitted by the Company's Articles of Association, qualifying third party indemnities for each Director of the Company were in place throughout 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 £13,000 (2009 – £18,000) 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 2010 the Group's creditor days were as shown in Note 21 to the accounts.

Employee consultation

Employees are kept informed on matters affecting them as employees and on various issues affecting the performance of the Group through announcements on the Group's intranet, to which all employees have access, formal and informal meetings at local level and direct written communications. All employees are eligible to participate on an equal basis in the Group's share incentive plan, which has been running successfully since its inception in 2000.

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 23 to 28, will be put to shareholders for approval at the Annual General Meeting.

Power to allot shares

The present authority of the Directors to allot shares was granted at the Annual General Meeting held in September 2009 and expires at the forthcoming Annual General Meeting. A resolution to renew that authority for a period expiring at the conclusion of the Annual General Meeting to be held in 2011 will be proposed at the Annual General Meeting. The authority will permit the Directors to allot up to £44m nominal of share capital (which represents less than 66% of the present issued Ordinary share capital and is within the limits approved by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds) on an offer to existing shareholders on a pre-emptive basis of which up to £22m only may be allotted otherwise than pursuant to a rights issue.

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

A special resolution will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis. The authority will be limited to an aggregate nominal amount of £3,320,000 representing approximately 5% of the current issued Ordinary share capital.

The Directors have no present intention of exercising this authority and confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative use of such authorities within a rolling three-year period. The Principles provide that companies should not issue shares for cash representing more than 7.5% of the Company's issued share capital in any rolling three-year period, other than to existing shareholders, without prior consultation with shareholders.

Length of notice of general meetings

The minimum notice period permitted by the Companies Act 2006 for general meetings of listed companies is 21 days, but the Act provides that companies may reduce this period to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the company offers a facility for shareholders to vote by electronic means. This condition is met if the company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. Please refer to Note 5 to the Notice of Meeting on page 86 for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

A resolution to approve 14 days as the minimum period of notice for all general meetings of the Company other than AGMs will be proposed at the Annual General Meeting. The approval will be effective until the Company's next AGM, when it is intended that the approval be renewed.

Employee share scheme

The Northgate All Employee Share Scheme ('the Scheme'), an all-employee share incentive scheme approved by HM Revenue & Customs, will come to the end of its ten year life this year.

The Scheme is currently offered to all eligible UK employees. Under current policy, such eligible employees are invited to buy shares in the Company at the end of a one year savings period using deductions from their gross salary of up to £1,500. Shares purchased under the Scheme are then matched by the Company on a 1:1 basis. The Scheme has facilitated wider employee share ownership and, accordingly, the Directors are seeking shareholder approval to renew the Scheme for a further ten years. The Scheme has been updated to reflect changes in the relevant tax legislation and market practice. The main terms of the Scheme are summarised on pages 88 and 89.

Financial instruments

Details of the Group's use of financial instruments are given in the Financial Review on pages 14 and 15 and in Notes 23 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 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.

By order of the Board

D Henderson
Secretary
29 June 2010

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 19.

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 take 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.

Following the reorganisation of the executive team, the Committee reviewed the structure of the remuneration packages for executive Directors and decided to lower base salaries and increase the weighting of the variable pay element that is linked to long-term performance. The Committee believes restraint on fixed pay is appropriate for the business going forward. The revised structure also offers a stronger linkage between executive remuneration and the long-term performance of the Company, providing greater alignment with the interests of shareholders.

In view of the pay and employment conditions of employees elsewhere in the Group, as well as the continuing impact of the recession on the performance of the Company, for the second year running no increase in salary was awarded to any Director at the annual review. As regards other staff, those eligible to participate in a bonus scheme in respect of the year 2009/10 received no increase in salary, whilst those who were not eligible were awarded an increase of 2%.

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

Bob Contreras has a rolling service contract, dated 2 June 2008, which may be terminated by 12 months notice from the Company or by six months notice from the Director.

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 salary paid to Bob Contreras is £350,000, with effect from his appointment as Chief Executive on 7 June 2010.

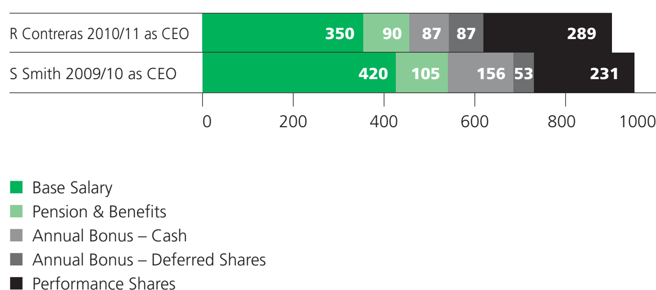
Basic salaries are normally reviewed annually taking into account the performance of the individual, changes in responsibilities, market trends and pay and employment conditions elsewhere in the Group.

Total remuneration

The chart below shows the balance between fixed and variable performance based pay for the Chief Executive comparing Steve Smith for the year ended 30 April 2010 with Bob Contreras for the year ending 30 April 2011 at a target level of performance.

Total reward can only be estimated, because the actual value of the cash and deferred bonus and performance shares will not be known until the end of the relevant performance period. We have assumed a target level of bonus of 50% of the maximum and an expected value of 55% of the face value has been used in respect of performance shares and 100% of the face value in respect of deferred bonus shares.

For the year ending 30 April 2011, on target performance has been assumed for the annual bonus scheme.



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. No such external appointments are currently held.

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
R Mackenzie	5 February 2010	4 February 2010
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:

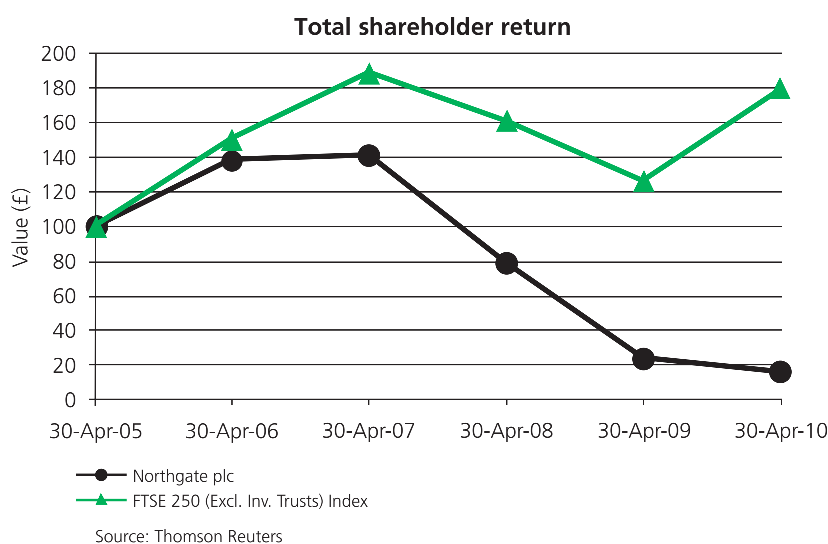
R Mackenzie	Chairman	£190,000**
A Allner	Chairman of Audit Committee	£46,000†
J Astrand	Non-executive Director	£39,000
T Brown	Senior Independent Director and Chairman of Remuneration Committee	£45,000*

** Including a supplement of £40,000 to reflect the extra work required in the first year of the appointment.
† 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 2010 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 received an amount of £6,250 in recognition of the additional time commitment required in respect of his appointment as a non-executive Director of both Fualsa and Record. These appointments terminated on 30 July 2009.

Performance graph

As required by The Directors' Remuneration Report Regulations 2008, 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 2010 was 212.45p (30 April 2009 – 146.75p). The range during the year was 50.25p to 142p (pre rights, placing and consolidation) and 182.5p to 278p (post rights, placing and consolidation).



This graph shows the value, by the 30 April 2010, of £100 invested in Northgate on 30 April 2005 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	Bonus £000	Benefits* £000	Compensation for loss of office	Total 2010 £000	Total 2009 £000	Pension contributions** 2010 £000	2009 £000
R Mackenzie***	44	–	–	–	44	–	–	–
P Rogerson*****	87	–	–	–	87	130	–	–
S Smith****	385	294	29	440†	1,148	456	145†	76
A Allner	46	–	–	–	46	46	–	–
J Astrand	45	–	–	–	45	64	–	–
T Brown	45	–	–	–	45	45	–	–
R Contreras	275	206	22	–	503	445	49	45
P Moorhouse****	252	168	27	232†	679	310	82†	50
A Noble****	192	190	30	256†	668	245	72†	38
P Tallentire	420	270	28	–	718	226	76	38
Total emoluments excluding pension contributions	1,791	1,128	136	928	3,983	1,967	–	–
Total pension contributions	–	–	–	–	–	–	424	247

* These benefits include: company car, private medical insurance, permanent health insurance and life assurance.
** All contributions are to a defined contribution type scheme.
*** From 5 February 2010.
**** To 31 March 2010.
***** To 31 December 2009.
† These payments reflect contractual entitlements on early termination. In the case of Steve Smith and Alan Noble, the payments include basic salary and benefits in lieu of working their 12 months notice period. In the case of Phil Moorhouse the payment reflects the balance of his 12 month notice period, being nine months salary and benefits. In all three cases, the bonus payments are an apportionment of eleven twelfths of the full amount for the year.

On 4 June 2010 Paul Tallentire ceased to be a Director of the Company and received a payment in compensation for loss of office of £482,000 including basic salary and benefits in lieu of working his 12 months notice period, in accordance with his contractual entitlement on early termination.

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 200% of basic salary for share awards each year (150% under the EPSP and 50% under the DABP).

In line with current best practice guidelines, the Committee has introduced clawback provisions into the rules of the EPSP, MPSP and DABP which can be invoked in the event of financial mis-statement or fraud and which will apply to all awards made in 2010 and subsequently.

Awards held by Directors during the year are shown in the table on page 27.

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 the year ended 30 April 2010, as referred to in last year's Remuneration Report, for the executive Directors, 75% of the total bonus will be paid in cash and 25% deferred as shares. In future years we will revert to 50% of the total bonus earned being paid in cash and 50% 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 chooses to leave 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.

Options over 168,469 deferred shares awarded to 84 executives were outstanding at 30 April 2010.

In respect of the year ended 30 April 2010, 50% of the total bonus for P Tallentire and R Contreras was weighted towards underlying PBT performance, 25% towards net debt, and the remaining 25% to personal KPIs, with the cash flow and KPI elements also being subject to an over-riding profit qualification. The stretch PBT target of £30.25m and the stretch net debt target of £650m were both achieved. The bonuses payable are set out below.

	Value £000	Cash % of basic salary Awarded	Maximum
R Contreras	154	56	75
P Tallentire*	270	65	100
S Smith*	294	76	100
P Moorhouse*	168	67	100
A Noble*	190	99	100

	Value £000	Shares % of basic salary Awarded	Maximum
R Contreras	52	19	25

* These bonuses were paid wholly in cash on termination of their appointments.

It is intended that the number of shares to be awarded will be calculated based on the closing mid-market price on 30 June 2010, being the date of the preliminary results announcement.

Due to recent Board changes, the targets in respect of the year ending 30 April 2011 had not been determined at the time of publication of these accounts.

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

Executive performance share plan

Currently only 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 historically grants have been limited to 100% of salary. However, following the recent restructuring of the executive team, it has been decided that it will provide more incentive to combine the lower base salaries now awarded with a higher level of EPSP grant and so the normal level of grant has now been increased to 150% of annual salary. The performance targets applying to the grants to be made in 2010 will be a mixture of underlying basic earnings per share (EPS) (2/3rds) and return on capital employed (ROCE) 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. 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. Currently EPS targets are set for the third year of the three year performance period and ROCE targets are set for the average of the three years of the performance period.

The relevant targets are:-

	EPS in 3rd Year		ROCE average over 3 years	
	Threshold	Stretch	Threshold	Stretch
2009 award	18.3p	21p	8.7%	10.4%
2010 award	31.45p	37p	10.2%	12%

	At 1 May 2009	Rights issue conversion & consoli-dation	Number granted	Market price at grant p	Number exercised	Date of exercise	Exercise Price p	Share price on date of exercise p	Gross gain on exercise £	Number lapsed	At 30 April 2010	Normally exercisable
Executive performance share plan												
S Smith	156,862	75,315	–	267.5	–	–	–	–	–	(75,315)	–	Vest Sep 2011
R Contreras	102,707	49,313	–	267.5	–	–	–	–	–	–	49,313***	Vest Sep 2011
	–	–	130,952	157.5	–	–	–	–	–	–	130,952	Vest Oct 2012
	102,707	49,313	130,952	–	–	–	–	–	–	–	180,265	
P Moorhouse	102,707	49,313	–	267.5	–	–	–	–	–	(49,313)	–	Vest Sep 2011
A Noble	78,431	37,657	–	267.5	–	–	–	–	–	(37,657)	–	Vest Sep 2011
P Tallentire	316,384	151,908	–	133	–	–	–	–	–	–	151,908†	Vest Sep 2011
	–	–	200,000	157.5	–	–	–	–	–	–	200,000†	Vest Oct 2012
	316,384	151,908	200,000	–	–	–	–	–	–	–	351,908	
	757,091	**363,506**	**330,952**	**–**	**–**	**–**	**–**	**–**	**–**	**(162,285)**	**532,173**	
Deferred annual bonus plan												
S Smith	1,750	8,402	–		(8,402)*	8.9.09	–	24	2,016	–	–	Jul 2009 – Jul 2011
	16,234	7,794	–		(7,794)	7.4.10	–	187	14,575	–	–	Jul 2010 – Jul 2012
	59,041	28,347	–		(28,347)	7.4.10	–	187	53,009	–	–	Jul 2011 – Jul 2013
	77,025	44,543	–		(44,543)	–	–	–	69,600	–	–	
P Moorhouse	1,100	528	–		–	–	–	–	–	–	528	By 30 Sept 2010
	8,905	4,275	–		–	–	–	–	–	–	4,275	By 30 Sept 2010
	38,376	18,425	–		–	–	–	–	–	–	18,425	By 30 Sept 2010
	48,381	23,228	–		–	–	–	–	–	–	23,228	
A Noble	850	408	–		(408)	14.4.10	–	190	775	–	–	Jul 2009 – Jul 2011
	6,865	3,296	–		(3,296)	14.4.10	–	190	6,262	–	–	Jul 2010 – Jul 2012
	29,250	14,173	–		(14,173)	14.4.10	–	190	26,929	–	–	Jul 2011 – Jul 2013
	36,965	17,877	–		(17,877)	–	–	–	33,966	–	–	
	162,371	**85,648**	**–**		**(62,420)**	**–**	**–**	**–**	**103,566**	**–**	**23,228**	
Northgate share option scheme												
S Smith	20,000	9,602	–		–	–	663	–	–	(9,602)	–	Aug 2007 – Feb 2010
	27,500	13,038	–		–	–	1,939	–	–	–	13,038**	By 31 March 2011
	50,000	–	–		–	–	1,037	–	–	(50,000)	–	Jul 2009 – Jul 2016
	55,650	26,719	–		–	–	1,078	–	–	(26,719)	–	Jul 2010 – Jul 2017
	153,150	49,359	–		–	–	–	–	–	(86,321)	13,038	
P Moorhouse	4,500	2,160	–		–	–	663	–	–	(2,160)	–	Aug 2007 – Feb 2010
	19,000	9,058	–		–	–	1,939	–	–	–	9,058**	By 31 March 2011
	25,000	–	–		–	–	1,037	–	–	(25,000)	–	Jul 2009 – Jul 2016
	36,150	17,357	–		–	–	1,078	–	–	(17,357)	–	Jul 2010 – Jul 2017
	84,650	28,575	–		–	–	–	–	–	(44,517)	9,058	
A Noble	17,000	7,990	–		–	–	1,939	–	–	–	7,990**	By 31 March 2011
	20,000	–	–		–	–	1,037	–	–	(20,000)	–	Jul 2009 – Jul 2016
	27,800	12,679	–		–	–	1,078	–	–	(12,679)	–	Jul 2010 – Jul 2017
	64,800	20,669	–		–	–	–	–	–	(32,679)	7,990	
	302,600	**98,603**	**–**		**–**	**–**	**–**	**–**	**–**	**(163,517)**	**30,086**	
Executive incentive scheme												
S Smith	90,000	–	–		–	–	492.5	–	–	(90,000)	–	Sep 2003 – Sep 2009
A Noble	43,512	–	–		–	–	492.5	–	–	(43,512)	–	Sep 2003 – Sep 2009
	133,512	**–**	**–**		**–**	**–**	**–**	**–**	**–**	**(133,512)**	**–**	

* These options were exercised post the rights issue adjustment but pre-consolidation.

