Northgate plc
Annual report and
accounts 2011

Delivering effective fleet solutions to businesses across the UK and Spain.

NORTHGATE

Contents

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 in the sector since 1981. Our core business is the hire of vehicles to other businesses on variable length contracts, 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 62 sites with a fleet of 61,200 vehicles. In addition, we sell former rental vehicles to both retail and trade customers. For customers wishing to retain ownership, we offer a complete fleet management solution. We also offer an increasing range of services and products such as vehicle monitoring and parts procurement, to help customers manage their fleets effectively.

In Spain, we operate as Northgate España following the merger of our two operating subsidiaries in January 2011. With 25 branches and a combined fleet of 43,500 vehicles we are the market leaders in light commercial vehicle hire.

UK: Vehicle fleet

2011	**61,200**
2010	60,900
2009	62,900
2008	68,600
2007	65,300

Spain: Vehicle fleet

2011	**43,500**
2010	48,900
2009	60,400
2008	62,750
2007	55,000

Group operating profit[1] £m

2011	**105.6**
2010	82.8
2009	71.8
2008	121.8
2007	111.0

Profit before tax[2] £m

2011	**53.8**
2010	36.5
2009	27.5
2008	83.1
2007	79.3

Highlights of the year

Operational highlights

Average utilisation

- UK 90% (2010 – 90%[8])
- Spain 91% (2010 – 88%)

Underlying pricing improvement

- UK 4%
- Spain 2%

Restructuring of UK business progressing to plan

Merger of the two Spanish operating subsidiaries into Northgate España

Underlying financial highlights

Group operating profit[1]

+27.6%

2011: **£105.6m**
2010: £82.8m

Profit before taxation[2]

+47.4%

2011: **£53.8m**
2010: £36.5m

Basic earnings per share[3]

+8.2%

2011: **29.0p**
2010: 26.8p

Net debt[4]

-£68.4m

2011: **£529.9m**
2010: £598.3m

Return on capital employed[7]

+3.5%

2011: **11.9%**
2010: 8.4%

Statutory financial highlights

Profit from operations

+16.1%

2011: **£82.6m**
2010: £71.1m

Profit before taxation

+176.0%

2011: **£26.5m**
2010: £9.6m

Basic earnings per share

-4.3%

2011: **22.1p**
2010: 23.1p

Net debt

-£86.0m

2011: **529.1m**
2010: 615.1m

Profit for the year

+20.7%

2011: **£29.4m**
2010: £24.4m

For footnote references see page 17.

Chairman's statement

"Despite the economic downturn the Group has retained a strong, market leading position in both the UK and Spain, and has delivered earnings growth in line with the Board's expectations. Underlying cash generation in 2011 was £99m leaving net debt at £530m, which we expect to fall further in 2012. This, combined with the debt refinancing completed during the year, leaves the Group with an appropriate and robust capital structure."

Bob Mackenzie
Chairman

Against a background of continuing economic uncertainty in the countries in which we operate, I am pleased to report that the Group has made further progress with the restructuring of our UK and Spanish operations that commenced in summer 2010.

The focus of the Group will be to maintain utilisation in excess of 90%, improve operating efficiency to reduce costs and concentrate on increasing the return on capital employed (ROCE) above levels previously achieved. Against all of these measures we have delivered improvements in the past year.

The Group's financial results for the year ended 30 April 2011 are summarised as follows:

- Underlying profit before tax[2] increased by 47% to £53.8m (2010 – £36.5m);
- Underlying basic earnings per share[3] of 29.0p (2010 – 26.8p), based on shares of 133 million (2010 – 105 million);
- Net debt[4] reduced by £68.4m to £529.9m;
- ROCE[7] 11.9% (2010 – 8.4%); and
- Statutory profit before tax increased to £26.5m (2010 – £9.6m).

The successful refinancing in April 2011 was another milestone in the Group's progress as it was able to access new capital and secures its financial base for the medium term. At 30 April 2011 we had £225m headroom on our committed debt facilities of £781m[9]. Net debt to EBITDA[6] has come down to 1.7x (2010 – 2.0x) and all covenant measures improved over the year as a result of £99m of underlying cash generation[10]. Net debt was reduced by £68m during the year, as the Group continued to strengthen its balance sheet and position itself for any sustained improvement in market conditions.

We now have a strong management team in Spain and are developing our team in the UK by a mixture of internal promotion and external recruitment where necessary. This has stabilised the business. Management in both countries are now working effectively to maximise returns.

In the past few years sales have grown as a result of chasing volume at lower prices. We have ceased this practice and as a result we have lost some customers. We are seeking to replace this business with sales to customers who are attracted to our flexible renting model.

In both the UK and Spain our market is the flexible renting of vehicles. As we get improved data we will be better able to judge the size of the opportunity that exists for future expansion.

UK

Our underlying operating margin[11] increased to 22.0% in the year, compared to 18.0% in 2010 and utilisation rates have remained in line with targeted levels at 90% (2010 – 90%[8]). The increase in operating margin has been achieved through our actions aimed at improving operating efficiency, increasing hire rates and the continued strength in the residual prices for used vehicles.

During the year, the model of 20 separate companies with their own brands and management structure was initially replaced with 12 business areas operating under one Northgate Vehicle Hire brand. In line with original plans, the 12 areas were further reduced to seven regions in May 2011 providing the platform for a consistent and improved customer service and operational efficiencies.

The rebranding exercise was completed successfully providing the UK with a nationally recognised single brand. Brand development will continue to ensure that we are recognised as the market leader in light commercial vehicle hire in the UK. Our main rebranding focus has been vehicle livery on our own fleet, with c.15,000 vehicles now liveried in the Northgate Vehicle Hire branding.

I am pleased to report that the new IT system has finally been successfully implemented across the UK. As envisaged this is already providing enhanced information about the profitability of our activities, processes and services.

A number of significant initiatives have commenced during the year, which include:

- Improving the operational efficiency and productivity of our 53 workshops;
- Driver logistics management – planning and control of the collection and delivery of vehicles for customers. We used to employ delivery drivers and additional agency drivers to deliver vehicles all over the country, however a customer will now receive a vehicle from the nearest depot with availability;
- Simplifying and reducing the costs of internal administration and finance through centralisation to be completed early in the 2012 calendar year;
- Improved sales and operational planning, reducing vehicle holding costs and increasing sales opportunities;
- Restructuring our commercial sales organisation to improve both our national and SME sales with a nationally managed sales force; and
- Increasing staff training and development across the whole organisation.

This fundamental reorganisation of the UK business, together with the enhanced information about our activities, will enable us to make sensible informed decisions about pricing and availability thus improving our offering to customers and increasing our operating margin.

In addition to the £10m annualised cost savings targeted by April 2011, the above plans will result in a further annualised improvement to operating profit of over £5m from April 2012. Of these additional £5m annualised cost savings, we will incur total implementation costs of c.£3m in the year ending 30 April 2012.

Spain

Our Spanish business continues to operate in an extremely difficult and uncertain environment. This is particularly the case in the construction sector. One of the major challenges our business has faced in Spain is the reliance on this sector, and I am pleased to report that we have reduced our reliance on the construction sector from 55% in 2010 to 37% in 2011, which was mainly achieved through compensating increases in the wholesale and retail distribution, and electrical, plumbing and equipment maintenance service sectors.

Our underlying operating margin[12] increased to 18.0% in the year (2010 – 12.7%). In Spain, we have significantly lower margins compared to the UK, as we incur c.€14m of vehicle insurance costs, which are borne by the company and not the customer. In the longer term, hire rates will need to improve to recover these costs.

In times of uncertainty the importance of strong fleet management becomes imperative and for the first time under our ownership the Spanish business has achieved average utilisation for the year of 91% (2010 – 88%). Ongoing investment made in our used vehicle disposal capability has enabled the Spanish business to dispose of 19,000 vehicles at increasing residual values.

Debtor management continues to be an area of focus, specifically large construction debtors as government investment programmes continue to reduce. In the year ended 30 April 2011 the bad debt charge at €4m was €6m less than in the year to 30 April 2010.

From 1 January 2011, the Spanish business was merged, with the former Fualsa and Record businesses trading under the Northgate brand. It has been a complex task as there was much overlap between the two brands at very different prices. This has strengthened our position with customers and provides annualised benefits of approximately €4m from January 2011. One-off cash costs associated with this merger totalling €3m were incurred in the year. Further non-cash write downs of non-current assets of €15m have also been recognised in the current year. These comprise €7m write down of certain intangible assets recognised on acquisition and €8m of property write downs.

Refinancing

During the year the Group initiated discussions with all its lenders and private placement noteholders leading to a successful renegotiation of its borrowing facilities.

As previously announced the refinancing comprises three elements:

- A new eight year £100m term loan facility provided by M&G UK Companies Financing Fund ('M&G loan'), repayable in three equal instalments in October 2017, April 2018 and April 2019;
- A committed bank facility with an extended maturity of September 2014, initially £468m in size; and
- The Group's existing loan notes (currently amounting to £170m equivalent at fixed exchange rates) will remain invested until their original maturity dates, which are between November 2012 and December 2016, and at their existing coupon rates.

These facilities contribute to total committed facilities of the Group of £781m providing headroom[9] of £225m at 30 April 2011.

Employees

The Group's employees experienced a year of considerable change as a result of the need to reorganise both the UK and Spanish businesses. Our ongoing recovery continues to be as a result of their dedication, hard work and loyalty through this time of upheaval and economic uncertainty. I would like to thank them on behalf of the Board.

Dividend

The Board has again given careful consideration to paying a dividend and, on balance, has decided that it is not yet prudent to pay a dividend. The re-introduction of a dividend will continue to be reviewed going forward.

Board Changes

On 19 May 2011 Chris Muir was appointed Group Finance Director. His appointment was made following an extensive search process involving internal and external candidates. He has an extensive working knowledge of the business and has worked for Northgate in a wide range of finance positions demonstrating that he has the capability to be an outstanding finance director.

Current trading and outlook

Despite the economic downturn the Group has retained a strong, market leading position in both the UK and Spain, and has delivered earnings growth in line with the Board's expectations. Underlying cash generation in 2011 was £99m[10] leaving net debt at £530m[4], which we expect to fall further in 2012. This, combined with the debt refinancing completed during the year, leaves the Group with an appropriate and robust capital structure.

We enter the new financial year with a clear programme for operational improvement. Our focus will remain on improving returns and further progress is planned in the coming year through hire rate improvement, efficient fleet management, further cost reductions and cash generation.

The Group has begun the new financial year in line with the Board's expectations, and the Board is confident the Group is well placed to continue to deliver significant value to shareholders.

Bob Mackenzie
Chairman

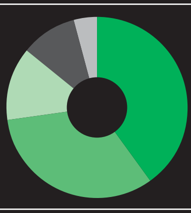
For footnote references see page 17.

Group at a glance

	UK		Spain	
Revenue (excluding vehicle sales)	2011	**£333.9m**	2011	**£203.4m**
	2010	£328.2m	2010	£235.5m
Operating profit[1]	2011	**£73.6m**	2011	**£36.6m**
	2010	£59.0m	2010	£30.0m
Operating margin[11, 12]	2011	**22.0%**	2011	**18.0%**
	2010	18.0%	2010	12.7%
Number of employees (closing)	2011	**2,073**	2011	**936**
	2010	2,122	2010	974
Closing fleet	2011	**61,200**	2011	**43,500**
	2010	60,900	2010	48,900
Vehicle sales	**18,900** 2011: **£103m**	22,700 2010: £114m	**19,000** 2011: **£75m**	19,800 2010: £72m
Vehicle purchases	**18,900** 2011: **£201m**	18,800 2010: £211m	**13,400** 2011: **£134m**	9,100 2010: £99m
Average utilisation	2011	**90%**	2011	**91%**
	2010	90%[8]	2010	88%
Locations	**62**		**25**	

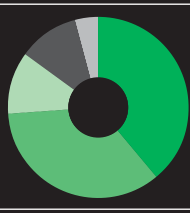
Fleet mix

UK



- Medium vans: **40%**
- Small vans: **33%**
- Large commercial vehicles: **13%**
- Cars: **10%**
- Buses, 4x4 and other specialist vehicles: **4%**

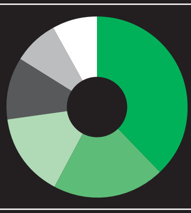
Spain



- Small vans: **39%**
- Cars: **35%**
- Large vans: **11%**
- 4x4: **11%**
- Large commercial and other: **4%**

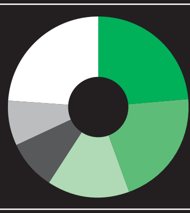
Fleet by manufacturer

UK



- Ford: **38%**
- Mercedes: **20%**
- Volkswagen: **15%**
- Peugeot: **11%**
- Vauxhall: **8%**
- Others: **8%**

Spain



- Peugoet: **24%**
- Citroen: **21%**
- Ford: **15%**
- Opel: **9%**
- Seat: **8%**
- Others: **23%**

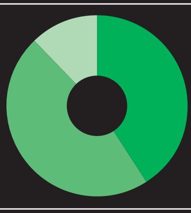
Reliance on construction customers

UK: Construction: **15%**, Other sectors: **85%**

Spain: Construction: **37%**, Other sectors: **63%**

Customers by fleet size

UK



- Corporate fleets (>100): **41%**
- Small and medium fleets (5 – 100): **47%**
- Micro-fleets (<5): **12%**

Spain

- Corporate fleets (>100): **32%**
- Small and medium fleets (5 – 100): **54%**
- Micro-fleets (<5): **14%**

For footnote references see page 17.

Operating profit above excludes corporate costs.

The movement in vehicle sales inventory is not included in the above extracts of fleet numbers, which would be required in order to reconcile the movement in closing fleet. Vehicle sales and purchases are stated on an accruals basis.

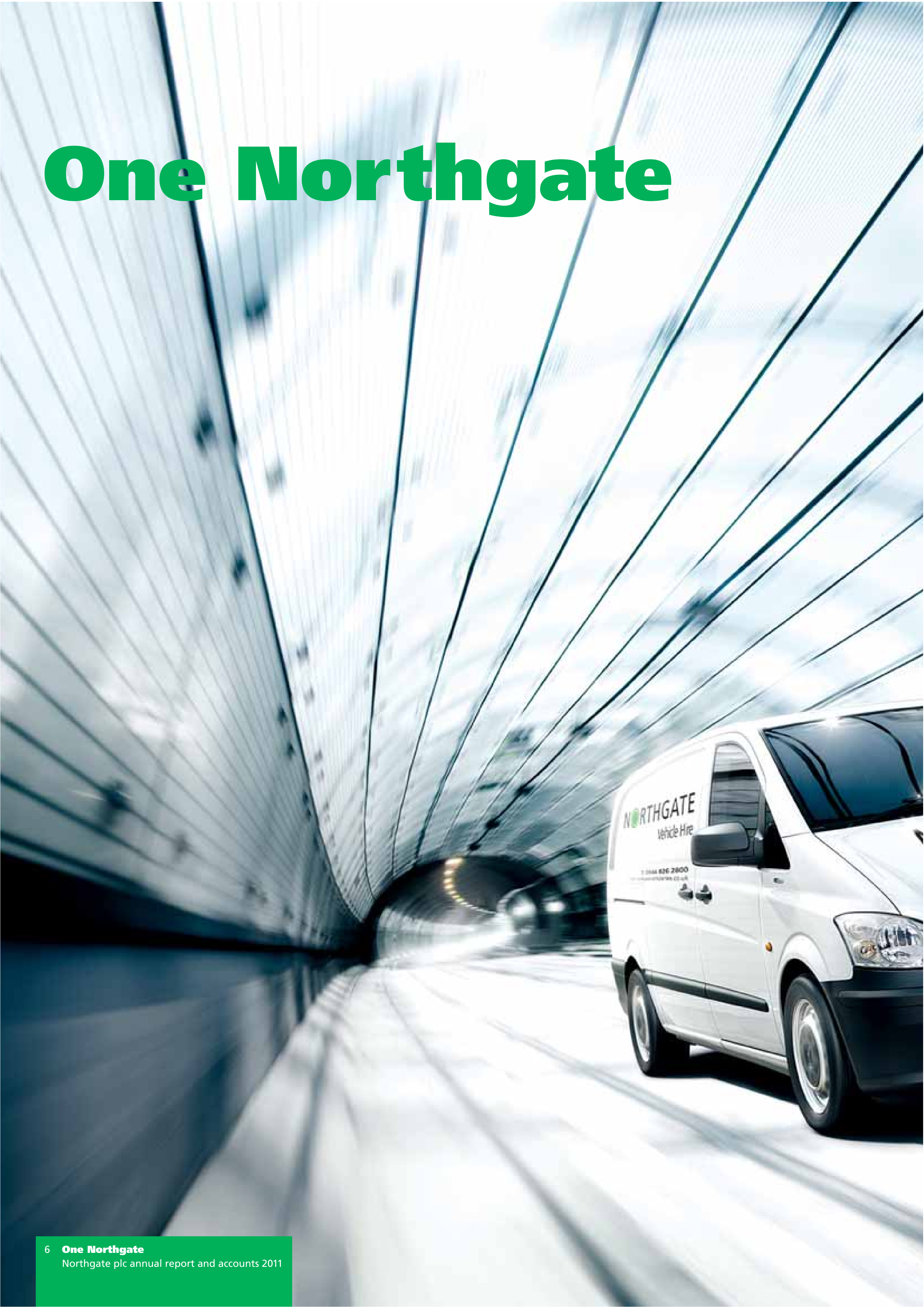
Key performance indicators

"The focus of the Group is to maintain utilisation in excess of 90%, improve operating efficiency to reduce costs and concentrate on increasing the return on capital employed 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.	**UK** Average utilisation has been maintained at the target rate of 90%. **Spain** Average utilisation has successfully improved to 91% from 88% in the prior year, exceeding the targeted rate of 90%.	The minimum target for both segments is to maintain utilisation above 90%, which is currently being achieved. The new IT system implemented in the UK is providing improved and more timely information about utilisations, therefore a revised target of 91% has been set going forward.
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** Hire rates have improved by 2% across the year, with an underlying increase of 4% adjusted for the lightening of fleet mix in the year. **Spain** Average rates have improved by 2% across the year, which has been achieved through a combination of strong pricing controls on new vehicles and targeted price increases with existing 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 Group had a closing fleet of 61,200 vehicles in the UK and 43,500 vehicles in Spain.	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 vehicles purchased through each manufacturer and maximising disposals through higher margin retail and semi-retail channels.
Return on capital employed (ROCE) In a capital intensive business, ROCE 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[7] was 11.9% in 2011 compared to 8.4% in the prior year.	Each KPI has been targeted for improvement to contribute to an overall increase in ROCE of the Group. Group ROCE is targeted to increase above levels previously achieved.
Earnings per share (EPS) Basic EPS is considered to be a key short term measure of performance used by shareholders.	Basic EPS[3] increased to 29.0p from 26.8p in the prior year. Earnings of £38.5m were 36% higher than in the previous year. The weighted average number of shares was 133m, 28m higher than the previous year which reflects the full year impact of the equity raising and rights issue in the prior year.	The target is to maximise shareholder value by increasing EPS in the short term alongside longer term return on equity.

For footnote references see page 17.

One Northgate



The restructure of the UK and Spanish business puts us in a better position to take advantage of opportunities for future growth, operate more efficiently and deliver high levels of customer service.

UK

Delivering on better opportunities

A restructured and nationally managed sales force has been established. Taken together with a more detailed analysis of our marketplace, we are better positioned to take advantage of profitable opportunities in 2012. Emphasis will be placed on key growth industries such as telecoms, and public sector where our relative penetration is low but the propensity for our product is high.

Improving shareholder value remains central to everything we do and the best way of achieving this is to position our product where it is aligned to need rather than price. Identifying and developing new markets, targeting SME's and marketing our complete fleet solutions will enable us to deliver whole-life cost benefits to customers rather than simply offering them the cheapest rate, which will create a more sustainable and profitable portfolio going forward.

Enhanced customer experience

In 2011, we conducted 4,200 training days for over 700 colleagues. Investment will continue in this area to ensure that we maintain our position as a 'best in class' support services provider. The IT and business blueprint training, which has already rolled out across the UK, will be enhanced in 2012. Our long standing commercial apprenticeship scheme and customer experience development project will ensure that we deliver service efficiently and effectively to all who engage with us.

Centres of excellence

Leveraging from the new IT platform, we will centralise vehicle administration and create a financial shared services centre, which will simplify operations, reduce costs and improve the overall operational efficiency of the business. Reduced paperwork and more focused and timely information will improve business decision making.

Training days provided in 2011

4,200

The awareness of the Northgate brand is now well established as the most recognisable commercial vehicle hire brand in the UK. This provides a platform for the Company to continue to make progress in achieving its objectives.

