Northgate plc

Annual report and accounts 2014

NORTHGATE

Northgate plc is the leading light commercial vehicle hire business in the UK, Ireland and Spain by fleet size and has been operating in the sector since 1981. Our core business is the hire of light commercial vehicles to businesses on a flexible basis, giving customers the ability to manage their vehicle fleet requirements without a long term commitment.

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“In both countries in which we operate, we aim to be the first choice for LCV rental, fulfilling all our customers’ vehicle needs and allowing them to concentrate on better service to their customers”

Bob Contreras
Chief Executive

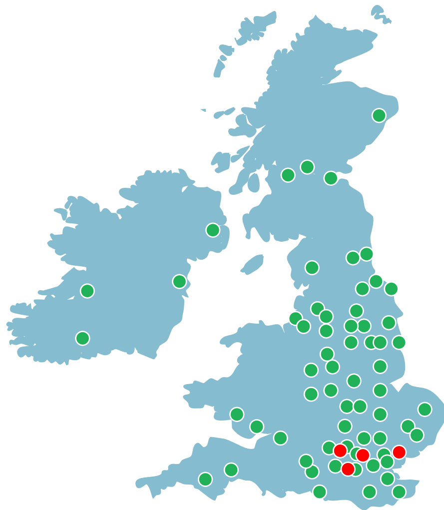
Highlights

	2014	2013
Underlying profit before tax[1] (£m)	**60.3**	49.5
Profit (loss) before tax (£m)	**51.2**	(11.4)
Underlying basic earnings per share[2] (p)	**35.1**	29.2
Basic earnings (loss) per share (p)	**29.9**	(5.5)
Net debt (£m)	**346.1**	362.7
Gearing[3] (%)	**91**	102
Return on capital employed[4] (%)	**9.9**	11.8
Dividend per share (p)	**10.0**	7.3

- 22% increase in underlying profit before tax[1] to £60.3m (2013 – £49.5m);
- 37% increase in dividend per share to 10.0p (2013 – 7.3p);
- Vehicles on hire growth of 4,500 in the UK, including 1,800 from new sites opened since February 2013 (2013 – reduction of 3,300);
- Vehicles on hire growth of 2,600 in Spain (2013 – reduction of 1,900);
- Four new sites opened in the UK since 30 April 2013.

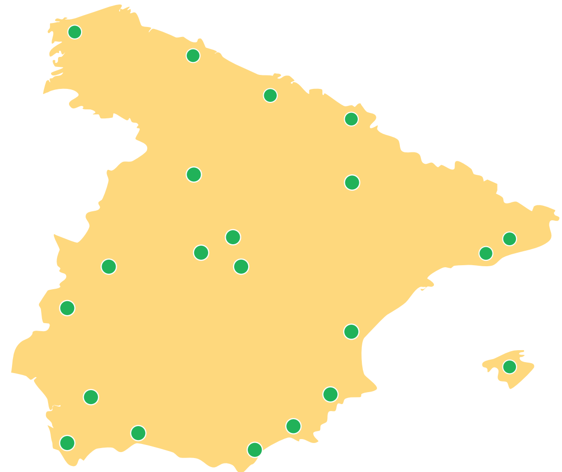
UK Locations*: 68

● New locations opened in year



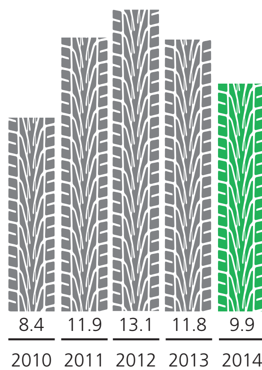
*Includes operations in the Republic of Ireland

Spain Locations†: 23

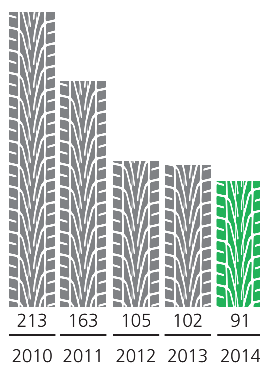


†Not shown: two locations in the Canary Islands

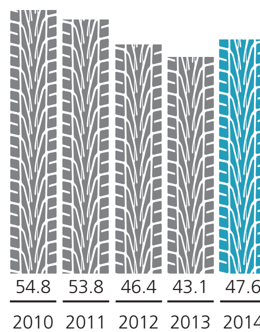
ROCE%



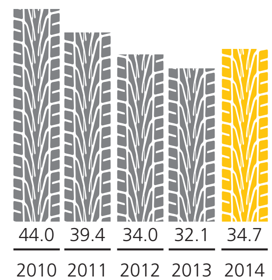
Gearing%



UK vehicles on hire 000's



Spain vehicles on hire 000's



Chairman's statement

We are pleased that as a result of the work done over recent years, the business has returned to growth in both the UK and Spain, with increases in the number of vehicles on hire over the year, partly driven by the opening of new sites in the UK to increase customer coverage.

The Group is growing again in both the UK and Spain after five years of decline. The Board remains committed to exploiting opportunities to drive growth, where an appropriate level of return exists, as we believe this is key to delivering significant returns to shareholders.

Our strategy remains:

- In the UK, the primary focus is on growing the business through our existing network and by adding new sites to increase our customer coverage;
- In Spain, we continue to target improved returns.

We are encouraged by the progress made against our strategy and the underlying results for the Group are:

- Operating profit[5] of £72.6m (2013 – £86.4m);
- Profit before tax[1] of £60.3m (2013 – £49.5m);
- Basic earnings per share[2] of 35.1p (2013 – 29.2p);
- Return on capital employed[4] of 9.9% (April 2013 – 11.8%).

Bob Mackenzie

Operating profit[5] and ROCE[4] have fallen compared to the prior year, mainly due to a 30% reduction in the number of vehicles sold and the investment made in the UK business.

As the Group has returned to growth, the decision was taken to increase the fleet by selling fewer vehicles rather than buying more, utilising the Group's existing assets and conserving cash. Had the Group sold the same numbers of vehicles as it did in the prior year (at current year residual values) the operating profit[14] would have been higher by £11.6m, with ROCE increasing to 11.5%.

The current year ROCE has also been impacted by the costs of opening and operating the seven new sites in the UK since February 2013. The impact of these new sites in the year was a reduction in operating profit of £2.3m, leading to a 0.5% reduction in ROCE.

Profit before tax[1] has benefitted from a £24.5m reduction in interest following the Group's refinancing in April 2013.

Group net debt reduced by 5% to £346.1m. Gearing[3] has reduced to 91% (April 2013 – 102%).

UK

Our operating margin[6] reduced to 17.4% (2013 – 22.1%) and return on capital employed to 11.2% (April 2013 – 14.8%). Return on capital employed and operating margin have reduced as anticipated due to lower volumes of vehicles being sold in response to improved rental demand, coupled with upfront investment relating to the start-up of new sites and the strengthening of the commercial and operational teams. Progress to date supports these investment decisions.

Had the UK sold the same number of vehicles as it did in the prior year at current year residual values, the operating profit[14] would have been higher by £9.6m, with ROCE increasing to 13.3%. The impact of the new sites opened since February 2013 resulted in a further 0.8% reduction in the UK ROCE.

We are encouraged by the initial impact of the changes made to the commercial team and the investment in new sites. Vehicles on hire increased by 4,500 (10.4%) in the year ended 30 April 2014, compared to a decline of 3,300 vehicles in the previous year. Customer numbers increased 21% in the year.

It is also pleasing to see vehicles on hire growth in both customers managed by our regional teams (4,200) and with our national customers (300).

Historically, Northgate grew by acquisition and incorporated the acquired sites into its operations rather than establishing the optimum location for sites based on proximity to

existing and potential customers. As noted previously, we have identified large areas of the country where significant numbers of potential customers are not presently serviced by an accessible Northgate site. To address this, we commenced our branch expansion plans.

To date the majority of these new sites are in London and the South East, which require a different logistical and operational model. The typical Northgate site has a customer reception area and a workshop facility, coupled with considerable parking space for vehicles. This is prohibitively expensive in these areas, so we are leasing smaller sites with fewer parking spaces but with excellent accessibility. For success, it depends on reacting quickly and efficiently to customer demand. We have recruited further expertise in this area and we will continue to carefully monitor costs.

Three new sites were opened in the year ended 30 April 2013 and a further four sites were opened in the year ended 30 April 2014 (Slough, Charlton, Basildon and Wimbledon). The sites continue to trade ahead of our initial expectations. It is estimated that these new sites will become profitable on a trading to date basis after two years with ROCE exceeding 16% in year four as the sites reach maturity.

We anticipate opening a further 22 sites over the next three years.

Spain

Our focus on increasing returns drove ROCE in our Spanish business to 9.2% (April 2013 – 8.4%). Vehicles sold in our Spanish operation reduced by 2,900 as the business returned to growth. Had Spain sold the same numbers of vehicles as it did in the prior year at current year residual values, the operating profit[14] would have been higher by £2.0m, with ROCE increasing to 9.9%.

We were encouraged by the growth achieved, with vehicles on hire increasing by 2,600 (8.1%), compared to a fall of 1,900 in the year ended 30 April 2013. This is mainly due to the investment made in the commercial team over the past two years, which has led to increased new business wins across a range of sectors, offsetting declines seen in our traditional markets with increases in higher margin SME business.

We will continue to focus on improved returns. This will be targeted in a number of ways, including increasing prices to our existing customer base and through a continued focus on growth with SME customers. This will build upon the 20% increase in customer numbers experienced in the year.

Refinancing

As announced on 13 June 2014, since the year end the Group has successfully increased, amended and extended its existing bank facility to support the growth opportunities identified.

This revised £534.5m committed multi-currency bank facility matures in June 2018. In addition to the increase of £112.7m in facilities, the refinancing includes a reduction in pricing.

Dividend

The Board considers that, due to the strength of the balance sheet and opportunities in the markets in which we operate, there is scope to invest organically to strengthen and grow returns over the medium term whilst increasing dividends.

A final dividend of 6.8p is proposed in respect of the year ended 30 April 2014, giving a total dividend for the year of 10.0p (2013 – 7.3p). This represents a 3.5x cover on underlying earnings[2] and a 37% increase on the dividend paid in respect of the year ended 30 April 2013.

Northgate recognises the importance of the dividend to investors and sets its annual dividend after taking into account the desire to have a progressive dividend, the intention to keep net debt:EBITDA between 1.25 and 2.00 and to keep dividend cover in the range of 3.75x – 2.50x.

Board changes

Tom Brown has decided to retire from the Group at the AGM in September following nine years of service. Tom is Chair of the Remuneration Committee and Senior Independent Director and I would like to thank Tom for his tremendous efforts and wise counsel over the past nine years.

Jill Caseberry will take over as Chair of the Remuneration Committee following the AGM and we are in the process of recruiting a new non-executive Director.

Current trading and outlook

We are pleased that as a result of the work done over recent years, the business has returned to growth in both the UK and Spain, with increases in the number of vehicles on hire over the year, partly driven by the opening of new sites in the UK to increase customer coverage.

There is good momentum in both businesses as a result of investment and changes to the commercial and operational teams and whilst we remain committed to investing in future growth, we believe that the strength of our balance sheet will allow us to further enhance shareholder returns through a continuation of our progressive dividend policy.

The Group continues to trade in line with our expectations and the Board remains confident that the business is well positioned to maximise further opportunities for continued growth.

Bob Mackenzie
Chairman

24 June 2014

Board of Directors

Bob Mackenzie ACA
Chairman

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 formerly Chairman of Dometic Holdings AB, a Swedish based manufacturing company, 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 advisor to a number of private equity funds. More recently, in June 2014, he was appointed Executive Chairman of The AA plc. He qualified as a Chartered Accountant with KPMG in 1978. Age 61.

Bob Contreras ACA
Chief Executive

Appointed Chief Executive in 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 Mölnlycke Healthcare Group. Age 51.

Chris Muir ACA
Group Finance Director

Appointed to the Board as Group Finance Director in 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 38.

Board committees

Audit and Risk

- Andrew Allner (Chairman)
- Jill Caseberry
- Tom Brown

Remuneration

- Tom Brown (Chairman)
- Andrew Allner
- Bob Mackenzie
- Jill Caseberry

Nominations

- Bob Mackenzie (Chairman)
- Andrew Allner
- Tom Brown
- Jill Caseberry

Andrew Allner FCA
Non-executive Director

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 non-executive Chairman of Marshalls plc, the Go-Ahead Group plc and Fox Marble Holdings 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 AZ Electronic Materials SA from 2010 to 2014, a non-executive Director of CSR plc from 2008 to 2013 and 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 60.

Jan Astrand MBA
Non-executive Director

Appointed to the Board as a non-executive Director in February 2001. A Swedish national, Jan was a non-executive Director of Lavendon Group plc from December 2010 until February 2014. He 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 and before that he was Chief Financial Officer of Commodore International Ltd based in the US. Age 67.

Tom Brown MA (Oxon) MBA IMD
Non-executive Director

Appointed to the Board as a non-executive Director in April 2005 and appointed Senior Independent Director in June 2007. Tom is a Director of a number of private companies and a member of the Economics Committee of the EEF. He was previously Chairman of Chamberlin plc, Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc. In all he has served on the boards of UK quoted companies for some 25 years, following executive roles with GKN plc and a period consulting with McKinsey & Co Inc. Age 65.

Jill Caseberry
Non-executive Director

Appointed to the Board as a non-executive Director in December 2012. Jill has extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods. She currently runs her own sales and marketing consultancy and is CEO of Enhance Drinks Ltd, a beverage start-up business. Prior to setting up these businesses Jill was general manager of a Premier Foods division. Age 49.

At a glance

UK

Our UK business operates over 53,000 vehicles from 68 locations, servicing over 6,000 customers ranging from blue chip corporations and public sector organisations to small and medium sized enterprises and owner operators.

Vehicle sales

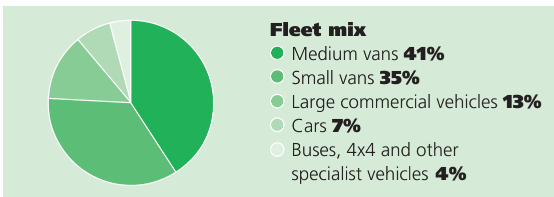
Number of vehicles
2014: 14,000
2013: 20,700

Revenue from vehicles sold
2014: £91m
2013: £125m

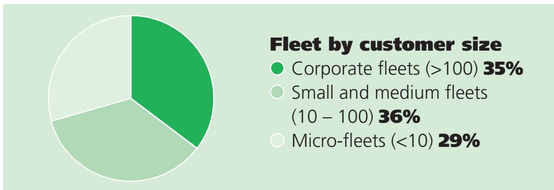
Vehicle purchases

Number of vehicles
2014: 17,000
2013: 16,500

Investment in new vehicles
2014: £201m
2013: £187m



Fleet mix
- Medium vans **41%**
- Small vans **35%**
- Large commercial vehicles **13%**
- Cars **7%**
- Buses, 4x4 and other specialist vehicles **4%**



Fleet by customer size
- Corporate fleets (>100) **35%**
- Small and medium fleets (10 – 100) **36%**
- Micro-fleets (<10) **29%**

Operating profit[11]
2014: £51.0m
2013: £64.2m

Operating margin[6]
2014: 17.4%
2013: 22.1%

Number of employees (closing)
2014: 1,968
2013: 1,856

Closing fleet
2014: 53,900
2013: 49,900

Locations
2014: 68
2013: 65

Spain

Our business in Spain operates over 37,000 vehicles from 23 locations with over 5,000 customers varying in size and operating in a range of sectors. Our 865 employees work hard to support the widest range of commercial vehicle hire solutions available across the largest geographical branch network in Spain.