† These share options lapsed on leaving the Company on 4 June 2010.

** Even though these options are exercisable, the performance condition having been achieved in 2008, given the exercise price (which has been adjusted for the rights issue and consolidation) it is unlikely that they will be exercised before the date shown above, on which they will lapse.

*** It is not expected that the award due to vest in September 2011 will achieve its performance targets.

Where options lapsed in the period preceding the rights issue and consolidation these options have not been adjusted.

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 is capped at 100% of salary. Awards do not normally exceed 50% of salary.

The Committee believes that the most appropriate measure of performance against the business plan is one based on divisional earnings before interest and tax 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 2010 with regard to awards made under the MPSP is as follows:-

	2007	2008	2009	Total
Original award of shares adjusted as appropriate for rights issue and consolidation	68,713	283,486	872,638	1,224,837
Lapsed	40,810	126,026	–	166,836
Will vest after 3 years	10,919	–	–	10,919
Remaining subject to performance	16,984	157,460	872,638	1,047,082

The above awards are held by 48 executives, including 5 in Spain.

All employee share scheme

The All Employee Share Scheme (AESS), which is approved by HM 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 ninth annual cycle ended in December 2009 and resulted in 626 employees acquiring 346,584 Partnership shares at 159p each and being allocated the same number of Matching shares. As at 30 April 2010 the Trust held 1,299,455 50p Ordinary shares that have been allocated to employees from the first nine cycles.

The tenth annual cycle started in January 2010 and currently some 470 employees are making contributions to the scheme at an annualised rate of £435,000.

The current scheme expires in September 2010. A resolution to approve a new scheme on the same basis as the existing scheme will be proposed at the Annual General Meeting.

Share ownership guidelines

The executive Directors of the Company are expected to comply with Share Ownership Guidelines. Broadly, these require executive Directors to accumulate, over a period of five years from the date of appointment, 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 2010, the value of Bob Contreras' shareholdings expressed as a percentage of his basic salary on that date was 81%.

Sourcing of shares and dilution

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

DABP and MPSP

Through open market purchases by an employee benefit trust based in Guernsey ('the Guernsey Trust'). During the year 300,000 50p (2009 – 825,000 5p) Ordinary shares were purchased by the Guernsey Trust and 59,490 5p and 69,091 50p (2009 – 78,242 5p) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2010 the Guernsey Trust held 78,001 50p (2009 – 557,399 5p) Ordinary shares as a hedge against the Group's obligations under these schemes.

EPSP

Shares to satisfy the vesting of awards under the EPSP may be sourced either from new issue or through open market purchases. Under normal circumstances, the first vesting under this scheme will not occur until September 2011. The Board has not yet made a decision as to which option (or a combination) it will pursue.

AESS

Partly new issue and partly market purchase. 331,515 50p (2009 – 700,000 5p) Ordinary shares were acquired from the Guernsey Trust which, together with 15,069 50p (2009 – 14,596 5p) forfeited shares held following early withdrawals, were used to satisfy the award of Partnership Shares. The award of Matching Shares was satisfied by the allotment of 346,583 new 50p Ordinary shares.

At 30 April 2010 the Capita Trust held 21,096 50p (2009 – 9,822 5p) Ordinary shares which had been forfeited as a result of early withdrawals post January 2010.

Tom Brown
Chairman of the Remuneration Committee
29 June 2010

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 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 2010 are given on page 30.

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 2009, the Committee has:

- reviewed the financial statements for the years ended 30 April 2009 and 2010, the half yearly report issued in December 2009 and Interim Management Statements issued in September 2009 and March 2010. As part of this review process, the Committee received reports from Deloitte LLP on the full and half year results:
- 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 procedures;
- reviewed the application of IFRS 8 (*Operating Segments*) on the Group's financial reporting;
- reviewed the Group's depreciation policy;
- reviewed the Group's corporate taxation arrangements;
- monitored the progress of a major IT project in the UK;
- reviewed reports on asset impairment;
- 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 compliance 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;
- Tax advisory and other 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 50.

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
29 June 2010

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 one executive and four non-executive Directors, details of whom are shown on pages 18 and 19. 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.

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	10	4	9
R Mackenzie*	3	–	4
P Rogerson**	7	–	4
S Smith***	9	–	–
A Allner	10	4	8
J Astrand	10	4	9
T Brown	10	4	9
P Moorhouse***	9	–	–
A Noble***	7	–	–
R Contreras	10	–	–
P Tallentire	10	–	–

* From 5 February 2010
** To 31 December 2009
*** To 31 March 2010

All Directors in office at that time, with the exception of Alan Noble, were present at the Annual General Meeting held in September 2009.

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. However, as referred to in the Report of the Directors, the Board has decided on early adoption of the provision in the new UK Corporate Governance Code which will require all Directors of FTSE 350 companies to be subject to annual election. Accordingly, resolutions to re-appoint all Directors currently in office will be proposed at the Annual General Meeting.

The Board has established a Nominations Committee, which is chaired by Mr Mackenzie. 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, Mr Rogerson started an evaluation process of the performance of individual Directors, of the Board as a whole and of its committees. Detailed questionnaires were completed by each Director but Mr Rogerson left the Board before the process could be completed. Mr Mackenzie will be reviewing the evaluation process over the coming year.

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 year and to the date of signing of this 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 23 to 28.

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 2 to 15.

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 risks is reviewed by the Board and the Group's management at their monthly meetings. The Board is therefore able to confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of these accounts and accords with the Turnbull guidance.

Information and communication

The Group has a comprehensive system for reporting financial results to the Board. Each operating unit prepares monthly accounts with a comparison against their business plan and against the previous year, with regular review by management of variances from targeted performance levels. A business plan is prepared by management and approved by the Board annually. Each operating unit prepares a two-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 29.

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-executive Directors 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 was explained in last year's report there was a planned period of overlap between the appointment of Paul Tallentire and the retirement of Steve Smith which means that the balance of the Board was not in compliance during that period. Following the early retirements of Steve Smith, Phil Moorhouse and Alan Noble on 31 March 2010, the balance of the Board has been, and continues to be in, compliance.

By order of the Board

D Henderson
Secretary

29 June 2010

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 safety and environmental policies is devolved to operational management at all locations in the UK and Spain.

As the leading commercial vehicle hire company in Europe, a commitment to the highest safety and environmental standards is at the heart of our business.

Northgate has an excellent safety record and we have a proactive approach and culture across the Group that ensures the health and safety of our employees and our customers is our top priority.

Injury prevention is one of our core objectives. We believe all injuries are preventable and acknowledge that we have a responsibility to our employees, customers and stakeholders to work safely and conduct our operations in the safest way possible. Health and safety performance is monitored across the business and immediate action is taken to address issues in our business processes wherever necessary. Reports on health and safety performance in both the UK and Spain are reviewed by the Board on a regular basis.

Our approach to safety management includes specific training for senior operational managers, employees and supervisory staff. Much of the training in the UK is externally accredited by the British Safety Council and is carried out in-house by the Safety and Environmental team. The Group remains committed to continually raising safety and environmental awareness and standards through the provision of training for all employees.

The Group health and safety policy is to identify all potential hazards and assess the risks presented by its activities. This process enables the Company to provide systems and procedures which allow employees at all levels to take responsible decisions in their day to day work in relation to their own and others' health and safety. The Company promotes awareness to potential risks and hazards and the implementation of corresponding preventative or remedial actions through its intranet, procedures manuals and regular communications on topical issues.

To monitor compliance against Group operating policies all locations in the UK and Spain undergo systematic reviews and audits of safety and environmental standards and conditions at least annually. Should any issues be identified during this process they are dealt with in an appropriate and timely manner in accordance with policy and legislative requirements.

In Spain we have now successfully implemented a comprehensive and robust safety and environmental management system similar to those controls adopted within the UK but which also takes into account local legislative requirements. A safety and environmental team is now firmly established and controls in Spain undergo regular reviews to ensure compliance with Group operational requirements. The operating business in Spain is also certified to the internationally recognised Environmental Standard ISO 14001.

Our operations across the Group give rise to both hazardous and non-hazardous waste including waste from offices and workshops. During the year we have made significant progress in improving our dry waste recycling rates in the UK by working closely with our waste management partners. In the UK 30% of our dry waste and 98% of workshop waste streams were recycled. In Spain we are currently undertaking a review of waste management arrangements and would hope to be able to generate similar waste recycling figures to that achieved in the UK. We will be looking to improve our waste recycling rates for both hazardous and non-hazardous waste across all locations in the UK and Spain.

With the aim of reducing water usage we undertook a trial process of monitoring water usage at a number of our sites. As a result we implemented a number of water usage controls at these locations which resulted in an 11% reduction in our water consumption over the year. We intend to roll out these controls across the Group over the next couple of years and continue to investigate other ways of reducing water consumption. Our total consumption in the UK for the period was 51,500 cubic metres.

The Group is a corporate sponsor of Brake, the road safety charity, and is a member of the British Safety Council and the Royal Society for the Prevention of Accidents (RoSPA). For the second successive year we received a Gold Award from RoSPA in recognition of our health and safety arrangements in the UK. In addition, and also for the second successive year we received the British Safety Council's International Award for our health and safety arrangements in the UK.

During the year under review, no incidents resulting in fatality or significant pollution occurred at any of our locations. No formal notices were issued by enforcement authorities.

Vehicle fleet

The total fleet in the UK and Republic of Ireland at 30 April 2010 was 60,900, with an average age of 20.8 months, of which 13% were cars and the remainder commercial vehicles. The total fleet in Spain at 30 April 2010 was 48,900 vehicles with an average age of 27.2 months of which 46% were cars and the remainder commercial vehicles.

Vehicles were sold after an average life of 33.2 months in the UK and 42.5 months in Spain.

Our fleet is therefore, comprised entirely of modern vehicles. All purchases in the year ended 30 April 2010 were Euro IV compliant.

Property

As at 30 April 2010, the vehicle rental business in the UK and Republic of Ireland operated out of 65 properties, of which 20 are primary sites and 45 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.

Two of the larger sites share premises with Northgate Vehicle Sales who have a further seven 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 are two stand alone body shop facilities in Warwick and Huddersfield.

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 (IFRS) 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 IFRS as adopted by the EU. Under company law the Directors must not approve the financial statements 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, IAS 1 (*Presentation of Financial Statements*) 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 IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.

By order of the Board

Bob Contreras
Chief Executive Officer

29 June 2010

Independent Auditors' Report to the Members of Northgate plc

We have audited the financial statements of Northgate plc for the year ended 30 April 2010 which comprise the consolidated income statement, the Group and Parent Company statements of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company statements of changes in equity, notes to the cash flow statements and the related notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 Chapter 3 of Part 16 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 2010 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS 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 Report of the Directors 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 June 2008 Combined Code specified for our review.

Paul Feechan (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds, United Kingdom

29 June 2010

Consolidated income statement

For the year ended 30 April 2010

	Notes	Underlying 2010 £000	Statutory 2010 £000	Underlying 2009 £000 (As restated)	Statutory 2009 £000 (As restated)
Revenue: hire of vehicles and fleet management	4,5	**563,698**	**563,698**	609,645	609,645
Revenue: sale of vehicles	4,5	**185,875**	**185,875**	160,887	160,887
Total revenue	4,5	**749,573**	**749,573**	770,532	770,532
Cost of sales		**(599,045)**	**(599,045)**	(642,592)	(642,592)
Gross profit		**150,528**	**150,528**	127,940	127,940
Administrative expenses (excluding exceptional items, impairment of assets and intangible amortisation)		**(67,709)**	**(67,709)**	(56,173)	(56,173)
Exceptional administrative expenses	35	**–**	**(6,720)**	–	(3,123)
Impairment of assets	35	**–**	**–**	–	(180,921)
Intangible amortisation	15	**–**	**(4,990)**	–	(5,254)
Total administrative expenses		**(67,709)**	**(79,419)**	(56,173)	(245,471)
Profit (loss) from operations	5,6	**82,819**	**71,109**	71,767	(117,531)
Interest income	8	**770**	**770**	6,438	6,438
Finance costs (excluding exceptional items)	9	**(47,048)**	**(47,048)**	(50,691)	(50,691)
Exceptional finance costs	9,35	**–**	**(15,216)**	–	(33,830)
Total finance costs		**(47,048)**	**(62,264)**	(50,691)	(84,521)
Profit (loss) before taxation		**36,541**	**9,615**	27,514	(195,614)
Taxation	10	**(8,295)**	**14,741**	(8,327)	9,912
Profit (loss) for the year		**28,246**	**24,356**	19,187	(185,702)

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

Underlying profit excludes exceptional items and impairment of assets as set out in Note 35 as well as intangible amortisation and the taxation thereon in order to provide a better indication of the Group's underlying business performance.