The power of the dial

We will continue to promote and develop our branding strategy in 2012 through investment in web and other communications, and have a target of 33,000 vehicles to be liveried by 30 April 2012. The increased awareness of the Northgate dial is enhancing our position as the market leader and will help us to deliver our commercial strategy going forward.

Technology driving improvement

In 2012 we will maintain our commitment to improve the customer experience through further investment in infrastructure and facilities. These improvements will build on initiatives already undertaken in 2011 following consolidation of the regions. With the help of new field technologies such as PDAs and workshop touch screens, delivery mileage will be minimised and workshop productivity will be improved.

Efficient and effective fleet management

Having vehicles in the right place at the right time is critical. In 2012, sales and operational planning will be fully integrated. Through the implementation of a new Customer Relationship Management system, we will be able to effectively measure the forward pipeline of our UK business in order to strategically plan acquisition and disposal of our fleet.

We will plan and schedule where best to place our non-utilised assets, creating greater vehicle availability and managing our customers' requirements more efficiently and effectively. In 2011 we completed the redistribution of 6,500 vehicles with a further 8,000 to 10,000 vehicles planned for 2012.

Vehicles to be liveried by April 2012

33,000

Vehicles redistributed to better meet customer requirements

6,500

From January 2011 the Spanish business was merged, with the former Fualsa and Record businesses now trading under the Northgate brand.

Spain

Improving the customer experience

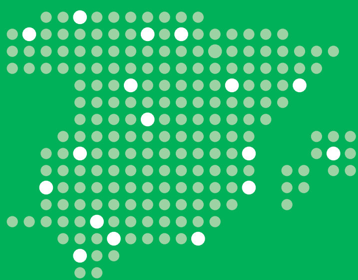
Prior to the merger there was significant customer overlap between Fualsa and Record. Consolidating the two businesses has enabled hire rates to be harmonised and customer service to be standardised.

Customers now receive a consistent and high level of service associated with the Northgate brand. Feedback has been positive, with many customers citing the improved geographical coverage of a combined business as the key to this success.

A highly visible fleet

Significant progress has been made in rebranding Northgate España's fleet of 43,500 vehicles and promoting the new brand in the market. Our new website is delivering sales opportunities and targeted advertising is creating visibility of the brand to a wide audience.

A common branding and commercial sales operation is enabling us to pursue our strategy of diversifying the customer base away from construction and targeting SME's. This approach will create a more stable platform for the business going forward and generate improved returns from our fleet.



Better network coverage

The previous customers of Fualsa and Record were serviced separately by 15 and 17 branches respectively. The consolidation of the network from 32 to 25 sites has enabled us to maximise operational efficiency whilst delivering improved geographical coverage to our customers.

The improved network coverage has enabled 1,000 vehicles to be redeployed across the country, creating greater vehicle availability and enabling us to manage customer requirements more efficiently and effectively.

Efficient and effective operations

The merger has enabled further centralisation of administrative and support functions, which commenced in 2009 when a single head office was established.

The existing ERP system has enabled information from the former businesses to be consolidated into one single IT platform, which has facilitated the roll out of standardised policies and procedures to all employees.

This shared information has also been leveraged upon by the commercial sales team to identify further opportunities going forward.

Vehicles redeployed, creating greater vehicle availability for customers

1,000

Operational review

"In an environment where capital has become more scarce and expensive, the Group has focused on improving returns on capital employed and restoring the strength of the Group's balance sheet. For the year ended 30 April 2011, substantially all of our original targets have been met resulting in an improved return on capital employed of 11.9% (2010 – 8.4%)."

Bob Contreras
Chief Executive

Group return on capital employed

2011	**11.9%**
2010	8.4%
2009	5.8%

Group

In 2010 the Group commenced a comprehensive programme designed to restructure the business to enhance both customer service and operational performance. It was evident at the time of the 2010 review that the focus should move away from targeting vehicle growth via aggressive pricing and an expanding network, to identifying markets and customers who are prepared to pay the correct price for the service offering and creating a business that does the simple things well and has optimal operating efficiency.

In an environment where capital has become more scarce and expensive, the Group has focused on improving returns on capital employed and restoring the strength of the Group's balance sheet.

To ensure this objective was met, the following areas were identified as key in both the UK and Spain:

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

For the year ended 30 April 2011, substantially all of the original targets have been met resulting in an improved return on capital employed[7] of 11.9% (2010 – 8.4%).

In addition, the Group also successfully refinanced its borrowing facilities in the year, improving terms and increasing the maturity of the previous facilities. The successful completion of the refinancing allows the Group to continue to focus on the improvement programme it has initiated.

UK

Improvements achieved in pricing, operational efficiencies and used vehicle residuals, coupled with continued strong fleet management have led to an increase in operating margin[11] from 18.0% to 22.0%.

Vehicle fleet and utilisation

The UK fleet size increased slightly to 61,200 vehicles (April 2010 – 60,900 vehicles). Vehicle utilisation for the year averaged 90% (2010 – 90%[8]).

Utilisation remains a key area of focus for the Group and the UK will be targeting an average rate of 91% going forward. The new IT system which was implemented across the UK by 31 May 2011 allows us to measure utilisation daily rather than weekly, as was the case previously. We estimate that the daily target rate of 91% is equivalent to some 93% under the previous weekly measure.

During the year we purchased 18,900 vehicles (2010 – 18,800) reflecting the Group's commitment to running a fleet with a suitable ageing profile, efficiency and reliability.

The average age of our fleet has increased to 22.1 months (April 2010 – 20.8 months).

Hire rates and vehicles on hire

Average hire revenue per vehicle closed at over 2% higher than in the prior year. This has been impacted by consumer demand moving towards smaller vehicles to reduce their operational costs. Adjusting for this mix impact the underlying hire rate increase was some 4%. Due to the change in vehicle mix, the UK saw no increase in its capital cost per vehicle despite new vehicle price inflation.

Year on year closing vehicles on hire fell by 1,000 (2010 – 600). We believe that the increase in pricing achieved has been a contributory factor to this reduction. Some customers originally moved from contract hire or acquisition to flexible rental to benefit from the unsustainable low rental rates rather than because it matched their business requirements. The higher rental price has caused them to reconsider their mix of fixed to flexible fleet, which has resulted in a decline in on-hires.

This will not reduce our focus on charging the correct price for the service provided and all ancillary services and costs incurred. Additionally, we will continue to seek to attract customers for whom flexible rental is the most appropriate solution.

UK operating margin

2011	**22.0%**
2010	18.0%
2009	12.4%

UK average utilisation

2011	**90%**
2010	90%
2009	86%

Spain operating margin

2011	**18.0%**
2010	12.7%
2009	12.7%

Spain average utilisation

2011	**91%**
2010	88%
2009	83%

UK continued

Restructuring and operational improvement

In April 2010 we commenced a restructuring of the UK business. The previous 20 hire companies were initially reduced to 12 areas, reducing further to seven regions in May 2011, all operating under a single brand of Northgate Vehicle Hire.

The vehicle and site rebranding exercise is on track with c.15,000 vehicles now liveried in the Northgate Vehicle Hire brand. This will continue each year as the fleet is replaced, and we have a target of 33,000 vehicles to be liveried by 30 April 2012.

Historically the 20 hire companies were responsible for vehicles operating across the UK, resulting in significant inefficiencies due to the difficulty in managing vehicle movements out of their local geographic areas. In order to eliminate this inefficiency, during the year we have progressively reallocated fleet into the region most suited to service the customer involved.

During the year we have identified a number of areas of improvement which will continue to drive operational efficiency and improve customer service. These comprise:

- Improved IT capability and systems, which will allow greater visibility and planning of our 53 workshops, leading to increased efficiency and utilisation;
- Further development around driver logistics management, which will provide the UK with opportunities for increasing delivery efficiency;
- The implementation of the UK-wide Enterprise Resource Planning (ERP) system, which allows the Group to centralise and reduce the costs of the UK finance and administration function;
- Improved sales and operational planning, which reduce vehicle holding costs and increase sales opportunities.

Of the £10m full year equivalent cost savings targeted by 30 April 2011, £9m have been achieved in the year, with the remaining £1m to be achieved in the year ending 30 April 2012 by establishing a centralised finance and administrative function. The results for the year include £6m of this annualised saving.

In addition to these £10m annualised cost savings, the above operational improvements will generate ongoing full year equivalent cost savings of some £5m by April 2012 with total implementation costs of c.£3m. Of these £5m cost savings, £3m will be achieved in the year ending 30 April 2012.

Used vehicle sales

The recovery in resale values for used vehicles observed in the last financial year continued in the year ended 30 April 2011.

During the year a total of 18,900 vehicles (2010 – 22,700 vehicles) were sold, with the higher margin retail and semi-retail channels accounting for 22% (2010 – 19%) of those disposals.

The improvement in the values achieved for the vehicles disposed resulted in a decrease of £14.2m (2010 – £6.5m) in the depreciation charge.

Depot network

As part of the ongoing operational improvement programme, we reduced the network of hire locations from 65 to 62 during the year. We continue to move towards a structure of larger hubs with a smaller number of satellite locations. Prior to the year end, we invested in new locations in the Midlands, which will facilitate further rationalisation of the network. More importantly the facilities and their location will allow increased planning, efficiency and utilisation of the network and improve customer service. The Group will continue to look for further opportunities to invest in the network when there is an economic benefit of doing so.

We have also commenced a programme of investment in our existing locations, focusing largely on workshop improvement. We envisage this programme will run over the next two years creating improved efficiency of our workshops and customer service.

IT

The UK has completed the roll-out of the UK-wide ERP system. This was completed by May 2011. The ERP system covers operations, asset management and finance and will be used as a basis to improve customer service and reduce costs through further operational efficiencies.

Spain

Our Spanish business has performed well against the ongoing difficult trading conditions. Improved fleet management, together with improvements in our used vehicle disposal capability, have led to closing fleet utilisation of 91% (measured daily on a consistent basis) and better residual values achieved for used vehicles when sold.

Additionally, the ongoing operational efficiency and hire rate improvements, as well as a reduced incidence of bad debts, have more than offset the reduction in vehicles on hire to improve the operating margin[12] to 18.0% (2010 – 12.7%).

Vehicle fleet and utilisation

The fleet size reduced in line with our expectations, from 48,900 vehicles at 30 April 2010 to 43,500 at 30 April 2011. The average utilisation for the year was 91% (2010 – 88%).

During the year we purchased 13,400 vehicles (2010 – 9,100) and the average age of the fleet reduced from 27.2 months at 30 April 2010 to 25.0 months at 30 April 2011.

Hire rates and vehicles on hire

Average hire revenue per rented vehicle in the year was 2% higher than the prior year period. This has been achieved through a combination of strong pricing controls on new vehicles and targeted price increases with existing customers. As with the UK the mix of vehicles on hire in Spain is being impacted by customer demand moving towards smaller vehicles.

In line with expectations, vehicles on hire fell 4,600 in the year ended 30 April 2011, from 44,000 vehicles at 30 April 2010. The increased disposal capability and strong operational controls allowed Spain to reduce the fleet appropriately and maintain strong vehicle utilisations.

Restructuring

From 1 January 2011 the Spanish business was merged, with the former Fualsa and Record businesses now trading under the Northgate brand. Having managed the potential negative consequences arising from the significant customer overlap, the merger was achieved with minimal disruption and has resulted in an improved customer service.

As in the UK, significant progress has been made in rebranding fleet, consolidating locations and promoting the brand in the market.

Operating under one brand will strengthen our customer service offering and will provide annualised benefits of c.€4m from January 2011.

Depot network

The size of the hire network in Spain has fallen from 32 sites to 25 sites, mainly as a result of operating under one brand. As part of the restructuring a review was carried out to determine which sites would maximise operational efficiency whilst retaining the required geographical coverage across the country.

Of the sites now vacated, an impairment provision of €7.8m has been charged in the year ended 30 April 2011 to reflect estimated current market values of these properties.

Sector focus

As previously reported, a high proportion of our Spanish customers have operated in the construction industry. In the year we have reorganised our commercial sales operations to focus on new sectors such as wholesale and retail distribution, maintenance, and cleaning services, which has enabled us to re-profile the customer base with construction now accounting for 37% of vehicles on hire at the end of April 2011 compared to 55% at the end of April 2010.

Used vehicle sales

As targeted, we have increased the capability of our Spanish disposal network. This has been driven by ongoing investment in locations and resource. Whilst Spain has seen good progress, there is still further development required to reach the capabilities of our UK business.

In line with the previous year we were able to dispose of 19,000 vehicles (2010 – 19,800 vehicles). The improvement in resale values achieved has resulted in a decrease in the depreciation charge of €0.2m compared to a €4.7m increase in the prior year.

Bad debts

Debtor management continues to be an area of focus, specifically large construction debtors as government investment programmes continue to reduce. The incidence of bad debt in Spain in the year ended April 2011 was €4.3m, a €6.0m fall from the charge in the year ended April 2010 of €10.3m. Ongoing improvements in controls and processes have further improved days' sales outstanding, falling from 109 as at 30 April 2010 to 94 days at 30 April 2011.

Bob Contreras
Chief Executive

For footnote references see page 17.

Financial review

Chris Muir
Group Finance Director

Financial reporting

Group

A summary of the Group's underlying financial performance for 2011 with a comparison to 2010, is shown below:

	2011 £m	2010 £m
Revenue	**715.5**	749.6
Profit from operations[1]	**105.6**	82.8
Net interest expense[13]	**(51.8)**	(46.3)
Profit before tax[2]	**53.8**	36.5
Profit after tax[3]	**38.5**	28.2
Basic earnings per share[3]	**29.0p**	26.8p
Return on capital employed[7]	**11.9%**	8.4%

Group revenue in 2011 decreased by 4.5% to £715.5m (2010 – £749.6m) or 3.3% at constant exchange rates.

Net underlying cash generation[10] was £99.4m (2010 – £184.6m) after net capital expenditure of £186.1m (2010 – £126.8m) resulting in closing net debt[4] of £529.9m (2010 – £598.3m).

On a statutory basis, operating profit, stated after intangible amortisation and exceptional items, has increased to £82.6m (2010 – £71.1m) with profit before tax increasing to £26.5m (2010 – £9.6m). Basic earnings per share reduced to 22.1p (2010 – 23.1p). Net cash from operations, including net capital expenditure on vehicles for hire, reduced by £86.2m to £102.3m (2010 – £188.5m), with net debt falling by 14.0% from £615.1m at 30 April 2010 to £529.1m at 30 April 2011. Gearing improved to 163% (2010 – 219%).

UK

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

	2011 £m	2010 £m
Revenue		
Vehicle hire	**333.9**	328.2
Vehicle sales	**103.0**	114.3
	436.9	442.5
Profit from operations[14]	**73.6**	59.0

Rental revenue increased by 1.7% to £333.9m (2010 – £328.2m) driven by an increase in hire rates of c.2% partially offset by a 0.3% reduction in the average number of vehicles on hire.

An improvement in residual values of used vehicles contributed £7.7m of the increase in profit from operations.

The UK operating margin was as follows:

	2011	2010
Operating margin[11]	**22.0%**	18.0%

The increase is due to an improvement in hire rates and used vehicle residual values as mentioned above, coupled with cost savings targeted through the ongoing restructuring of the UK business.

Spain

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

	2011 £m	2010 £m
Revenue		
Vehicle hire	**203.3**	235.5
Vehicle sales	**75.3**	71.6
	278.6	307.1
Profit from operations[15]	**36.6**	30.0

The reduction in average vehicles on hire of 12.7% contributed to a decrease in rental revenue of 13.7% (10.8% at constant exchange rates), which was partially offset by a c.2% increase in average revenue per rented vehicle.

An improvement in used vehicle residual values has contributed £4.3m to the £6.6m increase in profit from operations with 19,000 vehicles sold (2010 – 19,800).

The Spanish operating margin was as follows:

	2011	2010
Operating margin[12]	**18.0%**	12.7%

Vehicle rental revenue and profit from operations in 2011, expressed at constant exchange rates, would have been higher than reported by £6.8m and £1.2m respectively.

Revenue per rented vehicle increased by 2% despite a lightening of the fleet mix, which reflects targeted price increases and an improvement in pricing controls.

The incidence of bad debt in Spain has reduced by £5.4m to £3.7m (2010 – £9.1m), equivalent to 1.8% of operating margin (2010 – 3.9%) despite no significant improvement in the economic environment, which demonstrates a major improvement in credit control procedures.

Corporate

Corporate costs[16] were £4.6m compared to £6.1m in the prior year reflecting the impact of Board changes previously announced.

Return on capital employed

Group return on capital employed[7] was 11.9% compared to 8.4% in the prior year and 5.8% in 2009. This represents a substantial improvement over the previous two years and underlines the Group's success in applying its strategy of maximising returns through more efficient fleet management and improved hire rates.

Group return on equity, calculated as profit after tax (excluding intangible amortisation, impairment of intangible assets, exceptional administrative expenses and exceptional finance costs) divided by average shareholders' funds, was 12% (2010 – 12%).

Exceptional items

During the year £5.6m of restructuring costs were incurred, of which £2.4m related to the UK, £2.6m related to the merger of Fualsa and Record in Spain and £0.6m related to corporate costs.

As part of the merger in Spain, property impairments of £6.9m were recognised for sites vacated and £5.9m of intangible assets were written down in relation to brand names no longer used.

During the year £4.2m of exceptional financing costs were incurred, of which £2.7m related to unamortised financing fees written off in relation to borrowings which were treated as extinguished debt upon refinancing of the Group in April 2011. Financing costs of £1.5m were also incurred in relation to swap contracts which were either cancelled or which no longer qualified for hedge accounting following the refinancing.

Interest

Net finance charges for the year before exceptional items were £51.8m (2010 – £46.3m).

The charge includes £9.4m of non-cash interest, primarily from borrowing fees amortised in the year (2010 – £5.9m).

Net cash interest has increased by £2.0m to £42.4m, with a £15.0m increase due to the full year impact of higher rates since refinancing in September 2009 being largely offset by an interest saving of £13.0m as a result of the reduction in average net debt throughout the year.

Taxation

The Group's underlying effective tax charge for its UK and overseas operations is 28% (2010 – 23%). This is higher than the previous year, which included a £2m tax credit in respect of prior years.

The underlying tax charge excludes the tax on intangible amortisation and exceptional items and a credit of £5.9m for the recognition of previously unrecognised deferred tax assets (2010 – £15.5m).

Also excluded from the underlying tax charge in the year is a £4.2m credit in relation to tax provisions which were made on acquisition of our Spanish operations which have been settled in the year at a lower amount.

Including these items the Group's statutory effective tax charge is (11)% (2010 – (153)%).

Earnings per share

Basic earnings per share (EPS)[3], were 8% higher than the previous year at 29.0p (2010 – 26.8p). Basic statutory earnings per share were 22.1p (2010 – 23.1p).

Underlying earnings for the purposes of EPS[3] of £38.5m were £10.3m (36%) higher than the previous year (2010 – £28.2m). The weighted average number of shares for the purposes of EPS was 133m, 28m higher than the previous year which reflects the full year impact of the equity raising and rights issue in the prior year.

Dividend

The Directors do not recommend the payment of a dividend in relation to the Ordinary shares for the year ended 30 April 2011 (2010 – £Nil).

Balance sheet

Net tangible assets at 30 April 2011 were £324.4m (2010 – £281.1m), equivalent to a tangible net asset value of 243.5p per share (2010 – 211.4p per share).

Gearing[5] at 30 April 2011 was 163% (2010 – 213%) reflecting a £68m reduction in net debt.

Cash flow

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

	2011 £m	2010 £m
Underlying operational cash generation	**331.4**	358.1
Net capital expenditure	**(186.1)**	(126.8)
Net taxation and interest payments	**(45.9)**	(46.7)
Net underlying cash generation[10]	**99.4**	184.6
Proceeds from issue of share capital	**0.4**	108.3
Refinancing fees	**(10.3)**	(31.4)
Other	**(2.6)**	(0.7)
Net cash generated	**86.9**	260.8
Opening net debt[4]	**598.3**	886.4
Net cash generated	**(86.9)**	(260.8)
Financing fees*	**6.4**	(18.2)
Other non-cash items	**3.4**	–
Exchange differences	**8.7**	(9.1)
Closing net debt[4]	**529.9**	598.3

* Financing fees paid and amortised as well as issue of make-whole notes

Underlying operational cash generation (as defined in the table above) of £331.4m, coupled with tight control over capital expenditure of £186.1m have contributed to a £68.4m reduction in net debt[4] to a closing position of £529.9m.