Vehicle sales

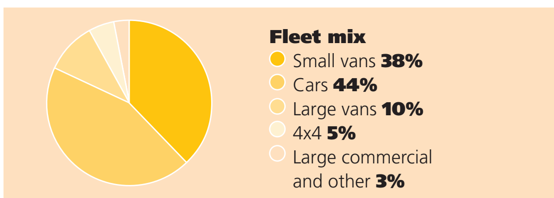
Number of vehicles
2014: 8,300
2013: 11,200

Revenue from vehicles sold
2014: £38.5m
2013: £43.4m

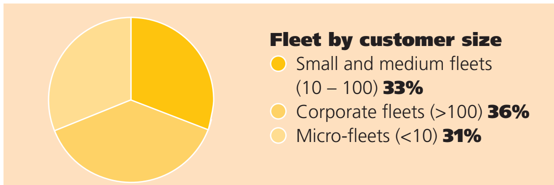
Vehicle purchases

Number of vehicles
2014: 10,700
2013: 7,300

Investment in new vehicles
2014: £100m
2013: £72m



Fleet mix
- Small vans **38%**
- Cars **44%**
- Large vans **10%**
- 4x4 **5%**
- Large commercial and other **3%**



Fleet by customer size
- Small and medium fleets (10 – 100) **33%**
- Corporate fleets (>100) **36%**
- Micro-fleets (<10) **31%**

Operating profit[12]
2014: £25.6m
2013: £25.2m

Operating margin[7]
2014: 17.1%
2013: 16.7%

Number of employees (closing)
2014: 865
2013: 858

Closing fleet
2014: 37,800
2013: 35,100

Locations
2014: 23
2013: 23

Strategic report

Strategic report

Looking forward, the Group strategy is clear. In the UK, the primary focus will be on growing the business through our existing network and by adding new sites, where opportunities exist at our target levels of return. In Spain, the Group will continue to maximise cash generation and target improved returns.

Our view is that, for many businesses, the flexible rental of light commercial vehicles continues to be the best sourcing method. It allows them to flex their requirements in line with their business needs. In both countries in which we operate, we aim to be the first choice for LCV rental, fulfilling all our customers' vehicle needs and allowing them to concentrate on better service to their customers.

Our Business Model

Buy

Our customers can choose from the widest range of vehicle makes and models available in our sector, with the flexibility to switch vehicle types as their needs evolve. In order to achieve this, we partner with a range of manufacturers. Pricing is negotiated directly and the purchasing mix is managed in order to minimise the overall holding cost of vehicles to the business. The volume of purchases is balanced against vehicle sales in order to manage fleet age, condition and vehicle utilisation to an optimal level.

Manage

With over 30 years' experience in the fleet management sector, we are in the best position to partner our customers and complement their fleet requirements, whether this is by providing a single short term hire or a fully outsourced fleet management solution.

Vehicle hire is at the heart of our business. We offer a fully flexible product which allows customers to tailor vehicles to their exact requirements and manage the size and composition of their fleet without penalty. Our national network of branches and workshops in the UK and Spain provide 24/7 support with replacement vehicles on hand to keep customers on the move. We offer a range of ancillary services which enable customers to enjoy operational benefits through efficient fleet management, with our fully outsourced fleet management service providing the ultimate solution.

We aim to deliver the very best service levels whilst maintaining operating efficiency and vehicle utilisation in order to maximise return on capital employed.

Sell

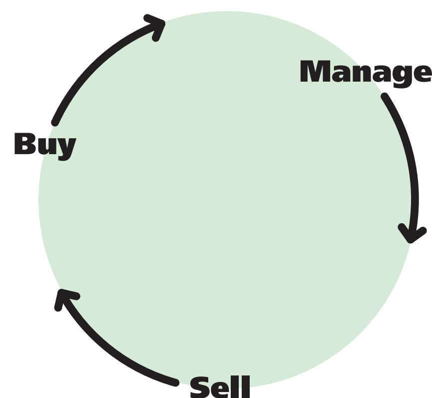
In order to provide the best possible service to our customers we maintain a modern fleet. When vehicles reach the end of their hire lives we aim to minimise overall holding costs through the effective use of our retail and trade sales channels.

As we are not affiliated to any single manufacturer, we offer our customers the best available range of quality used commercial vehicles in the market.

Why choose flexible rental?

Decision	Flexible	Contract hire	Purchase
No capital or contractual commitment	●	○	○
No mileage penalties	●	○	●
No residual market risk	●	●	○
Ability to flex vehicle size	●	○	○
Inclusive of maintenance	●	●	○
24/7 support	●	◔	○
No early termination costs	●	○	●

◔ Available at additional cost



23%

vehicle sales through retail channels

Key performance indicators

	Performance	Target
Asset management The overall holding cost of vehicles needs to be minimised and utilisation needs to be maintained at a high level in order to maximise return on capital employed (ROCE) whilst holding enough vehicles to meet the flexible demands of our customers.	Utilisation was 88% in the UK and 92% in Spain. A total of 14,000 vehicles were sold in the UK and 8,300 in Spain at improved residual values. Vehicle purchases were balanced against these disposals to manage the average fleet age to 22.3 months in the UK and 24.3 months in Spain at 30 April 2014.	The target for both segments is to maintain utilisation above 90%. However, this will be balanced against the need to ensure that each branch has the right range of vehicles for hire at all times. The holding cost of vehicles will be minimised through managing the mix of purchases and improving the quality and volume of vehicles sold through higher margin retail sales channels.
Pricing The revenue per vehicle achieved is a key contributor to ROCE. Hire rates need to reflect the level of flexibility and service offered to our customers.	Underlying revenue per rented vehicle improved by 1% in the UK and reduced by 1% in Spain.	Minimum hire rate thresholds have been set for new vehicles so that the fleet is grown at rates that are beneficial to ROCE. Further improvements are targeted through the recovery of other costs incurred.
Customer service In order to grow the business we must deliver the highest possible levels of customer service to set us apart from our competitors.	We have various measures of assessing customer service, with the number of vehicles on hire and the number of customers being two of those indicators. Vehicles on hire have increased in the year. Customer numbers have increased in our SME segments in both the UK and Spain, which indicates that our offering is well suited to their needs.	The restructuring of commercial operations has positioned the Group well to target profitable growth in vehicles on hire and customer numbers going forward.
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[4] is maximised through a combination of managing utilisation, hire rates, vehicle holding costs and improvements in operational efficiency. Group ROCE for the year was 9.9% (2013 – 11.8%).	Each KPI has been targeted for improvement to contribute to an overall increase in ROCE of the Group. In the short term, in a period of growth, ROCE will not increase as capital investment is required up front. In the longer term, 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.	Basic EPS[2] was 35.1p compared to 29.2p in the prior year. Earnings of £46.8m compare to £38.8m in the prior year. The weighted average number of shares was 133.2m in both years.	The target is to maximise shareholder value by increasing EPS in the short term alongside longer term return on equity.

Employee engagement

The Group has always been fortunate in having extremely dedicated and passionate employees and their retention and development is key to our continued success. To secure this we are delivering an employee engagement strategy to ensure that all of our employees understand the strategy of the business, their role in delivering it and motivating them to do so. This is underpinned with enhanced communication and recognition processes to both support and drive its success.

Core values

- **Professionalism** – utilising our skills to meet customers' and colleagues' needs.
- **Team work** – working together to create an effective and efficient organisation.
- **Can-do attitude** – enthusiastic and resourceful in all that we do.

Strategy for growth

Despite our strength compared to our nearest competitors, the Group is not dominant in terms of our share of the market. This provides good opportunities for growth from our existing core product offering of flexible vehicle hire. With our increased market understanding, the businesses in both the UK and Spain are focused on:

- Quality of our service offering, including gaining feedback from our customers;
- Understanding why we win and lose business;
- Identifying the key markets where our offering is most suited, and
- Ensuring the business is properly structured to service our customers.

The Group is focused on finding new growth opportunities through three simple drivers:

Customer numbers: attracting and retaining customers is a key area of focus, with specific programmes being implemented to improve customer retention and increase new customers working with the Group. Progress to date has been pleasing with the total number of customers increasing 1,900 (21%) since 30 April 2013.

Increasing share of customer spend: improved account management has identified that a number of our customers use more than one solution provider for their flexible hire needs. This is often driven by customers having to source vehicles from more than one partner due to vehicle availability or network reach issues. By improving our account management process and service offering we have seen an increased level of activity from our existing larger customers.

Pricing efficiently: improved access to information allows the Group to make informed pricing decisions, taking into account whole life vehicle running costs. This ensures that customers are charged appropriately for their vehicle usage.

Our new Wimbledon site opened in April 2014.

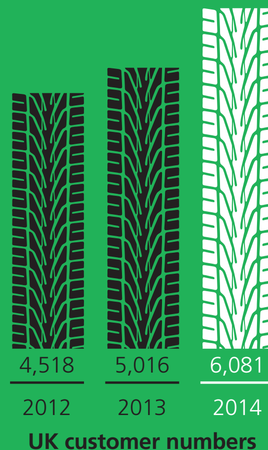
21%

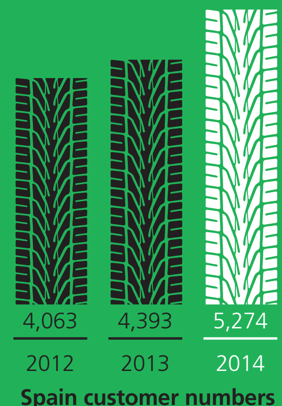
customer growth

We have seen an increase in customer numbers in both countries in which we operate.

In the UK customer numbers have increased by 21%, continuing the improvement seen last year.

Specific targetting of SMEs in Spain has led to a 20% increase in customer numbers.





Review of the year

The seven sites opened in the UK since February 2013 now have 2,000 vehicles on hire, of which 1,800 have been generated in the year ended 30 April 2014.

Group

The Group continues to build upon its solid financial and operational foundation. We are targeting increasing returns by growing the business with customers who have a flexible vehicle hire requirement.

Flexible rental

Our view is that, for many businesses, the flexible rental of light commercial vehicles ("LCV") continues to be the best sourcing method. It allows them to flex their requirements in line with their business needs. In both countries in which we operate, we aim to be the first choice for LCV rental, fulfilling all our customers' vehicle needs and allowing them to concentrate on better service to their customers. To achieve this aim, we have three simple areas of focus:

- 100% vehicle availability, allowing our customers to have the right vehicle in the right place at the right time;
- Keeping our customers on the road for longer, whether this is via our own national service network or by partnering with national operators, and
- Being hassle free, dealing with unforeseen events quickly and professionally.

This focus on customer service will help the business maintain its market leading position and is key to our strategy for growth.

Bob Contreras

UK

Despite the improvements achieved in pricing and used vehicle residual values, the reduction in the number of vehicles sold and the investment made in the UK business has led to a decrease in operating margin[6] from 22.1% to 17.4%. The number of vehicles being disposed of has been reduced in response to the increasing demand for rental.

If the UK business had sold the same number of vehicles as it did in the year ended 30 April 2013 at current year residual values the operating margin[14] would have been 20.7%. The impact of new sites opened since February 2013 has reduced the operating margin by 1.2%.

Proposition

1. 100% vehicle availability – allowing customers to have the right vehicle in the right place at the right time.

2. Keeping customers on the road – whether this is via our own national service network or by partnering with national operators.

3. Hassle free – dealing with unforeseen events quickly and professionally.

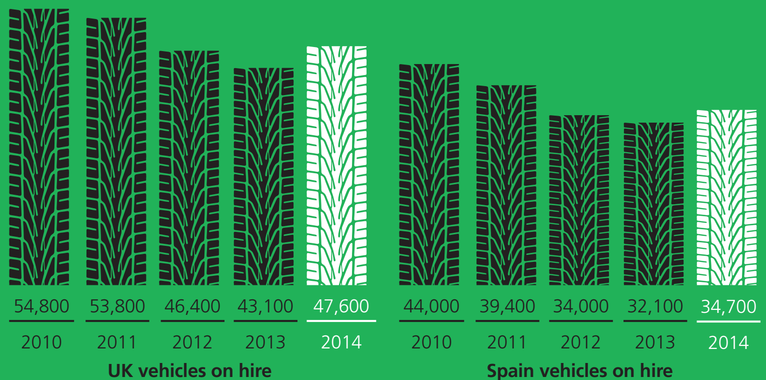
9%

vehicles on hire growth

The number of vehicles on hire has increased in both countries in which we operate.

The UK business has grown by 10% with both new sites and organic growth contributing to this increase.

The Spanish number grew by 8% after five years of decline.



Vehicles on hire and hire rates

Vehicles on hire increased from 43,100 at 30 April 2013 to 47,600 at 30 April 2014, an increase of 4,500 compared to a decline of 3,300 in the same period last year and comprises:

- Growth from regional customers of 4,200, and
- An increase in the number of vehicles on hire to national customers of 300.

As previously outlined, a number of improvement programmes in the commercial area of the business were implemented in the previous 18 months, focusing on increasing the skills, resource and support within the sales team. The initial focus of these programmes was within our regional business, which represents two-thirds of our vehicles on hire, followed by our national business.

This investment is generating returns through growth in vehicles on hire and customer numbers have increased by 21% since 30 April 2013.

Average hire revenue per rented vehicle has increased by 1% compared to the same period last year.

Network

In the prior year we identified large areas of the country where significant numbers of potential customers were not effectively serviced by an accessible Northgate site. In the final three months of the year ended 30 April 2013, we commenced our expansion plans with three sites opening.

Four more sites have been opened in the year to 30 April 2014 (Slough, Charlton, Basildon and Wimbledon) bringing the branch network to 68.

The initial signs are encouraging with the level of growth from these new sites exceeding our initial plans. The seven sites opened since February 2013 now have 2,000 vehicles on hire, of which 1,800 have been generated in the year ended 30 April 2014. Of the 2,000 vehicles on hire, 1,400 are on hire to regional customers and 600 to national customers. This mix of regional to national customers is in line with our existing business.

The impact of the seven sites opened since February 2013 (including the new sites project team costs) was an operating loss of £2.3m. It is estimated that these new sites will become profitable on a trading to date basis after two years with ROCE exceeding 16% in year four as the sites reach maturity.

We have initially focused on establishing an enhanced branch network within the London area which provides the largest commercial opportunity. We will continue to pursue this strategy and have identified the following opportunities:

- A further four sites in Greater London, bringing the total number of branches supporting this area to 13, and
- A further 18 sites across the remainder of the UK as areas that would support a site at our required level of return.

We are aiming to open an average of eight to ten sites per year. This will take the branch network to approximately 90 by 31 December 2016.

We are also seeing vehicles on hire growth from the existing network and believe that there is further opportunity for growth within these branches.

Asset management

Growth in the number of vehicles on hire has led to an increase in the UK fleet size from 49,900 at 30 April 2013 to 53,900 at 30 April 2014. Vehicle utilisation for the period was 88% (2013 – 88%). Whilst utilisation remains a priority, we are also focused on ensuring that each branch has the right range of vehicles available for customers at all times to support the growth opportunities available. The UK business increased the level of vehicles available to rent throughout the year, which will support the growth plans, whilst allowing the UK to target a higher level of utilisation in the medium term.

Despite the 4,500 vehicles on hire growth, continued strong asset management meant UK purchases were 17,000 in the year ended 30 April 2014 compared to 16,500 in the same period last year. The average age of the rental fleet is 22.3 months at 30 April 2014, compared to 21.4 months at 30 April 2013.

In response to the 4,500 vehicles on hire growth, a total of 14,000 units were sold compared to 20,700 in the year ended 30 April 2013.

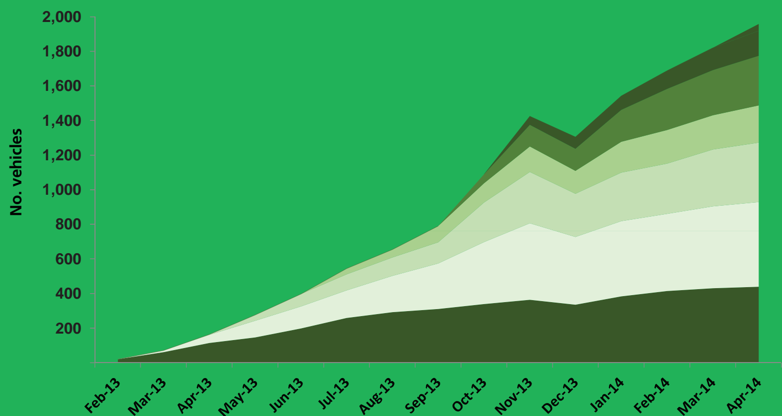
The used vehicle market remained strong, with sales via our more profitable retail sales operation increasing to 27% (2013 – 22%), contributing to increased residual values in comparison to those attained in the year ended 30 April 2013. The reduced number of vehicles disposed of, offset by the improvement in the residual values achieved, resulted in a decrease of £20.0m (2013 – £20.8m) in the depreciation charge.