Earnings per share					
Basic	12	**26.8p**	**23.1p**	59.2p	(572.6)p
Diluted	12	**26.4p**	**22.8p**	57.9p	(560.0)p

Statements of comprehensive income

For the year ended 30 April 2010

	Notes	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Amounts attributable to equity holders of the Parent Company					
Profit (loss) attributable to equity holders		**24,356**	(185,702)	**(13,118)**	21,565
Other comprehensive income					
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	**–**	–
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)	**–**	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings after subsequent change in level of net investment hedging relationship	32	**(3,929)**	(18,108)	**–**	–
Net foreign exchange differences on long term borrowings held as hedges after subsequent change in level of net investment hedging relationship	32	**3,929**	5,299	**–**	–
Foreign exchange difference on revaluation reserve	28	**(35)**	158	**–**	–
Net fair value losses on cash flow hedges	31	**(14,681)**	(7,801)	**(14,762)**	(2,035)
Deferred tax credit recognised directly in equity relating to cash flow hedges	25	**4,110**	839	**4,130**	675
Actuarial losses on defined benefit pension scheme	38	**(221)**	(109)	**–**	–
Deferred tax (charge) credit recognised directly in equity relating to defined benefit pension scheme	25	**(8)**	31	**–**	–
Total other comprehensive income		**(10,835)**	**(11,105)**	**(10,632)**	**(1,360)**
Total comprehensive income for the year		**13,521**	**(196,807)**	**(23,750)**	**20,205**

Balance sheets

As at 30 April 2010

	Notes	Group 2010 £000	Group 2009 £000 (As restated)	Group 2008 £000 (As restated)	Company 2010 £000	Company 2009 £000
Non-current assets						
Goodwill	14	**3,589**	3,589	83,152	**–**	–
Other intangible assets	15	**20,449**	23,875	28,475	**–**	–
Property, plant and equipment: vehicles for hire	16	**741,543**	848,654	1,012,259	**–**	–
Other property, plant and equipment	17	**86,512**	89,917	81,960	**2,766**	2,828
Total property, plant and equipment		**828,055**	938,571	1,094,219	**2,766**	2,828
Financial instrument assets	23	**14,622**	–	3,361	**14,622**	–
Deferred tax assets	25	**18,409**	17,138	–	**2,462**	–
Investments	18	**–**	–	–	**147,895**	147,895
		885,124	983,173	1,209,207	**167,745**	150,723
Current assets						
Inventories: vehicles held for resale	19	**18,406**	19,809	30,566	**–**	–
Inventories: other	19	**4,527**	5,397	6,606	**–**	–
Trade and other receivables	20	**142,175**	182,975	189,727	**960,562**	957,946
Financial instrument assets	23	**–**	65,028	142	**–**	65,028
Current tax asset		**–**	4,006	–	**–**	–
Cash and cash equivalents		**85,343**	80,036	48,763	**38,737**	13,215
		250,451	357,251	275,804	**999,299**	1,036,189
Total assets		**1,135,575**	**1,340,424**	**1,485,011**	**1,167,044**	**1,186,912**
Current liabilities						
Financial instrument liabilities	23	**–**	9,904	244	**–**	15,688
Trade and other payables	21	**86,687**	76,781	87,197	**196,015**	11,726
Current tax liabilities	24	**16,439**	5,572	15,728	**–**	–
Short term borrowings	22	**153,349**	92,621	8,414	**152,236**	58,835
		256,475	184,878	111,583	**348,251**	86,249
Non-current liabilities						
Financial instrument liabilities	23	**8,794**	–	2,883	**8,794**	-
Long term borrowings	22	**547,061**	922,931	934,357	**544,955**	919,648
Deferred tax liabilities	25	**17,600**	49,391	37,082	**–**	1,620
Retirement benefit obligation	38	**539**	465	553	**–**	–
		573,994	972,787	974,875	**553,749**	921,268
Total liabilities		**830,469**	**1,157,665**	**1,086,458**	**902,000**	**1,007,517**
NET ASSETS		**305,106**	**182,759**	**398,553**	**265,044**	**179,395**
Equity						
Share capital	26	**66,475**	3,527	3,527	**66,475**	3,527
Share premium account	27	**113,269**	67,972	67,972	**113,269**	67,972
Revaluation reserve	28	**1,330**	1,365	1,207	**1,371**	1,371
Own shares	29	**(891)**	(2,302)	(9,006)	**–**	–
Merger reserve	30	**67,463**	67,463	67,463	**63,159**	63,159
Hedging reserve	31	**(5,720)**	4,851	7,110	**(5,378)**	5,254
Translation reserve	32	**(5,656)**	(5,656)	3,817	**–**	–
Capital redemption reserve	33	**40**	40	40	**40**	40
Retained earnings	34	**68,796**	45,499	256,423	**26,108**	38,072
TOTAL EQUITY		**305,106**	**182,759**	**398,553**	**265,044**	**179,395**

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 29 June 2010.

They were signed on its behalf by:

RD Mackenzie Director
RL Contreras Director

Cash flow statements

For the year ended 30 April 2010

		Group		Company	
		2010 £000	2009 £000 (As restated)	**2010 £000**	2009 £000
Net cash from (used in) operations including net capital expenditure on vehicles for hire	(a)	**188,525**	**173,591**	**(54,325)**	**(53,076)**
Investing activities					
Interest received		**770**	7,183	**236**	–
Dividends received from subsidiary undertakings		**–**	–	**56,701**	82,823
Proceeds from disposal of other property, plant and equipment		**1,805**	1,813	**–**	–
Purchases of other property, plant and equipment		**(4,617)**	(9,234)	**–**	–
Purchases of intangible assets		**(1,849)**	(936)	**–**	–
Payment of deferred consideration		**–**	(519)	**–**	–
Net cash (used in) from investing activities		**(3,891)**	**(1,693)**	**56,937**	**82,823**
Financing activities					
Dividends paid		**–**	(19,302)	**–**	(19,302)
Repayments of obligations under finance leases		**(37)**	(331)	**–**	–
Repayments of bank loans and other borrowings		**(255,422)**	(107,174)	**(216,924)**	(167,250)
Debt issue costs paid		**(31,358)**	–	**(31,358)**	–
Increase in bank loans and other borrowings		**–**	30,873	**–**	61,969
Loans from subsidiary undertakings		**–**	–	**181,680**	143,211
Settlement of financial instruments with subsidiary undertaking		**–**	–	**(21,620)**	–
Proceeds from issue of share capital		**108,245**	–	**108,245**	–
Proceeds from sale of own shares		**–**	1,373	**–**	–
Payments to acquire own shares for share schemes		**(674)**	(4,057)	**(684)**	–
Settlement of financial instruments		**–**	(9,646)	**–**	(9,646)
Termination of financial instruments		**–**	(32,666)	**–**	(32,666)
Net cash (used in) from financing activities		**(179,246)**	**(140,930)**	**19,339**	**(23,684)**
Net increase in cash and cash equivalents		**5,388**	30,968	**21,951**	6,063
Cash and cash equivalents at 1 May		**80,036**	48,763	**13,215**	7,152
Effect of foreign exchange movements		**(81)**	305	**3,571**	–
Cash and cash equivalents at 30 April	(b)	**85,343**	**80,036**	**38,737**	**13,215**

The above cash generated from operations is stated after the following net capital expenditure on vehicles for hire:

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Purchase of vehicles	**(299,144)**	(320,395)	–	**–**
Proceeds from disposal of vehicles	**189,409**	149,190	–	**–**
	(109,735)	(171,205)	–	**–**
Cash generated from operations excluding net capital expenditure on vehicles for hire	**298,260**	**344,796**	**–**	**–**

Notes to the cash flow statements

(a) Net cash from (used in) operations including net capital expenditure on vehicles for hire	Group 2010 £000	Group 2009 £000 (As restated)	Company 2010 £000	Company 2009 £000
Profit (loss) from operations	**71,109**	(117,531)	**(7,496)**	(4,766)
Adjustments for:				
Depreciation of property, plant and equipment	**229,752**	294,659	**62**	61
Impairment of assets	**–**	180,921	**–**	–
Exchange differences	**58**	28	**(225)**	(458)
Amortisation of intangible assets	**4,990**	5,254	**–**	–
Gain on disposal of property, plant and equipment	**(491)**	(82)	**–**	–
Share options fair value charge	**1,154**	788	**1,154**	788
Operating cash flows before movements in working capital and net capital expenditure on vehicles for hire	**306,572**	**364,037**	**(6,505)**	**(4,375)**
Decrease in inventories	**832**	1,334	**–**	–
Decrease (increase) in receivables	**31,826**	18,293	**893**	(3,570)
Increase (decrease) in payables	**6,511**	22,871	**(611)**	409
Cash generated from (used in) operations before net capital expenditure on vehicles for hire	**345,741**	**406,535**	**(6,223)**	**(7,536)**
Income taxes repaid (paid)	**835**	(10,698)	**–**	–
Interest paid	**(48,316)**	(51,041)	**(48,102)**	(45,540)
Cash generated from (used in) operations before net capital expenditure on vehicles for hire	**298,260**	**344,796**	**(54,325)**	**(53,076)**
Purchase of vehicles	**(299,144)**	(320,395)	**–**	–
Proceeds from disposal of vehicles	**189,409**	149,190	**–**	–
Net cash from (used in) operations including net capital expenditure on vehicles for hire	**188,525**	**173,591**	**(54,325)**	**(53,076)**

(b) Cash and cash equivalents

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

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

	Group 2010 £000	Group 2009 £000	Company 2010 £000	Company 2009 £000
Cash in hand and at bank	**85,343**	27,757	**38,737**	13,215
Short term investments	**–**	52,279	**–**	–
Net cash and cash equivalents	**85,343**	**80,036**	**38,737**	**13,215**

Statements of changes in equity

For the year ended 30 April 2010

Group

	Share capital and share premium £000	Own shares £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2008	**71,499**	**(9,006)**	**7,110**	**3,817**	**68,710**	**256,423**	**398,553**
Share options fair value charge	–	–	–	–	–	788	**788**
Share options exercised	–	–	–	–	–	(1,600)	**(1,600)**
Loss attributable to equity holders	–	–	–	–	–	(185,702)	**(185,702)**
Dividends paid	–	–	–	–	–	(19,359)	**(19,359)**
Purchase of own shares	–	(4,057)	–	–	–	–	**(4,057)**
Sale of own shares	–	5,241	–	–	–	–	**5,241**
Other comprehensive income	–	–	(6,962)	(4,223)	158	(78)	**(11,105)**
Transfers between equity reserves	–	5,520	4,703	(5,250)	–	(4,973)	**–**
Total equity at 1 May 2009	**71,499**	**(2,302)**	**4,851**	**(5,656)**	**68,868**	**45,499**	**182,759**
Share options fair value charge	–	–	–	–	–	1,154	**1,154**
Share options exercised	–	–	–	–	–	(1,984)	**(1,984)**
Issue of Ordinary share capital (net of expenses)	108,245	–	–	–	–	–	**108,245**
Profit attributable to equity holders	–	–	–	–	–	24,356	**24,356**
Purchase of own shares	–	(674)	–	–	–	–	**(674)**
Sale of own shares	–	2,085	–	–	–	–	**2,085**
Other comprehensive income	–	–	(9,602)	(969)	(35)	(229)	**(10,835)**
Transfers between equity reserves	–	–	(969)	969	–	–	**–**
Total equity at 30 April 2010	**179,744**	**(891)**	**(5,720)**	**(5,656)**	**68,833**	**68,796**	**305,106**

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

Company

	Share capital and share premium £000	Revaluation reserve £000	Hedging reserve £000	Merger reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Total equity at 1 May 2008	**71,499**	**1,371**	**6,614**	**63,159**	**40**	**35,078**	**177,761**
Share options fair value charge	–	–	–	–	–	788	**788**
Profit attributable to equity holders	–	–	–	–	–	21,565	**21,565**
Dividends paid	–	–	–	–	–	(19,359)	**(19,359)**
Other comprehensive income	–	–	(1,360)	–	–	-	**(1,360)**
Total equity at 1 May 2009	**71,499**	**1,371**	**5,254**	**63,159**	**40**	**38,072**	**179,395**
Share options fair value charge	–	–	–	–	–	1,154	**1,154**
Issue of Ordinary share capital (net of expenses)	108,245	–	–	–	–	–	**108,245**
Loss attributable to equity holders	–	–	–	–	–	(13,118)	**(13,118)**
Other comprehensive income	–	–	(10,632)	–	–	–	**(10,632)**
Total equity at 30 April 2010	**179,744**	**1,371**	**(5,378)**	**63,159**	**40**	**26,108**	**265,044**

Notes to the Accounts

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 90. 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 15.

The accounts 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.

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The accounts have also been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the European Union (EU) and therefore the Group accounts comply with Article 4 of the EU 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.

Going concern

The accounts continue to be prepared on a going concern basis since the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future as set out on page 15 of the Financial Review.

Changes in accounting policy

(a) Change to policy in respect of attributable costs to sell used vehicles

A change in accounting policy was adopted in the year so that certain costs which are directly attributable to the sale of used vehicles are taken into account in determining net residual value on disposal and, therefore, are adjusted against depreciation charges. There is no impact on the profit of the Group. As a result of this change, depreciation is increased by £12,052,000 (2009 – £11,336,000), cost of sales is increased by £4,035,000 (2009 – £3,246,000) and administrative expenses are reduced by £4,035,000 (2009 – £3,246,000). There is no change to net cash from operations. Proceeds from disposal of vehicles for hire are reduced by £12,052,000 (2009 – £11,336,000). There is no impact on the Group balance sheet.

(b) Change to property, plant and equipment policy

A change in accounting policy was adopted in the year so that certain costs incurred to bring vehicles for hire into use, previously classified as inventories in the balance sheet, have been classified within property, plant and equipment (vehicles for hire). As a result of this change, property plant and equipment is increased and inventories are reduced by £4,559,000 (2009 – £5,553,000). There is no impact on the profit of the Group. As a result of this change, depreciation is increased by £4,963,000 (2009 – £5,118,000). There is no net change to cost of sales. There is no net change to net cash from operations. Purchases of vehicles are increased by £3,973,000 (2009 – £5,132,000) and the change in inventories is decreased by £990,000 (2009 – increased by £14,000).

The Group has adopted the following standards and interpretations which are mandatory for the first time for the financial year beginning 1 May 2009.

(c) IFRS 8 (Operating Segments)

The Group has determined operating segments in accordance with this standard for the first time and these are as shown in Note 5.

(d) Amendment to IAS 16 (Property, Plant and Equipment) and consequential amendment to IAS 7 (Statement of Cash Flows)

In accordance with amendments made to IAS 16 by the International Accounting Standards Board, used vehicles are now required to be shown within inventories rather than non-current assets held for sale, as previously required. The impact of this classification can be seen in the Group balance sheet.

The sales proceeds obtained for those assets are now required to be recognised within revenue, the impact of which can been seen in Note 4, and, in accordance with IAS 7, the associated cash flows, in respect of sales and purchases of vehicles, are now recognised within operating cash flows in the Group cash flow statement rather than investing cash flows, as previously required.