A total of £343.6m was invested in new vehicles in order to replace fleet compared to £299.1m in the prior year. This increase primarily related to 4,300 more units purchased in Spain compared to the previous year, which brought the average age of the fleet down from 27 to 25 months. The Group's new vehicle outlay was partially funded by £161.2m of cash generated from the sale of used vehicles. Other net capital expenditure amounted to £3.7m.

After capital expenditure, and payments of interest and tax of £45.9m, net underlying cash generation[10] was £99.4m, compared to £184.6m in the previous year.

Borrowing facilities

The new financing arrangements came into effect in April 2011 and comprise committed secured facilities of £739m. Including local facilities in Spain of £42m, Group facilities amounted to £781m compared to debt (gross of £26m of unamortised arrangement fees) of £556m at 30 April 2011 giving headroom[9] of £225m.

US loan notes bear fixed interest of 8.7%. M&G loan interest is charged at LIBOR +4.25%. This has been swapped into fixed rate debt at a rate of 8.3%. A proportion of bank debt is fixed at 5.1% giving an overall fixed rate debt of 7.1%. Including floating rate debt, the overall cost of the Group's borrowings is 6.6%.

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, and ranges from a maximum of 3.25% to a minimum of 2.25%. The net debt to EBITDA ratio at 30 April 2011 corresponds to a bank margin of 2.75%.

The Group made total borrowing repayments of £175m in the year. This included repayments of £89m under the previous financing arrangements, £78m of the M&G loan received being paid to existing lenders and make-whole payments of £8m to US loan noteholders.

The repayment of bank borrowings from the receipt of monies from the Sterling M&G loan was made against Euro denominated bank debt. The equivalent amount of M&G loan was swapped into Euro borrowings in order to maintain the net investment hedging position of the Group.

Scheduled bank repayments of £74m are due in November 2012 before the facilities mature in September 2014.

Borrowing facilities continued

US loan note repayments and maturities of £47m are due in November 2012, with £46m maturing in December 2013 and £77m in December 2016.

The M&G loan is repayable in three equal instalments in October 2017, April 2018 and April 2019.

There are four financial covenants[6] under the Group's revised facilities as follows:

1 Interest cover ratio

A minimum ratio of earnings before interest and taxation (EBIT) to net interest costs tested quarterly on a rolling historic 12 month basis. The covenant ratio to be exceeded ranges between 1.50x and 2.25x.

Interest cover at 30 April 2011 was 2.1x with EBIT headroom, all else being equal, of c.£25m.

2 Minimum tangible net worth

A minimum tangible net worth, i.e. net assets excluding goodwill and intangibles, tested quarterly. This covenant has been set at 80% of the net tangible assets at 30 April 2010 as adjusted for 80% of budgeted cumulative retained profits planned at the time of refinancing.

Headroom at 30 April 2011 was c.£85m.

3 Loan to value

A maximum ratio of total consolidated net borrowings to the book value of vehicles for hire, vehicles held for resale, trade receivables and freehold property, tested quarterly. The covenant ratio which must not be exceeded ranges between 70% and 80%.

Loan to value at 30 April 2011 was 63% giving net debt headroom, all else being equal, of c.£154m.

4 Debt leverage cover ratio

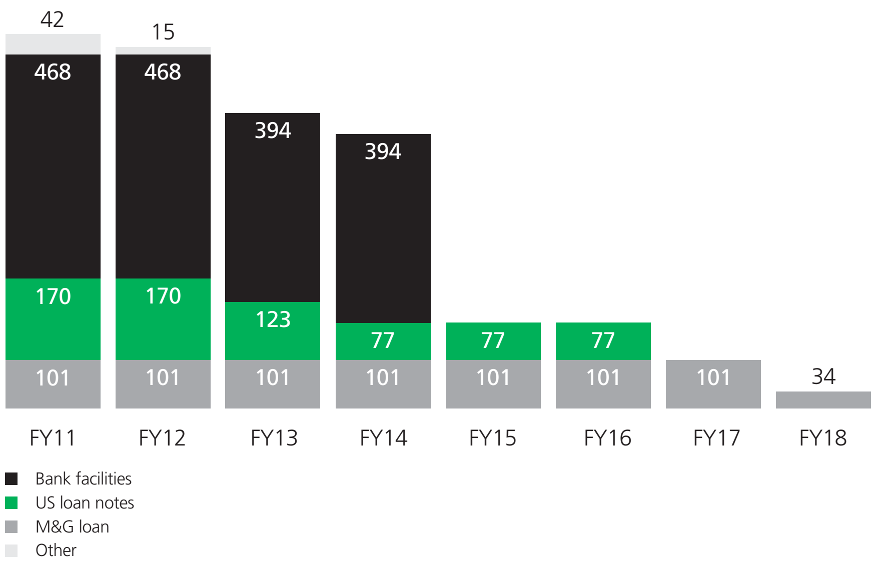
A maximum ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA), tested quarterly on a rolling historic 12 month basis. The covenant ratio which must not be exceeded ranges between 2.00x and 2.25x.

Debt leverage cover at 30 April 2011 was 1.7x with EBITDA headroom, all else being equal, of c.£81m.

The Group's facilities and their maturities

	Facility £m	Drawn £m	Headroom £m	Maturity
Bank	468	257	211	September 2014
US loan notes	170	170	–	November 2012 to December 2016
M&G loan	101	101	–	October 2017 to April 2019
Other loans	42	28	14	Up to November 2012
	781	**556**	**225**	

Committed facilities (£m)



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 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.

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, other loans 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[5] at 30 April 2011 was 163% compared to 213% at 30 April 2010.

Interest rate management

The Group's bank facilities and other loan 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 at least 50% of its borrowings at any time. The proportion of gross borrowings hedged into fixed rates was 84% at 30 April 2011 (2010 – 71%).

Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (60%) 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 and Irish 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:

	2011 £:€	2010 £:€
Average	**1.17**	1.13
Year end	**1.12**	1.15

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. In addition, the Group has entered into a number of GBP/EUR cross-currency swaps which are designated as net investment hedges. 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 and net investment hedges 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 scheduled repayment dates and 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 2011 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 borrowing 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 18 and 19. 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 2011 accounts.

Chris Muir
Group Finance Director

1 Stated before intangible amortisation of £4.7m (2010 – £5.0m), impairment of intangible assets of £5.9m (2010 – £Nil) and exceptional administrative expenses of £12.5m (2010 – £6.7m).
2 Stated before intangible amortisation of £4.7m (2010 – £5.0m), impairment of intangible assets of £5.9m (2010 – £Nil), exceptional administrative expenses of £12.5m (2010 – £6.7m) and exceptional finance costs of £4.2m (2010 – £15.2m).
3 Stated before intangible amortisation of £4.7m (2010 – £5.0m), impairment of intangible assets of £5.9m (2010 – £Nil), exceptional administrative expenses of £12.5m (2010 – £6.7m), exceptional finance costs of £4.2m (2010 – £15.2m) and tax on intangible amortisation, exceptional items and exceptional tax credit of £18.2m (2010 – £23.0m).
4 Net debt taking into account swapped exchange rates for US loan notes and proportion of M&G loan swapped into Euro being retranslated to Sterling at closing exchange rates.
5 Calculated as tangible net assets divided by net debt[4],with tangible net assets being net assets less goodwill and other intangible assets.
6 Calculated in accordance with covenant requirements of the Group's financing arrangements.
7 Calculated as operating profit[1] divided by average capital employed, being shareholders funds plus net debt[4].
8 Utilisation rate for 2010 restated, removing free of charge customer loans.
9 Headroom calculated as facilities of £781m less net borrowings of £556m. Facilities and net borrowings stated taking into account the fixed swapped exchange rates for US loan notes and proportion of M&G loans swapped into Euro being retranslated to Sterling at closing exchange rates. Net borrowings represent net debt of £530m gross of £26m of unamortised arrangement fees and are stated after the deduction of £97m of cash balances, which are available to offset against borrowings.
10 Net increase in cash and cash equivalents before financing activities.
11 Calculated as operating profit[14], divided by revenue of £333.9m (2010 – £328.2m), excluding vehicle sales.
12 Calculated as operating profit[15], divided by revenue of £203.3m (2010 – £235.5m), excluding vehicle sales.
13 Stated before exceptional finance costs of £4.2m (2010 – £15.2m).
14 Excluding amortisation of intangible assets of £3.2m (2010 – £3.0m) and exceptional administrative expenses of £2.4m (2010 – £5.8m).
15 Excluding amortisation of intangible assets of £1.4m (2010 – £2.0m), impairment of intangible assets of £5.9m (2010 – £Nil) and exceptional administrative expenses of £9.4m (2010 – credit of £(0.1)m).
16 Excluding exceptional administrative expenses of £0.6m (2010 – £1.1m).

Principal risks and uncertainties

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 below.

	Impact	Mitigation
Economic environment	There is a link in our business between the demand for our products and services and the levels of economic activity in the countries in which the Group operates. The high level of operational gearing in our business model means that changes in demand can lead to higher levels of variation in profitability. 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 years. 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 ongoing credit analysis is performed on new and existing 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 a vehicle at the end of its 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. As our business is highly operationally geared, any increase or decrease in hire rates will impact profit and shareholder returns to a greater effect.	The Group is now more strongly focused on maximising return on capital and so hire rates are not being reduced below certain hurdle rates. In co-ordinating this policy with fleet management, utilisations are being maintained at higher rates. Our current pricing strategy is focused on charging the correct price for the service provided and all ancillary services offered which will attract customers for whom flexible rental is the most appropriate solution but not necessarily the cheapest. This means that the Group will be better positioned against solely price led competition going forward.

	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 facilities. Current bank facilities are due to mature in September 2014 with other facilities having varying maturity dates up to April 2019. There is a risk that the Group cannot successfully extend its 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 ongoing 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 impact of access to capital on the wider risk of going concern is considered on page 17.
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.
Change management	The UK and Spain businesses are currently undertaking restructuring programmes which seek to improve the operational efficiency of the Group, with the aim of increasing returns to shareholders and placing the Group in a better position for future expansion, or to be more resilient to any further downturns in the economic environment. If these programmes are not executed effectively, the Group will not be in a position to achieve its objectives, and profitability and shareholder returns will be impacted.	The Board and its advisors conducted detailed reviews of the restructuring strategy before it commenced, and each project is subject to an ongoing assessment at Board level. The restructuring strategies have been communicated to all employees. Risks arising through the process are continually monitored and mitigating actions are taken when required.

Board of Directors

"We enter the new financial year with a clear programme for operational improvement. Our focus will remain on improving returns and further progress is planned in the coming year through hire rate improvement, efficient fleet management, further cost reductions and cash generation."

1 **Bob Mackenzie ACA**
Chairman

2 **Bob Contreras ACA**
Chief Executive

3 **Chris Muir ACA**
Group Finance Director

4 **Andrew Allner FCA**
Non-executive Director

5 **Jan Astrand MBA**
Non-executive Director

6 **Tom Brown MBA**
Non-executive Director and
Senior Independent Director


1


4


2


5


3


6

Bob Mackenzie ACA

Appointed to the Board as Chairman in February 2010. Prior to his appointment, he was Chief Executive of Sea Containers Ltd, including the Chairmanship of its subsidiary GNER. He was until recently Chairman of Dometic Holdings AB, a Swedish based manufacturing company. 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 58.

Bob Contreras ACA

Appointed Chief Executive on 7 June 2010 having been Group Finance Director since 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 48.

Chris Muir ACA

Appointed to the Board as Group Finance Director on 19 May 2011. Chris originally joined Northgate as Group Accountant in 2003, being appointed Group Financial Controller in March 2004 and UK Finance Director in May 2006. Qualifying as a Chartered Accountant in 1999, Chris worked for Deloitte LLP from 1997 until 2003, leaving as a manager. Chris has a first class honours degree in Economics and Accountancy from the University of Newcastle upon Tyne. Age 35.

Andrew Allner FCA

Appointed to the Board as a non-executive Director and to the Chair of the Audit and Risk Committee in September 2007. Andrew is currently Chairman of Marshalls plc and also serves as non-executive Director and Chairman of the Audit Committee at AZ Electronic Materials SA, the Go-Ahead Group plc and CSR plc. He was Group Finance Director of RHM plc, taking a lead role in its flotation in July 2005 on the London Stock Exchange. Prior to joining RHM plc, Andrew was CEO of Enodis plc and has served in senior executive positions with Dalgety plc, Amersham International plc and Guinness plc. He was also a non-executive director of Moss Bros Group plc from 2001 to 2005. A graduate of Oxford University, he is a former partner of Price Waterhouse and is a Fellow of the Institute of Chartered Accountants in England and Wales. Age 57.

Jan Astrand MBA

Appointed to the Board as a non-executive Director in February 2001. Jan is also currently a non-executive Director of Lavendon Group plc. 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 64.

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 Director of a number of private companies, and a member of the Economics Committee of the EEF. He was previously Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc. Age 62.

Board Committees

Audit and Risk

- 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 2011.

Results

Profit for the year after taxation was £29,393,000 (2010 – £24,356,000).

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, together with a description of the principal activities of the business, can be found in the Operational Review and Financial Review on pages 11 to 19, which are incorporated in this report by reference.

A description of the principal risks and uncertainties facing the Company and the Group is set out on pages 18 and 19 which are incorporated into 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 share 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 cumulative 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 99.255% 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 ('the Articles') and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions 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 UK Corporate Governance 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.

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:

	30 April 2011	29 June 2011
Standard Life Investments Limited	17,261,848 (12.96%)	15,954,460 (11.97%)
Blackrock Inc	6,730,413 (5.05%)	6,730,413 (5.05%)
Legal & General Group plc	6,571,010 (4.93%)	6,571,010 (4.93%)
Aviva plc	6,705,837 (5.03%)	6,557,699 (4.92%)
Artemis Investment Management Ltd	6,452,112 (4.84%)	6,452,112 (4.84%)

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 of between 5% and 10% of the current issued Ordinary share capital.

Directors

Details of the present Directors are listed on pages 20 and 21. All have served throughout the year except Chris Muir who was appointed on 19 May 2011. Paul Tallentire resigned from the Board with effect from 4 June 2010.

Last year the Board adopted the provision in the new UK Corporate Governance Code (which replaces 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, in addition to Chris Muir, appointed after the year end, resolutions to re-appoint all the other Directors in office at the date of this report will be proposed at the Annual General Meeting.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 25 to 29.

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.

	Ordinary Shares of 50p each 30 April 2011	Ordinary Shares of 50p each 1 May 2010
AJ Allner	**13,090**	13,090
JG Astrand	**51,920**	51,920
THP Brown	**52,634**	52,634
RL Contreras	**115,048**	105,000
RD Mackenzie	**100,000**	–

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

No changes in the above interests have occurred between 30 April 2011 and the date of this report. Chris Muir held 12,657 Ordinary shares on his appointment to the Board on 19 May 2011.

Details of options held by the Directors under the Company's various share schemes are given in the Remuneration Report on pages 25 to 29.

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 £5,000 (2010 – £13,000) 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 2011 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 25 to 29, 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 2010 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 2012 will be proposed at the Annual General Meeting. The authority will permit the Directors to allot up to an aggregate nominal amount of £22m of share capital which represents less than 33% of the present issued Ordinary share capital and is within the limits approved by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

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

A special resolution 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 £3,330,000 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 Annual General Meeting on page 87 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.

Deferred annual bonus plan

The Deferred Annual Bonus Plan ('the Plan') was introduced in 2003 for executive Directors and senior and middle management. Under the Plan, part of any annual bonus is delivered in cash and part in the form of a deferred share award which normally vests after three years. The Plan is currently restricted to using existing shares sourced via the Company's employee benefit trust to satisfy the deferred share awards. The Company would like the flexibility to also use newly issued and treasury shares in connection with the operation of the Plan (within standard shareholder dilution limits). Resolution 14 being put to shareholders at the 2011 AGM seeks shareholder approval of the Plan to provide for such flexibility. A full summary of the principal terms of the Plan is set out in the first Appendix to the notice of AGM.

Management performance share plan

The Management Performance Share Plan (MPSP) was adopted by the Board in 2006. Participants in the MPSP receive contingent share awards which ordinarily vest after three years subject to the achievement of performance conditions and continued employment. The MPSP operates only for executives below Board level. The MPSP is currently restricted to using existing shares sourced via the Company's employee benefit trust. The Company would like the flexibility to also use newly issued and treasury shares in connection with the operation of the MPSP (within standard shareholder dilution limits). Resolution 15 being put to shareholders at the 2011 AGM seeks shareholder approval of the MPSP to provide for such flexibility. A full summary of the principal terms of the MPSP is set out in the second Appendix to the notice of AGM.

Financial instruments

Details of the Group's use of financial instruments are given in the Financial Review on pages 16 and 17 and in Notes 23 and 39 to the accounts.

Auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 Companies Act 2006.

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

By order of the Board

D Henderson
Secretary

29 June 2011

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 21.

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 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.

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.

The Committee believes that the policy adopted last year of applying greater weighting to the variable elements of executive remuneration continues to be appropriate for the business going forward and, in incentivising the longer term performance of the Company, provides greater alignment with the interests of shareholders.

Following the operational restructuring of the business in the UK (see Operational Review on pages 11 to 13), the Committee has reviewed the remuneration structure for senior and middle management to ensure that there is a proper balance between the levels of management. Below middle management level, staff in the UK generally received a salary increase of 2% in 2011. In Spain, all staff received a CPI increase of 3%.

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

Service contracts

The executive Directors have rolling service contracts, which may be terminated by 12 months notice from the Company or by six months notice from the Director. The dates of the contracts are:

RL Contreras	27 May 2011
CJR Muir	19 May 2011

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

In accordance with the Company's policy of paying lower basic salaries coupled with higher incentives, the current basic salaries paid to the executive directors are as follows:

RL Contreras	£375,000
CJR Muir	£175,000

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.

The above numbers reflect the fact that on the first annual review (1 May 2011) following his appointment as Chief Executive, Bob Contreras was awarded a 7% increase in view of his performance in this role, while still remaining below the market median for comparably sized companies.

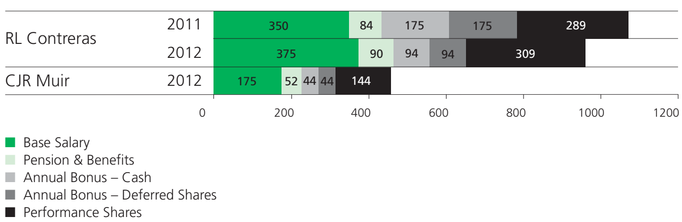
Chris Muir's salary was determined on his appointment, also at a level below the market median.

Total remuneration

The chart below shows the balance between fixed and variable performance based pay for Bob Contreras for the year ended 30 April 2011 and projections for Bob Contreras and Chris Muir for the year ending 30 April 2012.

Total reward for 2012 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 2012, 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.

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. The executive Directors receive a pension contribution of 18% of salary.

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
RD Mackenzie	5 February 2010	4 February 2010
AJ Allner	26 September 2007	22 June 2011
JG Astrand	13 February 2001	22 June 2011
THP Brown	13 April 2005	22 June 2011

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

RD Mackenzie	Chairman	£160,000
AJ Allner	Chairman of Audit and Risk Committee	£60,000†
JG Astrand	Non-executive Director	£50,000
THP Brown	Senior Independent Director and Chairman of Remuneration Committee	£68,000*

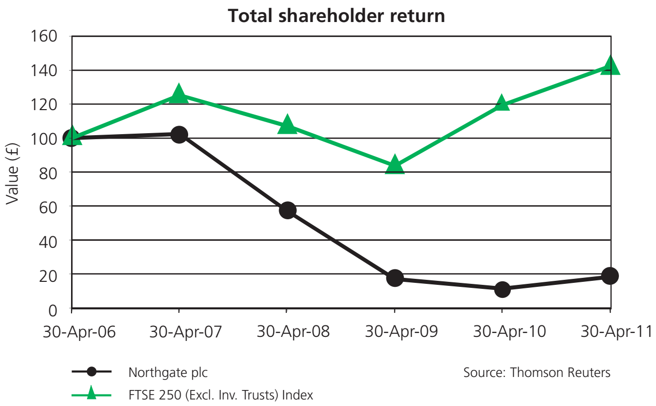
† Including £10,000 in respect of his chairmanship of the Audit and Risk Committee.

* Including £8,000 in respect of his chairmanship of the Remuneration Committee and £10,000 as Senior Independent Director.

All were last reviewed on 1 May 2011. 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.

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 2011 was 342p (30 April 2010 – 212p). The range during the year was 153p to 347p.