Given the continuing strength of used vehicle residual values, UK depreciation rates on the vehicle fleet have been reduced by 1.8%, taking effect from 1 May 2014. Based on the composition of the fleet as at 30 April 2014, this is expected to reduce the depreciation charge by £9m in the year ending 30 April 2015, which will reverse over the next four years as the current fleet is sold.

+1,800 growth from new sites

Four new sites have opened during FY14 and by year end had an accretive impact of almost 700 vehicles.

Growth of over 1,100 vehicles was seen from the three sites opened during FY13.



Spain

Improved operational efficiencies and residual values in Spain led to an increase in our operating margin[7] in the period to 17.1% (2013 – 16.7%). If the Spanish business had sold the same number of vehicles as it did in the year ended 30 April 2013 at current year residual values the operating margin[14] would have been 18.4%.

Vehicles on hire and hire rates

Vehicles on hire at 30 April 2014 were 34,700, an increase of 2,600 in the year ended 30 April 2014, compared to a decline of 1,900 in the same period last year.

The continued efforts in the commercial area of the business have led to the growth of the number of vehicles on hire after five years of decline.

Spain continues to target growth in the SME market. This was the first year where increased new business offset the decline in the traditional construction market. For the second year running, customer numbers increased. Closing customers increased by 900 (20%), compared to an increase of 300 in the previous year.

After adjusting for fleet mix, average hire revenue per rented vehicle has fallen by 1% compared to the same period last year. This reduction has been mitigated by an increasing proportion of customers operating our fleet in such a way that running costs are reduced and residual values are improved.

Return on capital employed

Return on capital employed at 30 April 2014 was 9.2% compared to 8.4% for the year ended 30 April 2013. Progress in targeting increased returns has been made in the following areas:

Pricing increases and customer profiling: whilst headline rental rate increases continue to be sought, we will work with new and existing customers who meet our required rate of return, with the aim of increasing our return on capital employed over the medium term.

Vehicle utilisation: changes in customer mix, coupled with other improvements made over the past 12 months, will allow the Spanish business to run at utilisation levels in excess of 90%. The year ended 30 April 2014 saw utilisation at 92%, exceeding the 90% level achieved in the year ended 30 April 2013.

Holding costs: with depreciation being the largest cost in the business, customer profiling allows the Spanish business to minimise these costs. The improvement in the usage profile of new customers allows a greater proportion of the vehicles being removed from the rental fleet at the end of their life to be sold through our retail disposal channel, leading to increased residual values and lower whole life holding costs.

Vehicle ageing: the changing customer profile and improved maintenance regime implemented over the past two years is allowing the Group to age the Spanish fleet whilst minimising the capital investment required. This results in a reduction in capital employed per vehicle operating in Spain. The average age of the fleet has increased from 22.9 months at 30 April 2013 to 24.3 months at 30 April 2014. We do not anticipate any impact on customer service as we continue to run a young fleet in comparison to the rest of the market.

Operational efficiency: the implementation of our workshop efficiency programme, coupled with improved management and reporting of our internal workshops has led to a reduction in workshop costs per vehicle, with total workshop costs falling 16%.

Asset management

Utilisation for the period was 92% (2013 – 90%). The fleet size in our Spanish operation increased from 35,100 at 30 April 2013 to 37,800 at 30 April 2014. In the year ended 30 April 2014, 10,700 vehicles have been purchased compared to 7,300 in the same period last year.

A total of 8,300 units were sold (2013 – 11,200), with the reduction being driven by the increased vehicles on hire achieved in the period.

The used vehicle market remains strong, with continued progress in establishing and expanding sales through our more profitable retail sales operation, which increased to 16% (2013 – 9%), contributing to increased residual values in comparison to those achieved in the year ended 30 April 2013. The improved resale values achieved were partially offset by the reduced number of vehicles being disposed of, resulting in a reduction in the depreciation charge of €6.8m, compared to a reduction of €6.1m in the prior year.

Given the continuing strength of used vehicle residual values, Spanish depreciation rates on the vehicle fleet have been reduced by 0.9%, taking effect from 1 May 2014. Based on the composition of the fleet as at 30 April 2014, this is expected to reduce the depreciation charge by £3m in the year ending 30 April 2015, which will reverse over the next five years as the current fleet is sold.

90%

utilisation

UK: 88% Spain: 92%

The Group continues to build upon its solid financial and operational foundation.

We are targeting increasing returns by growing the business with customers who have a flexible vehicle hire requirement.

Whilst utilisation remains a priority, we are also focused on ensuring that each branch has the right range of vehicles available for customers at all times to support the growth opportunities available.

Financial review

In June 2014 the Group successfully increased, amended and extended its existing multi bank facility. The revised £534.5m committed multi-currency bank facility matures in June 2018. The amended facility includes a reduction in pricing.

Chris Muir

Financial reporting

Group

A summary of the Group's underlying financial performance for 2014, with a comparison to 2013, is shown below:

	2014 £m	2013 £m
Revenue	**571.5**	609.9
Operating profit[5]	**72.6**	86.4
Profit before tax[1]	**60.3**	49.5
Profit after tax[2]	**46.8**	38.8
Basic earnings per share[2]	**35.1p**	29.2p
Return on capital employed[4]	**9.9%**	11.8%

Group revenue in 2014 decreased by 6% to £571.5m (2013 – £609.9m) or 7% at constant exchange rates. Hire revenue was £442.3m (2013 – £441.9m).

Net underlying cash generation[9] was £25.4m (2013 – £92.6m) after net capital expenditure of £194.4m (2013 – £117.7m) resulting in closing net debt of £346.1m (2013 – £362.7m). Gearing[3] improved to 91% (2013 – 102%).

On a statutory basis, operating profit was £63.5m (2013 – £79.5m) and profit before tax was £51.2m (2013 – loss of £11.4m). Basic earnings per share were 29.9p (2013 – (5.5)p). Net cash from operations, including net capital expenditure on vehicles for hire was £30.7m (2013 – £100.9m).

Return on capital employed

Group return on capital employed[4] was 9.9% compared to 11.8% in the prior year.

Group return on equity, calculated as profit after tax (excluding intangible amortisation and exceptional items) divided by average shareholders' funds, was 12.4% (2013 – 10.6%).

Borrowing facilities

Taken together with other loans of the Group, £346.1m was drawn against total committed facilities of £437.9m as at 30 April 2014, giving headroom[10] of £91.8m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity
UK bank facility	421.8	338.1	83.7	June-17
Other loans	16.1	8.0	8.1	Up to Nov-14
	437.9	**346.1**	**91.8**	

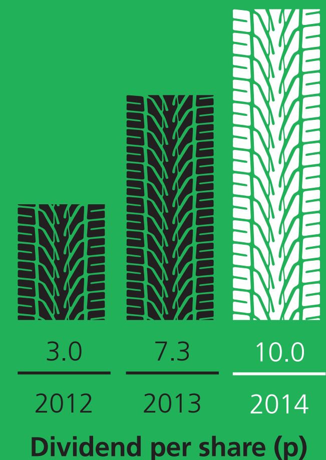
In June 2014 the Group successfully increased, amended and extended its existing multi bank facility. The revised £534.5m

37%

dividend growth

Due to the strength of the balance sheet and opportunities in the markets in which we operate, there is scope to invest organically to strengthen and grow returns over the medium term whilst increasing dividends.

A final dividend of 6.8p is proposed in respect of the year ended 30 April 2014, giving a total dividend for the year of 10.0p (2013 – 7.3p). This represents a 3.5x cover on underlying earnings.



committed multi-currency bank facility matures in June 2018. The amended facility includes a reduction in pricing.

The net debt to EBITDA ratio at 30 April 2014 corresponds to a bank margin of 2.375%. The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a maximum of 2.875% to a minimum of 2.125%.

Following the amendment to the facility in June 2014, the margin charged on bank debt will range from a maximum of 2.55% to a minimum of 1.80%. Based on the net debt to EBITDA ratio at 30 April 2014, the margin on the amended facility would be 2.05%.

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 3.1%, giving an overall cost of the Group's borrowings at 30 April 2014 of 3.0%. This compares to an overall rate of 2.8% at 30 April 2013.

The Group made net borrowing repayments of £6.3m in the year. Scheduled total bank repayments on the amended bank facilities of £25.4m commencing in November 2016 are due before they mature in June 2018.

There are three financial covenants under the Group's facilities as follows:

1. Interest cover ratio

A minimum ratio of earnings before interest and taxation ("EBIT") to net interest costs tested quarterly on a rolling historic 12-month basis. The covenant to be exceeded is 3.0x (2013 – 2.0x).

Interest cover at 30 April 2014 was 5.6x (2013 – 2.7x) with EBIT headroom, all else being equal, of £33m.

2. 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 is 70%.

Loan to value at 30 April 2014 was 46% (2013 – 50%) giving net debt headroom, all else being equal, of £177m.

3. 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 is 2.0x.

Debt leverage cover at 30 April 2014 was 1.5x (2013 – 1.5x) with EBITDA headroom, all else being equal, of £63m.

Dividend

The Directors recommend the payment of a final dividend of 6.8p per share in relation to the Ordinary shares for the year ended 30 April 2014 (2013 – 6.0p). Subject to approval by shareholders, the dividend will be paid on 23 September 2014 to ordinary shareholders on the register as at close of business on 15 August 2014.

Including the interim dividend paid of 3.2p (2013 – 1.3p), the total dividend relating to the year would be 10.0p (2013 – 7.3p). The dividend is covered 3.5 times by underlying earnings.

UK

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

	2014 £m	2013 £m
Revenue		
Vehicle hire	**292.4**	291.1
Vehicle sales	**90.7**	124.6
	383.1	415.7
Operating profit[11]	**51.0**	64.2

Hire revenue of £292.4m was in line with the prior year (2013 – £291.1m), with a 1% increase in the average number of vehicles on hire being offset by a 1% reduction in revenue per vehicle (including fleet management). Excluding fleet management, revenue per vehicle increased by 1%.

An improvement in residual values was offset by a reduction in the volume of used vehicles sold, which contributed to £0.8m of the decrease in operating profit.

The UK operating margin was as follows:

	2014	2013
Operating margin[6]	**17.4%**	22.1%

The UK operating margin[6] has decreased to 17.4% (2013 – 22.1%) mainly as a result of the upfront investment relating to the start-up of our new sites and the strengthening of our commercial and operational teams.

International Accounting Standards require that the residual value and useful life of an asset shall be reviewed at least each financial year-end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate.

Our depreciation rates are therefore set in order to depreciate an asset so that, at the end of its useful life, its net book value

approximates closely to the expected proceeds on disposal, taking into account all attributable costs incurred to sell the asset.

Following our review and due to the ongoing strength of the residual values of the vehicle hire fleet, the Board has decided to reduce the depreciation rate prospectively by 1.8% from 1 May 2014.

Spain

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

	2014 £m	2013 £m
Revenue		
Vehicle hire	**149.9**	150.8
Vehicle sales	**38.5**	43.4
	188.4	194.2
Operating profit[12]	**25.6**	25.2

Hire revenue decreased by 1%. The decrease was 3% at constant exchange rates, which was caused by a reduction in revenue per vehicle. Adjusted for the change in fleet mix, revenue per vehicle decreased by 1%.

The Spanish operating margin was as follows:

	2014	2013
Operating margin[7]	**17.1%**	16.7%

Vehicle hire revenue and operating profit[12] in 2014, expressed at constant exchange rates, would have been lower than reported by £3.9m and £0.7m respectively.

Days sales outstanding continued to reduce from 64 days at 30 April 2013 to 54 days at 30 April 2014 due to the continued improvements in controls, processes and customer mix.

Used vehicle residual values continued to improve and contributed £5.7m (2013 – £5.0m) to operating profit in the year with 8,300 vehicles sold (2013 – 11,200). As in the UK, the fleet depreciation rate was reviewed. Due to the ongoing strength of the residual values of the vehicle hire fleet, the Board has decided to reduce the depreciation rate prospectively by 0.9% from 1 May 2014.

Corporate

Corporate costs[13] were £3.9m compared to £3.0m in the prior year.

Exceptional items

During the year £1.8m of restructuring costs, £1.9m relating to property impairment, £2.4m of costs related to a pension scheme buyout and £0.1m of property losses were incurred, of which £5.5m related to the UK, £0.6m related to Spain and £0.1m related to Corporate.

Interest

Net finance charges for the year before exceptional items were £12.4m (2013 – £36.9m).

The prior year charge includes £6.5m of non-cash interest.

The net cash interest charge has reduced by £18.0m to £12.4m, with a £0.4m saving as a result of the reduction in average net debt throughout the year, a £17.8m saving due to lower borrowing rates of the Group in the year and a £0.2m increase due to the impact of exchange rates.

Taxation

The Group's underlying effective tax charge for its UK and overseas operations was 22% (2013 – 22%).

The underlying tax charge excludes the tax on intangible amortisation and exceptional items.

Including these items the Group's statutory effective tax charge was 22% (2013 – 35%).

Earnings per share

Basic earnings per share ("EPS")[2], were 35.1p (2013 – 29.2p). Basic statutory earnings per share were 29.9p (2013 – (5.5)p).

Underlying earnings for the purposes of calculating EPS[2] were £46.8m (2013 – £38.8m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the previous year.

Balance sheet

Net tangible assets at 30 April 2014 were £381.7m (2013 – £355.6m), equivalent to a tangible net asset value of 286.5p per share (2013 – 266.9p per share).

Gearing[3] at 30 April 2014 was 91% (2013 – 102%) reflecting a £16.6m reduction in net debt.

Cash flow

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

	2014 £m	2013 £m
Underlying operational cash generation	**235.4**	258.4
Net capital expenditure	**(194.4)**	(117.7)
Net taxation and interest payments	**(15.6)**	(48.1)
Net underlying cash generation[9]	**25.4**	92.6
Net refinancing payments (April 2013 refinancing)	**–**	(39.1)
Dividends	**(12.2)**	(5.7)
Other	**(2.8)**	(2.3)
Net cash generated	**10.4**	45.5
Opening net debt	**362.7**	371.3
Net cash generated	**(10.4)**	(45.5)
Other non-cash items	**(0.6)**	17.1
Exchange differences	**(5.6)**	19.8
Closing net debt	**346.1**	362.7

Underlying cash generation[9] was £25.4m compared to £92.6m in the previous year.

A total of £301.4m was invested in new vehicles in order to replace fleet compared to £255.2m in the prior year. The Group's new vehicle outlay was partially funded by £112.3m of cash generated from the sale of used vehicles. Other net capital expenditure amounted to £5.3m.

After capital expenditure, payments of interest and tax of £15.6m, dividends of £12.2m and other items of £2.8m, net cash generation (as defined in the table above) was £10.4m, compared to £45.5m in the previous year.

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. Our credit exposure is limited to banks which maintain an A rating. Individual aggregate credit exposures are also 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 and bank borrowings.

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[3] at 30 April 2014 was 91% compared to 102% at 30 April 2013.

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 76% at 30 April 2014. In the prior year, the Group's borrowing facilities were refinanced on 29 April 2013. All existing interest rate swaps were cancelled at that time and new instruments were put in place on 2 May 2013 which hedged 64% of gross borrowings into fixed rates.

Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (65%) 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:

	2014 £ : €	2013 £ : €
Average	**1.19**	1.22
Year end	**1.22**	1.18

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. The exchange differences arising on these borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

Going concern

In determining whether the Group's 2014 accounts should be prepared on a going concern basis the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowings facilities and the risks and uncertainties relating to its business activities in the current economic climate.

The principal risks and uncertainties of the Group are outlined on pages 28 to 29. 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 2014 accounts.

Chris Muir
Group Finance Director

24 June 2014

1 Stated before intangible amortisation of £2.9m (2013 – £3.6m), exceptional administrative expenses of £6.2m (2013 – £3.3m) and exceptional finance costs of £Nil (2013 – £54.0m).

2 Stated before intangible amortisation of £2.9m (2013 – £3.6m), exceptional administrative expenses of £6.2m (2013 – £3.3m), exceptional finance costs of £Nil (2013 – £54.0m) and tax on intangible amortisation, exceptional items and exceptional tax credit of £2.2m (2013 – £14.7m).