(e) Amendments to IAS 1 (Presentation of Financial Statements)

The Group is now required to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. This replaces the statement of recognised income and expense.

There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

In accordance with IAS 1, financial instruments with maturity dates greater than twelve months from the balance sheet date are classified as non-current assets and non-current liabilities rather than current assets and current liabilities. This is with the exception of those derivatives with maturity dates greater than twelve months from the balance sheet date which are expected to be settled within twelve months, which are stated as current assets and current liabilities, as appropriate.

Deferred tax assets have been reclassified as non-current assets in accordance with IAS 1.

In accordance with IAS 8 (*Accounting Policies, Changes in Accounting Estimates and Errors*), prior period comparatives have been restated accordingly, as a result of the above changes in accounting policy.

(f) Other new standards and interpretations

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 May 2009 but have no material impact on the consolidated results or financial position of the Group.

IFRS 2	Share-based Payment – Amendment relating to vesting conditions and cancellations
IFRS 7	Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk
IAS 1	Presentation of Financial Statements – Amendments relating to disclosure of puttable instruments and obligations arising on liquidation
IAS 23	Borrowing costs – Comprehensive revision to prohibit immediate expensing
IAS 27	Consolidated and Separate Financial Statements – Amendment relating to cost of an investment on first time adoption
IAS 32	Financial Instruments: Presentation – Amendments relating to puttable instruments and obligations arising on liquidation
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of a Net Investment in a Foreign Operation

(g) New standards and interpretations issued but not yet effective

The following new standards, amendments to standards and interpretations have been issued with an effective date for financial years beginning on or after the dates disclosed below.

IFRS 2	Share-based Payment – Amendment relating to group cash-settled share-based payment transactions	1 July 2009
IFRS 3	Business Combinations – Comprehensive revision on applying the acquisition method	1 July 2009
IFRS 9	Financial Instruments	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 28	Investments in Associates – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 31	Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS 3	1 July 2009
IAS 32	Financial Instruments: Presentation – Amendments relating to classification of rights issues	1 February 2010
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	1 July 2009
IFRIC 17	Distribution of Non-cash Assets to Owners	1 July 2009
IFRIC 18	Transfer of Assets from Customers	1 July 2009
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

The Directors do not expect that there will be any material impact on the Group's accounts on adoption of the above standards and interpretations.

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 accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2009 and 30 April 2010. 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 accounts 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Revenue recognition

Group revenue is measured at the fair value of the consideration received or receivable in respect of the hire of vehicles, sale of used 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.

Revenue from the sale of used vehicles 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. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

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 inventories 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 directly attributable costs to sell the vehicles.

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

Depreciation on revalued buildings is charged to the income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. The residual value, if not insignificant, is reassessed annually.

Fixed asset investments

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

2. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Where an impairment loss has been recognised in an earlier period, the Group reassesses whether there are any indications that such impairment has decreased or no longer exists.

Inventories

Used vehicles held for resale 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.

Other inventories comprise spare parts and consumables and are valued at the lower of cost or net realisable value.

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 accounts 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

The fair value of cross currency and 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, loan notes and issue costs

Bank loans and loan notes 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 accruals 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.

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 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.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

Retirement benefit costs

The Group predominantly operates defined contribution pension schemes but 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 other comprehensive income.

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 operates Group personal pension plans. The costs of these plans are charged to the income statement as they fall due.

Employee share schemes and share based payments

The Group has applied the requirements of IFRS 2 (*Share-based Payment*). 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 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.

Interest income and finance costs

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

Exceptional items

Items are classified as exceptional gains or losses where they are considered by the Group to be material and which individually or, if of a similar type, in aggregate need to be disclosed by virtue of their size or incidence if the accounts are to be properly understood.

Dividends

Dividends on Ordinary shares are recognised 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 accounts.

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 inventories 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 directly attributable 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 of 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.

Provision for bad and doubtful debts

Trade receivables are stated in the balance sheet at their nominal value less any appropriate provision for irrecoverable amounts. In determining whether provision is required against any trade receivable, judgment is required in estimating the likely levels of recovery. In exercising this judgment, consideration is given to both the overall economic environment in which a debtor operates, as well as specific indicators that the recovery of the nominal balance may be in doubt, for example days' sales outstanding in excess of agreed credit terms or other qualitative information in respect of a customer.

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, net deferred tax assets totalling £15,456,000 previously derecognised have been recognised as the recovery of those assets is now considered probable in the short term (2009 – £21,692,000 derecognised), as explained further in Note 10.

4. REVENUE

Total revenue of £749,573,000 (2009 – £770,532,000) comprises revenue from the hire of vehicles and fleet management of £563,698,000 (2009 – £609,645,000) and revenue from the sale of vehicles of £185,875,000 (2009 – £160,887,000).

5. SEGMENTAL REPORTING

Management has determined the operating segments based upon the information provided to the executive Board of Directors which is considered to be the chief operating decision maker. The Group is managed and reports internally, on a basis consistent with its three main operating divisions, UK Hire, Spain Hire and Fleet Technique. The UK Hire division includes operations in the Republic of Ireland. The principal activities of these divisions are set out in the Operational and Financial Reviews.

	UK Hire 2010 £000	Spain Hire 2010 £000	Fleet Technique 2010 £000	Corporate 2010 £000	Total 2010 £000
Revenue: hire of vehicles and fleet management	311,992	235,500	19,625	–	**567,117**
Revenue: sale of vehicles	114,321	71,554	–	–	**185,875**
Total Revenue	426,313	307,054	19,625	–	**752,992**
Intersegment revenue	–	–	(3,419)	–	**(3,419)**
Revenue from external customers	**426,313**	**307,054**	**16,206**	**–**	**749,573**
Operating profit (loss) *	**57,704**	**29,983**	**1,266**	**(6,134)**	**82,819**
Exceptional items	(5,779)	127	–	(1,068)	**(6,720)**
Amortisation	(2,272)	(2,013)	(705)	–	**(4,990)**
Profit (loss) from operations	**49,653**	**28,097**	**561**	**(7,202)**	**71,109**
Interest income					**770**
Finance costs (excluding exceptional items)					**(47,048)**
Exceptional finance costs					**(15,216)**
Profit before taxation					**9,615**
Other Information					
Capital expenditure	214,003	101,718	12	–	**315,733**
Depreciation	123,685	106,001	4	62	**229,752**
Reportable segment assets	634,464	459,520	8,560	–	**1,102,544**
Derivative financial assets					**14,622**
Income tax assets					**18,409**
Total assets					**1,135,575**
Reportable segment liabilities	484,112	300,304	3,220	–	**787,636**
Derivative financial liabilities					**8,794**
Income tax liabilities					**34,039**
Total liabilities					**830,469**

5. SEGMENTAL REPORTING (continued)

	UK Hire 2009 £000	Spain Hire 2009 £000	Fleet Technique 2009 £000	Corporate 2009 £000	Total 2009 £000
Revenue: hire of vehicles and fleet management	334,685	256,967	20,320	–	**611,972**
Revenue: sale of vehicles	115,883	45,004	–	–	**160,887**
Total revenue	450,568	301,971	20,320	–	**772,859**
Intersegment revenue	–	–	(2,327)	–	**(2,327)**
Revenue from external customers	450,568	301,971	17,993	–	**770,532**
Operating profit (loss) *	42,839	32,605	931	(4,608)	**71,767**
Impairment of assets	(61,487)	(119,434)	–	–	**(180,921)**
Other exceptional items	(846)	(2,277)	–	–	**(3,123)**
Amortisation	(2,560)	(2,142)	(552)	–	**(5,254)**
(Loss) profit from operations	(22,054)	(91,248)	379	(4,608)	**(117,531)**
Interest income					**6,438**
Finance costs (excluding exceptional items)					**(50,691)**
Exceptional finance costs					**(33,830)**
Loss before taxation					**(195,614)**
Other Information					
Capital expenditure	202,940	101,609	2	–	**304,551**
Depreciation	177,321	117,260	17	61	**294,659**
Reportable segment assets	655,122	591,197	7,933	–	**1,254,252**
Derivative financial assets					**65,028**
Income tax assets					**21,144**
Total assets					**1,340,424**
Reportable segment liabilities	640,493	449,105	3,200	–	**1,092,798**
Derivative financial liabilities					**9,904**
Income tax liabilities					**54,963**
Total liabilities					**1,157,665**

* operating profit (loss) stated before amortisation and exceptional items is the measure used by the executive Board of Directors to assess segment performance.

Revenue from sale of vehicles is included as revenue in accordance with amendments to IAS 16 which require used vehicle assets to be classified as inventories. Used vehicle sales are included within UK Hire and Spain Hire operating segments, which reflects the level at which the executive Board of Directors allocate resources and review performance of the Group.

Intersegment trading is undertaken on arms length commercial terms.

Geographical information

Revenues are attributed to countries on the basis of the company's location. The Directors consider the United Kingdom and Republic of Ireland to be a single geographical segment on the grounds that the results and net assets of operations in the Republic of Ireland are immaterial to the Group as a whole.

	Revenue 2010 £000	**Non-current assets 2010 £000**	Revenue 2009 £000	Non-current assets 2009 £000
United Kingdom & Republic of Ireland	**442,519**	**486,026**	468,561	507,765
Spain	**307,054**	**366,067**	301,971	458,270
	749,573	**852,093**	770,532	966,035

There are no customers from whom the Group derives more than ten per cent of total revenue from external customers. Non-current assets exclude financial instrument assets and deferred taxation.

6. PROFIT (LOSS) FROM OPERATIONS

	Notes	2010 £000	2009 £000 (As restated)
Profit (loss) from operations is stated after charging:			
Depreciation of property, plant and equipment	16, 17	**229,752**	294,659
Amortisation of intangible assets	15	**4,990**	5,254
Net foreign exchange losses		**58**	28
Exceptional items	35	**6,720**	184,044
Staff costs	7	**91,185**	90,643
Cost of inventories recognised as an expense		**211,839**	218,322
Net impairment of trade receivables	39	**12,065**	5,275
Auditors' remuneration for audit services (below)		**356**	411
Auditors' remuneration for non-audit services (below)		**355**	178

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

	2010 £000	2009 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	**226**	273
Fees payable to the Company's auditors and their associates for the audit of the Company's subsidiaries pursuant to legislation	**130**	138
Total audit fees	**356**	411
Other services pursuant to legislation	**21**	21
Tax services	**250**	140
Other services	**84**	17
Total non-audit fees	**355**	178

In addition to the amounts shown above, fees payable to Deloitte LLP in their capacity as Reporting Accountants in connection with the placing and rights issue amounting to £500,000 (2009 – £Nil) were charged to the share premium account.

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 page 29 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

7. STAFF COSTS

	2010 Number	2009 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	**1,664**	1,869
Administration	**493**	455
	2,157	2,324
Spain:		
Direct operations	**841**	909
Administration	**118**	169
	959	1,078
	3,116	3,402

7. STAFF COSTS (continued)

The above United Kingdom administration employee numbers include 21 (2009 – 21) in respect of the Company.

	2010 £000	2009 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	**78,609**	78,589
Social security costs	**10,628**	10,651
Other pension costs	**1,948**	1,403
	91,185	90,643

Wages and salaries include £4,226,000 (2009 – £Nil) and pension costs include £151,000 (2009 – £Nil) in respect of redundancies and loss of office. The above employee remuneration includes wages and salaries costs of £5,110,000 (2009 – £2,844,000), social security costs of £501,000 (2009 – £259,000) and other pension costs of £552,000 (2009 – £358,000) 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 23 to 28.

8. INTEREST INCOME

	2010 £000	2009 £000
Interest on bank and other deposits	**770**	6,438

9. FINANCE COSTS

	2010 £000	2009 £000
Interest on bank overdrafts and loans	**47,169**	49,708
Amortisation of terminated cross currency derivatives	**(405)**	–
Change in fair value of interest rate derivatives (Note 23)	**253**	952
Preference share dividends	**25**	25
Interest on obligations under finance leases	**6**	6
Finance costs (excluding exceptional items)	**47,048**	50,691
Exceptional finance costs		
Make-whole premium on US loan notes (Note 35)	**8,842**	–
Covenant deferral fees (Note 35)	**2,199**	1,164
Write off of unamortised fees relating to bilateral debt facilities (Note 35)	**3,751**	–
Other financing fees (Note 35)	**424**	–
Write off of terminated interest rate derivatives (Note 35)	**–**	31,006
Amortisation of terminated interest rate derivatives (Note 35)	**–**	1,660
Total exceptional finance costs	**15,216**	33,830
	62,264	84,521

Included in interest on bank overdrafts and loans in the current year is a foreign exchange gain of £252,000 arising in the period 1 May 2009 to 11 September 2009 (Note 23).

Included in interest on bank overdrafts and loans in the prior year 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 23) 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 Effects of changes in Foreign Exchange Rates*).

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

10. TAXATION

	2010 £000	2009 £000
Current tax:		
UK corporation tax	**–**	227
Adjustment in respect of prior years	**(564)**	(47)
Foreign tax	**1,208**	(4,274)
	644	(4,094)
Deferred tax:		
Origination and reversal of timing differences	**2,085**	(27,671)
Adjustment in respect of prior years	**(2,014)**	161
Net (recognition) derecognition of deferred tax assets	**(15,456)**	21,692
	(15,385)	(5,818)
	(14,741)	(9,912)

Corporation tax is calculated at 28% (2009 – 28%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

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

	2010 £000	%	2009 £000	%
Profit (loss) before taxation	**9,615**		(195,614)	
Tax at the UK corporation tax rate of 28% (2009 – 28%)	**2,692**	28.0	(54,772)	28.0
Tax effect of expenses that are not deductible in determining taxable profit	**131**	1.3	1,989	(1.0)
Goodwill impairment not deductible in determining taxable profit	**–**	–	25,075	(12.8)
Difference in taxation in overseas subsidiary undertakings	**470**	4.9	(4,010)	2.0
Derecognition of deferred tax assets (below)	**–**	–	21,692	(11.1)
Recognition of deferred tax assets (below)	**(15,456)**	(160.7)	–	
Adjustment to tax charge in respect of prior years	**(2,578)**	(26.8)	114	–
Tax credit and effective tax rate for the year	**(14,741)**	(153.3)	(9,912)	5.1

In addition to the amount credited to the income statement, a net deferred tax amount of £4,102,000 (2009 – £870,000) has been credited directly to equity (Note 25).

Deferred tax assets of £15,456,000 previously derecognised have been recognised in the current year as the recovery of those assets is now considered probable in the short term (2009 – £21,692,000 derecognised).

11. DIVIDENDS

	2010 £000	2009 £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
	–	19,359

The Directors do not propose a final dividend for the year ended 30 April 2010.