This graph shows the value, by the 30 April 2011, of £100 invested in Northgate plc on 30 April 2006 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 2011 £000	Total 2010 £000	Pension contributions** 2011 £000	2010 £000
RD Mackenzie	183	–	–	–	**183**	44	**–**	–
AJ Allner	46	–	–	–	**46**	46	**–**	–
JG Astrand	39	–	–	–	**39**	45	**–**	–
THP Brown	45	–	–	–	**45**	45	**–**	–
RL Contreras***	343	350	60	–	**753**	552	**24**	–
PJ Tallentire****	41	–	3	482†	**526**	718	**7**	76
PJ Moorhouse	–	–	–	–	**–**	679	**–**	82
AT Noble	–	–	–	–	**–**	668	**–**	72
P Rogerson	–	–	–	–	**–**	87	**–**	–
SJ Smith	–	–	–	–	**–**	1,148	**–**	145
Total emoluments excluding pension contributions	**697**	**350**	**63**	**482**	**1,592**	4,032	**–**	–
Total pension contributions	**–**	**–**	**–**	**–**	**–**	–	**31**	375

* These benefits include: company car, private medical insurance, permanent health insurance, life assurance and payments in lieu of pension contributions.
** All contributions are to a defined contribution type scheme.
*** Bob Contreras, previously Group Finance Director, was appointed Chief Executive with effect from 7 June 2010.
**** To 4 June 2010.
† As disclosed in last year's Annual Report, Paul Tallentire ceased to be a Director of the Company on 4 June 2010. He received a payment in compensation for loss of office of £482,000 including base salary and benefits in lieu of working his 12 month notice period. This was 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 all three schemes which can be invoked in the event of financial mis-statement or fraud and which apply to all awards made from 2010 onwards.

Awards held by Directors during the year are shown in the table on page 28.

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. 50% of the total bonus actually earned is paid in cash and 50% is deferred as shares. The level of bonus payable for 'on-target' performance is 50% of salary.

The shares may be exercised by the employee after 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 520,119 deferred shares awarded to 85 executives were outstanding at 30 April 2011.

In respect of the year ended 30 April 2011, the bonus for the Chief Executive was calculated based on a matrix of net debt (range £630m to £582m) and return on capital employed (ROCE) (range 10.9% to 11.9%). These measures were representative of the Group's strategic priorities of strengthening the balance sheet and improving operating efficiencies. The stretch targets were both achieved. 50% of the bonus will be paid in cash and 50% in deferred shares. The number of shares to be awarded will be calculated based on the closing mid-market price on 30 June 2011, being the date of the preliminary results announcement.

The bonus for the executive Directors in respect of the year ending 30 April 2012 will be based on a similar matrix to that described above but with a net debt range of £494m to £463m and a ROCE range of 12.77% to 13.50%. A minimum bonus of 50% would be payable at 12.77% ROCE (target) and net debt of £482m.

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.

	At 1 May 2010	Number granted	Market price at grant p	Number exercised	Date of exercise	Exercise Price p	Number Lapsed	At 30 April 2011	Normally exercisable
Executive performance share plan									
RL Contreras	49,313	–	267.5	–	–	–	–	49,313	†Vest Sep 2011
	130,952	–	157.5	–	–	–	–	130,952	Vest Oct 2012
	–	302,593	173.5	–	–	–	–	302,593	Vest Aug 2013
	180,265	**302,593**	**–**	**–**	**–**	**–**	**–**	**482,858**	
Deferred annual bonus plan									
RL Contreras	–	29,719	–	–	–	–	–	29,719	Aug 2013 – Aug 2015

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

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. In line with the Committee's policy of placing greater emphasis on variable pay than on base salaries, grants are currently being made at 150% of salary face value, being the maximum permitted under the rules. Consistent with the approach used in 2009 and 2010, the performance targets applying to the grants to be made in 2011 will be a mixture of underlying EPS (1/3) and ROCE (2/3). 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 manage 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	18.30p	21.00p	8.70%	10.40%
2010 award	31.45p	37.00p	10.20%	12.00%
2011 award	38.50p	47.20p	13.50%	13.85%

In respect of the 2011 award, the threshold EPS vesting target would require growth of 9.9% pa and the stretch target growth of 17.6% pa.

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 or tax or Group profit before tax, as relevant to the individual.

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

The position as at 30 April 2011 with regard to awards made under the MPSP is as follows:-

	2008	2009	2010	Total
Original award of shares adjusted as appropriate for rights issue and consolidation	283,486	872,638	604,664	1,760,788
Lapsed/early vesting	184,750	281,615	8,564	474,929
Remaining subject to performance	98,736	591,023	596,100	1,285,859

The above awards are held by 40 executives, including 14 in Spain.

All employee share scheme

The All Employee Share Scheme (AESS), which is approved by HMRC 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 tenth annual cycle ended in December 2010 and resulted in 415 employees acquiring 172,767 Partnership shares at 220p each and being allocated the same number of Matching shares. As at 30 April 2011 the Trust held 1,357,372 50p Ordinary shares that have been allocated to employees from the first 10 cycles.

The eleventh annual cycle started in January 2011 and currently some 390 employees are making contributions to the scheme at an annualised rate of £375,000.

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 2011, the value of Bob Contreras' shareholdings expressed as a percentage of his basic salary on that date was 112%.

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

To date, awards under these two schemes have been satisfied through open market purchases by an employee benefit trust based in Guernsey ('the Guernsey Trust'). During the year 550,000 (2010 – 300,000) Ordinary shares were purchased by the Guernsey Trust and 149,243 (2010 – 59,490 5p and 69,091 50p) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2011 the Guernsey Trust held 478,758 (2010 – 78,001) Ordinary shares as a hedge against the Group's obligations under these schemes.

As explained more fully in the notice of the 2011 Annual General Meeting set out on pages 86 to 91 further to a review of the DABP and MPSP by the Committee, shareholder approval is being sought for the DABP and MPSP in order to provide flexibility to use newly issued and treasury shares in connection with awards.

EPSP

Shares to satisfy the vesting of awards under the EPSP may be sourced either from new issue or through open market purchases. No shares have yet vested from this scheme.

AESS

Shares allocated may be satisfied either by new issue or market purchase or by a combination of the two. The total number of shares required to satisfy the allocation made in January 2011 was 345,534 (2010 – 693,168) of which 283,085 (2010 – 346,583) were new issue, with shares of 62,449 (2010 – 15,069) being already held by the Capita Trust from forfeitures during the year. No shares (2010 – 331,516) were acquired from the Guernsey Trust.

At 30 April 2011 the Capita Trust held 38,964 (2010 – 21,096) Ordinary shares which had been forfeited as a result of early withdrawals post January 2011.

Overall plan limits

The EPSP and AESS, and subject to shareholder approval at the AGM, the DABP and MPSP operate within the following limits:

In any 10 calendar year period, the Company may not issue (or grant rights to issue) more than:

- 10% of the issued Ordinary share capital under all the share plans, and
- 5% of the issued Ordinary share capital under the executive share plans (EPSP, DABP and MPSP).

The dilution position as at the date of this report is 0.59% under the EPSP and 1.05% under the AESS.

Tom Brown
Chairman of the Remuneration Committee

29 June 2011

Report of the audit and risk committee

Role

The Audit and Risk Committee is appointed by, and reports to, the Board.

The Committee's terms of reference, which include all matters referred to in the UK Corporate Governance 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 auditor and approving its remuneration and terms of engagement;
- monitoring the independence and objectivity of the external auditor 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.

During the year, following a review of the Group's risk management framework, the Board extended the Committee's function to specifically include all aspects of Group risk and at the same time changed the Committee's title to 'Audit and Risk Committee'.

Membership

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

	Date of appointment	Qualification
AJ Allner (Chairman)	26 September 2007	FCA
JG Astrand	6 June 2001	MBA
THP Brown	8 June 2005	MBA

The UK Corporate Governance 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 2011 are given on page 32.

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 auditor, are normally invited to attend all meetings.

Activity

Since May 2010, the Committee has:

- reviewed the financial statements for the years ended 30 April 2010 and 2011, the half yearly report issued in December 2010 and Interim Management Statements issued in September 2010 and March 2011. 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 a report on credit control in Spain;
- 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 a report on impairment;
- monitored the Group's going concern status; and
- reviewed its own effectiveness and terms of reference.

As part of the Group's risk management programme, and in anticipation of the Bribery Act 2010 coming into force on 1 July 2011, a training programme for relevant employees was implemented to promote awareness of, and compliance with, the new legislation, including putting in place a policy on receiving hospitality and a reporting procedure.

External auditor

The Board's policy on non-audit services provided by the external auditor, developed and recommended by the Committee, is:-

- Tax compliance and other audit-related work (including in particular Corporation Tax): this is work that, in its capacity as auditor, it is best placed to carry out and will generally be asked to do so. Nevertheless, where appropriate, it 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 auditor 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 auditor, including conducting one-to-one meetings 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 51.

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 and Risk Committee

29 June 2011

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 UK Corporate Governance 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 two executive and four non-executive Directors, details of whom are shown on pages 20 and 21. 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 and risk	Remuneration
No. of Meetings	**10**	**4**	**9**
RD Mackenzie	10	–	9
AJ Allner	10	4	9
JG Astrand	10	4	9
THP Brown	10	4	9
RL Contreras	10	–	–

All Directors in office at that time were present at the Annual General Meeting held in September 2010.

The external auditor and the internal audit manager attended all Audit and Risk Committee meetings.

Before appointment, non-executive Directors are required to assure the Board that they can give the time commitment necessary to properly fulfill 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 Directors' Report, the Board has decided on early adoption of the provision in the new UK Corporate Governance Code ('the 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.

Jan Astrand has now been in office for more than nine years, having first been appointed to the Board in February 2001. In accordance with Provision B.1.1 of the Code, the Board has reviewed his independence and is satisfied that there are no relationships or circumstances which are likely to affect his independence of judgment.

The Board has established a Nominations Committee, which is chaired by Bob Mackenzie. All the non-executive Directors 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 consultants to help in the search for candidates.

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

The Committee met formally on one occasion during the year.

During the year, the Chairman led an evaluation process of the performance of individual Directors, of the Board as a whole and of its committees. The process consisted of a formal and detailed questionnaire completed by each Director, one-to-one meetings with the Chairman and a Board discussion. Having conducted this evaluation, the Chairman remains of the view that each individual Director's performance continues to be effective and each demonstrates commitment to the role. In addition the non-executive Directors, led by the Senior Independent Director, have reviewed the performance of the Chairman, taking into account the views of the executive Directors.

Pursuant to those provisions of the Companies Act 2006 relating to conflicts of interest 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 25 to 29.

3 Accountability and audit

An assessment of the Company's position and prospects is included in the Chairman's Statement and in the Operational Review and Financial Review on pages 2 to 19.

Internal control

Provision C.2.1 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 accounts, are described below:

Control environment

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

To demonstrate the Board's commitment to maintaining the highest business and ethical standards and to promote a culture of honesty and integrity amongst all staff, the Board has established a confidential telephone service, operated by an independent external organisation, which may be used by all staff to report any issues of concern relating to dishonesty or malpractice within the Group. All issues reported are investigated by senior management.

Identification of risks

The Board and the Group's management have a clearly defined responsibility for identifying the major business risks facing the Group and for developing systems to mitigate and manage those risks. The control of key risk is reviewed by the Board and the Group's management at their monthly meetings. The Board is therefore able to confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, that it has been in place for the year under review and up to the date of approval of these accounts and accords with the Turnbull guidance.

Information and communication

The Group has a comprehensive system for reporting financial results to the Board. Each operating unit prepares monthly accounts with a comparison against their business plan and against the previous year, with regular review by management of variances from targeted performance levels. A business plan is prepared by management and approved by the Board annually. Each operating unit prepares a 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 and Risk Committee, receives reports on the system of control from the external auditor and from management. An independent internal audit function reports bi-annually to the Audit and Risk 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 accounts in accordance with the Turnbull guidance.

Audit

An account of the work of the Audit and Risk Committee is given in the Audit and Risk Committee Report on pages 30 to 31.

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 Group Finance Director.

The Company's major institutional shareholders have been advised by the Chief Executive that, in line with the provisions of the Code, the Senior Independent Director and other non-executives may attend these briefings and, in any event, would attend if requested to do so.

All shareholders are given the opportunity to raise matters for discussion at the Annual General Meeting, of which more than the recommended minimum 20 working days notice is given. In compliance with the Transparency Rules, the Company publishes Interim Management Statements in March and September each year.

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

Compliance with the Code

The Board considers that the Company complied with the provisions of the Code throughout the year.

By order of the Board

D Henderson
Secretary
29 June 2011

Health & safety and environment

The Board believes that good health & safety and environmental (HS&E) performance is synonymous with good business performance and this objective is supported by comprehensive strategies and initiatives approved by the Board.

The Board has designated the Chief Executive as the person ultimately responsible for HS&E throughout the Group. Responsibility for implementing and monitoring the Group's HS&E policies is devolved to operational management at our locations in the UK and Spain.

The Company is committed to promoting and implementing only the highest HS&E standards across all locations. Sound and robust HS&E arrangements and risk controls therefore form a key part of the Company's overall business strategy. The Group's arrangements for HS&E governance and management systems implementation are detailed in our policy and management arrangement manuals available at all Group locations and on our intranet.

Common and consistent HS&E standards in accordance with legislative and best practice requirements are applied across all Group operations. Risk controls and procedures are continually assessed to ensure that everything is being done to meet the highest possible standards of HS&E requirements using comprehensive and robust HS&E operating controls.

During the year the Group's HS&E department carried out formal audit reviews to measure performance of our HS&E management system at all locations and where necessary identified improvements and monitored compliance subsequently. The main objective of the HS&E department is to ensure continuous improvement across the Group and provide pragmatic and practical solutions to the operational risks within the business to all levels of employees with a strong focus on behavioural safety and employee involvement.

The Company provides training for employees in a wide range of health and safety disciplines, most of which is carried out internally by the Group's HS&E department. In the UK, training provided is accredited by the British Safety Council. We continue to focus our efforts on training as we see this as being pivotal in meeting our objective of continually raising and improving HS&E standards and culture across all locations.

The Company's environmental principles are to promote and operate processes and procedures which, so far as is reasonably practicable, avoid or minimise the contamination of water, air or the ground whilst maintaining a responsibility to manage those by-products and waste materials generated by our activities, particularly from our vehicle repair workshops.

During the year 85% of hazardous wastes collected from workshops in the UK and 78% of hazardous wastes collected from workshops in Spain were recycled. We continue to work closely with our waste management partners to improve waste management arrangements and performance across the Group. The operating business in Spain is certified to the internationally recognised Environmental Standard ISO 14001.

The total water usage consumption in the UK for the period was 41,650 cubic metres, a reduction of 19% from the previous period. This reduction takes into account the implementation of waste usage controls and a small number of site closures.

The Group is a sponsor of Brake, the road safety charity, and are members of the British Safety Council and the Royal Society for the Prevention of Accidents (RoSPA). For the third successive year we received a Gold Award from RoSPA in recognition of the Group's HS&E arrangements in the UK. Winning this prestigious award for three consecutive years we believe underlines our commitment to health and safety.

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 at any location.

Property

As at 30 April 2011, the vehicle hire business in the UK and Republic of Ireland operated out of 62 properties, of which 20 are larger primary sites and 42 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. They 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 to 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 to 15 people. Two of the larger sites share premises with Northgate Vehicle Sales who have a further nine dedicated sales and retail 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.

The Spanish hire business operates from 25 sites which are all of a similar nature to those operated out of in the UK business, as described above.

Vehicle fleet

The total fleet in the UK and Republic of Ireland at 30 April 2011 was 61,200, with an average age of 22.1 months, of which 10% were cars and the remainder commercial vehicles. The total fleet in Spain at 30 April 2011 was 43,500 vehicles with an average age of 25.0 months of which 46% were cars and the remainder commercial vehicles.

Vehicles were sold after an average life of 35.2 months in the UK and 42.8 months in Spain.

Our fleet is therefore, comprised entirely of modern vehicles. All purchases in the year ended 30 April 2011 were either Euro IV or Euro V compliant.

Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts 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 accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group 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 Group'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 Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group and 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 IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the 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 2011

Independent auditor's report to the members of Northgate plc

We have audited the financial statements of Northgate plc for the year ended 30 April 2011 which comprise the consolidated income statement, the Group and Parent Company statement of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company notes to the cash flow statements, the Group and Parent Company statements of changes in equity 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 auditor's 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 auditor

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 and express an opinion on 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 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Financial Review, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Christopher Powell FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, United Kingdom

29 June 2011

Consolidated income statement

For the year ended 30 April 2011

	Notes	Underlying 2011 £000	Statutory 2011 £000	Underlying 2010 £000	Statutory 2010 £000
Revenue: hire of vehicles	4,5	**537,285**	**537,285**	563,698	563,698
Revenue: sale of vehicles	4,5	**178,217**	**178,217**	185,875	185,875
Total revenue	4,5	**715,502**	**715,502**	749,573	749,573
Cost of sales		**(553,083)**	**(553,083)**	(599,045)	(599,045)
Gross profit		**162,419**	**162,419**	150,528	150,528
Administrative expenses (excluding exceptional items, impairment of intangible assets and intangible amortisation)		**(56,772)**	**(56,772)**	(67,709)	(67,709)
Exceptional administrative expenses	35	**–**	**(12,499)**	–	(6,720)
Impairment of intangible assets	35	**–**	**(5,892)**	–	–
Intangible amortisation	15	**–**	**(4,681)**	–	(4,990)
Total administrative expenses		**(56,772)**	**(79,844)**	(67,709)	(79,419)
Profit from operations	5,6	**105,647**	**82,575**	82,819	71,109
Interest income	8	**848**	**848**	770	770
Finance costs (excluding exceptional items)	9	**(52,649)**	**(52,649)**	(47,048)	(47,048)
Exceptional finance costs	9,35	**–**	**(4,234)**	–	(15,216)
Total finance costs		**(52,649)**	**(56,883)**	(47,048)	(62,264)
Profit before taxation		**53,846**	**26,540**	36,541	9,615
Taxation	10	**(15,305)**	**2,853**	(8,295)	14,741
Profit for the year		**38,541**	**29,393**	28,246	24,356

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

Underlying profit excludes exceptional items and impairment of intangible 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.

	Notes	Underlying 2011	Statutory 2011	Underlying 2010	Statutory 2010
Earnings per share					
Basic	12	**29.0p**	**22.1p**	26.8p	23.1p
Diluted	12	**28.5p**	**21.7p**	26.4p	22.8p

Statements of comprehensive income

For the year ended 30 April 2011

	Notes	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Amounts attributable to the owners of the Parent Company					
Profit (loss) attributable to the owners		**29,393**	24,356	**(18,384)**	(13,118)
Other comprehensive income					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	32	**4,645**	(3,929)	**–**	–
Net foreign exchange differences on long term borrowings and derivatives held as hedges	32	**(3,727)**	3,929	**–**	–
Foreign exchange difference on revaluation reserve	28	**33**	(35)	**–**	–
Net fair value gains (losses) on cash flow hedges	31	**5,386**	(14,681)	**5,069**	(14,762)
Deferred tax (charge) credit recognised directly in equity relating to cash flow hedges	31	**(1,559)**	4,110	**(1,467)**	4,130
Actuarial losses on defined benefit pension scheme	34	**(169)**	(221)	**–**	–
Deferred tax credit (charge) recognised directly in equity relating to defined benefit pension scheme	34	**50**	(8)	**–**	–
Total other comprehensive income		**4,659**	(10,835)	**3,602**	(10,632)
Total comprehensive income for the year		**34,052**	13,521	**(14,782)**	(23,750)

Balance sheets
As at 30 April 2011

	Notes	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Non-current assets					
Goodwill	14	**3,589**	3,589	**–**	–
Other intangible assets	15	**11,809**	20,449	**–**	–
Property, plant and equipment: vehicles for hire	16	**714,042**	741,543	**–**	–
Other property, plant and equipment	17	**77,308**	86,512	**2,705**	2,766
Total property, plant and equipment		**791,350**	828,055	**2,705**	2,766
Derivative financial instrument assets	23	**2,155**	14,622	**2,155**	14,622
Deferred tax assets	25	**10,179**	18,409	**1,910**	2,462
Investments	18	**–**	–	**147,894**	147,895
Total non-current assets		**819,082**	885,124	**154,664**	167,745
Current assets					
Inventories	19	**21,371**	22,933	**–**	–
Trade and other receivables	20	**124,623**	142,175	**903,532**	960,562
Derivative financial instrument assets	23	**–**	–	**3,301**	–
Cash and cash equivalents		**96,885**	85,343	**18,937**	38,737
Total current assets		**242,879**	250,451	**925,770**	999,299
Total assets		**1,061,961**	1,135,575	**1,080,434**	1,167,044
Current liabilities					
Trade and other payables	21	**67,419**	86,687	**221,696**	196,015
Current tax liabilities	24	**16,712**	16,439	**–**	–
Short term borrowings	22	**13,578**	153,349	**–**	152,236
Total current liabilities		**97,709**	256,475	**221,696**	348,251
Net current assets (liabilities)		**145,170**	(6,024)	**704,074**	651,048
Non-current liabilities					
Derivative financial instrument liabilities	23	**7,684**	8,794	**7,684**	8,794
Long term borrowings	22	**612,434**	547,061	**598,515**	544,955
Deferred tax liabilities	25	**4,233**	17,600	**–**	–
Retirement benefit obligation	38	**142**	539	**–**	–
Total non-current liabilities		**624,493**	573,994	**606,199**	553,749
Total liabilities		**722,202**	830,469	**827,895**	902,000
Net assets		**339,759**	305,106	**252,539**	265,044
Equity					
Share capital	26	**66,616**	66,475	**66,616**	66,475
Share premium account	27	**113,508**	113,269	**113,508**	113,269
Revaluation reserve	28	**1,363**	1,330	**1,371**	1,371
Own shares reserve	29	**(1,630)**	(891)	**–**	–
Merger reserve	30	**67,463**	67,463	**63,159**	63,159
Hedging reserve	31	**(1,893)**	(5,720)	**(1,776)**	(5,378)
Translation reserve	32	**(4,738)**	(5,656)	**–**	–
Capital redemption reserve	33	**40**	40	**40**	40
Retained earnings	34	**99,030**	68,796	**9,621**	26,108
Total equity		**339,759**	305,106	**252,539**	265,044

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

The financial statements were approved by the Board of Directors and authorised for issue on 29 June 2011.