3 Calculated as net debt divided by tangible net assets, with tangible net assets being net assets less goodwill and other intangible assets.

4 Calculated as operating profit[5] divided by average capital employed, being shareholders' funds plus net debt.

5 Stated before intangible amortisation of £2.9m (2013 – £3.6m) and exceptional administrative expenses of £6.2m (2013 – £3.3m).

6 Calculated as operating profit[11] divided by revenue of £292.4m (2013 – £291.1m), excluding vehicle sales.

7 Calculated as operating profit[12] divided by revenue of £149.9m (2013 – £150.8m), excluding vehicle sales.

8 Stated before exceptional finance costs of £Nil (2013 – £54.0m).

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

10 Headroom calculated as facilities of £437.9m less net borrowings of £346.1m. Net borrowings represent net debt of £346.1m stated after the deduction of £19.1m of cash balances, which are available to offset against borrowings.

11 Stated before intangible amortisation of £2.3m (2013 – £2.9m) and exceptional administrative expenses of £5.5m (2013 – £2.1m).

12 Stated before intangible amortisation of £0.6m (2013 – £0.7m), exceptional administrative expenses of £0.6m (2013 – £1.3m) and a brand name royalty charge of £5.0m (2013 – £Nil).

13 Stated before exceptional administrative expenses of £0.1m (2013 – £Nil) and a brand name royalty credit of £5.0m (2013 – £Nil).

14 Based on the sale of an additional 6,700 vehicles in the UK at current year residual values, and an additional 2,900 vehicles in Spain at current year residual values.

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.

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 Group operates in Spain, where austerity measures have been implemented. These measures could impact on future trading volumes. The underlying macro-economic conditions also increased the risk of customer failure in the recent past, particularly in Spain, which led to the occurrence of increased bad debt charges. However, economic conditions have improved over the course of the year.

The construction industry in Spain and other key markets of the Group were particularly sensitive to the downturn in the economic climate, which led to a decline in the number of vehicles rented in recent years.

The Spanish business continues to generate a large proportion of revenue from customers in the construction industry, but has successfully sought and is continuing to seek 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.

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 returns 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 extent.

As the Group is focused on maximising return on capital, all hire rates must exceed certain hurdle 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.

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 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. Since the year end the Group has refinanced and current bank facilities are due to mature in June 2018. 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 above.

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 could 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.

Corporate social responsibility

Our corporate responsibility

We understand that we have a wider obligation to run our business in a responsible and sustainable way for all our stakeholders. We believe that supporting the communities in which we operate and providing a safe environment for our employees is integral to the overall performance of the Group.

How we manage corporate responsibility

Taking corporate responsibility and sustainability seriously is of the utmost importance to Northgate. Sound and robust health & safety and environmental (HS&E) arrangements and risk controls therefore form a key part of the Group's overall business strategy.

The Group's arrangements for HS&E governance and management systems are monitored by the Audit and Risk Committee, who have designated the Chief Executive as the person ultimately responsible for implementing best practice throughout the Group.

Common and consistent standards in accordance with legislative and best practice requirements are applied across all Group operations. Risks, 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.

Health & safety

Our approach to health & safety is simple: to ensure that no harm comes to anyone engaged with Northgate.

We realise that excellence in health & safety can only be achieved if it forms part of every individual's responsibility within the Group. Our 'Safe & Sound' programme was established to create an environment of openness and awareness, where all colleagues feel able to identify and raise concerns about working practices and conditions.

The Group provides training for employees in a wide range of health & safety disciplines, most of which is carried out internally by the Group's HS&E department, which in the UK is accredited by the British Safety Council.

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 subsequently monitored compliance. 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 main way that health & safety across the business is monitored is by the Accident Frequency Rate (AFR) during the course of our work. The AFR is calculated as the number of accidents reportable under the Reporting of Injuries, Diseases and Dangerous Occurences Regulations 1995 (RIDDOR) per 100,000 employee hours worked. Although the legislation in Spain defines reportable accidents under different rules to the UK, the data reported is in line with RIDDOR.

The AFR's reported are as follows:

	2014	2013
UK	**1.5**	1.4
Spain	**3.4**	1.7
Group	**2.2**	1.5

Ethics

Northgate holds the highest levels of ethical standards and communicates this to all employees by way of the Group's Code of Business Conduct, which covers bribery, competition, conflicts of interest, inside information, confidentiality, gifts and entertainment, discrimination, harassment and fair dealing with customers and suppliers.

In addition, the Group's Whistleblowing Policy and Procedure enables every Group employee to have a voice and a means by which they may draw concerns to our attention.

Our employees

As a Group we value our employees because we understand that they are the key resource required to deliver the high levels of customer service that maintains our competitive advantage. At 30 April 2014 we had 2,833 (2013 – 2,714) employees across the Group, 1,968 in the UK (2013 – 1,856) and 865 in Spain (2013 – 858).

We recognise that our employees depend on us and we continually work on improving their engagement and motivation as the key to delivering high levels of customer service. Our employees are rewarded through a combination of competitive pay and incentive programmes which enable them to share in the progress towards the Group's objectives.

The Group's policy is to recruit the best available people who are aligned with and embody our core values of professionalism, teamwork and can-do attitude and these values apply throughout the Group regardless of seniority of position.

Northgate is committed to equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation nor political bias.

As at 30 April 2014, the gender breakdown of the workforce across the Group was:

Directors	Male 6	Female 1
Senior Managers	Male 17	Female 0
All Employees	Male 1,996	Female 837

Investing in the training and development of our workforce not only improves the quality and standard of our service delivery but enables a high level of retention and allows everyone to contribute to their full potential. In addition, Northgate offer colleagues a suite of ongoing bespoke training to various disciplines throughout their career.

During the year we have introduced a Managerial Assessment of Proficiency (MAP) programme for the management population in the business. The MAP assessment has enabled an in house management development programme to be rolled out.

In 2014 Northgate have been successful in becoming an Institute of Leadership and Management (ILM) accredited centre. ILM approved status allows Northgate's own internally designed training to be recognised by the ILM. ILM recognition denotes a standard of high quality, bespoke leadership and management training. Following the completion of the MAP assessment, we now have our managers attending the relevant ILM accredited development programme.

Northgate currently have 30 technical apprentices around the UK. In 2014 28 technical apprentices achieved the level 3 technical qualification. Following a successful proposal, the Northgate technical apprentice programme is in the final short list of four companies in the Motor Transport Awards.

In June 2014 Northgate launched its e-learning platform. This allows all colleagues throughout the business to access e-learning modules specific to their role.

Regular communication and engagement with everyone across the business is vital to our success, ensuring we all share in our values, vision and goals. A number of activities are undertaken across the business to achieve this and the implementation of a new internal communication strategy and toolkit will enhance employee engagement, as we look to maximise the use of channels available.

Going forward an emphasis will be placed on monthly briefings, face-to-face meetings and discussions between managers and their teams. This will be supported by developments in technology and communications training.

We understand that communication and engagement is critical, so we are constantly improving and evolving to ensure everyone feels part of Northgate in order to achieve company objectives.

Human rights

Given the territories in which we operate and the nature of our business no specific human rights information is contained here. Information on equality is contained above and our corporate responsibility policy information can be found on our website – www.northgateplc.com.

Environment

For all environmental matters our policy is to promote and operate processes and procedures, which, so far as is reasonably practicable, avoid or minimise the contamination of water, air and the ground. We manage the waste streams which are generated through our activities responsibly and we aim to dispose of waste properly in ways which minimise the likelihood of harming the environment. Waste is separated at source and stored until specialist contractors can dispose it of in the most appropriate and effective manner. This includes recycling and reducing the amount of waste being sent to landfill across our locations. The company continues to work closely with its waste management partners to improve performance and continually monitors these aspects and the impacts our operations have on the environment.

In both the UK and Spain, Northgate have maintained the internationally recognised Environmental Standard ISO 14001.

During the year, we were able to recycle or recover 100% of all waste streams generated and collected from our vehicle repair workshops in the UK. We were able to recycle or recover 72% of all waste streams generated and collected from our vehicle repair workshops in Spain.

As at 30 April 2014, the UK business operated from a total of 74 locations including 68 rental sites. The Spanish business operates from a total of 32 locations including 23 rental sites. The vast majority of these sites are located on industrial estates, so our activities have minimal impact on the local community.

Greenhouse gas emissions

This section incorporates the mandatory reporting of greenhouse gas emissions required by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 ('the Regulations').

Corporate social responsibility continued

Reporting and baseline year

The information presented covers the period from 1 May 2013 to 30 April 2014. This period has also been designated as the baseline year for future calculations.

The emissions data presented has been derived using the operational control approach, required under the Regulations. Each facility under operational control has been included within the figures. Northgate has used the principles of the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), ISO 14064-1.

Methodology

Defra's 2013 conversion factors have been used in arriving at the information supplied below. All six greenhouse gases are reported as appropriate.

Greenhouse gas emissions figures

Greenhouse Gas Emissions Source	Tonnes of CO_2e
Scope 1 – Combustion of fuel and operation of facilities	5,980
Scope 2 – Electricity, heat, steam and cooling	4,348
Intensity ratio: Tonnes of CO_2e per £m of hire revenue	23.4

The above data has been verified by an independent, UCAS accredited, third party assessor.

Our customers and suppliers

Northgate recognises the need to support our customers in managing a sustainable business. We work with our suppliers to make a fleet available to our customers comprised entirely of modern vehicles, achieving the highest levels of exhaust emission standards. In Spain we are one of the first businesses to offer hire of electric vehicles to our customers.

As at 30 April 2014 the UK fleet of 53,900 vehicles had an average age of 22.3 months. The total fleet in Spain was 37,800 vehicles with an average age of 24.3 months. All vehicle purchases in the year ended 30 April 2014 met the latest Euro V standards.

Our community

We must be a responsible employer, neighbour and member of the local community and therefore operate our business in a way that continuously improves our relationship with employees, customers, neighbours and the environment.

The Group is a member of the British Safety Council and the Royal Society for the Prevention of Accidents (RoSPA), which supports our commitment to corporate social responsibility.

By order of the Board

D Henderson
Secretary

24 June 2014

Report of the Directors

The Directors present their report and the audited accounts for the year ended 30 April 2014.

Results

Profit for the year after taxation was £39,883,000 (2013 – loss of £7,357,000).

An interim dividend of 3.2p per share was paid on the Ordinary shares on 10 January 2014.

The Directors recommend the payment of a final dividend of 6.8p per share on the Ordinary shares. This dividend, if approved, will be paid on 23 September 2014 to shareholders on the register at close of business on 15 August 2014.

Principal activities

The Company is an investment holding company.

The principal subsidiaries are listed in Note 17 to the accounts.

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 24. 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 the Articles, 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 change of control.

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 2014	24 June 2014
Capital Group	12,465,075 (9.36%)	12,465,075 (9.36%)
Old Mutual plc	11,461,891 (8.60%)	11,461,891 (8.60%)
Standard Life Investments Ltd	9,324,443 (7.00%)	10,810,933 (8.11%)
Aviva plc	6,672,204 (5.01%)	6,672,204 (5.01%)
Aberforth Partners	6,632,743 (4.98%)	6,632,743 (4.98%)
Legal & General Group plc	6,603,080 (4.96%)	6,603,080 (4.96%)
Artemis Investment Management Ltd	6,536,818 (4.90%)	6,536,818 (4.90%)

Directors

Details of the present Directors are listed on pages 6 and 7. All have served throughout the year.

Resolutions to re-appoint each of the Directors in office at the date of this report will be proposed at the Annual General Meeting except for Tom Brown, who will be retiring from office at the conclusion of that meeting.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 37 to 51.

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.

Employee consultation

Employees are kept informed on matters affecting them as employees and on various issues affecting the performance of the Group through Chief Executive briefing updates, announcements on the Group’s intranet, 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.

Political donations

No political donations were made by any Group company in the year.

Greenhouse gas emissions

The disclosures concerning greenhouse gas emissions required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations are included in the CSR section of the Strategic report on pages 30 to 32.

Remuneration report

There are new requirements this year in relation to the content of the Directors' Remuneration Report and the approval of the Report, following changes made to the Companies Act 2006.

In accordance with the new Companies Act 2006 provisions, the Directors' Remuneration Report contains:

- a statement by Tom Brown, Chairman of the Company's Remuneration Committee;
- the annual report on remuneration, which sets out payments made in the financial year ended 30 April 2014, and
- the Directors' remuneration policy in relation to future payments to the Directors and former Directors.

The statement by the Remuneration Committee Chair and the Annual Report on Remuneration will, as in the past, be put to an advisory shareholder vote by ordinary resolution. The policy part of the Report, which sets out the Company's forward looking policy on Directors' remuneration (including the approach to exit payments to directors), is subject to a binding shareholder vote by ordinary resolution at least every three years.

The Directors' Remuneration Report is set out in full in the Annual Report on pages 37 to 51.

Resolution 3 is the ordinary resolution to approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy. Resolution 3 is an advisory resolution and does not affect the future remuneration paid to any director.

Resolution 4 is the ordinary resolution to approve the Directors' Remuneration Policy which is set out on pages 39 to 43.

As noted on page 38, the Directors' Remuneration Policy will take effect from the conclusion of the Annual General Meeting. Payments will continue to be made to Directors in line with existing contractual arrangements until this date.

Once the Directors' Remuneration Policy has been approved, all payments by the Company to the Directors and any former Directors must be made in accordance with the policy (unless a payment has been separately approved by a shareholder resolution).

If the Directors' Remuneration Policy is approved and remains unchanged, it will be valid for up to three financial years without a new shareholder approval. If the Company wishes to change the Directors' Remuneration Policy, it will need to put the revised policy to a further vote before it can be implemented.

If the Directors' Remuneration Policy is not approved, the Company will, if and to the extent permitted by the Companies Act 2006, continue to make payments to Directors in accordance with existing contractual arrangements and will seek shareholder approval for a revised policy as soon as is practicable.

Power to allot shares

The present authority of the Directors to allot shares was granted at the Annual General Meeting held in September 2013 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 2015 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 6 to the Notice of Annual General Meeting on page 111 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.

It is the Board's intention that this authority would not be used as a matter of routine but only when merited by the circumstances of the meeting and in the best interests of shareholders.

Authority for the Company to purchase its own shares

The Directors propose to renew the general authority of the Company to make market purchases of its own shares to a total of 13,300,000 Ordinary shares (representing approximately 10% of the issued Ordinary share capital) and within the price constraints set out in the special resolution to be proposed at the Annual General Meeting.

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

Articles of Association

The Company proposes to adopt amended and restated articles of association (the "Amended and Restated Articles") subject to a special resolution being passed by the shareholders. The Amended and Restated Articles are substantially the same as the current articles of association (the "Current Articles"), the main changes to the Current Articles being in relation to:

- Article 80 which deals with the retirement of directors. Under the Current Articles, only directors who had held office for the preceding two AGMs and at least a third of the board were required to retire at an AGM. Under new Article 80, all of the directors shall retire from office and be re-elected by the shareholders at each AGM, which is in line with the recommendations laid out for FTSE 350 companies in the Corporate Governance Code.
- Article 91 which deals with directors' fees. A cap of £400,000 per annum on directors' fees under the Current Articles has been increased to £700,000 per annum under the Amended and Restated Articles.

A copy of the proposed new Articles will be available for inspection at the Company's registered office until 18 September 2014 and also at the Annual General Meeting. Copies are available to shareholders on request and can be viewed on the Company's website.

Financial instruments

Details of the Group's use of financial instruments are given in the Financial Review on page 24 and in Notes 22 and 37 to the accounts.

Report of the Directors continued

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

24 June 2014

Remuneration report

Chairman's Annual Statement

Dear Shareholder,

In accordance with the new regulations our remuneration report is presented in two parts:

- A Policy Report which is being put to the forthcoming AGM as a binding resolution; and
- The Annual Report on Remuneration which, along with this Chairman's Statement summarising the key issues dealt with by the Remuneration Committee during the last year, is being put to the AGM as an advisory resolution.