12. EARNINGS PER SHARE

Basic and diluted earnings per share	**Underlying 2010**	**Statutory 2010**	Underlying 2009 (As restated)	Statutory 2009 (As restated)
The calculation of basic and diluted earnings per share is based on the following data:				
Earnings	**£000**	**£000**	£000	£000
Earnings for the purposes of basic and diluted earnings per share, being net profit (loss) attributable to equity holders of the parent*	**28,246**	**24,356**	19,187	(185,702)
	Number	**Number**	Number (as restated)	Number (as restated)
Number of shares**				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**105,374,935**	**105,374,935**	32,428,634	32,428,634
Effect of dilutive potential Ordinary shares: – share options	**1,605,626**	**1,605,626**	734,523	734,523
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	**106,980,561**	**106,980,561**	33,163,157	33,163,157
Basic earnings per share	**26.8p**	**23.1p**	59.2p	(572.6)p
Diluted earnings per share	**26.4p**	**22.8p**	57.9p	(560.0)p

* Underlying earnings for the purposes of basic and diluted earnings per share have been restated to exclude the tax effect of amortisation of intangibles of £1,438,000 (2009 – £1,514,000).

** Prior year number of shares adjusted for the bonus element of the ten for one rights issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.

13. RESULT OF THE PARENT COMPANY

A loss of £13,118,000 (2009 – profit £21,565,000) 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	**2010 £000**	2009 £000
Book value:		
At 1 May	**3,589**	83,152
Exchange differences	**–**	6,169
Impairment write down	**–**	(85,732)
At 30 April	**3,589**	3,589

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from the business combination. The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

As explained in Note 35, in the prior year an impairment of goodwill of £85,732,000 was recognised, after which the carrying amount of goodwill relates solely to the acquisition of Fleet Technique Limited.

In accordance with IAS 36 (*Impairment of Assets*), goodwill has been tested for impairment based on cash flow forecasts of Fleet Technique Limited derived from a two year business plan approved by the Directors in April 2010 with growth rates of 1 to 2% over a ten year period and a discount rate of 7%. The recoverable amount was in excess of the current book value and accordingly, no provision for impairment has been recognised.

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 2008	13,746	22,394	436	168	4,706	**41,450**
Additions	–	–	–	–	936	**936**
Exchange differences	1,693	747	28	–	152	**2,620**
At 1 May 2009	15,439	23,141	464	168	5,794	**45,006**
Additions	–	–	–	–	1,849	**1,849**
Disposals	(246)	(450)	(461)	–	–	**(1,157)**
Exchange differences	(378)	(166)	(3)	–	(40)	**(587)**
At 30 April 2010	**14,815**	**22,525**	–	**168**	**7,603**	**45,111**
Amortisation:						
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 charge (Note 35)	1,043	923	8	5	–	**1,979**
Exchange differences	545	246	24	–	108	**923**
At 1 May 2009	7,137	8,888	405	118	4,583	**21,131**
Charge for the year	1,340	2,662	70	33	885	**4,990**
Impairment charge (Note 35)	215	85	–	–	–	**300**
Impairment reversal (Note 35)	(215)	(85)	–	–	–	**(300)**
Disposals	(246)	(450)	(461)	–	–	**(1,157)**
Exchange differences	(184)	(74)	(14)	–	(30)	**(302)**
At 30 April 2010	**8,047**	**11,026**	–	**151**	**5,438**	**24,662**
Carrying amount:						
At 30 April 2010	**6,768**	**11,499**	–	**17**	**2,165**	**20,449**
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**

16. PROPERTY, PLANT AND EQUIPMENT: VEHICLES FOR HIRE

Group	£000
Cost:	
At 1 May 2008 (as restated)	1,281,874
Additions (as restated)	294,381
Exchange differences	77,064
Transfer to inventories (as restated)	(365,591)
At 1 May 2009 (as retated)	1,287,728
Additions	309,538
Transfer to motor vehicles	(374)
Exchange differences	(15,064)
Transfer to inventories	(420,103)
At 30 April 2010	**1,161,725**
Depreciation:	
At 1 May 2008 (as restated)	269,615
Charge for the year (as restated)	290,005
Exchange differences	18,687
Impairment charge (Note 35)	91,814
Transfer to inventories (as restated)	(231,047)
At 1 May 2009 (as restated)	439,074
Charge for the year	224,513
Exchange differences	(5,807)
Impairment charge (Note 35)	11,000
Impairment reversal (Note 35)	(11,000)
Transfer to motor vehicles	(109)
Transfer to inventories	(237,489)
At 30 April 2010	**420,182**
Carrying amount:	
At 30 April 2010	**741,543**
At 30 April 2009 (as restated)	848,654
At 30 April 2008 (as restated)	1,012,259

The carrying amount of the Group's vehicles for hire includes an amount of £Nil (2009 – £37,000) in respect of assets held under finance lease agreements.

17. OTHER PROPERTY, PLANT AND EQUIPMENT

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost or valuation:				
At 1 May 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 1 May 2009	88,458	22,884	900	**112,242**
Additions	1,716	2,220	410	**4,346**
Transfer from vehicles for hire	–	–	374	**374**
Exchange differences	(1,315)	(318)	–	**(1,633)**
Disposals	(1,659)	(2,020)	(363)	**(4,042)**
At 30 April 2010	**87,200**	**22,766**	**1,321**	**111,287**
Depreciation:				
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 charge (Note 35)	–	1,396	–	**1,396**
Disposals	(2)	(117)	(586)	**(705)**
At 1 May 2009	9,059	13,128	138	**22,325**
Charge for the year	2,581	2,388	270	**5,239**
Exchange differences	(49)	(121)	–	**(170)**
Impairment charge (Note 35)	–	300	–	**300**
Impairment reversal (Note 35)	–	(300)	–	**(300)**
Transfer from vehicles for hire	–	–	109	**109**
Disposals	(823)	(1,854)	(51)	**(2,728)**
At 30 April 2010	**10,768**	**13,541**	**466**	**24,775**
Carrying amount:				
At 30 April 2010	**76,432**	**9,225**	**855**	**86,512**
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 2010 is represented by:				
Valuation performed in 1992	525	–	–	**525**
Valuation performed in 2004	3,403	–	–	**3,403**
Additions at cost	83,272	22,766	1,321	**107,359**
	87,200	22,766	1,321	**111,287**

Land and buildings by category:	2010 £000	2009 £000
Freehold and long leasehold	**68,891**	69,548
Short leasehold	**7,541**	9,851
	76,432	79,399

At 30 April 2010, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £23,000 (2009 – £1,161,000).

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

At 30 April 2010, under the historical cost convention, land and buildings would have been stated at a cost of £87,477,000 (2009 – £88,736,000) and related accumulated depreciation of £10,869,000 (2009 – £9,145,000).

17. OTHER PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Land & buildings £000
Cost:	
At 1 May 2008, 1 May 2009 and 30 April 2010	**3,239**
Depreciation:	
At 1 May 2008	350
Charge for the year	61
At 1 May 2009	411
Charge for the year	62
At 30 April 2010	**473**
Carrying amount:	
At 30 April 2010	**2,766**
At 30 April 2009	2,828

18. INVESTMENTS

Company	Shares in subsidiary undertakings £000	Loans to Group undertakings £000	Total £000
Cost:			
At 1 May 2009 and 30 April 2010	103,330	47,000	**150,330**
Accumulated provisions:			
At 1 May 2009 and 30 April 2010	2,435	–	**2,435**
Carrying amount:			
At 1 May 2009 and 30 April 2010	**100,895**	**47,000**	**147,895**

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

At 30 April 2010, the principal subsidiary undertakings of the Group were as follows, all of which are wholly owned and are registered in England and Wales unless otherwise stated:

Fleet Technique Limited*
Furgonetas de Alquiler S.A.* (incorporated in Spain)
GPS Body Repairs Limited*
Northgate (Europe) Limited
Northgate (Malta) Limited* (incorporated in Malta)
Northgate (MT) Limited* (incorporated in Malta)
Northgate (TM) Limited
Northgate Vehicle Hire Limited
Record Rent a Car S.A.* (incorporated in Spain)

*interest held indirectly by the Company

19. INVENTORIES

	Group		
	2010 £000	2009 £000 (As restated)	2008 £000 (As restated)
Vehicles held for resale	**18,406**	19,809	30,566
Spare parts and consumables	**4,527**	5,397	6,606
	22,933	25,206	37,172

20. TRADE AND OTHER RECEIVABLES

	Group			Company	
	2010 £000	2009 £000	2008 £000	**2010 £000**	2009 £000
Trade receivables	**130,070**	165,875	171,888	**–**	–
Amounts due from subsidiary undertakings	**–**	–	–	**958,366**	954,339
Other taxes	**–**	–	–	**2,163**	1,650
Other debtors and prepayments	**12,105**	17,100	17,839	**33**	1,957
	142,175	182,975	189,727	**960,562**	957,946

		2010	2009	2008
The average credit periods given on trade sales	UK	**45 days**	54 days	52 days
	Spain	**109 days**	140 days	138 days

Allowances for estimated irrecoverable amounts and the Group's credit risk are considered in Note 39.

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

21. TRADE AND OTHER PAYABLES

	Group			Company	
	2010 £000	2009 £000	2008 £000	**2010 £000**	2009 £000
Trade payables	**44,601**	35,975	36,640	**301**	101
Amounts due to subsidiary undertakings	**–**	–	–	**184,588**	–
Social security and other taxes	**6,922**	13,454	3,173	**140**	130
Accruals and deferred income	**35,164**	27,352	47,384	**10,986**	11,495
	86,687	76,781	87,197	**196,015**	11,726

Trade payables comprise amounts outstanding for trade purchases.

		2010	2009	2008
The average credit period taken on trade purchases is	UK	**49 days**	48 days	50 days
	Spain	**121 days**	85 days	85 days

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

22. 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	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Bank loans	**473,367**	736,584	**473,367**	714,423
Loan notes	**223,324**	263,560	**223,324**	263,560
Vehicle related finance lease obligations	**–**	37	**–**	–
Property loans	**3,206**	4,331	**–**	–
Cumulative Preference shares	**500**	500	**500**	500
Debt discounting facilities	**13**	10,540	**–**	–
	700,410	1,015,552	**697,191**	978,483

The borrowings are repayable as follows:

	Group		Company	
	2010 £000	2009 £000	**2010 £000**	2009 £000
On demand or within one year (shown within current liabilities)				
Bank loans	**112,309**	80,996	**112,309**	58,835
Loan notes	**39,927**	–	**39,927**	–
Vehicle related finance lease obligations	**–**	37	**–**	–
Property loans	**1,100**	1,048	**–**	–
Debt discounting facilities	**13**	10,540	**–**	–
	153,349	92,621	**152,236**	58,835
In the second year				
Bank loans	**–**	128,223	**–**	128,223
Property loans	**1,666**	1,645	**–**	–
	1,666	129,868	**–**	128,223
In the third to fifth years				
Bank loans	**361,058**	527,365	**361,058**	527,365
Loan notes	**89,734**	127,055	**89,734**	127,055
Property loans	**440**	1,638	**–**	–
	451,232	656,058	**450,792**	654,420
Due after more than five years				
Loan notes	**93,663**	136,505	**93,663**	136,505
Cumulative Preference shares	**500**	500	**500**	500
	94,163	137,005	**94,163**	137,005
Total borrowings	**700,410**	1,015,552	**697,191**	978,483
Less: Amount due for settlement within one year (shown within current liabilities)	**153,349**	92,621	**152,236**	58,835
Amount due for settlement after one year	**547,061**	922,931	**544,955**	919,648

Bank loans

Bank loans are secured (2009 – unsecured) and bear interest at rates of 0.75% to 3.25% (2009 - 0.425% to 1.5%) above the relevant interest rate index, being LIBOR for UK Sterling denominated debt and EURIBOR for Euro denominated debt.

22. 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 the loan notes ('the US Notes') issued by the Group was US$357,000,000 and £21,000,000. During the current year, the Group has repaid $39,141,000 and £2,302,000 respectively. In addition, and in accordance with the terms of the US Notes, make-whole notes amounting to $4,981,000 and £297,000 were issued, which all mature in September 2012 and otherwise have the same terms as the related loan notes. The US Notes are not publicly tradeable and have the following maturity profile:

Value of loan notes	Redemption date	**Carrying value 30 April 2010 £000**	Carrying value 30 April 2009 £000	**Weighted average fixed interest rate on the US Notes**	**Overall weighted average fixed interest rate**
$55,203,000 (2009: $62,000,000) 5 year loan notes	November 2012	**36,184**	42,125	7.72% (2009 – 5.52%)	8.15% (2009 – 5.19%)
$111,295,000 (2009: $125,000,000) 7 year loan notes	December 2013	**72,951**	84,930	7.86% (2009 – 5.73%)	8.87% (2009 – 5.78%)
$106,843,000 (2009: $120,000,000) 10 year loan notes	December 2016	**70,034**	81,533	7.99% (2009 – 5.73%)	8.82% (2009 – 5.78%)
£18,698,000 (2009: £21,000,000) 10 year loan notes	December 2016	**18,698**	21,000	7.89% (2009 – 5.73%)	7.89% (2009 – 5.78%)
$44,518,000 (2009: $50,000,000) 10 year loan notes	December 2016	**29,181**	33,972	7.99% (2009 – 5.73%)	8.80% (2009 – 5.78%)
$4,981,000 (2009: $Nil) make-whole notes	September 2012	**3,265**	–	7.90% (2009 – Nil)	8.72% (2009 – Nil)
£297,000 (2009: £Nil) make-whole notes	September 2012	**297**	–	7.89% (2009 – Nil)	7.89% (2009 – Nil)
Unamortised finance fees relating to the US Dollar denominated Loan Notes		**(6,639)**	–		
Unamortised finance fees relating to the Sterling denominated Loan Notes		**(647)**	–		
		223,324	263,560		

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 23, 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 (2009 – 1,300,000), of which 1,000,000 (2009 – 1,000,000) were allotted and fully paid at the balance sheet date.

22. BORROWINGS (continued)

Vehicle related finance lease obligations

The Group previously had a policy of leasing certain of its vehicles for hire under finance leases. The average lease term, at original inception, for 2009 was three years. During the year, all remaining finance leases were repaid.

Finance lease obligations were secured by fixed charges over the vehicles to which they related.

	Minimum lease payments		Present value of minimum lease payments	
Group	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Amounts payable under vehicle related finance leases:				
Within one year	**–**	39	**–**	37
Less future finance charges	**–**	(2)	**–**	–
Present value of lease obligations	**–**	37	**–**	37

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

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 remaining lease term is two years. For the year ended 30 April 2010, the average borrowing rate for property loans was 1.5% (2009 – 2.5%). 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	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Amounts payable under property loans:				
Within one year	**1,146**	1,155	**1,100**	1,048
In the second to fifth years inclusive	**2,140**	3,414	**2,106**	3,283
	3,286	4,569	**3,206**	4,331
Less future finance charges	**(80)**	(238)	**–**	–
Present value of lease obligations	**3,206**	4,331	**3,206**	4,331
Less: amount due for settlement within one year (shown under current liabilities)			**(1,100)**	(1,048)
Amount due for settlement after one year			**2,106**	3,283

Debt discounting facilities

Spanish debt discounting facilities of £13,000 (2009 – £10,540,000) are unsecured and 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:

	2010 £000	2009 £000
Less than one year	**10,444**	4,641
In one year to five years	**144,197**	177,348
	154,641	181,989

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.