They were signed on its behalf by:

RD Mackenzie Director

CJR Muir Director

Cash flow statements

For the year ended 30 April 2011

		Group		Company	
		2011 £000	2010 £000	**2011 £000**	2010 £000
Net cash from (used in) operations	(a)	**102,260**	188,525	**(41,539)**	(54,325)
Investing activities					
Interest received		**848**	770	**112**	236
Dividends received from subsidiary undertakings		**–**	–	**45,000**	56,701
Proceeds from disposal of other property, plant and equipment		**3,295**	1,805	**–**	–
Purchases of other property, plant and equipment		**(4,972)**	(4,617)	**–**	–
Purchases of intangible assets		**(2,027)**	(1,849)	**–**	–
Net cash (used in) from investing activities		**(2,856)**	(3,891)	**45,112**	56,937
Financing activities					
Repayments of obligations under finance leases		**–**	(37)	**–**	–
Repayments of bank loans and other borrowings		**(175,464)**	(255,422)	**(195,944)**	(216,924)
Debt issue costs paid		**(10,309)**	(31,358)	**(10,309)**	(31,358)
Receipt of other loan		**100,000**	–	**100,000**	–
Loans from subsidiary undertakings		**–**	–	**85,992**	181,680
Settlement of financial instruments with subsidiary undertaking		**–**	–	**–**	(21,620)
Proceeds from issue of share capital		**380**	108,245	**380**	108,245
Payments to acquire own shares for share schemes		**(1,676)**	(674)	**(1,676)**	(684)
Termination of financial instruments		**(896)**	–	**(896)**	–
Net cash (used in) from financing activities		**(87,965)**	(179,246)	**(22,453)**	19,339
Net increase (decrease) in cash and cash equivalents		**11,439**	5,388	**(18,880)**	21,951
Cash and cash equivalents at 1 May		**85,343**	80,036	**38,737**	13,215
Effect of foreign exchange movements		**103**	(81)	**(920)**	3,571
Cash and cash equivalents at 30 April	(b)	**96,885**	85,343	**18,937**	38,737

Notes to the cash flow statements

For the year ended 30 April 2011

(a) Net cash from (used in) operations

	Group		Company	
	2011 £000	2010 £000 (As restated)	**2011 £000**	2010 £000
Profit (loss) from operations	**82,575**	71,109	**(5,137)**	(7,496)
Adjustments for:				
Depreciation of property, plant and equipment	**215,867**	242,120	**61**	62
Impairment of intangible assets	**5,892**	–	**–**	–
Impairment of other property, plant and equipment	**6,868**	–	**–**	–
Exchange differences	**69**	58	**–**	(225)
Amortisation of intangible assets	**4,681**	4,990	**–**	–
Loss (gain) on disposal of property, plant and equipment	**48**	(491)	**–**	–
Share options fair value charge	**1,897**	1,154	**1,897**	1,154
Operating cash flows before movements in working capital	**317,897**	318,940	**(3,179)**	(6,505)
(Increase) decrease in non-vehicle inventories	**(619)**	832	**–**	–
Decrease in receivables	**18,836**	31,826	**11**	893
(Decrease) increase in payables	**(4,729)**	6,511	**3,173**	(611)
Cash generated from (used in) operations	**331,385**	358,109	**5**	(6,223)
Income taxes (paid) repaid	**(3,292)**	835	**–**	–
Interest paid	**(43,445)**	(48,316)	**(41,544)**	(48,102)
Net cash generated from (used in) operations	**284,648**	310,628	**(41,539)**	(54,325)
Purchase of vehicles	**(343,620)**	(299,144)	**–**	–
Proceeds from disposal of vehicles	**161,232**	177,041	**–**	–
Net cash from (used in) operations	**102,260**	188,525	**(41,539)**	(54,325)

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand.

Statements of changes in equity

For the year ended 30 April 2011

Group	Share capital and share premium £000	Own shares reserve £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
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 owners of the Parent Company	–	–	–	–	–	24,356	24,356
Purchase of own shares	–	(674)	–	–	–	–	(674)
Transfer of shares on vesting of share options	–	2,085	–	–	–	–	2,085
Other comprehensive income	–	–	(9,602)	(969)	(35)	(229)	(10,835)
Transfers between equity reserves	–	–	(969)	969	–	–	–
Total equity at 1 May 2010	179,744	(891)	(5,720)	(5,656)	68,833	68,796	305,106
Share options fair value charge	–	–	–	–	–	1,897	1,897
Share options exercised	–	–	–	–	–	(937)	(937)
Issue of Ordinary share capital	380	–	–	–	–	–	380
Profit attributable to owners of the Parent Company	–	–	–	–	–	29,393	29,393
Purchase of own shares	–	(1,676)	–	–	–	–	(1,676)
Transfer of shares on vesting of share options	–	937	–	–	–	–	937
Other comprehensive income	–	–	2,616	2,129	33	(119)	4,659
Transfers between equity reserves	–	–	1,211	(1,211)	–	–	–
Total equity at 30 April 2011	**180,124**	**(1,630)**	**(1,893)**	**(4,738)**	**68,866**	**99,030**	**339,759**

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 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 owners of the Parent Company	–	–	–	–	–	(13,118)	(13,118)
Other comprehensive income	–	–	(10,632)	–	–	–	(10,632)
Total equity at 1 May 2010	179,744	1,371	(5,378)	63,159	40	26,108	265,044
Share options fair value charge	–	–	–	–	–	1,897	1,897
Issue of Ordinary share capital	380	–	–	–	–	–	380
Loss attributable to owners of the Parent Company	–	–	–	–	–	(18,384)	(18,384)
Other comprehensive income	–	–	3,602	–	–	–	3,602
Total equity at 30 April 2011	**180,124**	**1,371**	**(1,776)**	**63,159**	**40**	**9,621**	**252,539**

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 92. The nature of the Group's operations and its principal activities are set out in Note 5 and in the Operational Review and Financial Review on pages 11 to 19.

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 been prepared in accordance with International Financial Reporting Standards (IFRS). The accounts have also been prepared in accordance with 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 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 17 of the Financial Review.

Changes in accounting policy

(a) New standards and interpretations becoming effective in the current financial year

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 May 2010 but have no material impact on the consolidated results or financial position of the Group.

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

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

The following relevant 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 7	Financial Instruments: Disclosures – Amendments relating to the transfer of financial assets	1 January 2011
IFRS 9	Financial Instruments	1 January 2013
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 12	Income Taxes – Amendments relating to deferred tax and the recovery of underlying assets	1 January 2012
IAS 24	Related Party Disclosures – Revised to replace existing IAS 24 to clarify and simplify the definition of a related party, and provide exemptions for government related entities	1 January 2011
IAS 27	Consolidated and Separate Financial Statements – Amendments	1 July 2010
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 relating to voluntary prepayments for minimum funding contributions	1 January 2011
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

2. Principal accounting policies continued

The Directors are currently assessing the impact of IFRS 9 on its results, financial position and cash flows and do not expect that there will be any material impact on the Group's accounts on adoption of any of the other 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 2010 and 30 April 2011. 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 non-controlling interests is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently any losses applicable to the non-controlling interest in excess of the amount of non-controlling 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.

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 hire is recognised evenly over the hire 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, less accumulated depreciation and any provision for impairment. Certain properties were revalued prior to the adoption of IFRS. These valuations were treated as deemed cost at the time of adopting IFRS for the first time. 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 & fittings	3 to 10 years
Vehicles for hire	3 to 6 years
Motor vehicles	3 to 6 years

2. Principal accounting policies continued

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.

On the subsequent sale or retirement of properties revalued prior to the adoption of IFRS, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. The residual value, if not insignificant, is reassessed annually.

The amounts disclosed relating to the proceeds from disposal of vehicles, the accumulated depreciation relating to the transfer to inventories of vehicles for hire and the depreciation charge of vehicles for hire as disclosed in the 2010 accounts have been restated in these accounts to increase these amounts by £12,368,000 in order to accurately present these figures. The items affected and the restated amounts are as follows: proceeds from disposal of vehicles of £177,041,000 and depreciation of property, plant and equipment of £242,120,000 in the notes to the cash flow statement; depreciation of property, plant and equipment of £242,120,000 in Note 5 and Note 6; and the charge for the year of £236,881,000 and transfer to inventories of £(249,857,000) in Note 16. There is no change to the 2010 reported profit or cash flows of the Group.

Fixed asset investments

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

Impairment

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

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

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

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.

2. Principal accounting policies continued

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 except where derivatives qualify for hedge accounting, where recognition of the resultant gain or loss depends on the nature of the items being hedged.

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. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

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.

Changes in the fair value of derivative financial instruments that are designated and effective as net investment hedges are recognised directly in equity and the ineffective portion is recognised in the income statement. Exchange differences arising on the net investment hedges are transferred to the translation reserve.

Bank loans, other loan, loan notes and issue costs

Bank loans, other loan 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.

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 that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

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

Retirement benefit costs

The Group predominantly operates defined contribution pension schemes 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 updates to 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 using the effective interest rate method.

Exceptional items

Items are classified as exceptional gains or losses where they are considered by the Directors 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.

2. Principal accounting policies continued

Own shares

The Group makes open market purchases of its own shares in order to satisfy the requirements of the Group's existing share schemes. Own shares are recognised at cost as a reduction in shareholder equity. The carrying values of own shares are compared to their market values at each reporting date and adjustments are made to write down the carrying value of own shares when, in the opinion of the Directors, there is a significant market value reduction.

3. Critical accounting judgements 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 (Property, Plant and Equipment), 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 £5,928,000 previously derecognised have been recognised as the recovery of those assets is now considered probable in the short term (2010 – £15,456,000), as explained further in Note 10.

4. Revenue

Total revenue of £715,502,000 (2010 – £749,573,000) comprises revenue from the hire of vehicles of £537,285,000 (2010 – £563,698,000) and revenue from the sale of vehicles of £178,217,000 (2010 – £185,875,000).

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 two main operating divisions, UK and Spain. The UK division includes operations in the Republic of Ireland. The principal activities of these divisions are set out in the Operational Review and Financial Review.

	UK 2011 £000	Spain 2011 £000	Corporate 2011 £000	Total 2011 £000
Revenue: hire of vehicles	333,935	203,350	–	**537,285**
Revenue: sale of vehicles	102,964	75,253	–	**178,217**
Total revenue	**436,899**	**278,603**	**–**	**715,502**
Operating profit (loss) *	**73,617**	**36,649**	**(4,619)**	**105,647**
Exceptional adminisitrative expenses	(2,433)	(9,434)	(632)	**(12,499)**
Impairment of intangible assets	–	(5,892)	–	**(5,892)**
Intangible amortisation	(3,234)	(1,447)	–	**(4,681)**
Profit (loss) from operations	**67,950**	**19,876**	**(5,251)**	**82,575**
Interest income				**848**
Finance costs (excluding exceptional items)				**(52,649)**
Exceptional finance costs				**(4,234)**
Profit before taxation				**26,540**
Other information				
Capital expenditure	206,416	135,300	–	**341,716**
Depreciation	124,415	91,391	61	**215,867**
Impairment of other property, plant and equipment	–	6,868	–	**6,868**
Impairment of intangible assets	–	5,892	–	**5,892**
Reportable segment assets	639,295	410,332	–	**1,049,627**
Derivative financial instrument assets				**2,155**
Income tax assets				**10,179**
Total assets				**1,061,961**
Reportable segment liabilities	455,841	237,732	–	**693,573**
Derivative financial instrument liabilities				**7,684**
Income tax liabilities				**20,945**
Total liabilities				**722,202**

5. Segmental reporting continued

	UK 2010 £000	Spain 2010 £000	Corporate 2010 £000	Total 2010 £000
Revenue: hire of vehicles	328,198	235,500	–	563,698
Revenue: sale of vehicles	114,321	71,554	–	185,875
Total revenue	442,519	307,054	–	749,573
Operating profit (loss) *	58,970	29,983	(6,134)	82,819
Exceptional administrative expenses	(5,779)	127	(1,068)	(6,720)
Intangible amortisation	(2,977)	(2,013)	–	(4,990)
Profit (loss) from operations	50,214	28,097	(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	214,015	101,718	–	315,733
Depreciation (as restated)	136,057	106,001	62	242,120
Reportable segment assets	643,024	459,520	–	1,102,544
Derivative financial instrument assets				14,622
Income tax assets				18,409
Total assets				1,135,575
Reportable segment liabilities	487,332	300,304	–	787,636
Derivative financial instrument liabilities				8,794
Income tax liabilities				34,039
Total liabilities				830,469

* operating profit (loss) stated before intangible amortisation, impairment of intangible assets 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 IAS 16 which requires used vehicle assets to be classified as inventories. Used vehicle sales are included within UK and Spain operating segments, which reflects the level at which the executive Board of Directors allocate resources and review performance of the Group.

There is no significant intersegment trading.

Fleet Technique was previously reported as a separate operating segment of the Group. Due to an ongoing restructuring of the UK business the operations of Fleet Technique have become integrated into the UK segment and as such the results are no longer reported separately to the executive Board of Directors. Consequently, Fleet Technique is no longer regarded as a separate operating segment. The comparative information for the year ended 30 April 2010 has been adjusted to reflect this change.

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 2011 £000	**Non-current assets 2011 £000**	Revenue 2010 £000	Non-current assets 2010 £000
United Kingdom & Republic of Ireland	**436,899**	**475,413**	442,519	486,026
Spain	**278,603**	**331,335**	307,054	366,067
	715,502	**806,748**	749,573	852,093

There are no external customers from whom the Group derives more than 10 per cent of total revenue. Non-current assets exclude financial instrument assets and deferred tax assets.

6. Profit from operations

	Notes	2011 £000	2010 £000
Profit from operations is stated after charging:			
Depreciation of property, plant and equipment (as restated)	16, 17	**215,867**	242,120
Impairment of other property, plant and equipment	17, 35	**6,868**	–
Amortisation of intangible assets	15	**4,681**	4,990
Impairment of intangible assets	15, 35	**5,892**	–
Net foreign exchange losses		**69**	58
Exceptional administrative expenses (excluding impairment of assets)	35	**5,631**	6,720
Staff costs	7	**84,356**	91,185
Cost of inventories recognised as an expense (as restated)		**210,681**	229,820
Net impairment of trade receivables	39	**5,457**	12,065
Auditor's remuneration for audit services (below)		**405**	356
Auditor's remuneration for non-audit services (below)		**149**	355

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

The disclosure of cost of inventories recognised as an expense in the prior year has been restated by £17,981,000 from £211,839,000 to £229,820,000 to include all attributable costs to sell vehicles held for resale. There is no change to the profit of the Group.

	2011 £000	2010 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**240**	226
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**165**	130
Total audit fees	**405**	356
Other services pursuant to legislation	**21**	21
Tax services	**64**	250
Other services	**64**	84
Total non-audit fees	**149**	355

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 £Nil (2010 – £500,000) 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 and Risk Committee is set out on pages 30 to 31 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

7. Staff costs

	2011 Number	2010 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	**1,599**	1,664
Administration	**480**	493
	2,079	2,157
Spain:		
Direct operations	**830**	841
Administration	**136**	118
	966	959
	3,045	3,116

The above United Kingdom administration employee numbers include 21 (2010 – 21) in respect of the Company.

7. Staff costs continued

	2011 £000	2010 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	**72,936**	78,609
Social security costs	**9,995**	10,628
Other pension costs	**1,425**	1,948
	84,356	91,185

Wages and salaries include £2,306,000 (2010 – £4,226,000) and pension costs include £Nil (2010 – £151,000) in respect of redundancies and loss of office. The above employee remuneration includes wages and salaries costs of £3,414,000 (2010 – £5,110,000), social security costs of £354,000 (2010 – £501,000) and other pension costs of £99,000 (2010 – £552,000) 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 25 to 29.

8. Interest income

	2011 £000	2010 £000
Interest on bank and other deposits	**848**	770

9. Finance costs

	2011 £000	2010 £000
Interest on bank overdrafts and loans	**43,241**	41,046
Amortisation of arrangement fees	**9,777**	6,123
Amortisation of terminated cross-currency derivatives	**(608)**	(405)
Cross-currency derivatives ineffectiveness (Note 23)	**(202)**	–
Change in fair value of cross-currency derivatives (Note 23)	**416**	–
Change in fair value of interest rate derivatives (Note 23)	**–**	253
Preference share dividends	**25**	25
Interest on obligations under finance leases	**–**	6
Finance costs (excluding exceptional items)	**52,649**	47,048
Exceptional finance costs		
Financing fees written off on extinguishment of debt (Note 35)	**2,728**	–
Termination of Euro interest rate swaps (Note 23)	**473**	–
Termination of cross-currency swaps (Note 23)	**423**	–
De-designation of Sterling interest rate derivatives (Note 23)	**610**	–
Make-whole premium on US loan notes (Note 35)	**–**	8,842
Covenant deferral fees (Note 35)	**–**	2,199
Write off of unamortised fees relating to bilateral debt facilities (Note 35)	**–**	3,751
Other financing fees (Note 35)	**–**	424
Total exceptional finance costs	**4,234**	15,216
	56,883	62,264

Included in interest on bank overdrafts and loans in the current year is a foreign exchange gain of £Nil (2010 £252,000) (Note 23).

10. Taxation

	2011 £000	2010 £000
Current tax:		
UK corporation tax	**5,593**	–
Adjustment in respect of prior years	**(4,241)**	(564)
Foreign tax	**642**	1,208
	1,994	644
Deferred tax:		
Origination and reversal of timing differences	**1,091**	2,085
Adjustment in respect of prior years	**102**	(2,014)
Net recognition of deferred tax assets	**(5,928)**	(15,456)
UK rate adjustment	**(112)**	–
	(4,847)	(15,385)
	(2,853)	(14,741)

Corporation tax is calculated at 28% (2010 – 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:

	2011 £000	%	2010 £000	%
Profit before taxation	**26,540**		9,615	
Tax at the UK corporation tax rate of 28% (2010 – 28%)	**7,431**	**28.0**	2,692	28.0
Tax effect of expenses that are not deductible in determining taxable profit	**440**	**1.6**	131	1.3
Tax effect of income not taxable in determining taxable profit	**(615)**	**(2.3)**	–	–
Difference in taxation in overseas subsidiary undertakings	**70**	**0.3**	470	4.9
Recognition of deferred tax assets (below)	**(5,928)**	**(22.3)**	(15,456)	(160.7)
Reduction in UK tax rate	**(112)**	**(0.4)**	–	–
Adjustment to tax charge in respect of prior years	**(4,139)**	**(15.6)**	(2,578)	(26.8)
Tax credit and effective tax rate for the year	**(2,853)**	**(10.7)**	(14,741)	(153.3)

In addition to the amount credited to the income statement, a net deferred tax amount of £1,509,000 has been charged (2010 – £4,102,000 credited) directly to equity (Note 25).

The underlying tax charge of £15,305,000 (2010 - £8,295,000) excludes exceptional tax credits of £16,818,000 (2010 - £21,598,000) as set out in Note 35, and tax credits on intangible amortisation of £1,340,000 (2010 - £1,438,000).

Deferred tax assets of £5,928,000 previously derecognised have been recognised in the current year as the recovery of those assets is now considered probable in the short term on the basis of anticipated future profits (2010 – £15,456,000).