Corporate Context

The financial year just ended represented a watershed for your Company. The economic crisis of 2008 made a significant impact resulting in the need for major refinancing, followed by extensive change of management and strategy. A period ensued during which the priority was major restructuring against a background of shrinking vehicle fleets in both the UK and Spain, where the economy was particularly badly affected.

FY2014 was the year in which the results of all the hard work started to show. Statutory PBT moved from a loss of £11.4m to a profit of £51.2m and underlying PBT was £60.3m, an increase of 21.8% over the prior year. Very importantly the vehicle fleets in both countries returned to growth during the year. In the UK a programme of opening new branches, especially to seize the opportunities around the London area, was progressed, despite the inevitable short term impact of such growth on some metrics and in Spain excellent all round progress was made including improving ROCE.

These advances saw the Company's share price and consequent market capitalisation increase significantly, resulting in its restoration to the FTSE250 index.

Overall Reward Structure

The Committee continues to believe that total reward should normally be around the median level for a company of Northgate's size and type. Within this total we believe that applying greater weighting to the variable rather than fixed elements is appropriate in providing increased incentive and greater alignment with the interests of shareholders.

It is the Company's policy to promote internally when suitable candidates exist and in such cases the individual will normally be appointed at a below mid-market level and then receive above average awards as they prove themselves, thus providing an added incentive for the individual and mitigating risk for the company.

Basic Pay

The CEO had received no pay rise for three years and so, in the light of the much improved performance, has been awarded an increase of 6.7%.

The FD was an internal promotion whose salary increases have been phased and this year's rise is 11.1%. This is the last increase regarded as necessary to bring his total remuneration up to the appropriate level.

Annual Bonus

In FY2014 executive directors' bonuses were based on UK marginal contribution, Spanish net debt and ROCE, and group ROCE. During the year it became apparent that the definition used for UK marginal contribution would have encouraged the retention of certain unprofitable business and accordingly the Committee exercised its discretion to adjust the definition to reflect changed business strategy. As a result overall bonuses of 43.59% of the permitted maximum were awarded to both CEO and FD.

The Committee has become aware that the policy of higher than average incentives with lower fixed pay was being progressively eroded in the case of the CEO and for the new year his maximum bonus opportunity has therefore been increased to 150% of annual salary, coupled with stretching performance targets and with any bonus earned over 100% being paid entirely in deferred shares.

To reflect the change in group priorities from recovery to growth, the bonus criteria for the year ahead have also been adjusted. 75% of the maximum will now depend on achieving demanding PBT targets, with 25% on personal objectives and with the retention of a threshold level of ROCE (excluding the effect of new branch openings) as an underpin.

Executive Performance Share Plan (EPSP)

The level of awards relative to salary is unchanged and EPS and ROCE continue to be the target metrics. However, to reflect the change in group priorities, the balance between these metrics has been adjusted to 60% on EPS and 40% on ROCE which will now be measured excluding the effects of new branch openings.

For the last 2 years the EPS growth targets have been a threshold of CPI + 3% p.a. and a stretch of CPI + 11% p.a. These targets are intended to be long term to encourage consistent and progressive growth of earnings for shareholders and it is not the Committee's intention to juggle them according to perceived short term circumstances. They are therefore retained for the new year.

Other Points

The Committee conducted a shareholder consultation exercise concerning the changes to basic pay and the CEO's bonus opportunity. Respondents were broadly supportive of the changes so long as the bonus targets are sufficiently challenging. I would note though, that despite extending the consultation period to some 3 months, we received no reply from a number of parties consulted and were therefore unable to take their views into account.

As reported elsewhere in the Annual Report the Company has decided to adjust the depreciation rates used in both the UK and Spain with effect from FY2015. Naturally the Committee has taken these changes into account where appropriate in setting new targets. In the case of currently running EPSP awards, it has been agreed that at the end of each relevant year the Committee will reappraise the situation when the actual impact of the changes on that year can be quantified and make any adjustments then deemed appropriate.

I have now been Chairman of the Northgate Remuneration Committee for 9 years, and as previously announced, I shall be retiring at the forthcoming AGM. The Board has determined that my successor will be Jill Caseberry and I wish her great success in the role.

Yours sincerely

Tom Brown
Chairman of the Remuneration Committee

24 June 2014

Definitions

The Committee	The Remuneration Committee of the Board of Northgate plc
AGM	Annual General Meeting
The Group	The Company and its subsidiaries
CEO	Chief Executive Officer
ESG	Environmental, Social and Governance
Remuneration Policy	That section of the Report which is subject to a binding shareholder vote
Annual Report on Remuneration	That section of the Report which is subject to an advisory shareholder vote
HMRC	HM Revenue & Customs
EPSP	Executive Performance Share Plan
DABP	Deferred Annual Bonus Plan
EPS	Basic or underlying earnings per share
ROCE	Return on capital employed
SIP	The Company's HMRC-approved share incentive plan, also known as the All Employee Share Scheme
KPI's	Key performance indicators
Listing Rules	The Listing Rules of the Financial Conduct Authority
Marginal Contribution	All revenue except from the sale of used vehicles, less the depreciation charge on hire vehicles
CPI	Consumer Price Index
MPSP	Management Performance Share Plan (closed to new awards from 2013)
NBS	New Bridge Street, a trading name of Aon plc
TSR	Total Shareholder Return

Remuneration Policy Report

This part of the Directors' Remuneration Report sets out the remuneration policy for the Company and has been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The policy has been developed taking into account the principles of the UK Corporate Governance Code 2012. The policy to be put to a binding shareholder vote at the 2014 AGM will be operated by the Committee from 1 May 2014. However, it will not take effect as an approved policy until the date of our AGM, 18 September 2014.

How the views of shareholders are taken into account

The Committee takes seriously the views of its shareholders.

Shareholder feedback received in relation to the AGM each year, and any other meetings and communications with shareholders, is considered by the Committee as part of its annual review of remuneration policy.

When any material changes are proposed to be made to the Remuneration Policy, the Committee Chairman will inform major shareholders and will offer a meeting to discuss the changes.

If any shareholders raise concerns with regard to remuneration issues, we would endeavour to understand

and respond to those concerns either by meetings or correspondence, as appropriate.

Details of votes cast for and against the resolution to approve last year's Remuneration Report and principal matters discussed with shareholders during the year are provided in the Annual Remuneration Report.

Consideration of employment conditions elsewhere in the Group

When setting remuneration policy for the Executive Directors the Committee takes into account the overall approach to reward for and the pay and employment conditions of other employees in the Group and salary increases will ordinarily, in percentage terms, be in line with those of the wider workforce in the UK. The Committee is also provided with periodic updates on employee remuneration practices and trends across the Group which inform the Committee's discussions on executive remuneration. The Company does not formally consult with employees on the directors' remuneration policy.

The remuneration policy for Directors

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 incentives. Only basic salary is pensionable.

The Committee's policy is to apply greater weighting to the variable elements of executive remuneration and, by incentivising the longer term performance of the Company, to provide greater alignment with the interests of shareholders.

It is also the Committee's policy to pay a significant proportion of the potential remuneration package in equity, to ensure that executives have a strong ongoing alignment with shareholders through the Company's share price performance.

However when setting the levels of short-term and long-term variable remuneration, consideration is given to setting the right balance between equity and cash so as not to encourage unnecessary risk-taking.

The Committee will seek to ensure that the incentive structure will not raise ESG risks by inadvertently motivating irresponsible behaviour and will take account of ESG matters generally in determining overall remuneration policy and structure.

The table below summarises the key aspects of the Company's remuneration policy for its Directors.

Key aspects of the remuneration policy for Directors

Element	Purpose and link to strategy	Operation	Maximum opportunity
Base salary	To recruit and reward executives of a suitable calibre for the role and duties required	Reviewed annually by the Committee, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader UK population. Reference is also made to remuneration levels within relevant FTSE and industry comparator companies. The Committee considers the impact of any basic salary increase on the total remuneration package.	Salary increases for Executive Directors will not normally exceed the general increase for the broader UK employee population but on occasions may need to recognise, for example, changes in the scale, scope, complexity or responsibility of the role, and/or specific retention issues, and to allow the base salary of newly appointed executives to increase in line with their experience and contribution. Details of the outcome of the most recent salary review are provided in the Annual Remuneration Report.
Benefits	To provide market competitive benefits to ensure the wellbeing of executives	The Company typically provides: A car or cash allowance in lieu Medical insurance Death in service benefits Critical illness insurance Other ancillary benefits, including relocation expenses (as required) Executive Directors are also entitled to 30 days' leave per annum.	The value of benefits is based on the cost to the Company and is not pre-determined. It is a relatively small part of the overall value of the total remuneration package.
Pension	To provide market competitive benefits	A Company contribution to a group personal pension plan or provision of cash allowance in lieu at the request of the individual.	Up to 18% of salary

Annual bonus	To encourage and reward delivery of the Company's operational objectives and to provide alignment with shareholders through the deferred share element	The annual bonus is based on performance against one or more financial targets. A proportion (not exceeding 25%) may also be based on non-financial strategic KPIs. Details of the performance measures and targets (where these are not considered commercially sensitive) set for the year under review is provided in the Annual Remuneration Report. Up to 100%, half of any bonus earned is paid in shares and any bonus earned in excess of 100% of salary will be paid entirely in shares, which are available to Executive Directors after three years ordinarily subject to continued employment. The Remuneration Committee has the discretion to adjust the final outcome upwards or downwards in the event that an exceptional event outside of the directors' control occurs, which, in the Committee's opinion, materially affected the bonus out-turn. Clawback provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, misrepresentation or such other exceptional circumstances as the Committee determines.	For CEO only: 150% of salary at stretch performance 62.5% of salary at target performance 25% of salary at threshold performance Other Executive Directors: 100% of salary at stretch performance 50% of salary at target performance 25% of salary at threshold performance For performance below threshold, no bonus is payable.
Long-term incentives	To encourage and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares	Annual awards of performance shares (or nil cost options) to Executive Directors. Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years. Since the EPSP was approved by shareholders in 2010, awards have been granted subject to both an EPS and a ROCE performance condition. Other measures and/or longer performance periods may be proposed in the future if the Committee feels that they would better support the Company's medium or long term objectives. If the Committee considers that the changes are substantive it will consult with the Company's major shareholders prior to making any changes. Clawback provisions apply to all participants in the event of a restatement of the Group's accounts, error in assessing performance criteria, poor risk management, misrepresentation or such other exceptional circumstances as the Committee determines.	The maximum grant limit in the plan rules is 150% of salary (face value of shares at grant) although exceptionally 250% may be used, e.g. in recruitment. The normal grant policy is 150% of salary for each Executive Director. 25% of the grant vests for threshold performance increasing in a straight line to 100% for maximum performance. If performance is below threshold for a measure, then the proportion of the award subject to that measure will lapse.
All employee share scheme	All employees including Executive Directors are encouraged to become shareholders through the operation of an all-employee HMRC approved SIP. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders	The SIP has standard terms under which all UK employees can participate. The rules for this plan were last approved by the shareholders at the 2011 AGM.	Employees can elect to contribute up to a maximum amount determined by the Company and within the statutory limits for SIPs per month from pre-tax salary which is used to buy shares in the Company. The Company may in addition make an award of free Matching shares at a ratio not exceeding the statutory limit for SIPs. The Company may also make awards of Free shares to all employees including Executive Directors, on an equal basis. The maximum award would not exceed the maximum limit for SIPs.
Non-Executive Director fees	To attract and retain a high-calibre Chairman and Non-Executive Directors by offering a market competitive fee level	The Chairman is paid a single fee for all his responsibilities. The Non-Executives are paid a basic fee. The Chairmen of the main board committees and the senior independent director are paid an additional fee to reflect their extra responsibilities. The level of these fees is reviewed every two to three years by the Committee and Chief Executive for the Chairman and by the Chairman and Executive Directors for the Non-Executive Directors within the overall limit set by the Articles of Association and with reference to market levels in comparably sized FTSE companies, time commitment and responsibilities of the Non-Executive Directors. Fees are paid in cash.	The maximum aggregate amount is currently £400,000 as provided in the Articles of Association. A resolution to amend the Articles of Association to increase this amount to £700,000 is to be proposed at the 2014 Annual General Meeting. Details of the outcome of the most recent fee review are provided in the Annual Remuneration Report.

Choice of performance measures and approach to target setting

The annual bonus is based on performance against one or more financial measures and may also include an element of non-financial strategic KPIs if the Committee feels it appropriate, all based on the priorities for the business in the year ahead. The Committee will set stretching performance targets taking into account market and investor expectations, prevailing market conditions and the Company's business plan for the year.

The Committee may also set an overarching financial hurdle, for example and depending on the actual metrics set, ROCE or budgeted operating profit of the Group (or another appropriate measure) for the year, which, if not achieved, would result in no bonus being awarded, regardless of performance against the set targets.

Awards under the EPSP will be based on performance against one or more financial measures. The measures since 2010 have been ROCE and EPS. The Committee has selected these measures to closely reflect the importance the Board places on profitability and balance sheet management. The Committee considers EPS and ROCE are the most appropriate measures at the time of setting this Executive Directors' Remuneration Policy 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 for shareholders. The Committee will review the choice of performance measures and set appropriately challenging targets prior to each award being made based on market conditions and the Company's long-term priorities and business plan at that time. The targets for outstanding awards are set out in the Annual Report on Remuneration.

Annual bonus plan and share plan policy

The Committee will operate the DABP, EPSP and SIP according to the rules of each respective plan and consistent with normal market practice and the Listing Rules, including flexibility in a number of regards. Factors over which the Committee will retain flexibility include (albeit with quantum and performance targets restricted to the descriptions detailed above):

- Who participates in the plans.
- When to make awards and payments.
- How to determine the size of an award, a payment, or when and how much of an award should vest.
- How to deal with a change of control or restructuring of the Group.
- Other than in the case of stated good leaver reasons whether a director is a good/bad leaver for incentive plan purposes and whether and what proportion of awards vest at the time of leaving or at the original vesting date(s) as relevant.
- How and whether an award may be adjusted in certain circumstances (e.g. for a rights issue, a corporate restructuring or for special dividends).
- What the weighting, measures and targets should be for the annual bonus plan and EPSP from year to year.

The Committee also retains the discretion within the policy to adjust targets and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the EPSP if events happen that cause it to determine that the conditions are unable to fulfil their original intended purpose provided that they are not in all circumstances considered by the Committee to be materially less difficult to satisfy.

All historic awards that were granted under any current or previous share schemes operated by the Company but remain outstanding (detailed on pages 48 and 49 of the Annual Report on Remuneration), remain eligible to vest based on their original award terms.

Share ownership requirements

Executive Directors are required 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 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.

Differences in remuneration policy for Executive Directors compared to other employees

The remuneration policy for the Executive Directors is designed with regard to the policy for employees across the group as a whole. For example, the Committee takes into account the general basic salary increase for the broader UK employee population when determining the annual salary review for the Executive Directors. There are some differences in the structure of the remuneration policy for the Executive Directors and other senior employees, which the Remuneration Committee believes are necessary to reflect the different levels of responsibility of employees across the Company. The key differences in remuneration policy between the Executive Directors and employees across the Group are the increased emphasis on performance related pay and the inclusion of a significant share based long-term incentive plan for Executive Directors. Long-term incentives are not provided outside of the most senior executives as they are reserved for those considered

as having the greatest potential to influence Group performance.

External non-executive director positions

Subject to Board approval, Executive Directors will normally be permitted to take on one non-executive position with another company. The Director will normally not be permitted to retain their fees in respect of such positions. Details of outside directorships held by the Executive Directors, if any, and any fees that they received are provided in the Annual Remuneration Report.

Approach to recruitment and promotions

The remuneration package for a new Director would be set in accordance with the terms of the Company's approved Remuneration Policy in force at the time of appointment. Currently, for an Executive Director, this would facilitate awards of no more than 150% of salary per annum for each of the DABP and EPSP, although exceptionally an EPSP award of up to 250% may be made.

The salary for a new Executive, particularly one with no experience at listed company main board level, may be set below the normal market rate, with phased increases over the first few years as the executive gains experience in their new role.

The Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company and its shareholders to take account of remuneration relinquished when leaving the former employer and would reflect (as far as possible) the nature and time horizons attaching to that remuneration and the impact of any performance conditions.