22. BORROWINGS (continued)

Analysis of consolidated net debt

	At 1 May 2009 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2010 £000
Cash at bank and in hand	27,757	57,667	–	(81)	**85,343**
Short term investments	52,279	(52,279)	–	–	**–**
	80,036	5,388	–	(81)	**85,343**
Bank loans	(736,584)	242,014	16,397	4,806	**(473,367)**
Loan notes	(263,560)	33,602	(5,020)	11,654	**(223,324)**
Vehicle related finance lease obligations	(37)	37	–	–	**–**
Cumulative Preference shares	(500)	–	–	–	**(500)**
Property loans and other borrowings	(14,871)	11,164	–	488	**(3,219)**
	(935,516)	292,205	11,377	16,867	**(615,067)**

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 2010, the gearing of the Group amounted to 218.8% (2009 – 602.4%) where net borrowings are £615,067,000 (2009 – £935,516,000) and shareholders' funds less goodwill and the net book value of intangible assets are £281,068,000 (2009 – £155,295,000).

Net borrowings at 30 April 2010, taking into account the fixed swapped exchange rates for the US loan notes, are £598,291,000 (2009 – £886,446,000).

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 agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The credit risk associated with trade receivables in Spain is more concentrated in larger customers than the UK and, consequently, 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 mitigate 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 23.

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.

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.

22. BORROWINGS (continued)

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 23. 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 2010, 71% (2009 – 28%) of gross borrowings were at fixed or capped rates of interest, comprising £63,000,000 and €200,000,000 of interest rate swaps and $322,840,000 of US Dollar/Sterling cross currency swaps and forward contracts (2009 – £20,000,000 of interest rate collars and $357,000,000 of US Dollar/Sterling cross currency swaps), as detailed in Note 23.

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euro as net investment hedges against its Euro denominated investments (Note 23) 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 2010				
Bank loans	75,782	397,585	–	**473,367**
Loan notes	18,348	–	204,976	**223,324**
Cumulative Preference shares	500	–	–	**500**
Property loans	–	3,206	–	**3,206**
Debt discounting facilities	–	13	–	**13**
	94,630	400,804	204,976	**700,410**

	Sterling £000	Euro £000	US Dollars £000	Total £000
At 30 April 2009				
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**
Debt discounting facilities	–	10,540	–	**10,540**
	207,109	565,883	242,560	**1,015,552**

23. DERIVATIVE FINANCIAL INSTRUMENTS

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

At the previous balance sheet date, the Group was also party to interest rate collars.

Their net estimated fair values are as follows:

	2010 £000	2009 £000
Interest rate derivatives	**(6,893)**	(1,012)
Cross-currency derivatives and Sterling/US Dollar forward contracts	**12,721**	56,136
	5,828	55,124
They are represented in the balance sheet as follows:		
Financial instrument asset	**14,622**	65,028
Financial instrument liability	**(8,794)**	(9,904)
	5,828	55,124

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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 was party to as at 30 April 2010 and 30 April 2009 are summarised below:

	Total nominal values	Weighted average fixed contract pay rates	Weighted average remaining life
30 April 2010			
GBP denominated interest rate swaps	**£63,000,000**	2.44%	2.4 years
EUR denominated interest rate swaps	**€200,000,000**	2.35%	2.4 years
30 April 2009			
GBP denominated interest rate collars	**£20,000,000**	6.75% (cap)	1.9 years
		4.75% (floor)	

During the current year, the £20,000,000 notional value of interest rate collars were terminated.

In September 2009, £63,000,000 and €200,000,000 of interest rate swaps, with a weighted average fixed contract pay rate of 2.44% and 2.35% respectively and weighted average maturity of 3.1 years commenced. In addition, forward starting interest rate swaps amounting to €100,000,000 with a weighted average fixed contract pay rate of 2.35% will commence on 30 July 2010. In July 2011, £38,000,000 and €60,000,000 of interest rate swaps will mature with weighted average fixed contract pay rate of 2.44% and 2.35% respectively.

All 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 £Nil has been credited (2009 – £36,000) to the income statement.

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

	2010 £000	2009 £000
Interest rate swaps	**(6,893)**	–
Interest rate collars	**–**	(1,012)
	(6,893)	(1,012)

In September 2009, the interest rate collars were terminated when they had a negative fair value of £1,265,000. That negative fair value was not settled in cash but was added to the Group's bank loan borrowing position with the derivative counterparty concerned. Interest rate collars were not hedge accounted for and, accordingly, an amount of £253,000 (2009 – £988,000) has been charged to the income statement.

The total change in fair values of interest rate derivatives charged to the income statement of £253,000 (2009 – £952,000) 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:

	2010 £000	2009 £000
Sterling/US Dollar cross-currency swaps	**12,708**	65,028
Sterling/US Dollar forward contracts	**161**	–
Euro/Sterling cross-currency swaps	**(148)**	(8,892)
	12,721	56,136

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Sterling/US Dollar cross-currency swaps

The Group has in issue US Dollar denominated loan notes of capital value $322,840,000 (2009 – $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 22.

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 Sterling and receive a principal amount in US Dollars. The weighted average interest rate that the Group pays in Sterling is 8.73% (2009 – 5.78%). All Sterling/US Dollar swaps are designated and fully effective as cash flow hedges.

In September 2009, the cross currency swaps were terminated when their fair value was £33,562,000 and was applied to reduce borrowings with the respective counterparty banks. The negative change in fair value between 1 May 2009 and this date of £31,466,000 was deferred into equity. On the same day, new cross currency swaps commenced to maintain the Group's hedging of the US Dollar denominated loan notes. The positive change in fair value of £12,708,000 between that date and 30 April 2010 was deferred into equity.

The £161,000 fair value of the forward contracts has also been deferred to equity.

Euro/Sterling cross-currency swaps

The Group also has Euro/Sterling cross-currency swaps of total notional value €37,765,000 (2009 – €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 Sterling. The interest rate that the Group pays in Euro is 8.15% (2009 – 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 the 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.

In September 2009, the swap was terminated when its fair value was negative £7,722,000. This value was added to the Group's borrowings with the counterparty bank. The positive change in fair value between 1 May 2009 and this date of £1,170,000 was deferred into equity. On the same day, a new cross currency swap commenced and the negative change in its fair value of £148,000 between that date and 30 April 2010 was deferred into equity. Throughout the year these cross-currency swaps have been highly effective.

	Sterling/ US Dollar £000	Euro/ Sterling £000
Gross movement in fair values initially deferred in hedging reserve:		
At 30 April 2009	65,028	(9,975)
Movement in fair value of hedged instruments	(18,597)	1,022
At 30 April 2010	**46,431**	**(8,953)**
Cumulative amounts recycled to the income statement:		
At 30 April 2009	(57,737)	–
Movement for the year	10,728	28
At 30 April 2010	**(47,009)**	**28**
Cumulative amounts recycled to the currency translation reserve:		
At 30 April 2009	–	9,421
Movement for the year	–	(969)
At 30 April 2010	**–**	**8,452**
Net fair value deferred in hedging reserve:		
At 30 April 2010	**(578)**	**(473)**
At 30 April 2009	7,291	(554)

23. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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. In addition, the amount includes the accrued interest from 1 May 2009 to the termination date of the swaps and the amortisation of the interest legs of the terminated swaps over their residual life. The amount recycled to the 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.

Between 1 May 2009 and 11 September 2009, exchange differences on the retranslation of Euro borrowings exceeded the exchange differences arising on the retranslation of the balance sheets of the Euro denominated subsidiary undertakings by £252,000.This amount has been credited to finance costs in the year (Note 9). Subsequent to 11 September 2009, exchange differences on the retranslation of Euro borrowings were less than the exchange differences arising on the retranslation of the balance sheets of the Euro denominated subsidiary undertakings.

Except as stated above, 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.

24. CURRENT TAX

The current tax creditor of £16,439,000 at 30 April 2010 (2009 – £5,572,000) includes a total amount of £13,422,000 (2009 – £Nil) that is considered unlikely to give rise to a cash outflow within twelve months of the balance sheet date but is shown in the balance sheet as a current liability in order to satisfy the requirements of IAS 1.

The expected cash outflow in respect of corporate tax in the twelve months following 30 April 2010 is therefore £3,017,000.

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 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 1 May 2009	(3,604)	1,925	(202)	6,556	(130)	(9,157)	36,865	**32,253**
(Credit) charge to income	(7,768)	(49)	51	(1,397)	(29)	5,499	5,778	**2,085**
Recognition of deferred tax assets (Note 10)	(13,023)	–	–	–	–	(2,433)	–	**(15,456)**
Charge (credit) to equity	–	–	–	–	8	–	(4,110)	**(4,102)**
Exchange differences	(31)	(12)	–	(82)	–	196	(108)	**(37)**
Adjustments in respect of prior years	(2,422)	–	–	–	–	–	408	**(2,014)**
Transfer to current tax	17,821	–	–	–	–	–	(31,359)	**(13,538)**
At 30 April 2010	**(9,027)**	**1,864**	**(151)**	**5,077**	**(151)**	**(5,895)**	**7,474**	**(809)**

Deferred tax is represented in the balance sheet as follows:

At 30 April 2010								
Deferred tax assets	9,287	–	151	–	151	5,895	2,925	**18,409**
Deferred tax liabilities	260	1,864	–	5,077	–	–	10,399	**17,600**
Net deferred tax assets (liabilities)	**9,027**	**(1,864)**	**151**	**(5,077)**	**151**	**5,895**	**(7,474)**	**809**
At 30 April 2009								
Deferred tax assets	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 tax assets (liabilities)	3,604	(1,925)	202	(6,556)	130	9,157	(36,865)	**(32,253)**

In the current year, the net credit to equity of £4,110,000 (2009 – £839,000), in respect of other timing differences relates to derivative financial instruments which has been reflected in the hedging reserve (Note 31).

Deferred tax assets not recognised in the balance sheet of £6,045,000 (2009 – £21,692,000) relate to accelerated capital allowances and unused tax losses where recoverability is not considered probable in the short term. These assets will be available for offset against future taxable profits of the Group.

Net deferred tax liabilities of £7,474,000 (2009 – £36,865,000) classified as other timing differences relate to movements on fair values of interest rate and foreign currency derivatives, other timing differences in relation to tax payable in various tax jurisdictions in which the Group operates and other timing differences within the UK.

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 2008	39	(597)	2,331	**1,773**
(Credit) charge to income	(39)	395	166	**522**
Credit to equity	–	–	(675)	**(675)**
At 1 May 2009	–	(202)	1,822	**1,620**
Charge (credit) to income	–	51	(3)	**48**
Credit to equity	–	–	(4,130)	**(4,130)**
At 30 April 2010	**–**	**(151)**	**(2,311)**	**(2,462)**

26. SHARE CAPITAL

Group and Company	2010 £000	2009 £000
Allotted and fully paid:		
132,949,433 (2009 - 70,548,045) Ordinary shares of 50p (2009 - 5p) each	**66,475**	3,527

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

In July 2009, 50,000,000 five pence Ordinary shares were issued pursuant to a placing at 60 pence per share for a cash consideration of £30,000,000. In August 2009, 1,205,480,450 five pence Ordinary shares were issued pursuant to a ten for one rights issue at seven pence per share for a cash consideration of £84,384,000. Total expenses of £6,691,000 in connection with the placing and rights issue were deducted from the total cash proceeds and have been charged to the share premium account (Note 27). In September 2009, ten Ordinary five pence shares were consolidated into one 50 pence Ordinary share. In January 2010, 346,583 50 pence Ordinary shares were issued in connection with the All Employee Share Scheme for a cash consideration of £552,000.

27. SHARE PREMIUM ACCOUNT

Group and Company	2010 £000	2009 £000
At 1 May	**67,972**	67,972
Premium on Ordinary shares issued	**51,988**	–
Share issue expenses	**(6,691)**	–
At 30 April	**113,269**	67,972

Share issue expenses comprise underwriting and other fees directly attributable to the placing and rights issue.

28. REVALUATION RESERVE

	Group £000	Company £000
At 1 May 2008	1,207	1,371
Foreign exchange differences	158	–
At 1 May 2009	1,365	1,371
Foreign exchange differences	(35)	–
At 30 April 2010	**1,330**	**1,371**

29. OWN SHARES

	Group £000	Company £000
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 1 May 2009	(2,302)	–
Purchase of own shares	(674)	–
Disposal of own shares	2,085	–
At 30 April 2010	**(891)**	**–**

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*).

On 30 April 2009, the own shares reserve was adjusted to reflect the market value of the shares held on that date effected through a transfer to retained earnings (Note 34). The total value paid for the shares held at 30 April 2010 is £1,823,000 (2009 – £7,822,000).

30. MERGER RESERVE

	Group £000	Company £000
At 1 May 2008, 1 May 2009 and 30 April 2010	**67,463**	**63,159**

31. HEDGING RESERVE

	Group £000	Company £000
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 tax 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 1 May 2009	4,851	5,254
Movement in fair value of hedged interest rate derivatives	(6,893)	(6,893)
Movement in fair value of hedged foreign currency derivatives	(17,575)	(18,597)
Deferred tax on fair value of interest rate and foreign currency derivatives	4,110	4,130
Amortisation of terminated interest rate derivatives (below)	(405)	(400)
Transfer to income statement	11,161	11,128
Transfer to translation reserve (Note 32)	(969)	–
At 30 April 2010	**(5,720)**	**(5,378)**

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 23, less amounts transferred to the income statement and other components of equity.

In the current year, certain US Dollar/Sterling cross currency-swaps were terminated. Prior to their termination, these instruments were all designated in cash flow hedging relationships. In accordance with the provisions of IAS 39 (*Financial Instruments: Recognition and Measurement*) 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 £400,000 was credited to the income statement in this regard, recognised within finance costs (Note 9).

31. HEDGING RESERVE (continued)

As explained in Note 23, in the prior year, interest rate swaps were terminated 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 IAS 39 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 was transferred to the income statement in the prior year in this regard, recognised within finance costs (Note 9). At 30 April 2009, the Directors anticipated 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 was no longer expected to occur. In accordance with IAS 39, a further cumulative amount of £31,006,000 was transferred to the income statement, also recognised within finance costs.

During the prior 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 (*Financial Instruments: Presentation*) and IAS 39 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.