On 1 April 2011 the UK Corporation tax rate changed from 28% to 26%. Accordingly, the tax disclosures reflect deferred tax measured on the new 26% rate. The rate is also proposed to be 23% by 1 April 2014. It has not been possible to quantify the full anticipated effect of the further 3% reduction, although this will further reduce the Group's future tax charge and reduce the deferred tax liabilities and assets of the Group and of the Company accordingly.

11. Dividends

No dividends were paid in the year (2010 - £Nil). The Directors do not propose a final dividend for the year ended 30 April 2011.

12. Earnings per share

Basic and diluted earnings per share	Underlying 2011 £000	Statutory 2011 £000	Underlying 2010 £000	Statutory 2010 £000
The calculation of basic and diluted earnings per share is based on the following data:				
Earnings				
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to the owners of the Parent Company	**38,541**	**29,393**	28,246	24,356
	Number	**Number**	Number	Number
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**133,029,317**	**133,029,317**	105,374,935	105,374,935
Effect of dilutive potential Ordinary shares:				
– share options	**2,306,309**	**2,306,309**	1,605,626	1,605,626
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	**135,335,626**	**135,335,626**	106,980,561	106,980,561
Basic earnings per share	**29.0p**	**22.1p**	26.8p	23.1p
Diluted earnings per share	**28.5p**	**21.7p**	26.4p	22.8p

13. Result of the parent company

A loss of £18,384,000 (2010 – £13,118,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under s408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

14. Goodwill

Group	2011 £000	2010 £000
Carrying value:		
At 1 May 2010 and 30 April 2011	**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.

Goodwill relates to the acquisition of Fleet Technique Limited, the business of which has now been integrated into the UK business. As a result there are now only two cash generating units - the UK and Spain. The test for impairment of goodwill has been carried out as part of the impairment assessment of the UK business based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 2011 with a growth rate of 2% over a 10 year period, including terminal values, and a discount rate of 10%. 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
Cost:						
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 1 May 2010	14,815	22,525	–	168	7,603	45,111
Additions	–	–	–	–	2,027	2,027
Disposals	(15,166)	–	–	(168)	(107)	(15,441)
Exchange differences	351	155	–	–	35	541
At 30 April 2011	**–**	**22,680**	**–**	**–**	**9,558**	**32,238**
Amortisation:						
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 1 May 2010	8,047	11,026	–	151	5,438	24,662
Charge for the year	747	2,594	–	17	1,323	4,681
Impairment (Note 35)	5,892	–	–	–	–	5,892
Disposals	(15,166)	–	–	(168)	(107)	(15,441)
Exchange differences	480	122	–	–	33	635
At 30 April 2011	**–**	**13,742**	**–**	**–**	**6,687**	**20,429**
Carrying amount:						
At 30 April 2011	**–**	**8,938**	**–**	**–**	**2,871**	**11,809**
At 30 April 2010	6,768	11,499	–	17	2,165	20,449

16. Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2009	1,287,728
Additions	309,538
Transfer to motor vehicles	(374)
Exchange differences	(15,064)
Transfer to inventories	(420,103)
At 1 May 2010	1,161,725
Additions	334,916
Transfer to motor vehicles	(385)
Exchange differences	11,315
Transfer to inventories	(353,896)
At 30 April 2011	**1,153,675**
Depreciation:	
At 1 May 2009	439,074
Charge for the year (as restated)	236,881
Exchange differences	(5,807)
Impairment charge (Note 35)	11,000
Impairment reversal (Note 35)	(11,000)
Transfer to motor vehicles	(109)
Transfer to inventories (as restated)	(249,857)
At 1 May 2010	420,182
Charge for the year	211,622
Exchange differences	4,827
Transfer to motor vehicles	(186)
Transfer to inventories	(196,812)
At 30 April 2011	**439,633**
Carrying amount:	
At 30 April 2011	**714,042**
At 30 April 2010	741,543

At 30 April 2011, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £33,699,000 (2010 – £39,650,000).

17. Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
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 1 May 2010	87,200	22,766	1,321	111,287
Additions	2,593	1,418	762	4,773
Transfer from vehicles for hire	–	–	385	385
Exchange differences	1,166	153	–	1,319
Transfer to other debtors and prepayments	–	(856)	–	(856)
Disposals	(3,360)	(3,471)	(699)	(7,530)
At 30 April 2011	**87,599**	**20,010**	**1,769**	**109,378**
Depreciation:				
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 1 May 2010	10,768	13,541	466	24,775
Charge for the year	1,730	2,152	363	4,245
Impairment charge (Note 35)	6,868	–	–	6,868
Exchange differences	112	71	–	183
Transfer from vehicles for hire	–	–	186	186
Disposals	(1,142)	(2,582)	(463)	(4,187)
At 30 April 2011	**18,336**	**13,182**	**552**	**32,070**
Carrying amount:				
At 30 April 2011	**69,263**	**6,828**	**1,217**	**77,308**
At 30 April 2010	76,432	9,225	855	86,512

	2011 £000	2010 £000
Land and buildings by category:		
Freehold and long leasehold	**60,647**	68,891
Short leasehold	**8,616**	7,541
	69,263	76,432

At 30 April 2011, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £123,000 (2010 – £23,000)

17. Other property, plant and equipment continued

Company	Land & buildings £000
Cost:	
At 1 May 2009, 1 May 2010 and 30 April 2011	**3,239**
Depreciation:	
At 1 May 2009	411
Charge for the year	62
At 1 May 2010	473
Charge for the year	61
At 30 April 2011	**534**
Carrying amount:	
At 30 April 2011	**2,705**
At 30 April 2010	2,766

18. Investments

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertaking £000	Total £000
Cost:			
At 1 May 2010	103,330	47,000	150,330
Liquidation of subsidiary undertaking	(1)	–	(1)
At 30 April 2011	**103,329**	**47,000**	**150,329**
Accumulated provisions:			
At 1 May 2010 and 30 April 2011	2,435	–	**2,435**
Carrying amount:			
At 30 April 2011	**100,894**	**47,000**	**147,894**
At 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 2011, 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*
GPS Body Repairs Limited*
Northgate (CB) Limited*
Northgate España Renting Flexible S.A.* (previously known as Furgonetas de Alquiler S.A., incorporated in Spain)
Northgate (Europe) Limited
Northgate (Malta) Limited* (incorporated in Malta)
Northgate (MT) Limited* (incorporated in Malta)
Northgate (TM) Limited
Northgate Vehicle Hire Limited

During the year Furgonetas de Alquiler S.A. completed a legal merger with Record Rent a Car S.A. (a subsidiary undertaking incorporated in Spain). Subsequently, Record Rent a Car S.A. was liquidated.

*interest held indirectly by the Company

19. Inventories

	Group	
	2011 £000	2010 £000
Vehicles held for resale	**16,095**	18,406
Spare parts and consumables	**5,276**	4,527
	21,371	22,933

20. Trade and other receivables

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Trade receivables	**110,915**	130,070	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**901,347**	958,366
Other taxes	**–**	–	**2,142**	2,163
Other debtors and prepayments	**13,708**	12,105	**43**	33
	124,623	142,175	**903,532**	960,562

		2011	2010
The average credit period given on trade sales is	UK	**42 days**	45 days
	Spain	**94 days**	109 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	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Trade payables	**33,623**	44,601	**801**	301
Amounts due to subsidiary undertakings	**–**	–	**211,518**	184,588
Social security and other taxes	**5,703**	6,922	**77**	140
Accruals and deferred income	**28,093**	35,164	**9,300**	10,986
	67,419	86,687	**221,696**	196,015

Trade payables comprise amounts outstanding for trade purchases.

		2011	2010
The average credit period taken on trade purchases is	UK	**49 days**	49 days
	Spain	**105 days**	121 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	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Bank loans	**360,974**	473,367	**338,791**	473,367
Loan notes	**161,718**	223,324	**161,718**	223,324
Other loan	**97,506**	–	**97,506**	–
Cumulative Preference shares	**500**	500	**500**	500
Property loans	**1,952**	3,206	**–**	–
Debt discounting and confirming facilities	**3,362**	13	**–**	–
	626,012	700,410	**598,515**	697,191

The borrowings are repayable as follows:

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
On demand or within one year (shown within current liabilities)				
Bank loans	**9,209**	112,309	**–**	112,309
Loan notes	**–**	39,927	**–**	39,927
Property loans	**1,007**	1,100	**–**	–
Debt discounting and confirming facilities	**3,362**	13	**–**	–
	13,578	153,349	**–**	152,236
In the second year				
Bank loans	**87,236**	–	**74,262**	–
Loan notes	**46,392**	–	**46,392**	–
Property loans	**710**	1,666	**–**	–
	134,338	1,666	**120,654**	–
In the third to fifth years				
Bank loans	**264,529**	361,058	**264,529**	361,058
Loan notes	**43,150**	89,734	**43,150**	89,734
Property loans	**235**	440	**–**	–
	307,914	451,232	**307,679**	450,792
Due after more than five years				
Loan notes	**72,176**	93,663	**72,176**	93,663
Other loan	**97,506**	–	**97,506**	–
Cumulative Preference shares	**500**	500	**500**	500
	170,182	94,163	**170,182**	94,163
Total borrowings	**626,012**	700,410	**598,515**	697,191
Less: Amount due for settlement within one year (shown within current liabilities)	**13,578**	153,349	**–**	152,236
Amount due for settlement after one year	**612,434**	547,061	**598,515**	544,955

Bank loans, loan notes and the other loan would become repayable in full in the event of a change in control of the Group.

Bank loans

Bank loans are secured and bear interest at rates of 1.20% to 3.25% (2010 - 0.75% to 3.25%) 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 year, the Group has repaid $73,463,000 and £3,820,000 respectively (2010 - $39,141,000 and £2,302,000). In addition, and in accordance with the terms of the US Notes, make-whole notes amounting to $7,530,000 and £456,000 were issued (2010 - $4,981,000 and £297,000), all of which on their issue had a maturity of September 2012 and otherwise had the same terms as the related loan notes. During the year, all make-whole notes were repaid in full. The US Notes are not publicly tradeable are now secured and have the following maturity profile:

Value of loan notes	Redemption date	Weighted average fixed interest rate on the US Notes	Overall weighted average fixed interest rate	Carrying value 30 April 2011 £000	Carrying value 30 April 2010 £000
$40,755,000 (2010: $55,203,000) 5 year loan notes	November 2012	7.72% (2010 – 7.72%)	8.19% (2010 – 8.15%)	**24,453**	36,184
$90,136,000 (2010: $111,295,000) 7 year loan notes	December 2013	7.86% (2010 – 7.86%)	8.99% (2010 – 8.87%)	**54,082**	72,951
$89,318,000 (2010: $106,843,000) 10 year loan notes	December 2016	7.99% (2010 – 7.99%)	8.91% (2010 – 8.82%)	**53,591**	70,034
£15,631,000 (2010: £18,698,000) 10 year loan notes	December 2016	7.89% (2010 – 7.89%)	7.89% (2010 – 7.89%)	**15,631**	18,698
$36,698,000 (2010: $44,518,000) 10 year loan notes	December 2016	7.99% (2010 – 7.99%)	8.89% (2010 – 8.80%)	**22,018**	29,181
$Nil (2010: $4,981,000) make-whole notes	September 2012	(2010 – 7.90%)	(2010 – 8.72%)	**–**	3,265
£Nil (2010: £297,000) make-whole notes	September 2012	(2010 – 7.89%)	(2010 – 7.89%)	**–**	297
Unamortised finance fees relating to the US Dollar denominated loan Notes				**(7,267)**	(6,639)
Unamortised finance fees relating to the Sterling denominated loan Notes				**(790)**	(647)
				161,718	223,324

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.

Other loan

During the year, the Company entered into an eight year £100,000,000 secured term loan which is repayable in three equal instalments in October 2017, April 2018 and April 2019. Interest is payable at 4.25% above LIBOR. The loan is stated net of unamortised finance fees incurred in relation to entering into this loan agreement.

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 cumulative 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 (2010 – 1,300,000), of which 1,000,000 (2010 – 1,000,000) were allotted and fully paid at the balance sheet date.

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 (2010 - two years). At 30 April 2011, the average borrowing rate for property loans was 2.1% (2010 – 1.5%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

22. Borrowings continued

	Minimum lease payments		Present value of minimum lease payments	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Amounts payable under property loans:				
Within one year	**1,040**	1,146	**1,007**	1,100
In the second to fifth years inclusive	**975**	2,140	**945**	2,106
	2,015	3,286	**1,952**	3,206
Less future finance charges	**(63)**	(80)	**–**	–
Present value of lease obligations	**1,952**	3,206	**1,952**	3,206
Less: amount due for settlement within one year (shown under current liabilities)			**(1,007)**	(1,100)
Amount due for settlement after one year			**945**	2,106

Debt discounting and confirming facilities

Spanish debt discounting and confirming facilities of £3,362,000 (2010 – £13,000) are unsecured and all fall due within one year. At 30 April 2011, the amount drawn entirely related to supplier confirming facilities on which the Group pays no interest. It is common practice in Spain for businesses to have a bank facility which enables their suppliers to be paid earlier than under normal credit terms. When this is the case the supplier pays to Northgate España's bank a discount fee for early settlement. When invoices fall due for payment, Northgate España settles such invoices with its bank. At 30 April 2010, the drawn amount entirely related to debt discounting facilities on which interest was chargeable at a range of 0.5% to 1.25% above EURIBOR.

Total borrowing facilities

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

	2011 £000	2010 £000
Less than one year	**14,135**	10,444
In one year to five years	**113,866**	144,197
	128,001	154,641

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.

Analysis of consolidated net debt

An analysis of movements in the Group's consolidated net debt is as follows:

	At 1 May 2010 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	**At 30 April 2011 £000**
Cash at bank and in hand	85,343	11,439	–	103	**96,885**
Bank loans	(473,367)	129,067	(11,090)	(5,584)	**(360,974)**
Loan notes	(223,324)	53,123	(6,832)	15,315	**(161,718)**
Other loan	–	(98,756)	1,250	–	**(97,506)**
Cumulative Preference shares	(500)	–	–	–	**(500)**
Property loans and other borrowings	(3,219)	2,339	(3,362)	(1,072)	**(5,314)**
	(615,067)	97,212	(20,034)	8,762	**(529,127)**

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. At 30 April 2011, the gearing of the Group amounted to 163.1% (2010 – 218.8%) where net borrowings are £529,127,000 (2010 – £615,067,000) and shareholders' funds less goodwill and the net book value of intangible assets are £324,361,000 (2010 – £281,068,000).

Financial instruments (see also Note 39)

Financial assets

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

The Group's credit risk is primarily attributable to its trade receivables. 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 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, other loans and bank borrowings, including medium term bank loans.

Cash at bank and on deposit yield interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate derivatives as detailed in Note 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 2011, 84% (2010 – 71%) of gross borrowings were at fixed or capped rates of interest, comprising £100,000,000 and €212,832,000 of interest rate swaps, $256,907,000 of US Dollar/Sterling cross-currency swaps and £15,631,000 of Sterling denominated loan notes (2010 – £63,000,000 and €200,000,000 of interest rate swaps, $322,840,000 of US Dollar/Sterling cross-currency swaps and forward contracts and £18,995,000 of Sterling denominated loan notes), 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 2011				
Bank loans	47,170	313,804	–	**360,974**
Loan notes	14,841	–	146,877	**161,718**
Other loan	97,506	–	–	**97,506**
Cumulative Preference shares	500	–	–	**500**
Property loans	–	1,952	–	**1,952**
Confirming facilities	–	3,362	–	**3,362**
	160,017	**319,118**	**146,877**	**626,012**

22. Borrowings continued

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

Net borrowings analysed by currency, taking into account swapped exchange rates for the US loan notes and the proportion of the other loan swapped into Euro being retranslated to Sterling at closing exchange rates, are as follows:

Group	**Sterling £'000**	**Euro £'000**	**Total £'000**
At 30 April 2011			
Cash at bank and in hand	45,798	51,087	**96,885**
Bank loans	(47,170)	(313,804)	**(360,974)**
Loan notes	(138,115)	(23,623)	**(161,738)**
Other loan	(13,848)	(84,365)	**(98,213)**
Cumulative Preference shares	(500)	–	**(500)**
Property loans	–	(1,952)	**(1,952)**
Confirming facilities	–	(3,362)	**(3,362)**
	(153,835)	**(376,019)**	**(529,854)**

Group	Sterling £'000	Euro £'000	Total £'000
At 30 April 2010			
Cash at bank and in hand	55,064	30,279	85,343
Bank loans	(75,782)	(397,585)	(473,367)
Loan notes	(174,832)	(31,716)	(206,548)
Cumulative Preference shares	(500)	–	(500)
Property loans	–	(3,206)	(3,206)
Debt discounting facilities	–	(13)	(13)
	(196,050)	(402,241)	(598,291)

At 30 April 2011, the gearing of the Group reflecting the above fixed swapped exchange rates amounted to 163.4% (2010 – 212.9%) where net borrowings are £529,854,000 (2010 – £598,291,000) and shareholders' funds less goodwill and the net book value of intangible assets are £324,361,000 (2010 – £281,068,000).

23. Derivative financial instruments

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

Their net estimated fair values are as follows:

	Group		Company	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Interest rate derivatives	**(5,377)**	(6,893)	**(5,377)**	(6,893)
Cross-currency derivatives and Sterling/US Dollar forward contracts	**(152)**	12,721	**3,149**	12,721
	(5,529)	5,828	**(2,228)**	5,828
They are represented in the balance sheet as follows:				
Non-current derivative financial instrument assets	**2,155**	14,622	**2,155**	14,622
Current derivative financial instrument assets	**–**	–	**3,301**	–
Non-current derivative financial instrument liabilities	**(7,684)**	(8,794)	**(7,684)**	(8,794)
	(5,529)	5,828	**(2,228)**	5,828

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 as at 30 April 2011 and 30 April 2010 are summarised below:

	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
30 April 2011			
Sterling denominated interest rate swaps	**£100,000,000**	4.45%	10.0 years
Euro denominated interest rate swaps	**€212,832,000**	2.35%	1.4 years
30 April 2010			
Sterling denominated interest rate swaps	£63,000,000	2.44%	2.4 years
Euro denominated interest rate swaps	€200,000,000	2.35%	2.4 years

As part of the debt refinancing undertaken by the Group in April 2011 the following interest rate derivative transactions occurred:

- £100,000,000 Sterling interest rate swaps with a weighted average fixed contract pay rate of 3.62% and weighted average maturity of 10.0 years commenced.
- £63,000,000 Sterling interest rate swaps were de-designated from a relationship with the Sterling denominated term loan which was repaid in full. On the date of de-designation, these swaps had a weighted average remaining life of 1.4 years and the net amount deferred into equity at that date of £610,000 was expensed in the income statement (Note 9). On the same day, £63,000,000 Sterling interest rate swaps with a weighted average fixed contract receive rate of 1.13% and weighted average maturity of 1.4 years commenced.
- €87,168,000 Euro interest rate swaps were closed out at a cash cost of £473,000. At that time, these swaps were in a hedging relationship with the Euro term loan. The notional amount closed out was the amount of Euro term loan which was repaid and cancelled on that date. At that time, these swaps had a weighted average remaining life of 1.4 years and the net amount deferred into equity at that date of £473,000 was expensed in the income statement (Note 9)
- €152,832,000 of Euro interest rate swaps were entered into. These swaps will commence in September 2012 and will terminate in September 2014. The weighted average fixed contract pay rate is 3.12%.

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% commenced 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 (2010 – £Nil) has been credited to the income statement.

The total change in fair values of interest rate derivatives charged to the income statement of £Nil (2010 – £253,000) 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:

	2011 £000	2010 £000
Sterling/US Dollar cross-currency swaps	**882**	12,708
Sterling/US Dollar forward contracts	**–**	161
Euro/Sterling cross-currency swaps	**(1,034)**	(148)
	(152)	12,721

Sterling/US Dollar cross-currency swaps

The Group has in issue US Dollar denominated loan notes of capital value $256,907,000 (2010 – $322,840,000) 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.

23. Derivative financial instruments continued

The Group will have interest cash outflows in 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 8.83% (2010 – 8.73%).

All the Group's Sterling/US Dollar cross-currency swaps entered into in September 2009 are designated and are highly effective 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, are deferred in equity. To the extent that the cross-currency swaps were not 100% effective, a net amount of £202,000 (2010 – £Nil) has been credited to the income statement (Note 9).

In June 2010, cross-currency swaps with a notional amount of $20,584,000 were entered into as a result of a number of prepayments of the US Dollar denominated loan notes. At that time, these swaps had a weighted average life of 4.7 years and a weighted average contract Sterling receive rate of 7.72%. The positive change in fair value between that date and 30 April 2011 was taken to the income statement.