For an internal executive appointment, any variable pay element awarded in respect of the prior role will be allowed to pay out according to its terms. In addition, any other on-going remuneration obligations existing prior to appointment may continue, if relevant.

For external and internal executive appointments, the Committee may agree that the Company will meet certain relocation and other incidental expenses as appropriate.

For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved remuneration policy in force at that time.

Service contracts & payments for loss of office

The Remuneration Committee reviews the contractual terms for new Executive Directors to ensure that these reflect best practice.

Service contracts normally continue until the director's agreed retirement date or such other date as the parties agree. The service contracts contain provision for early termination. Notice periods given by the employing company are limited to 12 months or less.

An Executive Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct. If the employing company terminates the employment of an Executive Director in other circumstances, compensation is limited to salary due for any unexpired notice period and any amount assessed by the Committee as representing the value of other contractual benefits (including pension) which would have been received during the period. In the event of a change of control of the Company there is no enhancement to contractual terms. Service contracts are available for inspection at the Company's registered office.

In summary, the contractual provisions are as follows:

Provision	Detailed terms
Notice period	12 months' notice from the Company and six months' notice from the Director.
Termination payment	Base salary plus benefits (including pension), subject to mitigation and paid on a phased basis for notice period. In addition, any statutory entitlements or sums to settle or compromise claims in connection with the termination would be paid as necessary.
Remuneration entitlements	A pro-rata bonus may also become payable for the period of active service along with vesting for outstanding share awards (in certain circumstances – see below). In all cases performance targets would apply.
Change of control	There are no enhanced terms in relation to a change of control.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment is that any outstanding awards lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, redundancy, transfer of the employee's employing business out of the Group or other circumstances at the discretion of the Committee (taking into account the individual's performance and

the reasons for their departure) 'good leaver' status can be applied. Under the EPSP, awards held by good leavers will usually be scaled back for the actual period of service and vest at the date of cessation although the Committee has the discretion to not scale back if it considers this is appropriate and also to determine that vesting should be at the usual time. DABP awards held by good leavers will usually vest on cessation or if the Committee determines at the usual vesting date. For share awards under the EPSP and held by good leavers, awards remain subject to the performance conditions.

All Non-Executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual re-appointment at the AGM. The Chairman's appointment may be terminated by the Company with one month's notice. The appointment of the other Non-Executive Directors are terminable without notice. The appointment letters for the Chairman and Non-Executive Directors provide that no compensation is payable on termination, other than accrued fees and expenses.

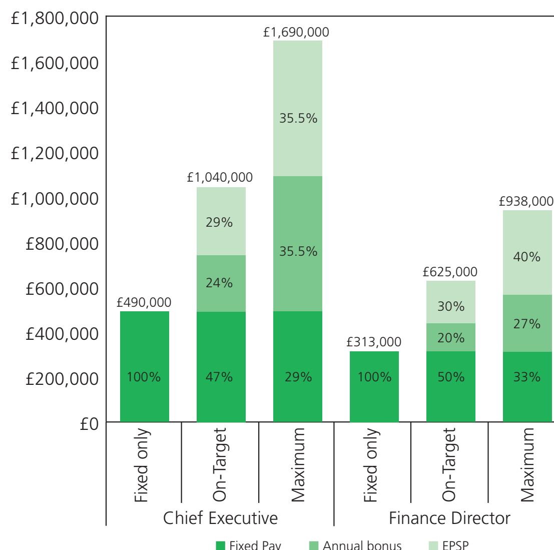
Legacy arrangements

For the avoidance of doubt, in approving this Remuneration Policy, authority is given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting of share awards) that have been disclosed to shareholders in previous Remuneration Reports. Details of any payments to former Directors will be set out in the Annual Remuneration Report as they arise.

Reward scenarios

The Company's policy results in a significant portion of remuneration received by Executive Directors being dependent on Company performance. The chart below illustrates how the total pay opportunities for the Executive Directors vary under three different performance scenarios: maximum, on-target and fixed pay only. These charts are indicative as share price movement and dividend accrual have been excluded. All assumptions made are noted below the chart.

Executive Director total remuneration at different levels of performance



Assumptions:

Fixed Pay = salary + benefits + pension

On-target = Fixed plus 50% vesting of the EPSP awards and, for the CEO, 41.7% of the annual bonus opportunity and, for the FD, 50% of the annual bonus opportunity

Maximum = Fixed plus 100% vesting of the annual bonus opportunity and 100% of the EPSP awards

Salary levels (on which other elements of the package are calculated) are based on those applying on 1 May 2014. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 30 April 2014.

The Executive Directors can participate in the SIP on the same basis as other employees. The value that may be received under this scheme is subject to tax approved limits. For simplicity and uncertainty over the value that may be received from participating in this scheme it has been excluded from the above charts.

Annual Report on Remuneration

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, and 9.8.6R of the Listing Rules. The Annual Remuneration Report will be put to an advisory shareholder vote at the 2014 AGM. The information on pages 44 to 51 has been audited.

The Remuneration Committee

The members of the Committee are listed in the table below. All are independent Non-Executive Directors, as defined under the Corporate Governance Code, with the exception of the Group Chairman, R D Mackenzie, who was independent on his appointment, and J G Astrand, who stood down from the Committee on 29 November 2013.

The members of the Committee during the last financial year and their attendance at the meetings of the Committee were:

	Number of meetings attended out of potential maximum
T H P Brown (Committee Chairman)	5 out of 5
A J Allner	5 out of 5
J G Astrand	2 out of 2
G Caseberry	4 out of 5
R D Mackenzie	5 out of 5

The CEO attends meetings by invitation and assists the Committee in its deliberations, except when issues relating to his own remuneration are discussed. No directors are involved in deciding their own remuneration. The Company Secretary acts as Secretary to the Committee.

The Committee is advised by NBS, who were first appointed by the Committee in 2003. NBS advises the Committee on executive remuneration matters including topical remuneration issues which are of particular relevance to the Company, on incentive arrangements for the Directors and senior staff, on all-employee share plans and on remuneration reporting and compliance matters. NBS liaises with the Committee Chairman and considers how best it can work with the Company to meet the Committee's needs.

The total fees paid to NBS in respect of its services to the Committee during the year were £26,994. The fees are predominantly charged on a 'time spent' basis.

NBS is a signatory to the Remuneration Consultants' Code of Conduct. Neither NBS nor Aon provide any other services to the Company and the Committee is satisfied that the advice that it receives is objective and independent.

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

The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman and the Executive Directors of the Company as well as the Company Secretary. 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 employees generally. The Committee also reviews remuneration policy generally throughout the Group.

Remuneration for the year ended 30 April 2014

The table below sets out the remuneration received by the Directors in relation to performance in FY2014 (or for performance periods ending in FY2014 in respect of long-term incentives) and FY2013.

£'000 Executive Directors		Salary & Fees	Taxable Benefits (1)	Annual Bonus (3)	Long-Term incentive (4)	Pension (2)	Other	Total
R L Contreras	**2014**	**375**	**18**	**163**	**Nil**	**68**	**4(5)**	**628**
	2013	375	18	Nil	395	68	3(5)	859
C J R Muir	**2014**	**225**	**18**	**98**	**Nil**	**40**	**4(5)**	**385**
	2013	200	18	Nil	Nil	36	3(5)	257
Chairman								
R D Mackenzie	**2014**	**160**	**–**	**–**	**–**	**–**	**–**	**160**
	2013	160	–	–	–	–	–	160
Non-Executive Directors								
A J Allner	**2014**	**60**	**–**	**–**	**–**	**–**	**–**	**60**
	2013	60	–	–	–	–	–	60
J G Astrand	**2014**	**50**	**–**	**–**	**–**	**–**	**–**	**50**
	2013	50	–	–	–	–	54(6)	104
T H P Brown	**2014**	**68**	**–**	**–**	**–**	**–**	**–**	**68**
	2013	68	–	–	–	–	–	68
G Caseberry (7)	**2014**	**51**	**–**	**–**	**–**	**–**	**–**	**51**
	2013	21	–	–	–	–	–	21

There have been no payments to past directors and no payments for loss of office.

Note 1: Taxable Benefits:

	R L Contreras £'000	C J R Muir £'000
Car allowance	17	17
Medical insurance	1	1

Note 2: The Executive Directors are members of a group personal pension plan. They contribute 4% of basic salary and are entitled to a contribution from the Company of 18% of basic salary. In view of the Annual Allowance cap of £50,000, part of Bob Contreras' entitlement was paid to him in cash. In last year's accounts this cash element was included in Benefits.

Note 3: This relates to the payment of the annual bonus for the year ending 30 April 2014. The bonus is paid 50% in cash and 50% in shares. Details of the performance targets are provided below. No bonus was paid in 2013.

Note 4: This relates to the the 2011 EPSP award which, as disclosed below, resulted in a nil vesting. The value of the award vesting in 2013 is calculated using the closing share price on the date of vesting (11 August 2013) of 391.75p.

Note 5: This represents the value of Matching shares awarded under the SIP which have fully vested in the year (i.e. they are no longer subject to forfeiture), valued at the market price on the date of vesting.

Note 6: As disclosed last year, these fees relate to his consultancy work in Spain. This assignment finished in November 2012.

Note 7: Jill Caseberry joined the Company on 10 December 2012.

Annual bonus for the year ended 30 April 2014

Deferred annual bonus plan

The bonus for the Executive Directors in respect of the year under review comprised three elements reflecting the Group's near term priorities:

1 UK Marginal Contribution.

2 Spain. Performance to be measured against a matrix of local net debt and ROCE.

3 Group ROCE.

No element of bonus to be paid unless Group operating profit is at least 95% of the Group's budgeted operating profit for the year. The maximum bonus entitlement is 100% of salary, with each element of bonus paying up to one-third of annual salary.

The outcome is set out below:

	Measure		Amount of bonus achievable as % of salary	Threshold	On target	Stretch	Actual	Achievement as % of maximum available	Bonus earned as % of basic salary
	Budget Group operating profit	95% x £73.0m = £69.35m		–	–	–	£72.6m	–	–
1	UK Marginal Contribution [(1)]		33.3%	£160,955k	£163,842k	£166,729k	£164,391k	59.51%	19.83%
2	Spain – net debt Spain ROCE		33.3%	£154m 8.32%	£154m 8.32%	£74m 9.8%	£134.5m 9.22%	71.3%	23.76%
3	Group ROCE		33.3%	>10.4%	10.8%	11.2%	9.9%	Nil	Nil

(1) Adjusted for change in strategy as explained in Chairman's statement.

The resulting bonuses for 2014 were as follows:

Total bonus for 2014

Executive	Total	£'000	Cash	Shares
R L Contreras	43.59%	163.5	81.75	81.75
C J R Muir	43.59%	98.0	49.0	49.0

The bonus is paid 50% in cash and 50% in shares. The shares are released to executives after three years subject to continued employment. Both the cash and share element of the bonus are subject to clawback. See page 40 for further details.

Vesting of EPSP awards

The EPSP award granted on 28 July 2011 is based on performance over the three years ended 30 April 2014. As disclosed in previous annual reports, the performance condition for this award was as follows:

Metric	Threshold Target	Stretch Target	Actual	% Vesting
EPS in third year (50%)	38.5p	47.2p	35.1p	Nil
ROCE – average over the 3 years (50%)	13.5%	13.85%	11.6%	Nil
Total Vesting				Nil

EPSP awards made during the year

On 9 July 2013, the following EPSP awards were granted to Executive Directors:

Executive	Type of award	Basis of award granted	Share price at 25 June 2013 (1)	Number of shares over which award was granted	Face value of award (£)	% of face value that would vest at threshold performance	Vesting determined by performance over
R L Contreras	Nil cost option	150% of salary of £375,000	339.5p	165,684	562,497	25%	Three financial years to 30 April 2016
C J R Muir	Nil cost option	150% of salary of £225,000	339.5p	99,410	337,497	25%	

Note 1: The closing price on the date of the Preliminary Announcement of the results for FY2012/13.

Percentage change in remuneration levels

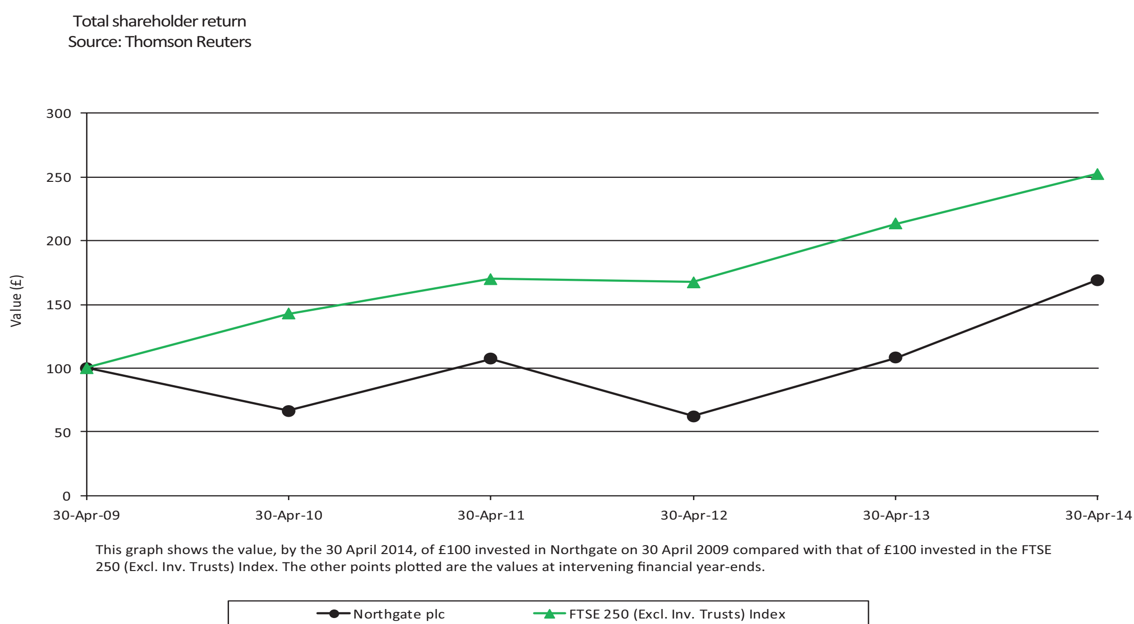
	2013	**2014**	% change
CEO (£'000)			
– salary	375	**375**	Nil
– benefits	18	**18**	Nil
– bonus	–	**163**	–
Average per UK employee (£)			
– salary	21,791	**22,826**	4.7
– benefits	1,488	**1,612**	8.3
– bonus	49	**701**	1,330.3

This shows the movement in the salary, benefits and annual bonus for the CEO between the current and previous financial year compared to that for the average UK employee. The Committee has chosen this comparator as it feels that it provides a more appropriate reflection of the earnings of the average worker than the movement in the group's total wage bill, which is distorted by movements in the number of employees and variations in wage practices in Spain.

Performance Graph

As required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) 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 2014 was 518.5p (30 April 2013 – 339p). The range during the year was 325p to 615p.

The chart below shows the Company's TSR performance against the performance of the FTSE 250 index from 30 April 2009 to 30 April 2014. The FTSE 250 index was chosen as being a broad equity market index, which includes companies of a comparable size and complexity.



This graph shows the value, by the 30 April 2014, of £100 invested in Northgate on 30 April 2009 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.

Remuneration report continued

Total remuneration for CEO

	Year ended 30 April				
	2010	2011	2012	2013	**2014**
Total Remuneration (£'000)	831	821	1,115	859	**628**
Annual bonus (% of maximum)	76%	100%	100%	0%	**43.59%**
Long term incentive vesting (% of maximum)	0%	0%	100%	33⅓%	**0%**

This shows the total remuneration figure for the CEO during each of those financial years. The total remuneration figure includes the annual bonus and EPSP awards which vested based on performance periods ending in those years. The annual bonus and EPSP percentages show the payout for each year as a percentage of the maximum. In years when there was a change of CEO, the figures shown are the aggregate for the office holders during that year.

Relative importance of spend on pay

	2013	**2014**	% increase
Staff costs	£77.7m	**£85.0m**	9.4%
Dividends	£5.7m	**£12.3m**	115.8%

The table above shows the movement in spend on staff costs versus that in dividends.