32. TRANSLATION RESERVE

	Group £000	Company £000
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 1 May 2009	(5,656)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(3,929)	–
Net foreign exchange differences on long term borrowings held as hedges	2,960	–
Foreign exchange element of fair value movement of hedged derivatives transferred from hedging reserve (Note 31)	969	–
At 30 April 2010	**(5,656)**	**–**

The translation reserve represents the aggregate of the cumulative exchange differences arising from the retranslation of the balance sheets of the Euro based subsidiary undertakings and the cumulative exchange differences arising from long term borrowings held as hedges and the foreign exchange element of fair value movements of hedged derivatives.

The management of the Group's foreign exchange translation risks is detailed in Note 23.

33. CAPITAL REDEMPTION RESERVE

	Group £000	Company £000
At 1 May 2008, 1 May 2009 and 30 April 2010	**40**	**40**

34. RETAINED EARNINGS

	Group £000	Company £000
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 1 May 2009	45,499	38,072
Profit (loss) for the year	24,356	(13,118)
Share options exercised	(1,984)	–
Share options fair value charge	1,154	1,154
Defined benefit pension charge recognised directly in equity	(221)	–
Net deferred tax charge recognised directly in retained earnings	(8)	–
At 30 April 2010	**68,796**	**26,108**

35. EXCEPTIONAL ITEMS

During the year, the Group recognised exceptional items in the income statement made up as follows:

	2010 £000	2009 £000
Restructuring costs	**6,324**	3,123
Net property losses	**396**	–
Impairment of assets	**–**	180,921
Exceptional administrative expenses	**6,720**	184,044
Covenant deferral fees	**2,199**	1,164
Make-whole premium on US loan notes	**8,842**	–
Write off of unamortised fees relating to bilateral debt facilities	**3,751**	–
Other financing fees	**424**	–
Termination of interest rate swaps	**–**	32,666
Exceptional finance costs	**15,216**	33,830
Total pre-tax exceptional items	**21,936**	217,874
Tax credit on exceptional items	**(6,142)**	(38,417)
Net (recognition) derecognition of deferred tax assets (Note 10)	**(15,456)**	21,692
Exceptional net tax credit	**(21,598)**	(16,725)

Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £6,324,000 (2009 – £3,123,000), of which £6,065,000 (2009 – £846,000) arose in the United Kingdom and £259,000 (2009 – £2,277,000) in Spain.

Net property losses

Net property losses were £396,000 (2009 – £Nil), of which £782,000 losses (2009 – £Nil) arose in the United Kingdom and £386,000 profit (2009 – £Nil) arose in Spain.

35. EXCEPTIONAL ITEMS (continued)

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 prior 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.

The Group prepared cash flow forecasts derived from a three year business plan approved by the Directors in February 2009 with growth rates of 1 to 3.5% over a ten year period using a discount rate of 4% for the UK CGUs and 4% for the Spanish CGUs. The periods over which cash flows were extrapolated exceeded five years on the basis that economic benefits were expected to flow to the Group over a longer period.

In addition to the annual test of impairment referred to above, and as required by IAS 36, in the current year there has been an assessment as to whether there has been any indication that the impairment loss recognised in the previous year has decreased or no longer exists. This assessment was based on cash flow forecasts derived from a two year business plan approved by the Directors in April 2010 using growth rates of 1 to 4% over a ten year period using a discount rate of 7% for the UK CGUs and 7% for the Spanish CGUs.

It was concluded that there were no indicators of additional impairment or reversal of impairment previously charged for the UK CGUs. In respect of Record Rent a Car S.A. and Alquiservicios LSL S.A. there was an aggregate reversal of £11,600,000 (of which £11,000,000 related to vehicles for hire, £300,000 to other intangible assets and £300,000 to other plant and equipment). In respect of Furgonetas de Alquiler S.A. there was an additional impairment charge of £11,600,000 (of which £11,000,000 related to vehicles for hire, £300,000 to other intangible assets and £300,000 to other plant and equipment).

Covenant deferral fees

In the early part of the year, the Group was engaged in renegotiating the terms of certain of its borrowings. As a result, the Group incurred fees of £2,199,000 (2009 - £1,164,000) payable to certain lenders to defer testing of covenants at 31 July 2009.

Make-whole premium on US loan notes

As part of the refinancing of its borrowings, the Group incurred fees of £8,842,000 (2009 - £Nil) in relation to make-whole notes issed to the private placement noteholders, which arise from amortisation of the existing notes during the year and in respect of future scheduled borrowing amortisations.

Unamortised fees

Unamortised financing fees of £3,751,000 (2009 – £Nil) were written off in respect of the borrowing facilities replaced in September 2009.

Other financing fees

Other financing fees of £424,000 (2009 – £Nil) were payable relating to the refinancing of borrowings in September 2009.

Termination of interest rate swaps

As explained in Note 23, in the prior year 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 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).

36. OPERATING LEASE ARRANGEMENTS

As lessee

Group	2010 £000	2009 £000
Minimum lease payments under operating leases recognised in the income statement for the year	**8,845**	8,722

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	2010 £000	2009 £000
Within one year	**6,128**	6,218
In the second to fifth years inclusive	**14,707**	15,385
After five years	**25,172**	20,732
	46,007	42,335

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

Leases are negotiated for an average term of 13 (2009 – 12) years and rentals are fixed for an average number of 6 (2009 – 6) 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 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 25 to 28.

The Group and Company recognised total expenses of £1,154,000 (2009 – £788,000) related to equity-settled share-based payment transactions in the year.

Further details regarding the plans are outlined below. In all the tables that follow within this Note, the prior year number of shares and exercise prices have been adjusted for the bonus element of the ten for one rights issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.

Northgate Share Option Scheme

	2010 Number of share options	2010 Weighted average exercise price £	2009 Number of share options	2009 Weighted average exercise price £
At 1 May	**181,237**	**20.18**	201,467	19.45
Forfeited during the year	**(77,348)**	**18.96**	(20,230)	12.89
At 30 April	**103,890**	**21.08**	181,237	20.18
Exercisable at the end of the year	**46,467**	**19.39**	78,201	17.68

No share options were exercised during the year. The options outstanding at 30 April 2010 have a weighted average remaining contractual life of 6.4 years (2009 – 6.5 years). No options were granted in the year or in the prior year.

Executive Incentive Scheme

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

	2010 Number of share options	2010 Weighted average exercise price £	2009 Number of share options	2009 Weighted average exercise price £
At 1 May	**122,544**	**10.18**	128,858	10.14
Lapsed during the year	**(112,052)**	**10.26**	(6,314)	9.29
At 30 April	**10,492**	**9.41**	122,544	10.18
Exercisable at the end of the year	**10,492**	**9.41**	122,544	10.18

37. SHARE BASED PAYMENTS (continued)

No share options were granted or exercised in the current or prior year. The options outstanding at 30 April 2010 had a weighted average remaining contractual life of 1.2 years (2009 – 0.6 years).

Deferred Annual Bonus Plan

All options granted under this scheme are nil cost options.

	2010 Number of share options	2009 Number of share options
At 1 May	**220,241**	104,051
Granted during the year	**25,396**	156,734
Exercised during the year	**(74,472)**	(36,526)
Forfeited during the year	**(2,696)**	(4,018)
At 30 April	**168,469**	220,241

12,374 (2009 – 10,845) 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 £2.28 (2009 – £4.81).

The options outstanding at 30 April 2010 had a weighted average remaining contractual life of 3.0 years (2009 – 3.7 years). In the current year, options were granted in October 2009. The aggregate of the estimated fair values of the options granted on this date was considered to be £51,000. In the prior year, options were granted in July 2008. The aggregate of the estimated fair values of the options granted on this date was £Nil.

	2010	2009
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	**£2.78**	£7.06
Weighted average exercise price	**£Nil**	£Nil
Expected volatility	**133.1%**	56.1%
Expected life	**3 years**	3 years
Risk free rate	**2.7%**	5.2%
Expected dividends	**10.7%**	1.5%

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:

	2010 Number of shares	2009 Number of shares
At 1 May	**447,333**	78,766
Allocated during the year	**346,584**	402,994
Forfeited during the year	**(114,612)**	(5,874)
Vested during the year	**(88,530)**	(28,553)
At 30 April	**590,776**	447,333

37. SHARE BASED PAYMENTS (continued)

The share price at the date of vesting for matching shares during the year was £2.26 (2009 – £1.73). The non-vested matching shares outstanding at 30 April 2010 had a weighted average remaining period until vesting of 1.9 years (2009 – 2.5 years). In the current year, matching shares were allocated in January 2010. The aggregate of the estimated fair values of the matching shares allocated on this date was £750,000. In the prior 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.

	2010	2009
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	**£2.17**	£1.37
Weighted average vesting price	**£Nil**	£Nil
Expected volatility	**134.7%**	49.2%
Expected life	**5 years**	5 years
Risk free rate	**2.9%**	2.9%
Expected dividends	**0.0%**	1.7%

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

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:

	2010 Number of share options	2009 Number of share options
At 1 May	**352,961**	116,366
Granted during the year	**872,638**	273,920
Exercised during the year	**(22,705)**	(1,041)
Forfeited during the year	**(145,332)**	(36,284)
At 30 April	**1,057,562**	352,961

No options were exercisable at the end of either year.

The options outstanding at 30 April 2010 had a weighted average remaining contractual life of 2.2 years (2009 – 2.9 years). In the current year, share options were granted in October 2009. The aggregate of the estimated fair values of the options granted on this date was £1,379,000. In the prior year, share options were granted in July 2008 and December 2008. The aggregate of the estimated fair values of the options granted on these dates was £Nil.

	2010	2009
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	**£2.78**	£2.87
Weighted average exercise price	**£Nil**	£Nil
Expected volatility	**133.1%**	75.7%
Expected life	**3 years**	3 years
Risk free rate	**2.7%**	3.4%
Expected dividends	**10.7%**	2.5%

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

37. SHARE BASED PAYMENTS (continued)

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:

	2010 Number of share options	2009 Number of share options
At 1 May	**363,506**	–
Granted during the year	**330,952**	363,506
Lapsed during the year	**(162,285)**	–
At 30 April	**532,173**	363,506

No options were exercisable at the end of the year.

The options outstanding at 30 April 2010 had a weighted average remaining contractual life of 2.5 years (2009 - 2.3 years). In the current year, share options were granted in October 2009. The aggregate of the estimated fair values of the options granted on this date was £666,000. In the prior year, share options were granted in July 2008 and October 2008. The aggregate of the estimated fair values of the options granted on these dates was £Nil.

	2010	2009
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	**£2.78**	£6.00
Weighted average exercise price	**£Nil**	£Nil
Expected volatility	**133.1%**	59.5%
Expected life	**3 years**	3 years
Risk free rate	**2.7%**	4.8%
Expected dividends	**10.7%**	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 £1,948,000 (2009 – £1,403,000) all of which 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, 30 April 2009 and 30 April 2010 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 and the following principal assumptions set out below.

	Valuation at 30 April 2010 % pa	Valuation at 30 April 2009 % pa
Discount rate	**5.5**	6.3
Inflation rate	**3.7**	3.4
Salary increases	**n/a**	n/a
Future pension increases	**3.6**	3.3
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 materially sensitive to changes in these key assumptions.

38. RETIREMENT BENEFIT SCHEMES (continued)

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

	2010 £000	2009 £000
Interest cost	**229**	238
Expected return on plan assets	**(125)**	(183)
Total pension charge	**104**	55

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 £263,000 (2009 – £484,000 gain).

The actual return on the scheme assets was a loss of £664,000 (2009 – loss of £426,000). There are no reimbursement rights.

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

	2010 £000	2009 £000
Present value of defined benefit obligations	**(4,501)**	(3,659)
Fair value of plan assets	**3,962**	3,194
Liability recognised in the balance sheet	**(539)**	(465)

The net movements in the deficit were as follows:

	2010 £000	2009 £000
At 1 May	**465**	553
Pension charge recognised in the income statement	**104**	55
Actuarial losses	**221**	109
Contributions	**(251)**	(252)
At 30 April	**539**	465

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

	2010 £000	2009 £000
At 1 May	**3,659**	4,055
Interest cost	**229**	238
Actuarial losses (gains)	**760**	(500)
Benefits paid	**(147)**	(134)
At 30 April	**4,501**	3,659

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

	2010 £000	2009 £000
At 1 May	**3,194**	3,502
Expected return on Scheme assets	**125**	183
Contributions	**251**	252
Benefits paid	**(147)**	(134)
Actuarial gains (losses)	**539**	(609)
At 30 April	**3,962**	3,194

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

38. RETIREMENT BENEFIT SCHEMES (continued)

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

	30 April 2010		30 April 2009	
	Expected return %	**Fair value of assets £000**	Expected return %	Fair value of assets £000
Equity instruments	**5.0**	**1,559**	5.9	1,301
Debt instruments	**3.0**	**2,148**	3.9	1,682
Other	**3.0**	**255**	3.9	211
		3,962		3,194

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 totaled £251,000 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 2011 is £510,000.

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 2010 £000	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	**4,501**	3,659	4,055	3,900	4,595
Fair value of Scheme assets	**3,962**	3,194	3,502	3,345	3,151
Deficit in the Scheme	**539**	465	553	555	1,444
Experience adjustments on Scheme obligations:					
Amount	**65**	(59)	(185)	738	48
Percentage of Scheme obligations (%)	**1.4%**	(1.6)%	(5.0)%	19.0%	1.5%
Experience adjustments on Scheme assets:					
Amount	**539**	(609)	(176)	(483)	493
Percentage of Scheme assets (%)	**13.6%**	(19.1)%	(5.0)%	(14.0)%	10.7%

39. FINANCIAL INSTRUMENTS

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

The Group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs)

All the financial instruments below are categorised as Level 2.

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 22, 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 22 and 23.

39. FINANCIAL INSTRUMENTS (continued)

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 23, identical key terms between US Dollar denominated loan note liabilities and Sterling/US Dollar cross-currency derivatives mean that the profit and loss and equity of the Group is 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 detail the Group's sensitivity to a €0.10 (2009 – €0.20) increase and decrease in the Euro/Sterling exchange rate.

A €0.10 (2009 – €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. The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.10 (2009 – €0.20) change in foreign currency rates.

	As stated in annual report £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
2010			
Total equity	305,106	304,250	306,564

	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

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

Sterling/US Dollar Cross-currency derivatives

As explained in Note 23, 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 23. Consequently, any fluctuation in the rate of the US Dollar has no impact on either profit and loss or equity.

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.

39. FINANCIAL INSTRUMENTS (continued)

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% (2009 – 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.

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2010			
Profit before taxation	9,615	4,999	14,231
Total equity	305,106	301,783	308,429

	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

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:

	Average contract fixed interest rate		Notional principal amount		Fair value	
Outstanding receive floating pay fixed contracts	**2010 %**	2009 %	**2010 £000**	2009 £000	**2010 £000**	2009 £000
Sterling						
2 to 5 years	**2.44%**	–	**63,000**	–	**(1,060)**	–
Euro						
2 to 5 years	**2.35%**	–	**174,060**	–	**(5,833)**	–

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 22 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

39. FINANCIAL INSTRUMENTS (continued)

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.