At the same time, cross-currency swaps with a notional amount of $5,433,000 were entered into as a result of the issuance of make-whole notes in connection with the US Dollar denominated loan notes. At that time, these swaps had a weighted average life of 2.3 years and a weighted average contract Sterling pay rate of 8.09%. The negative change in fair value between that date and 30 April 2011 was taken to the income statement.

The total amount charged in the income statement in relation to the change in fair value of Sterling/US Dollar cross-currency swaps was £416,000 (2010 – £Nil).

In April 2011, cross-currency swaps with a notional amount of $6,122,000 were closed out at a cash cost of £376,000. At that time, these swaps had a weighted average remaining life of 1.4 years and a weighted average contract Sterling pay rate of 8.17%. These cross-currency swaps were not in a hedging relationship and therefore this cost was expensed in the income statement (Note 9).

At the same time, cross-currency swaps with a notional amount of $9,347,000 were entered into as a result of a number of prepayments of the US Dollar denominated loan notes. At that time, these swaps had a weighted average life of 2.3 years and a weighted average contract Sterling receive rate of 8.32%.

In September 2009, all cross-currency swaps in existence at that time, 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 was also deferred to equity at 30 April 2010.

During the year, $29,755,000 of swaps matured.

Euro/Sterling cross-currency swaps

The Group also has Euro/Sterling cross-currency swaps of total notional value €124,635,000 (2010 – €37,765,000). 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 8.19% (2010 – 8.15%).

In June 2010, cross-currency swaps with a notional amount of €2,915,000 commenced. At that time, these swaps had a weighted average life of 2.2 years and a weighted average contract Euro receive rate of 7.12%. The positive change in fair value between that date and 30 April 2011 was deferred into equity.

At the same time, cross-currency swaps with a notional amount of €502,000 commenced. At that time, these swaps had a weighted average life of 2.3 years and a weighted average contract Euro pay rate of 7.53%. The negative change in fair value between that date and 30 April 2011 was deferred into equity.

In April 2011, cross-currency swaps with a notional amount of €97,011,000 commenced. At that time, these swaps had a weighted average life of 3.4 years and a weighted average contract Euro pay rate of 8.23%. The negative change in fair value between that date and 30 April 2011 was deferred into equity.

In April 2011, cross-currency swaps with a notional amount of €575,000 were closed out at a cash cost of £47,000. At that time, these swaps had a weighted average remaining life of 1.5 years and a weighted average contract Euro pay rate of 7.60%. This cost was expensed in the income statement (Note 9).

At the same time, cross-currency swaps with a notional amount of €3,602,000 commenced. At that time, these swaps had a weighted average life of 1.6 years and a weighted average contract Euro receive rate of 8.70%.

During the year €3,551,000 of swaps matured.

23. Derivative financial instruments continued

	Sterling/ US Dollar £000	Euro/ Sterling £000
Gross movement in fair values initially deferred in hedging reserve:		
At 30 April 2010	46,431	(8,953)
Movement in fair value of hedged instruments	(11,987)	(886)
At 30 April 2011	**34,444**	**(9,839)**
Cumulative amounts recycled to the income statement:		
At 30 April 2010	(47,009)	28
Movement for the year	14,930	(8)
At 30 April 2011	**(32,079)**	**20**
Cumulative amounts recycled to the currency translation reserve:		
At 30 April 2010	–	8,452
Movement for the year	–	1,211
At 30 April 2011	**–**	**9,663**
Net fair value deferred in hedging reserve:		
At 30 April 2011	**2,365**	**(156)**
At 30 April 2010	(578)	(473)

Amounts recycled to the income statement from the hedging reserve represent the movements on the foreign exchange elements of the total fair value of the Sterling/US Dollar swaps. This matches the exchange difference on retranslation of the loan notes at the exchange rate prevailing at the balance sheet date, leaving a net impact of £Nil in the income statement. The gross exchange difference on retranslation of the loan notes at the exchange rate prevailing at the balance sheet date was a gain of £15,315,000 (2010 - £11,654,000). In addition, the amount includes 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 in Euro by maintaining a proportion of its borrowings in the same currency. In addition, the Group has entered into a number of Sterling/Euro cross-currency swaps which are designated as net investment hedges. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euro to Sterling at each reporting date. Exchange differences arising on the borrowings and net investment hedges have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

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 was credited to finance costs in the prior 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.

Company current derivative financial asset

At 30 April 2011, the Company held Sterling/Euro cross-currency swaps with a subsidiary undertaking which had a fair value of £3,301,000 (2010 – £Nil) and weighted average remaining life of one year with a weighted average Euro interest receivable of 2.79% and weighted average GBP interest payable of 2.23%.

24. Current tax

The current tax creditor of £16,712,000 at 30 April 2011 (2010 – £16,439,000) includes a total amount of £13,997,000 (2010 – £13,422,000) that is considered unlikely to give rise to a cash outflow within 12 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 12 months following the 30 April 2011 balance sheet date is, therefore, £2,715,000.

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 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 1 May 2010	(9,027)	1,864	(151)	5,077	(151)	(5,895)	7,474	(809)
Charge (credit) to income	174	(35)	(1,004)	(2,737)	158	8,667	(4,132)	1,091
Recognition of deferred tax assets (Note 10)	–	–	–	–	–	(5,928)	–	(5,928)
(Credit) charge to equity	–	–	–	–	(47)	–	1,512	1,465
Exchange differences	(7)	11	–	(30)	–	(161)	(46)	(233)
Adjustment to UK tax rate (credited) charged to income	(8)	(97)	83	(139)	–	–	49	(112)
Adjustment to UK tax rate (credited) charged to equity	–	–	–	–	(3)	–	47	44
Adjustments in respect of prior years	(157)	–	–	206	–	–	53	102
Transfer to current tax	8,834	–	–	–	–	–	(10,400)	(1,566)
At 30 April 2011	**(191)**	**1,743**	**(1,072)**	**2,377**	**(43)**	**(3,317)**	**(5,443)**	**(5,946)**

Deferred tax is represented in the balance sheet as follows:

At 30 April 2011								
Deferred tax assets	304	–	1,072	–	43	3,317	5,443	**10,179**
Deferred tax liabilities	113	1,743	–	2,377	–	–	–	**4,233**
Net deferred tax assets (liabilities)	191	(1,743)	1,072	(2,377)	43	3,317	5,443	**5,946**
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

In the current year, the net charge to equity of £1,559,000 (2010 – £4,110,000 credit), in respect of other timing differences relates to derivative financial instruments which has been reflected in the hedging reserve (Note 31).

There are no deferred tax assets not recognised in the balance sheet (2010 – £6,045,000 not recognised in respect of unutilised tax losses of £20,150,000). All of the losses previously not recognised related to unused tax losses where recoverability was not considered probable in the short term.

Net deferred tax assets of £5,443,000 (2010 – £7,474,000 liabilities) 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.

25. Deferred tax continued

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

Company	Share based payment £000	Other timing differences £000	Total £000
At 1 May 2009	(202)	1,822	1,620
Charge (credit) to income	51	(3)	48
Credit to equity	–	(4,130)	(4,130)
At 1 May 2010	(151)	(2,311)	(2,462)
Credit to income	(1,004)	–	(1,004)
Charge to equity	–	1,409	1,409
Change in UK tax rate charged to income	83	6	89
Change in UK tax rate charged to equity	–	58	58
At 30 April 2011	**(1,072)**	**(838)**	**(1,910)**

26. Share capital

Group and Company	2011 £000	2010 £000
Allotted and fully paid:		
133,232,518 (2010 – 132,949,433) Ordinary shares of 50p each	**66,616**	66,475

The Company has one class of Ordinary share which carries no right to fixed income. In January 2011, 283,085 50p Ordinary shares were issued in connection the All Employee Share Scheme for a cash consideration of £380,000.

27. Share premium account

Group and Company	2011 £000	2010 £000
At 1 May	**113,269**	67,972
Premium on Ordinary shares issued	**239**	51,988
Share issue expenses	**–**	(6,691)
At 30 April	**113,508**	113,269

In the prior year, share issue expenses comprised underwriting and other fees directly attributable to the placing and rights issue.

28. Revaluation reserve

	Group £000	Company £000
At 1 May 2009	1,365	1,371
Foreign exchange differences	(35)	–
At 1 May 2010	1,330	1,371
Foreign exchange differences	33	–
At 30 April 2011	**1,363**	**1,371**

29. Own shares reserve

	Group £000	Company £000
At 1 May 2009	(2,302)	–
Purchase of own shares	(674)	–
Transfer of shares on vesting of share options	2,085	–
At 1 May 2010	(891)	–
Purchase of own shares	(1,676)	–
Transfer of shares on vesting of share options	937	–
At 30 April 2011	**(1,630)**	**–**

29. Own shares reserve continued

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 37). At 30 April 2011 the Guernsey Trust held 478,758 (2010 – 78,001) 50p ordinary shares and the Capita Trust held 38,964 (2010 – 21,096) 50p ordinary shares.

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

The total value paid for the shares held at 30 April 2011 is £1,872,000 (2010 – £1,823,000).

30. Merger reserve

	Group £000	Company £000
At 1 May 2010 and 30 April 2011	**67,463**	**63,159**

31. Hedging reserve

	Group £000	Company £000
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 1 May 2010	(5,720)	(5,378)
Movement in fair value of hedged interest rate derivatives	1,516	1,516
Movement in fair value of hedged foreign currency derivatives	(12,873)	(11,987)
Deferred tax on fair value of interest rate and foreign currency derivatives	(1,559)	(1,467)
Amortisation of terminated interest rate derivatives (below)	(608)	(600)
Transfer to income statement	15,530	15,530
De-designation of GBP interest rate swaps	610	610
Transfer to translation reserve (Note 32)	1,211	–
At 30 April 2011	**(1,893)**	**(1,776)**

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 prior 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 £600,000 (2010 – £400,000) was credited to the income statement in this regard, recognised within finance costs.

32. Translation reserve

	Group £000	Company £000
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 1 May 2010	(5,656)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	4,645	–
Net foreign exchange differences on long term borrowings held as hedges	(2,516)	–
Foreign exchange element of fair value movement of hedged derivatives transferred from hedging reserve (Note 31)	(1,211)	–
At 30 April 2011	**(4,738)**	**–**

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 2009, 1 May 2010 and 30 April 2011	**40**	**40**

34. Retained earnings

	Group £000	Company £000
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 equity	(8)	–
At 1 May 2010	68,796	26,108
Profit (loss) for the year	29,393	(18,384)
Share options exercised	(937)	–
Share options fair value charge	1,897	1,897
Defined benefit pension charge recognised directly in equity	(169)	–
Net deferred tax credit recognised directly in equity	50	–
At 30 April 2011	**99,030**	**9,621**

35. Exceptional items

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

	2011 £000	2010 £000
Restructuring costs	**5,583**	6,324
Impairment of Spanish property assets	**6,868**	–
Net property losses	**48**	396
Exceptional administrative expenses	**12,499**	6,720
Impairment of Spanish intangible assets	**5,892**	–
Exceptional impairment of intangible assets	**5,892**	–
Financing fees written off on extinguishment of debt	**2,728**	–
De-designation of Sterling interest rate swaps	**610**	–
Termination of Euro interest rate swaps	**473**	–
Termination of cross-currency swaps	**423**	–
Covenant deferral fees	**–**	2,199
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
Exceptional finance costs	**4,234**	15,216
Total pre-tax exceptional items	**22,625**	21,936
Tax credit on exceptional items	**(6,653)**	(6,142)
Net recognition of deferred tax assets (Note 10)	**(5,928)**	(15,456)
Exceptional tax credit relating to prior year items	**(4,237)**	–
Exceptional tax credit	**(16,818)**	(21,598)

Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £5,583,000 (2010 – £6,324,000), of which £3,011,000 (2010 – £6,065,000) arose in the United Kingdom and £2,572,000 (2010 – £259,000) in Spain.

Impairment of Spanish property assets

As part of the restructuring process in Spain, certain properties have been vacated. These properties have been written down to their recoverable amount, incurring a charge of £6,868,000 (2010 – £Nil).

Net property losses

Net property losses were £48,000 (2010 – £396,000), of which £54,000 losses (2010 – £782,000 losses) arose in the United Kingdom and £6,000 profit (2010 – £386,000 profit) arose in Spain.

Impairment of Spanish intangible assets

As part of the restructuring process in Spain, the two trading brands, Fualsa and Record, were merged under the Northgate brand. This resulted in a write down of intangible brand names that had been created on acquisition of the Spanish businesses of £5,892,000 (2010 – £Nil).

Financing fees written off on extinguishment of debt

Details relating to the refinancing of the Group, which was completed during April 2011, are set out in the Financial Review on pages 14 to 19. As part of this refinancing, a new eight year term loan facility was provided by M&G UK Companies Financing Fund and an element of these new funds was used to repay part of the existing bank and loan note borrowings of each lender at the date of the refinancing. In accordance with IAS 39, the element of existing bank and loan note borrowings that has been repaid is treated as extinguished. Unamortised financing fees of £2,728,000 (2010: £Nil) have been written of in relation to the element of existing debt that was extinguished.

De-designation of Sterling interest rate swaps

As explained in Note 23, in April 2011, £63,000,000 Sterling interest rate swaps were de-designated from a relationship with the Sterling denominated term loan which was repaid in full. At that time, the net amount deferred into equity of £610,000 (2010 – £Nil) was expensed in the income statement.

Termination of Euro interest rate swaps

As explained in Note 23, in April 2011, €87,168,000 Euro interest rate swaps were closed out at a cash cost of £473,000. At that time, these swaps were in a hedging relationship with the Euro term loan. The notional amount closed out was the amount of Euro term loan which was repaid and cancelled on that date. The net amount deferred into equity at that date of £473,000 (2010 – £Nil) was expensed in the income statement.

Termination of cross-currency swaps

As explained in Note 23, in April 2011, cross-currency swaps with a notional amounts of $6,122,000 and €575,000 were closed out at a total cash cost of £423,000 (2010 – £Nil) . These cross currency swaps were not in a hedging relationship and therefore this cost was expensed in the income statement.

Covenant deferral fees

In the early part of the prior year, the Group was engaged in renegotiating the terms of certain of its borrowings. As a result, the Group incurred fees of £Nil (2010 – £2,199,000) 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 in September 2009, the Group incurred fees of £Nil (2010 – £8,842,000) in relation to make-whole notes issued to the US loan noteholders, which arose from amortisation of the existing notes during the year and in respect of future scheduled borrowing amortisations.

Unamortised fees

Unamortised financing fees of £Nil (2010 – £3,751,000) were written off in respect of the borrowing facilities replaced in September 2009.

Other financing fees

Other financing fees of £Nil (2010 – £424,000) were payable relating to the refinancing of borrowings in September 2009.

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 accordance with IAS 36, the impairment of each CGU recorded in 2009 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.

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 an earlier year has decreased or no longer exists. This assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 2011 using growth rates of 1% to 3% over a 10 year period, including terminal values, using a discount rate of 10% for the UK CGU and 10% for the Spanish CGU.

It was concluded that there were no indicators of additional impairment or reversal of impairment previously charged for both the UK CGU and Spanish CGU.

In the prior year, an assessment was performed to determine whether there had been any indication that the impairment loss recognised in 2009 had decreased or no longer existed. This assessment was based on risk-adjusted 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 10 year period, including terminal values, 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 property, 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 property, plant and equipment).

36. Operating lease arrangements

As lessee

Group	2011 £000	2010 £000
Minimum lease payments under operating leases recognised in the income statement for the year	**6,172**	8,845

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	2011 £000	2010 £000
Within one year	**4,756**	6,128
In the second to fifth years inclusive	**10,434**	14,707
After five years	**17,497**	25,172
	32,687	46,007

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 years (2010 – 13 years) and rentals are fixed for an average number of seven years (2010 – six years).

As lessor

The revenue of the Group is principally 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 in the Remuneration Report on pages 25 to 29.

The Group and Company recognised total expenses of £1,897,000 (2010 – £1,154,000) related to equity-settled share-based payment transactions in the year.

Further details regarding the plans are outlined below.

Northgate Share Option Scheme

	2011 Number of share options	2011 Weighted average exercise price £	2010 Number of share options	2010 Weighted average exercise price £
At 1 May	103,890	21.08	181,237	20.18
Forfeited during the year	(91,567)	21.31	(77,347)	18.96
At 30 April	**12,323**	**19.39**	103,890	21.08
Exercisable at the end of the year	**12,323**	**19.39**	46,467	19.39

No share options were granted or exercised in the current or prior year. The options outstanding at 30 April 2011 have a weighted average remaining contractual life of 4.4 years (2010 – 6.4 years).

Executive Incentive Scheme

	2011 Number of share options	2011 Weighted average exercise price £	2010 Number of share options	2010 Weighted average exercise price £
At 1 May	10,492	9.41	122,544	10.18
Lapsed during the year	(6,683)	9.34	(112,052)	10.26
At 30 April	**3,809**	**9.53**	10,492	9.41
Exercisable at the end of the year	**3,809**	**9.53**	10,492	9.41

37. Share based payments continued

No share options were granted or exercised in the current or prior year. The options outstanding at 30 April 2011 had a weighted average remaining contractual life of 0.2 years (2010 – 1.2 years).

Deferred Annual Bonus Plan

All options granted under this scheme are nil cost options.

	2011 Number of share options	2010 Number of share options
At 1 May	168,469	220,241
Granted during the year	433,812	25,396
Exercised during the year	(81,932)	(74,472)
Forfeited during the year	(230)	(2,696)
At 30 April	**520,119**	168,469

35,955 (2010 – 12,374) options were exercisable at the end of the year.

The weighted average share price at the date of exercise of options in the current year was £2.31 (2010 – £2.28).

The options outstanding at 30 April 2011 had a weighted average remaining contractual life of 3.2 years (2010 – 3.0 years). In the current year, options were granted in August 2010. The aggregate of the estimated fair values of the options granted on this date was considered to be £827,000. In the prior year, options were granted in October 2009. The aggregate of the estimated fair values of the options granted on this date was £51,000.

	2011	2010
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	**£1.83**	£2.78
Weighted average exercise price	**£Nil**	£Nil
Expected volatility	**136.8%**	133.1%
Expected life	**3 years**	3 years
Risk free rate	**2.0%**	2.7%
Expected dividends	**0.0%**	10.7%

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

All Employee Share Scheme

The scheme has a 12 month accumulation period. Partnership shares are purchased by the employee at the end of the accumulation period from the amount contributed by the employee during that period. The Company allocates an amount of free matching shares equivalent to the number of partnership shares purchased. The vesting period for matching shares is three years.

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

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

	2011 Number of shares	2010 Number of shares
At 1 May	590,776	447,333
Allocated during the year	172,767	346,584
Forfeited during the year	(64,690)	(114,611)
Vested during the year	(72,904)	(88,530)
At 30 April	**625,949**	590,776

The share price at the date of vesting for matching shares during the year was £2.98 (2010 – £2.26). The non-vested matching shares outstanding at 30 April 2011 had a weighted average remaining period until vesting of 1.6 years (2010 – 1.9 years). In the current year, matching shares were allocated in January 2011. The aggregate of the estimated fair values of the matching shares allocated on this date was £502,000. In the prior 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.

37. Share based payments continued

	2011	2010
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	**£2.91**	£2.17
Weighted average vesting price	**£Nil**	£Nil
Expected volatility	**136.8%**	134.7%
Expected life	**5 years**	5 years
Risk free rate	**2.3%**	2.9%
Expected dividends	**0.0%**	0.0%

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.

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

	2011 Number of share options	2010 Number of share options
At 1 May	1,057,562	352,961
Granted during the year	604,664	872,638
Exercised during the year	(80,107)	(22,705)
Forfeited during the year	(296,260)	(145,332)
At 30 April	**1,285,859**	1,057,562

No options were exercisable at the end of either year. The weighted average share price at the date of exercise of options in the current year was £2.31 (2010 – £2.28).

The options outstanding at 30 April 2011 had a weighted average remaining contractual life of 1.7 years (2010 – 2.2 years). In the current year, share options were granted in July 2010. The aggregate of the estimated fair values of the options granted on this date was £1,105,000. In the prior 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.

	2011	2010
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	**£1.83**	£2.78
Weighted average exercise price	**£Nil**	£Nil
Expected volatility	**136.8%**	133.1%
Expected life	**3 years**	3 years
Risk free rate	**2.0%**	2.7%
Expected dividends	**0.0%**	10.7%

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

Executive Performance Share Plan

All options granted under this scheme are nil cost options.

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

	2011 Number of share options	2010 Number of share options
At 1 May	532,173	363,506
Granted during the year	302,593	330,952
Lapsed during the year	(351,908)	(162,285)
At 30 April	**482,858**	532,173

37. Share based payments continued

No options were exercisable at the end of either year.