Outstanding share awards

The tables below set out details of Executive Directors' outstanding share awards.

R L Contreras

Scheme	Grant Date	Exercise Price (p)	Number of shares at 1 May 2013	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2014	End of Performance Period	Vesting date	Exercise period
EPSP	12.10.09	Nil	130,952	–	–	–	–	130,952	30.04.12	12.10.12	12.10.12 – 12.10.19
EPSP	11.08.10	Nil	302,593	–	100,864	–	201,729	100,864	30.04.13	11.08.13	11.08.13 – 11.08.20
EPSP	28.07.11	Nil	171,546	–	–	–	–	171,546	30.04.14	28.07.14	28.07.14 – 28.07.21
EPSP	17.08.12	Nil	269,138	–	–	–	–	269,138	30.04.15	17.08.15	17.08.15 – 17.08.22
EPSP	09.07.13	Nil	–	165,684	–	–	–	165,684	30.04.16	09.07.16	09.07.16 – 09.07.23
DABP	11.08.10	Nil	29,719(1)	–	29,719	–	–	29,719	–	11.08.13	11.08.13 – 11.08.15
DABP	30.08.11	Nil	9,149(2)	–	–	–	–	9,149	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	327.9	9,149(3)	–	–	–	–	9,149	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	Nil	44,220(1)	–	–	–	–	44,220	–	30.08.14	30.08.14 – 30.08.21
DABP	20.07.12	Nil	78,947(1)	–	–	–	–	78,947	–	20.07.15	20.07.15 – 20.07.22

C J R Muir

Scheme	Grant Date	Exercise Price (p)	Number of shares at 1 May 2013	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2014	End of Performance Period	Vesting date	Exercise period
EPSP	28.07.11	Nil	80,054	–	–	–	–	80,054	30.04.14	28.07.14	28.07.14 – 28.07.21
EPSP	17.08.12	Nil	143,450	–	–	–	–	143,450	30.04.15	17.08.15	17.08.15 – 17.08.22
EPSP	09.07.13	Nil	–	99,410	–	–	–	99,410	30.04.16	09.07.16	09.07.16 – 09.07.23
MPSP	12.10.09	Nil	28,571	–	–	28,571	–	–	30.04.12	12.10.12	
MPSP	11.08.10	Nil	14,973	–	6,328	–	8,645	6,328	30.04.13	11.08.13	11.08.13 – 11.08.20
DABP	12.10.09	Nil	15,873[1]	–	–	15,873	–	–	–	12.10.12	
DABP	11.08.10	Nil	9,337[1]	–	9,337	–	–	9,337	–	11.08.13	11.08.13 – 11.08.15
DABP	30.08.11	Nil	7,295[4]	–	–	–	–	7,295	–	30.08.14	30.08.14 – 30.08.21
DABP	30.08.11	327.9	7,295[3]	–	–	–	–	7,295	–	30.08.14	30.08.14 – 30.08.21
DABP	20.07.12	Nil	2,908[5]	–	–	–	–	2,908	–	20.07.15	20.07.15 – 20.07.22
DABP	20.07.12	209	2,908[3]	–	–	–	–	2,908	–	20.07.15	20.07.15 – 20.07.22
DABP	20.07.12	Nil	33,934[1]	–	–	–	–	33,934	–	20.07.15	20.07.15 – 20.07.22

The share price at 30 April 2014 was 518.5p.

DABP: Awards can be granted in two forms: (i) a Nil Cost Option over a number of shares (a 'Deferred Award') or (ii) a Nil Cost Option over a fixed value of shares (a 'Linked Deferred Award') granted in association with an HMRC Approved Option (an 'Approved Option'). The face value of Approved Options held at any one time may not exceed £30,000. The value of a Linked Deferred Award is capped at the original face value. Related Linked Deferred Awards and Approved Options must be exercised at the same time unless the Approved Option is 'underwater' and therefore lapses.

Note 1: Deferred Award

Note 2: Linked Deferred Award with a capped value of £30,000

Note 3: Approved Option

Note 4: Linked Deferred Award with a capped value of £23,920

Note 5: Linked Deferred Award with a capped value of £6,078

Outstanding EPSP awards

2010 – The performance period for this award ended on 30 April 2013 and details of the award are set out in last year's Remuneration Report. The performance condition was partially met and one-third of the award vested. The share price on the date of vesting was 391.75p.

2011 – The performance period for this award ended on 30 April 2014. Details of the performance condition of these awards and the number of shares to vest are set out above.

2012 and 2013 awards – The performance period for these awards end on 30 April 2015 and 2016 respectively. Both awards are subject to the same EPS target, requiring EPS growth of CPI + 3% to CPI + 11% p.a. They also have a ROCE target, being the average over the three years of the performance period, being 13.75% to 14.41% for the 2012 award and 11.5% to 12.4% for the 2013 award.

SIP

The SIP, 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 SIP operates under a trust deed, the Trustees being Capita IRG Trustees Limited ("the Capita Trust").

To participate in the SIP, 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 thirteenth annual cycle ended in December 2013 and resulted in 366 employees acquiring 103,237 Partnership shares at 309.75p each and being allocated the same number of Matching shares. As at 30 April 2014 the Capita Trust held 1,542,981 50p Ordinary shares that have been allocated to employees from the first 13 cycles.

The fourteenth annual cycle started in January 2014 and currently some 476 employees are making contributions to the scheme at an annualised rate of £429,000.

During the year, an award of 150 Free shares was made to all eligible employees with one year's service. The total number of shares awarded was 183,300.

The Executive Directors are entitled to participate in this scheme and to receive both Matching and Free shares.

Sourcing of shares

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 790,000 (2013 – 875,000) Ordinary shares were purchased by the Guernsey Trust and 451,141 (2013 – 457,582) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2014 the Guernsey Trust held 116,063 (2013 – 98,037) Ordinary shares as a hedge against the Group's obligations under these schemes.

The rules of both these schemes also allow new issue and treasury shares to be used to satisfy the vesting and exercise of awards, but to date the Board have chosen not to do so.

EPSP

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

SIP

Awards 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 2014 was 206,474 (2013 – 291,024) of which 137,833 were transferred from the Guernsey Trust, with the balance of 68,641 (2013 – 51,525) being shares already held by the Capita Trust from forfeiture during the year. The 183,300 free shares referred to above were also sourced from the Guernsey Trust.

At 30 April 2014 the Capita Trust held 32,079 (2013 – 22,891) Ordinary shares which had been forfeited as a result of early withdrawals post January 2014.

Overall plan limits and clawback

All the above schemes operate within the following limits:

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

a) 10% of the issued Ordinary share capital under all the share plans; and

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

The dilution position as at 30 April 2014 was 1.79% under the EPSP, MPSP and DABP and 2.26% under the SIP.

In line with current best practice guidelines, the Committee has introduced clawback provisions into the rules of all discretionary schemes, which can be invoked in the event of financial misstatement, gross misconduct or fraud and which apply to all awards made from 2010 onwards.

Directors' shareholding and share interests

The Executive Directors are required to build up a shareholding equivalent to 100% of salary, to be achieved primarily through the retention, after tax, of share options exercised under the long term incentive share plans, until such time as their share ownership target has been met. Directors are not required to go into the market to purchase shares, although any shares so acquired would count towards meeting the guidelines. The Chairman and Non-Executive Directors are not subject to a formal shareholding guideline. Details of the Directors' interests in shares are shown in the table below:

Share Interests

Director	**Beneficially owned at 30 April 2014**	Outstanding EPSP awards		Outstanding DABP awards		Interests in SIP subject to forfeiture	**% shareholding guideline achieved at 30 April 2014**
		Vested but not exercised	Not vested	Vested but not exercised	Not vested		
R L Contreras	**119,286**	231,816	606,368	29,719	132,316	2,194	**161.9**
C J R Muir	**59,171**	6,328	322,914	9,337	44,137	2,195	**131.3**
R D Mackenzie	**100,000**	–	–	–	–	–	**N/A**
A J Allner	**13,090**	–	–	–	–	–	**N/A**
J G Astrand	**51,920**	–	–	–	–	–	**N/A**
T H P Brown	**52,634**	–	–	–	–	–	**N/A**
G Caseberry	**–**	–	–	–	–	–	**N/A**

No changes in the above interests have occurred between 30 April 2014 and the date of this report.

Remuneration for FY2015

2014 Salary Review

The Executive Directors' salaries were reviewed in April 2014 and increased as set out in the Chairman's Annual Statement on page 37.

The current salaries as at 1 May 2014 are as follows:

	Salary as at 1 May 2013	Salary as at 1 May 2014	Increase
R L Contreras	£375,000	**£400,000**	6.7%
C J R Muir	£225,000	**£250,000**	11.1%

Fees for the Chairman and Non Executive Directors

As detailed in the Remuneration Policy, the company's approach to setting Non-Executive Directors' remuneration is with reference to market levels in comparably sized FTSE companies, levels of responsibility and time commitments. A summary of current fees is as follows:

	Fee as at 1 May 2013	Fee as at 1 May 2014	Increase
Chairman	£160,000	**£160,000**	0%
Base fee	£50,000	**£55,000**	10%
Senior Independent Director	£10,000	**£10,000**	0%
Audit Committee Chairman	£10,000	**£10,000**	0%
Remuneration Committee Chairman	£8,000	**£10,000**	25%

Fees were last reviewed at 1 May 2011.

Performance targets for the annual bonus and EPSP awards to be granted in 2014

For 2014, the annual bonus will be based on PBT as to 75% and a range of strategic and operational objectives for the remaining 25%, with a ROCE underpin.

The Committee has chosen not to disclose, in advance, the performance targets for the annual bonus for the forthcoming year as these include items which the Committee considers commercially sensitive. Full retrospective disclosure of the targets and performance against them will be seen in next year's Annual Remuneration Report.

The EPSP awards granted in 2014 will be subject to two separate performance conditions, with EPS accounting for 60% of the award and ROCE for the remaining 40%. The performance conditions are as follows:

Performance condition	Threshold Target (25% vesting)	Stretch Target (100% vesting)	End Measurement Point
EPS (60% of award)	CPI + 3% p.a.	CPI + 11% p.a.	Final year of the performance period
ROCE (40% of award)	11.7%	12.6%	Average of the three years of the performance period

In addition, no awards will vest unless the Committee is satisfied that the underlying financial and operational performance of the business has been satisfactory.

Award levels for 2014 will be 150% of salary for the EPSP for both the CEO and FD and 150% of salary for the CEO and 100% of salary for the FD for the DABP.

Statement of shareholder voting and shareholder feedback

At last year's AGM, voting against the Remuneration Report, at 2% of the total votes cast, was not significant.

Approval

This Directors' Remuneration Report, including both the Remuneration Policy and Annual Remuneration Report has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Tom Brown
Chairman of the Remuneration Committee

24 June 2014

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 ('the 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 and monitoring the effectiveness of the Group's internal audit function;
- making recommendations to the Board regarding the appointment of the external auditor including responsibilities for the statutory audit tender process and approving their 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;
- monitoring the audit process and any issues arising therefrom, and
- all aspects of Group risk.

The terms of reference have recently been amended to take account of the Committee's additional responsibilities arising from the FRC revisions to the UK Corporate Governance Code and Guidance on Audit Committees, which will impact on the work of the Committee in respect of the financial year ending 30 April 2014 and future years.

Membership

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

	Date of appointment	Qualification
AJ Allner (Chairman)	26 September 2007	FCA
THP Brown	8 June 2005	MA (Oxon), MBA IMD
G Caseberry	10 December 2012	

The 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.

Jan Astrand stood down from the Committee in November 2013.

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 2014 are given on page 54.

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 2013, the Committee has:

- reviewed the financial statements for the years ended 30 April 2013 and 2014, the half yearly report issued in December 2013 and Interim Management Statements issued in September 2013 and March 2014. 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 whistleblowing procedures;
- reviewed a report on completeness of income;
- reviewed the Group's depreciation policy;
- reviewed the Group's corporate taxation arrangements;
- monitored and reviewed the activities of the Group's internal audit department;
- reviewed a report on impairment;
- monitored the Group's going concern status;
- approved the reappointment of PwC as the Company's adviser on tax compliance in place of Deloitte LLP;
- reviewed the Group's Code of Business Conduct, including the requirements of the Bribery Act 2010, and the effective monitoring of the giving and receiving of gifts and hospitality, and
- reviewed its own effectiveness and terms of reference.

Significant issues considered in relation to the financial statements

During the year the Committee considered, discussed with the external auditor and concluded on what the significant risks and issues were in relation to the financial statements and how these would be addressed:

- **Determining appropriate depreciation rates for vehicles available for hire** – in addition to a monthly review of profits on disposal (or profits per unit), the Committee reviewed formal papers prepared by management at each reporting date which included a qualitative assessment of the current and forecast trends in the used vehicle market. After due challenge and debate, the Committee were content with the assumptions and judgments made;
- **The recoverability of aged debtors** – throughout the period, ageing analysis is reported in the monthly management accounts and commentary against prior year and plan is provided, with specific assessments of at risk customers. The Committee ensured that management dedicated sufficient resources to mitigate bad debt risk across the Group;
- **Presumed risk of fraud in revenue recognition and management override of controls** – the Committee considered the presumed risks of fraud as defined by auditing standards and was content that there were no issues arising, and
- **Financial statements** – the Committee considered the presentation of the financial statements, and in particular, the analysis between underlying and statutory disclosures. We were satisfied with management's presentation.

External auditor

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

- Certain audit related work, being 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, and
- Tax compliance, 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. Generally, the external auditor will not be invited to compete for this type of work.

During the year, the Committee reviewed the effectiveness and independence of the external auditor, taking into account input from management, consideration of responses to questions from the Committee and the audit findings reported to the Committee, including conducting one-to-one meetings with the audit partner. Based on all of this information the Committee concluded that the external audit process was operating effectively.

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 5 on page 77.

Re-appointment of the external auditor

The re-appointment of Deloitte LLP as the Group's external auditor (incumbent since 1988) was reviewed during the year. The Group intends to put the audit out to tender to allow appointment for the year ending April 2016 audit, coinciding with the requirement for the Group audit partner to rotate off. The Group intends to then put the audit out to tender at least every ten years as required by the UK Corporate Governance Code.

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 quarterly 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

24 June 2014

Corporate governance

UK Listed Companies are required by the Financial Conduct 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 five parts, as set out below:

1 Leadership

The business of the Company is managed by the Board of Directors, currently comprising two executive and five non-executive Directors, details of whom are shown on pages 6 and 7.

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.

2 Effectiveness

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	**9**	**4**	**5**
RD Mackenzie	9	–	5
AJ Allner	9	4	5
JG Astrand*	9	2	2
THP Brown	9	4	5
G Caseberry	8	4	4
RL Contreras	9	–	–
CJR Muir	9	–	–

* Jan Astrand stood down from the Audit and Remuneration Committees in November 2013.

All Directors in office at that time were present at the Annual General Meeting held in September 2013.

The external auditor and the head of internal audit 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 fulfil their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time.

Jan Astrand's appointment in December 2011 as non-executive Chairman of the Board of our Spanish subsidiary, Northgate España Renting Flexible S.A., is ongoing. It is a role for which Jan is ideally suited, as he is permanently resident in Spain and fluent in Spanish. He receives no additional remuneration for this appointment.

The Board considers that the above appointment is in the best interests of the Company and of the shareholders and, whilst Jan cannot be considered to be independent in terms of the Code or by the National Association of Pension Funds, the Board is satisfied that it does not affect his independence of judgment when carrying out his duties as a Director of the Company.

The Board has established a Nominations Committee, which is chaired by Bob Mackenzie. All the non-executive Directors are members except for Jan Astrand. 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.

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.

Diversity

The Board has considered the recommendations of the Davies Review into Women on Boards in the light of the provisions of both section B.2 of the Code, with which we are compliant, and of our existing policies and procedures. The Board recognises the benefits of diversity at all levels of the business and in order to reinforce the Board's commitment to equality, the Board has endorsed an Equal Opportunities Policy (which may be found on our website). Whilst the overriding criteria for Board appointments will always be based on merit, so as to encourage an appropriate

balance of skills, experience and knowledge on the Board at all times, for all future appointments we will only use executive search firms who have committed to the Voluntary Code of Conduct on gender diversity. At the same time the Board recognises that, particularly given the nature of its business, the development of a pool of suitably qualified candidates may take time to achieve and therefore do not believe it is appropriate to set targets, however aspirational, at the present time.