2010	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%	44,601	–	–	–	44,601
Fixed interest rate instruments	7.89%	118,573	23,090	314,429	111,570	567,662
Variable interest rate instruments	3.74%	67,658	9,144	201,111	–	277,913
		230,832	32,234	515,540	111,570	890,176

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

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.

2010	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
Liabilities					
Net settled:					
Interest rate swaps	5,829	5,022	1,908	–	12,759
Gross settled:					
Cross currency derivatives	33,844	15,236	126,632	92,975	268,687
	39,673	20,258	128,540	92,975	281,446
Assets					
Gross settled:					
Cross currency derivatives	34,893	14,885	131,938	99,662	281,378
	34,893	14,885	131,938	99,662	281,378

2009	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
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

39. FINANCIAL INSTRUMENTS (continued)

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	
	2010 £000	2009 £000	**2010 £000**	2009 £000
Financial liabilities				
Loan notes	**223,324**	263,560	**255,090**	336,020

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 receivables. 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.

	2010 £000	2009 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	**147,150**	173,824
Allowance for doubtful receivables	**(17,080)**	(7,949)
	130,070	165,875

	2010 £000	2009 £000
Ageing of trade receivables not impaired		
Not overdue	**112,112**	135,734
Past due not more than two months	**14,610**	23,887
Past due more than two months but not more than four months	**2,688**	5,406
Past due more than four months but not more than six months	**660**	848
	130,070	165,875

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 enables the Group only to 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 £2,203,000 (2009 – £2,356,000) is due from the Group's largest customer. There are no other customers who represent more than five 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.

39. FINANCIAL INSTRUMENTS (continued)

Included in the Group's trade receivables balance are debtors with a carrying amount of £17,958,000 (2009 – £30,141,000) 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.

	2010 £000	2009 £000
Movement in the allowance for doubtful receivables		
At 1 May	**7,949**	6,126
Impairment losses recognised	**14,400**	9,071
Amounts written off as uncollectible	**(2,663)**	(4,020)
Impaired losses reversed	**(2,335)**	(3,796)
Exchange differences	**(271)**	568
At 30 April	**17,080**	7,949

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 credit 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 receivables.

Included in the allowance for doubtful receivables are trade receivables which have been placed under liquidation of £43,000 (2009 – £23,000).

	2010 £000	2009 £000
Ageing of impaired trade receivables		
Not overdue	**1,005**	1,559
Past due not more than two months	**387**	446
Past due more than two months but not more than four months	**2,267**	857
Past due more than four months but not more than six months	**463**	239
Past due more than six months but not more than one year	**12,958**	4,848
	17,080	7,949

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 21) 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.

40. RELATED PARTY TRANSACTIONS

Transactions with subsidiary undertakings

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

	2010 £000	2009 £000
Net interest (payable) receivable	**(2,612)**	1,451
Management charges	**300**	300
	(2,312)	1,751

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 20 and 21.

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. There are other senior executives in the Group who are able to influence the Company in the achievement of its goals. However, in the opinion of the Directors, only the Directors of the Company have significant authority for planning, directing and controlling the activities of the Group.

Dividends received by the Directors of the Company amounted to £Nil (2009 – £254,000).

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 23 to 28. The fair value charged to the income statement in respect of equity-settled share-based payment transactions with the Directors is £130,000 (2009 – £123,000). There are no other long term benefits accruing to key management personnel, other than as set out in the audited part of the Remuneration Report.

Five year financial summary

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

Income statement

	2010 £000	2009 £000 (As restated)	2008 £000 (As restated)	2007 £000 (As restated)	2006 £000 (As restated)
Revenue: hire of vehicles and fleet management	**563,698**	609,645	578,462	526,465	372,609
Profit (loss) from operations	**71,109**	(117,531)	118,206	107,056	72,598
Net finance costs	**(61,494)**	(78,083)	(38,714)	(31,688)	(20,078)
Share of profit before taxation of associate	**–**	–	–	–	4,964
Share of taxation of associate	**–**	–	–	–	(1,422)
Profit (loss) before taxation	**9,615**	(195,614)	79,492	75,368	56,062
Taxation	**14,741**	9,912	(18,158)	(20,885)	(15,468)
Profit (loss) for the year	**24,356**	(185,702)	61,334	54,483	40,594
Basic earnings per Ordinary share*	**23.1p**	(572.6)p	188.6p	165.5p	132.9p
Dividends	**–**	19,359	18,982	16,949	13,437
Dividends per Ordinary share*	**–**	25.0p	60.9p	55.5p	50.0p

Balance sheet

	2010 £000	2009 £000 (As restated)	2008 £000 (As restated)	2007 £000 (As restated)	2006 £000 (As restated)
Assets employed					
Non-current assets	**885,124**	983,173	1,209,207	1,034,896	803,498
Net current (liabilities) assets	**(6,024)**	172,373	164,221	136,806	52,566
Non-current liabilities	**(573,994)**	(972,787)	(974,875)	(809,271)	(535,775)
	305,106	182,759	398,553	362,431	320,289
Financed by					
Share capital	**66,475**	3,527	3,527	3,560	3,538
Share premium account	**113,269**	67,972	67,972	67,230	64,998
Reserves	**125,362**	111,260	327,054	291,641	251,753
	305,106	182,759	398,553	362,431	320,289
Net asset value per Ordinary share*	**229p**	563p	1,227p	1,107p	985p

* prior year number of shares adjusted for the bonus element of the ten for one rights issue at seven pence per Ordinary share effective 12 August 2009 and the one for ten consolidation effective 23 September 2009.

Notice of annual general meeting

Notice is hereby given that the one hundred and twelfth Annual General Meeting of Northgate plc ('the Company') will be held at Norflex House, Allington Way, Darlington DL1 4DY at 11.30a.m. on 9 September 2010 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 10 and 13 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions:

1. To receive and approve the Directors' report and audited accounts of the Company for the year ended 30 April 2010.
2. To receive and approve the Remuneration Report for the financial year ended 30 April 2010 set out on pages 23 to 28 of the 2010 Annual Report and Accounts.
3. To re-appoint Deloitte LLP as auditors of the Company to hold office until the conclusion of the next Annual General Meeting.
4. To authorise the Audit Committee to determine the remuneration of the auditors.
5. To re-elect Mr R Mackenzie as a Director.
6. To re-elect Mr A Allner as a Director.
7. To re-elect Mr J Astrand as a Director.
8. To re-elect Mr T Brown as a Director.
9. To re-elect Mr R Contreras as a Director.
10. That the Board be and it is hereby generally and unconditionally authorised:

    i pursuant to Section 551 of the Companies Act 2006, to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £22,000,000 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and further

    ii to exercise all powers of the Company to allot equity securities (within the meaning of Section 560 of the said Act) in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them up to an aggregate nominal amount of £22,000,000 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

11. That subject to the passing of Resolution 10 the Board be and it is hereby empowered pursuant to Section 570 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of Section 561 of the said Act did not apply to any such allotment provided that this power shall be limited:

    i to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and

    ii to the allotment (otherwise than pursuant to sub-paragraph i. above) of equity securities up to an aggregate nominal value of £3,320,000

    and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

12. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.
13. That the renewal of the rules of the Northgate All Employee Share Scheme ('the Scheme'), in the form produced to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors be authorised to:

    i do all such acts and things as they may consider appropriate for the renewal of the Scheme; and

    ii establish further plans based on the Scheme but modified to take account of local tax, exchange control or securities laws in overseas territories, provided that any shares made available under such further plans are treated as counting against the limits on individual or overall participation in the Scheme.

29 June 2010
By Order of the Board

D Henderson
Secretary

Registered office:
Norflex House
Allington Way
Darlington
DL1 4DY

Notes

1. **A member entitled to attend and vote at the meeting may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.**
2. A proxy form which may be used to make this appointment and give proxy instructions accompanies this notice. Details of how to appoint a proxy are set out in the notes to the proxy form. As an alternative to completing a hard copy proxy form, proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 5 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 6 below). In each case the appointment must be received by the Company not less than 48 hours before the time of the meeting.
3. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a 'Nominated Person'). The rights to appoint a proxy can not be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
4. To be entitled to attend and vote at the Meeting, members must be registered in the register of members of the Company 48 hours before the time of the Meeting (or, if the Meeting is adjourned, 48 hours before the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
5. Shareholders wishing to appoint a proxy online should visit www.capitashareportal.com and follow the instructions on screen. (If you have not already registered with The Share Portal you will need to identify yourself with your personal Investor Code (see Attendance Card)). To be valid your proxy appointment(s) and instructions should reach Capita Registrars no later than 48 hours before the time set for the Meeting.
6. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. Members satisfying the thresholds in Section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the Auditor's Report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.
8. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
9. As at 22 June 2010 (being the latest practicable day prior to the publication of this notice), the Company's issued share capital consists of 132,949,433 ordinary shares of 50 pence each, carrying one vote each and 1,000,000 preference shares of 50 pence each, which do not carry any rights to vote on the above resolutions. Therefore the total voting rights in the Company are 132,949,433.
10. The contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights that members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.northgateplc.com.
11. Copies of the rules of the proposed new employee share incentive plan will be available for inspection at Norflex House, Allington Way, Darlington DL1 4DY and at the offices of Hewitt Associates Limited, 6 More London Place, London SE1 2DA during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of the Meeting and at the place of the Meeting for at least 15 minutes prior to and during the Meeting.

12. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.

13. Under sections 338 and 338A of the 2006 Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than 28 July 2010, being the date 6 clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Appendix to notice of AGM

Summary of the principal terms of the Northgate All Employee Share Scheme

Operation

The Remuneration Committee of the Board of Directors of the Company ('the Committee') supervises the operation of the Scheme. The Scheme is approved by HM Revenue & Customs.

The Scheme is currently used to offer all eligible UK employees an opportunity to buy shares in the Company at the end of a one year savings period using deductions from their gross salary of up to £1,500 over such period. This element of the Scheme is known as the 'Partnership Shares' element. Such Partnership Shares are currently matched with free 'Matching Shares' on a 1:1 basis under the Matching Shares element of the Plan. The relevant tax legislation allows companies to also offer 'Free Shares' (unconnected to Partnership Shares), and the Scheme contains the facility to also offer such an element.

More details on each of the three elements are set out below.

Partnership shares

The market value of Partnership Shares which an employee can agree to purchase in any tax year may not exceed £1,500 (or 10% of the employee's salary, if lower), or such other limit as may be permitted by the relevant legislation. If the Committee so decides (as per the current policy), salary deductions may be accumulated over a period of up to 12 months and then used to buy Shares at the lower of the market value of the Shares at the start and at the end of the accumulation period.

The Committee could also allow monthly purchases of Shares.

Matching shares

Matching Shares are free Shares which may be awarded to an employee who purchases Partnership Shares. The Committee may award Matching Shares to an employee who purchases Partnership Shares up to a maximum of two Matching Shares for every one Partnership Share purchased (or such other maximum ratio as may be permitted by the relevant legislation). The same Matching Share ratio will apply to all employees who purchase Partnership Shares on the same occasion. The Committee currently allows a matching ratio of 1:1.

Free shares

Free Shares are free Shares which may be awarded to eligible employees. The market value of Free Shares awarded to any employee in any tax year may not exceed £3,000 or such other limit as may be permitted by the relevant legislation. Free Shares may be awarded on a number of bases: equally for all employees; on the basis of salary, length of service or hours worked; or on the basis of performance, as permitted by legislation. This element of the Scheme is not currently used.

Eligibility

Employees of the Company and any designated participating subsidiary who are UK resident taxpayers are eligible to participate and all eligible employees must be invited. The Board may also allow non-UK tax resident taxpayers to participate. The Board may require employees to have completed a qualifying period of employment of up to 18 months in order to be eligible to participate.

Retention of shares

The trustee of the Scheme trust acquires and holds Partnership Shares on behalf of participants. Participants can withdraw their Partnership Shares from the Scheme at any time. If a participant ceases to be employed by the Company's group after acquiring Partnership Shares then his/her Shares are transferred out of the Scheme.

If any Matching Shares and/or Free Shares are awarded then those Shares would usually be held by the Scheme trustee for a period of at least three years. The Committee may decide that such Shares will be forfeited if participants cease to be employed in the Company's group within three years of the award unless they leave by reason of death, injury, disability, redundancy, retirement on or after reaching 55, or if the business or company for which they work ceases to be part of the Company's group. In any of those cases, the participants' Shares will be transferred out of the Plan.

Dividends

Any dividends paid on Shares held by the Scheme trustee on behalf of participants may be either used to acquire additional Shares for participants or distributed to participants. The current policy of the Committee is for dividends to be distributed to participants.

Other rights attaching to scheme shares

A participant is treated as the beneficial owner of the Shares held on his behalf by the Scheme trustee. Accordingly, in the case of corporate transactions affecting the Company and variations of share capital of the Company, Shares held in the Scheme are usually treated in the same way as any other Shares. In the event of a corporate reorganisation, Shares held on behalf of participants may be replaced by equivalent shares in a new holding company.

Any Shares allotted under the Scheme rank equally with Shares then in issue except for rights attaching to such Shares by reference to a record date prior to their allotment.

Overall scheme limits

The Scheme may operate over new issue Shares, treasury Shares or Shares purchased in the market. In any ten calendar year period, the Company may not issue (or grant rights to issue) more than 10 per cent of the issued ordinary share capital of the Company under the Scheme and any other employee share Scheme adopted by the Company. Treasury Shares will count as new issue Shares for the purposes of this limit unless institutional investor bodies decide that they need not count.

Alterations to the scheme

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

The requirement to obtain prior shareholder approval does not, however, apply to any minor alteration to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for any participant or any company in the Company's group.

General

An award of Shares may not be made under the Scheme later than ten years after shareholder approval of the renewal of the Scheme.

No benefits received under the Scheme are pensionable.

Overseas plans

The shareholder resolution to approve the Scheme will allow the Committee, without further shareholder approval, to establish further plans for overseas territories, any such Scheme to be similar to the Scheme, but modified to take account of local tax, exchange control or securities laws, provided that any Shares made available under such further plans are treated as counting against the limits on individual and overall participation in the Scheme.

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 (if applicable)
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 (if applicable) Publication of Interim Management Statement

Secretary and registered office

D Henderson FCIS
Norflex House
Allington Way
Darlington
DL1 4DY

Tel: 01325 467558

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

Registrars

Capita Registrars
Shareholder Adminstration Support
34 Beckenham Road
Beckenham
Kent
BR3 9ZA

Tel: 0871 6640300 (calls cost 10p per minute plus network extras)
Overseas: (+44) 208 6393399

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