The options outstanding at 30 April 2011 had a weighted average remaining contractual life of 1.8 years (2010 – 2.5 years). In the current year, share options were granted in July 2010. The aggregate of the estimated fair values of the options granted on this date was £553,000. In the prior 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.

	2011	2010
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	£1.83	£2.78
Weighted average exercise price	£Nil	£Nil
Expected volatility	136.8%	133.1%
Expected life	3 years	3 years
Risk free rate	2.0%	2.7%
Expected dividends	0.0%	10.7%

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 £1,425,000 (2010 – 1,948,000) 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. The most recent actuarial valuation of the Scheme was performed at 6 April 2010 by JLT Pension Capital Strategies.

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.

	2011 Valuation % pa	2010 Valuation % pa
Discount rate	5.3	5.5
Inflation rate	3.5	3.7
Salary increases	n/a	n/a
Future pension increases	3.4	3.6
Life expectancy of retirees in current year	23 to 26 years	22 to 25 years
Life expectancy of retirees 25 years hence	25 to 28 years	23 to 26 years

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

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

	2011 £000	2010 £000
Interest cost	244	229
Expected return on plan assets	(171)	(125)
Total pension charge	73	104

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 £94,000 (2010 – £263,000).

The actual return on the scheme assets was a gain of £235,000 (2010 – £664,000). There are no reimbursement rights.

38. Retirement benefit schemes continued

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

	2011 £000	2010 £000
Present value of defined benefit obligations	**(4,832)**	(4,501)
Fair value of Scheme assets	**4,690**	3,962
Liability recognised in the balance sheet	**(142)**	(539)

The net movements in the deficit were as follows:

	2011 £000	2010 £000
At 1 May	539	465
Pension charge recognised in the income statement	73	104
Actuarial losses	169	221
Contributions	(639)	(251)
At 30 April	**142**	539

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

	2011 £000	2010 £000
At 1 May	4,501	3,659
Interest cost	244	229
Actuarial losses	233	760
Benefits paid	(146)	(147)
At 30 April	**4,832**	4,501

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

	2011 £000	2010 £000
At 1 May	3,962	3,194
Expected return on Scheme assets	171	125
Contributions	639	251
Benefits paid	(146)	(147)
Actuarial gains	64	539
At 30 April	**4,690**	3,962

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.

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

	2011 Expected return %	2011 Fair value of assets £000	2010 Expected return %	2010 Fair value of assets £000
Equity instruments	**5.0**	**1,657**	5.0	1,559
Debt instruments	**3.0**	**2,782**	3.0	2,148
Other	**3.0**	**251**	3.0	255
		4,690		3,962

38. Retirement benefit schemes continued

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 totalled £639,000 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 2012 is £510,000.

The history of experience adjustments for the last five years is as follows:

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Funded status:					
Present value of defined benefit obligation	**(4,832)**	(4,501)	(3,659)	(4,055)	(3,900)
Fair value of Scheme assets	**4,690**	3,962	3,194	3,502	3,345
Deficit in the Scheme	**(142)**	(539)	(465)	(553)	(555)
Experience adjustments on Scheme obligations:					
Amount	**35**	65	(59)	(185)	738
Percentage of Scheme obligations (%)	**0.7%**	1.4%	(1.6)%	(4.6)%	18.9%
Experience adjustments on Scheme assets:					
Amount	**64**	539	(609)	(176)	(483)
Percentage of Scheme assets (%)	**1.3%**	13.6%	(19.1)%	(5.0)%	(14.4)%

39. Financial instruments

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 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.

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 (2010 – €0.10) increase and decrease in the Euro/Sterling exchange rate.

A €0.10 (2010 – €0.10) 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 (2010 – €0.10) change in foreign currency rates.

2011	As stated in annual report £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
Total equity	**339,759**	**336,891**	**343,190**

39. Financial instruments continued

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

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.

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% (2010 – 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.

2011	**As stated in annual report £000**	**As would be stated if 1.0% increase £000**	**As would be stated if 1.0% decrease £000**
Profit before taxation	**26,540**	**24,982**	**28,098**
Total equity	**339,759**	**338,638**	**340,880**

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

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	**2011 %**	2010 %	**2011 £000**	2010 £000	**2011 £000**	2010 £000
Sterling						
In the second year	**2.44%**	–	**63,000**	–	**(610)**	–
In the third to fifth years inclusive	**–**	2.44%	**–**	63,000	**–**	(1,060)
After five years	**3.62%**	–	**100,000**	–	**(2,336)**	–
Euro						
In the second year	**2.35%**	–	**212,832**	–	**(2,455)**	–
In the third to fifth years inclusive	**–**	2.35%	**–**	174,060	**–**	(5,833)
Outstanding pay floating receive fixed contracts						
Sterling						
In the second year	**1.13%**	–	**63,000**	–	**24**	–

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.

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.

2011	Weighted average effective interest rate	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
Non-interest bearing	0.00%	36,985	–	–	–	**36,985**
Fixed interest rate instruments	7.89%	13,438	60,642	72,780	82,378	**229,238**
Variable interest rate instruments	4.53%	30,827	107,080	312,470	110,989	**561,366**
		81,250	**167,722**	**385,250**	**193,367**	**827,589**

39. Financial instruments continued

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

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.

2011	**<1 year £000**	**2nd year £000**	**3-5 years £000**	**>5 years £000**	**Total £000**
Liabilities					
Net settled:					
Interest rate swaps	4,749	4,935	11,853	11,678	**33,215**
Gross settled:					
Cross-currency derivatives	20,861	24,733	99,271	92,312	**237,177**
	25,610	**29,668**	**111,124**	**103,990**	**270,392**
Assets					
Gross settled:					
Cross-currency derivatives	18,934	22,795	96,274	91,940	**229,943**
	18,934	**22,795**	**96,274**	**91,940**	**229,943**

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

Fair value of financial instruments

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).

39. Financial instruments continued

All the financial instruments below are categorised as Level 2.

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; and
- 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 cross-currency derivatives, are held at fair value:

	Carrying amount		Fair value	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Financial liabilities				
Loan notes	**161,718**	223,324	**193,867**	255,090

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.

	2011 £000	2010 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	**133,125**	147,150
Allowance for doubtful receivables	**(22,210)**	(17,080)
	110,915	130,070

	2011 £000	2010 £000
Ageing of trade receivables not impaired		
Not overdue	**93,843**	112,112
Past due not more than two months	**15,155**	14,610
Past due more than two months but not more than four months	**1,461**	2,688
Past due more than four months but not more than six months	**456**	660
	110,915	130,070

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 £781,000 (2010 – £2,203,000) 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.

Included in the Group's trade receivables balance are debtors with a carrying amount of £17,072,000 (2010 – £17,958,000) 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.

39. Financial instruments continued

	2011 £000	2010 £000
Movement in the allowance for doubtful receivables		
At 1 May	17,080	7,949
Impairment losses recognised	9,040	14,400
Amounts written off as uncollectible	(787)	(2,663)
Impaired losses reversed	(3,583)	(2,335)
Exchange differences	460	(271)
At 30 April	**22,210**	17,080

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 £456,000 (2010 – £43,000).

	2011 £000	2010 £000
Ageing of impaired trade receivables		
Not overdue	**789**	1,005
Past due not more than two months	**431**	387
Past due more than two months but not more than four months	**4,868**	2,267
Past due more than four months but not more than six months	**314**	463
Past due more than six months but not more than one year	**15,808**	12,958
	22,210	17,080

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:

	2011 £000	2010 £000
Net interest payable	**(4,682)**	(2,612)
Management charges	**–**	300
	(4,682)	(2,312)

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.

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 27 to 29. The fair value charged to the income statement in respect of equity-settled share-based payment transactions with the Directors is £251,000 (2010 – £130,000). 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

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Revenue: hire of vehicles	**537,285**	563,698	609,645	578,462	526,465
Profit (loss) from operations	**82,575**	71,109	(117,531)	118,206	107,056
Net finance costs	**(56,035)**	(61,494)	(78,083)	(38,714)	(31,688)
Profit (loss) before taxation	**26,540**	9,615	(195,614)	79,492	75,368
Taxation	**2,853**	14,741	9,912	(18,158)	(20,885)
Profit (loss) for the year	**29,393**	24,356	(185,702)	61,334	54,483
Basic earnings (loss) per Ordinary share	**22.1p**	23.1p	(572.6)p	188.6p	165.5p
Dividends	**–**	–	19,359	18,982	16,949
Dividends per Ordinary share	**–**	–	25.0p	60.9p	55.5p

Balance sheet

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Assets employed					
Non-current assets	**819,082**	885,124	983,173	1,209,207	1,034,896
Net current assets (liabilities)	**145,170**	(6,024)	172,373	164,221	136,806
Non-current liabilities	**(624,493)**	(573,994)	(972,787)	(974,875)	(809,271)
	339,759	305,106	182,759	398,553	362,431
Financed by					
Share capital	**66,616**	66,475	3,527	3,527	3,560
Share premium account	**113,508**	113,269	67,972	67,972	67,230
Reserves	**159,635**	125,362	111,260	327,054	291,641
	339,759	305,106	182,759	398,553	362,431
Net asset value per Ordinary share	**255p**	229p	563p	1,227p	1,107p

Notice of Annual General Meeting

Notice is hereby given that the one hundred and thirteenth Annual General Meeting of Northgate plc ('the Company') will be held at Rockliffe Hall Hotel, Hurworth on Tees, County Durham DL2 2DU at 11.00a.m. on 13 September 2011 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 11 and 14 and 15 will be proposed as ordinary resolutions and resolutions 12 and 13 will be proposed as special resolutions:

1. To receive the Directors' report and audited accounts of the Company for the year ended 30 April 2011.
2. To receive and approve the Remuneration Report for the financial year ended 30 April 2011 set out on pages 25 to 29 of the 2011 Annual Report and Accounts.
3. To re-appoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting.
4. To authorise the Audit and Risk Committee to determine the remuneration of the auditor.
5. To re-elect Mr RD Mackenzie as a Director.
6. To re-elect Mr AJ Allner as a Director.
7. To re-elect Mr JG Astrand as a Director.
8. To re-elect Mr THP Brown as a Director.
9. To re-elect Mr RL Contreras as a Director.
10. To elect Mr CJR Muir as a Director.
11. That the Board be and it is hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006:
    a. 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 posting 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
    b. to exercise all powers of the Company to allot equity securities (within the meaning of s560 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 a further 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.
12. That subject to the passing of Resolution 11 the Board be and it is hereby empowered pursuant to s570 of the Companies Act 2006 to allot equity securities (within the meaning of s560 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of s561 of the said Act did not apply to any such allotment provided that this power shall be limited:
    a. 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
    b. to the allotment (otherwise than pursuant to sub-paragraph i. above) of equity securities up to an aggregate nominal value of £3,330,000

    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.
13. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.
14. That the rules of the Deferred Annual Bonus Plan ('the Plan') referred to in the notes and the first Appendix to this notice of AGM and produced to this Meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors hereby be authorised to:
    a. make such modifications to the Plan as they may consider appropriate to take account of the requirements of HMRC and best practice and for the implementation of the Plan and to adopt the Plan as so modified and to do all such other acts and things as they may consider appropriate to operate the Plan; and
    b. establish further plans based on the Plan 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 Plan.
15. That the rules of the Management Performance Share Plan (MPSP) referred to in the notes and the second Appendix to this notice of AGM and produced to this Meeting and, for the purposes of identification, initialled by the Chairman, be approved and the Directors hereby be authorised to:
    a. make such modifications to the MPSP as they may consider appropriate to take account of best practice and for the implementation of the MPSP and to adopt the MPSP as so modified and to do all such other acts and things as they may consider appropriate to operate the MPSP; and

b. establish further plans based on the MPSP 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 MPSP.

The Directors of the Company consider that all the proposals set out in the above Resolutions are in the best interests of the Company and of the shareholders as a whole. They unanimously recommend that you vote in favour of them as they intend to do in respect of their own beneficial holdings which amount in aggregate to 345,349 shares representing approximately 0.26% of the issued Ordinary share capital of the Company.

29 June 2011
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, whether in person or by proxy, 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. A member of the Company which is a corporation may authorize a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
8. 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.
9. 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 would interfere unduly with the preparation for the Meeting or 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.
10. As at 22 June 2011 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consists of 133,232,518 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 133,232,518.
11. 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.
12. A copy of the draft rules of the Deferred Annual Bonus Plan and the Management Performance Share Plan will be available for inspection at the Company's registered offices and at Hewitt New Bridge Street, 11 Devonshire Square, London, EC2M 4YR, during normal business hours on any weekday (Saturdays, Sundays and English public holidays excepted) until the close of the Annual General Meeting and at the place of the Annual General Meeting for at least 15 minutes prior to and during the Annual General Meeting.
13. 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.
14. 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 1 August 2011, 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.

First Appendix to notice of AGM

Summary of the principal terms of the Deferred Annual Bonus Plan

Operation

The Remuneration Committee of the Board of Directors of the Company ('the Committee') will continue to supervise the operation of the Deferred Annual Bonus Plan ('the Plan').

Eligibility

Any employee (including an executive Director) of the Company and its subsidiaries is eligible to participate in the Plan at the discretion of the Committee.

Under current policy, only the Company's Executive Directors and senior and middle management are selected to participate in the Plan.

The Plan is used to facilitate the deferral of a portion of annual bonus in shares at the discretion of the Committee.

Grant of deferred awards

To give effect to any deferred share element of bonus, the Committee may grant awards ('Awards') to acquire Ordinary shares in the Company within six weeks following the Company's announcement of its results for any period. The Committee may also grant Awards within six weeks of the removal of any regulation which had previously prevented the grant of awards or at any other time when the Committee considers there are exceptional circumstances which justify such grant.

Subject to shareholder approval, the terms of the Plan will provide that an Award may not be granted more than 10 years after the Plan is approved by shareholders.

Awards under the Plan are structured as nil cost options. No payment is required for the grant of an award. Awards are not transferable, except on death. Awards are not pensionable.

Individual limit

An employee may not receive Awards in any financial year over Shares having a market value in excess of 50 per cent of his annual base salary in that financial year or such other percentage as the Committee may determine from time to time having regard to total bonus maximum set by the Committee.

Vesting of awards

Awards normally vest three years after grant provided the participant is still employed in the Company's group. Awards are then normally exercisable up until the day before the tenth anniversary of grant unless they lapse earlier.

Claw-back

In line with institutional investor guidelines and best practice, a claw-back provision has been included in the Plan rules.

In relation to Awards granted on or after 28 April 2010, the Committee may decide to claw-back value under an Award from an individual if the Award was granted or vests over a higher number of shares than would otherwise have been the case because:

(i) in determining the value of the Award the Company relied on accounts which were incorrect or required to be restated; or

(ii) the business for whom the individual works makes a loss due to poor risk management; or

(iii) there has been material misrepresentation regarding the Company's performance; or

(iv) exceptional circumstances exist, such as gross misconduct by the individual.

Leaving employment

As a general rule, an Award will lapse upon a participant ceasing to hold employment within the Company's group, unless the Committee decides otherwise. However, if a participant ceases to be an employee because of his death, ill-health, redundancy or his employing company is sold out of the Company's group, then his Award may be exercised within six months from the date of such cessation (12 months in the case of death). The Award will lapse if it is not exercised within this period.

Corporate events

In the event of a takeover, scheme of arrangement or winding up of the Company all Awards will vest early.

If an offer to roll-over awards is made in the context of a takeover or internal re-organisation then Awards will be replaced by equivalent new awards over shares in a new holding company unless the Committee decides that Awards should vest on the basis which would apply in the case of a takeover.

Participants' rights

Awards will not confer any shareholder rights until the Awards have been exercised and the participants have received their shares.

Rights attaching to Shares

Any shares allotted when an Award is exercised will rank equally with shares then in issue (except for rights arising by reference to a record date prior to their allotment).

Variation of capital

In the event of any increase or variation of the share capital of the Company, a capitalisation issue, a reduction in capital, a rights issue, a sub-division or consolidation of shares, the payment of a capital dividend, a demerger or a similar event involving the Company, the Committee may make such adjustments to the number of shares in respect of which any Award is subject as it considers appropriate.

Overall Plan limits

Subject to shareholder approval, the Plan may operate over new issue shares, treasury shares or shares purchased in the market.

In any 10 calendar year period, the Company may not issue (or grant rights to issue) more than:

(a) 10 per cent of the issued Ordinary share capital of the Company under the Plan and any other employee share plan adopted by the Company; and

(b) 5 per cent of the issued Ordinary share capital of the Company under the Plan and any other executive share plan adopted by the Company.

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

HMRC approved schedule to the Plan

HMRC approval is being sought for a schedule to the Plan which, if approved by HMRC, will provide for linked tax approved market value options to be granted in connection with Awards under and subject to the material terms of the Plan for the purposes of improving the tax efficiency of the grants in the UK. Any grants made under the schedule will not impact on the overall gross value of the Awards that may vest under the Plan for a participant.

Alterations to the Plan

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

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

Second Appendix to notice of AGM

Summary of the principal terms of the Management Performance Share Plan

Operation

The Remuneration Committee of the Board of Directors of the Company ('the Committee') will continue to supervise the operation of the Management Performance Share Plan (MPSP).

Eligibility

Any employee of the Company and its subsidiaries (other than an executive Director of the Company) is eligible to participate in the Plan at the discretion of the Committee.

Grant of awards

The Committee may grant awards ('Awards') to acquire Ordinary shares in the Company within six weeks following the Company's announcement of its results for any period. The Committee may also grant Awards at any other time when the Committee considers there are exceptional circumstances which justify the granting of Awards.

The Committee may grant Awards as conditional shares or nil cost options. The Committee may also decide to grant cash-based awards of an equivalent value to share-based awards or to satisfy share-based awards in cash, although it does not currently intend to do so.

Subject to shareholder approval, the terms of the MPSP will provide that an Award may not be granted more than 10 years after shareholder approval of the MPSP.

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

Individual limit

An employee may not receive Awards in any financial year over shares having a market value in excess of 100 per cent of his annual base salary in that financial year. In exceptional circumstances, such as recruitment or retention, this limit can be increased as the Committee decides.

Performance conditions

The vesting of Awards will be subject to such performance conditions (if any) as the Committee determines appropriate.

Details of the performance conditions that have applied to date under the MPSP are set out in the Directors Remuneration Report section of the Company's Report and Accounts.

Vesting of Awards

Awards normally vest three years after grant to the extent that any applicable performance conditions have been satisfied and provided the participant is still employed in the Company's group. In the case of Awards structured as conditional shares the appropriate number of vested shares will be released as soon as practicable following the vesting of an Award. In the case of Awards structured as options, further to vesting, such Awards are then exercisable up until the day before the tenth anniversary of grant with the appropriate number of vested shares transferred at the time of exercise, unless they lapse earlier.

Claw-back

In line with institutional investor guidelines and best practice, a claw-back provision has been included in the MPSP rules.

In relation to Awards granted on or after 28 April 2010, the Committee may decide to claw-back value from an individual if the Award was granted or vests over a higher number of shares than would otherwise have been the case because:

(i) in determining the value of the Award the Company relied on accounts which were incorrect or required to be restated; or

(ii) the business for whom the individual works makes a loss due to poor risk management; or

(iii) there has been material misrepresentation regarding the Company's performance; or

(iv) exceptional circumstances exist, such as gross misconduct by the individual.

Leaving employment

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

Corporate events

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

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

Participants' rights

Awards will not confer any shareholder rights until the Awards have vested or the options have been exercised as relevant and the participants have received their shares.

Rights attaching to Shares

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

Variation of capital

In the event of any variation of the Company's share capital or in the event of a demerger, payment of a special dividend or similar event which materially affects the market price of the shares, the

Committee may make such adjustment as it considers appropriate to the number of shares subject to an Award.

Overall MPSP limits

Subject to shareholder approval, the MPSP may operate over new issue Shares, treasury Shares or Shares purchased in the market.

In any 10 calendar year period, the Company may not issue (or grant rights to issue) more than:

(a) 10 per cent of the issued Ordinary share capital of the Company under the MPSP and any other employee share plan adopted by the Company; and

(b) 5 per cent of the issued Ordinary share capital of the Company under the MPSP and any other executive share plan adopted by the Company.

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

Alterations to the MPSP

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

The requirement to obtain such prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the MPSP, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Company's group. Shareholder approval will also not be required for any amendments to any performance condition applying to an Award.

Overseas Plans

The shareholder resolution to approve the MPSP will allow the Board to establish further plans for overseas territories, any such plan to be similar to the MPSP, 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 MPSP.

Shareholder information

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

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

Registrars

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