Board review

The Board undertook a formal evaluation of its own performance and that of its committees and individual Directors during the year. The Code requires that the Company conduct an externally facilitated evaluation every three years and accordingly after a thorough competitive process the 2014 Board performance evaluation was facilitated by Duncan Reed of Condign Board Consulting Ltd, a company which specialises in board effectiveness work. Mr Reed and Condign have no other connection with the Company.

The evaluation process consisted of a structured interview with the Chairman, each Director, the Company Secretary and the Managing Director of the Spanish business, with an outline of the topics to be covered in the interview sent to each in advance. The evaluation also included the review of relevant board papers and Mr Reed attended both board and board committee meetings. The outcome of the review was initially discussed with the Chairman and the Senior Independent Director, followed by a presentation to the full board and an open discussion.

The review concluded that basic board governance is in good repair and that the board was 'notably commercial' and 'business-focussed'. Robust and challenging discussions are had, in an open and cooperative environment. The engagement by the board with new strategy development at a group level was highlighted and accepted as an increasing priority, alongside the need to set risk appetite appropriately, as was the board's proactive succession planning function through the Nominations Committee.

The non-executive Directors, led by the Senior Independent Director, will shortly evaluate the performance of the Chairman with input from the externally facilitated evaluation. The Chairman will do the same in relation to the Directors. The Board continues to believe that the Directors have strong familiarity with the Group and its businesses and contribute multiple perspectives and, importantly, ongoing independent judgment.

Recommendations which will be implemented following the 2014 Board performance evaluation include making time available for the board to discuss the forward agenda planner, to ensure that the right topics are being covered at the right times and to flag opportunities for further input from the directors; the board reporting is to be overhauled to reduce its length and to inject more narrative and improve selectivity of information; in addition to current arrangements, the board will meet with the CEO alone once a year and once as an occasion for non-executive Directors only; and there will be an ongoing emphasis – at the Nominations Committee and at the Board – on formal succession planning to ensure the composition of the Board is progressively refreshed over the next two years to reflect the needs of the Group as it develops and expected rotation.

3 Accountability

An assessment of the Company's position and prospects is included in the Chairman's Statement on pages 4 and 5 and in the Strategic report on pages 9 to 32.

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

Information and communication

The Group has a comprehensive system for reporting financial results to the Board. Each operating unit prepares monthly accounts with a comparison against their business plan and against the previous year, with regular review by management of variances from targeted performance levels. A business plan is prepared by management and approved by the Board annually. Each operating unit prepares a two year business plan with performance reported against key performance indicators on a monthly basis together with comparisons to plan and prior year. These are reviewed regularly by management. Forecasts are updated regularly throughout the year.

Control procedures

The Board and the Group's management have adopted a schedule of matters which are required to be brought to it for decision, thus ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. Measures taken include clearly defined procedures for capital expenditure appraisal and authorisation, physical controls, segregation of duties and routine and ad hoc checks.

Monitoring

The Board has delegated to executive management implementation of the system of internal control. The Board, including the Audit and Risk Committee, receives reports on the system of control from the external auditor and from management. An independent internal audit function reports quarterly 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 Report of the audit and risk committee on pages 52 and 53.

4 Remuneration

The Company's policy on remuneration and details of the remuneration of each Director are given in the Remuneration Report on pages 37 to 51.

5 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

24 June 2014

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 strategic 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.

The directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Bob Contreras
Chief Executive Officer

24 June 2014

Independent auditor's report

to the members of Northgate plc

Opinion on financial statements of Northgate plc

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 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

The financial statements 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 Notes to the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Going concern

As required by the Listing Rules we have reviewed the directors' statement contained within the strategic report on page 27 that the group is a going concern. We confirm that:

- we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Determining appropriate depreciation rates for vehicles available for hire This requires an estimate to be made of the sales proceeds at the time of disposal. Determining likely sales proceeds for future vehicle disposals is judgemental and requires estimates to be made of future vehicle market values.	We reviewed the underlying assumptions used in the calculation of expected future market values for each category of hire vehicle by comparison to external third party data for expected future market prices and likely vehicle disposal volumes, including CAP valuations. We performed detailed testing of the calculations supporting these judgements, including comparison to recent actual market prices achieved for vehicle disposals of similar vehicles.
The recoverability of aged trade receivables Determining the appropriate levels of provision for irrecoverable trade receivables requires judgement relating to the assessment across a large number of customers of the likely levels of recovery of these receivables.	We evaluated that provisions were calculated in accordance with group policy. To assess the reasonableness of provisions recorded we reviewed the levels of post year end cash collections against year end trade receivables and investigated the significant individual overdue balances by reference to recent history of recoveries on these balances and review of correspondence with the customers.

The Audit Committee's consideration of these risks is set out in the report of the Audit and Risk committee.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £3.6 million, which is 7% of pre-tax profit, and below 1% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £72,000, as well as differences below that threshold which, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level. Based on that assessment, we focused our group audit scope primarily on the audit work at two locations, in Darlington and Madrid, which represent all of the group's principal trading activities. The group audit team, led by the senior statutory auditor, perform the audit work at the head office and centralised UK finance function in Darlington and an audit team from Deloitte in Spain perform the audit work at the Spanish head office in Madrid.

The operations at these two locations were subject to a full audit and represent the principal business units of the group, accounting for 99% of the group's net assets, the group's revenue and the group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these two locations was executed at levels of materiality applicable to each individual entity which were lower than group materiality. The other components of the group, in Ireland and Malta, are not significant to the group audit but were subject to full scope audits at levels of materiality applicable to each individual entity, for local statutory purposes.

Independent auditor's report
to the members of Northgate plc continued

At the parent entity level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The group audit team continue to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor visits the significant component in Spain at least annually.

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 Strategic Report and 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

Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

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. Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

24 June 2014

Consolidated income statement

For the year ended 30 April 2014

	Notes	Underlying 2014 £000	Statutory 2014 £000	Underlying 2013 £000	Statutory 2013 £000
Revenue: hire of vehicles	4	**442,271**	**442,271**	441,944	441,944
Revenue: sale of vehicles	4	**129,207**	**129,207**	167,936	167,936
Total revenue	4	**571,478**	**571,478**	609,880	609,880
Cost of sales		**(434,777)**	**(434,777)**	(466,405)	(466,405)
Gross profit		**136,701**	**136,701**	143,475	143,475
Administrative expenses (excluding exceptional items and intangible amortisation)		**(64,065)**	**(64,065)**	(57,071)	(57,071)
Exceptional administrative expenses	33	**–**	**(6,197)**	–	(3,337)
Intangible amortisation	14	**–**	**(2,900)**	–	(3,589)
Total administrative expenses		**(64,065)**	**(73,162)**	(57,071)	(63,997)
Operating profit	4,5	**72,636**	**63,539**	86,404	79,478
Interest income	7	**24**	**24**	123	123
Finance costs (excluding exceptional items)	8	**(12,386)**	**(12,386)**	(37,029)	(37,029)
Exceptional finance costs	8,33	**–**	**–**	–	(53,954)
Total finance costs		**(12,386)**	**(12,386)**	(37,029)	(90,983)
Profit (loss) before taxation		**60,274**	**51,177**	49,498	(11,382)
Taxation	9	**(13,456)**	**(11,294)**	(10,657)	4,025
Profit (loss) for the year		**46,818**	**39,883**	38,841	(7,357)

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

Underlying profit excludes exceptional items as set out in Note 33, as well as intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share					
Basic	11	35.1p	29.9p	29.2p	(5.5)p
Diluted	11	34.3p	29.3p	28.3p	(5.5)p

Statements of comprehensive income

For the year ended 30 April 2014

	Notes	Group		Company	
		2014 £000	2013 £000	**2014 £000**	2013 £000
Amounts attributable to the owners of the Parent Company					
Profit (loss) attributable to the owners		**39,883**	(7,357)	**4,842**	23,888
Other comprehensive income					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	30	**(3,589)**	6,725	**–**	–
Net foreign exchange differences on long term borrowings and derivatives held as hedges	30	**1,772**	(4,132)	**–**	–
Foreign exchange difference on revaluation reserve	26	**(32)**	46	**–**	–
Net fair value gains on cash flow hedges	29	**48**	16,115	**48**	14,817
Deferred tax charge recognised directly in equity relating to cash flow hedges	29	**(10)**	(4,301)	**(10)**	(3,984)
Actuarial losses/derecognition of assets on defined benefit pension scheme *	32	**(199)**	(490)	**–**	–
Deferred tax credit recognised directly in equity relating to defined benefit pension scheme *	32	**42**	115	**–**	–
Total other comprehensive income		**(1,968)**	14,078	**38**	10,833
Total comprehensive income for the year		**37,915**	6,721	**4,880**	34,721

* These items will not be reclassified subsequently to the consolidated income statement.

Balance sheets

As at 30 April 2014

	Notes	Group 2014 £000	Group 2013 £000	Company 2014 £000	Company 2013 £000
Non-current assets					
Goodwill	13	**3,589**	3,589	**–**	–
Other intangible assets	14	**5,467**	7,431	**47**	77
Property, plant and equipment: vehicles for hire	15	**614,927**	589,161	**–**	–
Other property, plant and equipment	16	**73,575**	78,321	**2,520**	2,582
Total property, plant and equipment		**688,502**	667,482	**2,520**	2,582
Derivative financial instrument assets	22	**712**	–	**712**	–
Deferred tax assets	23	**9,396**	4,688	**926**	997
Investments	17	**–**	–	**120,893**	122,892
Total non-current assets		**707,666**	683,190	**125,098**	126,548
Current assets					
Inventories	18	**19,076**	19,192	**–**	–
Trade and other receivables	19	**78,861**	77,417	**806,502**	889,274
Current tax assets		**–**	5,862	**–**	–
Cash and bank balances		**19,056**	14,962	**1,120**	3,396
Total current assets		**116,993**	117,433	**807,622**	892,670
Total assets		**824,659**	800,623	**932,720**	1,019,218
Current liabilities					
Trade and other payables	20	**58,931**	52,592	**287,829**	375,581
Derivative financial instrument liabilities	22	**–**	–	**–**	1,517
Current tax liabilities		**6,320**	1,090	**–**	–
Short term borrowings	21	**7,465**	7,314	**21,403**	442
Total current liabilities		**72,716**	60,996	**309,232**	377,540
Net current assets		**44,277**	56,437	**498,390**	515,130
Non-current liabilities					
Derivative financial instrument liabilities	22	**664**	–	**664**	–
Long term borrowings	21	**357,668**	370,371	**357,668**	370,371
Deferred tax liabilities	23	**2,878**	2,604	**–**	–
Total non-current liabilities		**361,210**	372,975	**358,332**	370,371
Total liabilities		**433,926**	433,971	**667,564**	747,911
Net assets		**390,733**	366,652	**265,156**	271,307
Equity					
Share capital	24	**66,616**	66,616	**66,616**	66,616
Share premium account	25	**113,508**	113,508	**113,508**	113,508
Revaluation reserve	26	**1,082**	1,235	**1,371**	1,371
Own shares reserve	27	**(653)**	(303)	**–**	–
Merger reserve	28	**67,463**	67,463	**63,159**	63,159
Hedging reserve	29	**(611)**	(649)	**38**	–
Translation reserve	30	**(7,187)**	(5,370)	**–**	–
Capital redemption reserve	31	**40**	40	**40**	40
Retained earnings	32	**150,475**	124,112	**20,424**	26,613
Total equity		**390,733**	366,652	**265,156**	271,307

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 24 June 2014.

They were signed on its behalf by: **RD Mackenzie** Director **CJR Muir** Director

Cash flow statements

For the year ended 30 April 2014

		Group		Company	
		2014 £000	2013 £000	**2014 £000**	2013 £000
Net cash from (used in) operations	(a)	**30,723**	100,850	**(11,189)**	(28,870)
Investing activities					
Interest received		**24**	123	**1**	80
Dividends received from subsidiary undertakings		**–**	–	**35,000**	123,000
Proceeds from disposal of other property, plant and equipment		**1,182**	1,760	**–**	–
Purchases of other property, plant and equipment		**(5,509)**	(8,744)	**–**	–
Purchases of intangible assets		**(945)**	(1,396)	**–**	(90)
Liquidation of subsidiary undertaking		**–**	–	**–**	2
Net cash (used in) from investing activities		**(5,248)**	(8,257)	**35,001**	122,992
Financing activities					
Dividends paid		**(12,234)**	(5,719)	**(12,234)**	(5,719)
Receipt of bank loans		**1,140**	369,871	**–**	369,871
Repayments of bank loans and other borrowings		**(7,469)**	(410,140)	**(7,102)**	(399,643)
Debt issue costs paid relating to previous facilities		**–**	(3,354)	**–**	(3,354)
Costs paid for extinguishment of previous facilities		**–**	(23,202)	**–**	(23,202)
Repayments to subsidiary undertakings		**–**	–	**(19,298)**	(21,296)
Settlement of financial instruments with subsidiary undertaking		**–**	–	**(5,367)**	5,479
Payments to acquire own shares for share schemes		**(2,803)**	(1,988)	**(2,803)**	(1,988)
Termination of financial instruments		**–**	(12,830)	**–**	(12,830)
Net cash used in financing activities		**(21,366)**	(87,362)	**(46,804)**	(92,682)
Net increase (decrease) in cash and cash equivalents		**4,109**	5,231	**(22,992)**	1,440
Cash and cash equivalents at 1 May		**14,962**	9,707	**2,954**	964
Effect of foreign exchange movements		**(15)**	24	**(245)**	550
Cash and cash equivalents at 30 April	(b)	**19,056**	14,962	**(20,283)**	2,954

Notes to the cash flow statements

For the year ended 30 April 2014

(a) Net cash from (used in) operations

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Operating profit (loss)	**63,539**	79,478	**(15,305)**	(2,912)
Adjustments for:				
Depreciation of property, plant and equipment	**165,327**	163,313	**62**	61
Impairment of property, plant and equipment	**1,916**	–	**–**	–
Exchange differences	**7**	(5)	**–**	–
Amortisation of intangible assets	**2,900**	3,589	**30**	13
Loss on disposal of property, plant and equipment	**51**	445	**–**	–
Share options fair value charge	**1,203**	1,502	**1,203**	1,502
Operating cash flows before movements in working capital	**234,943**	248,322	**(14,010)**	(1,336)
Increase in non-vehicle inventories	**(1,637)**	(166)	**–**	–
(Increase) decrease in receivables	**(1,172)**	20,185	**19,993**	1,671
Increase (decrease) in payables	**3,315**	(9,911)	**(3,893)**	694
Cash generated from operations	**235,449**	258,430	**2,090**	1,029
Income taxes (paid) received, net	**(4,338)**	(16,828)	**2,897**	–
Interest paid	**(11,302)**	(31,448)	**(16,176)**	(29,899)
Net cash generated from (used in) operations	**219,809**	210,154	**(11,189)**	(28,870)
Purchase of vehicles	**(301,365)**	(255,193)	**–**	–
Proceeds from disposal of vehicles	**112,279**	145,889	**–**	–
Net cash from (used in) operations	**30,723**	100,850	**(11,189)**	(28,870)

(b) Cash and cash equivalents

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Cash and cash equivalents comprise:				
Cash and bank balances	**19,056**	14,962	**1,120**	3,396
Bank overdrafts	**–**	–	**(21,403)**	(442)
Cash and cash equivalents	**19,056**	14,962	**(20,283)**	2,954

Statements of changes in equity

For the year ended 30 April 2014

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 2012	180,124	(685)	(14,247)	(7,963)	68,692	140,215	366,136
Share options fair value charge	–	–	–	–	–	1,502	1,502
Share options exercised	–	–	–	–	–	(2,370)	(2,370)
Loss attributable to owners of the Parent Company	–	–	–	–	–	(7,357)	(7,357)
Dividends paid	–	–	–	–	–	(5,719)	(5,719)
Purchase of own shares	–	(1,988)	–	–	–	–	(1,988)
Transfer of shares on vesting of share options	–	2,370	–	–	–	–	2,370
Other comprehensive income	–	–	8,295	6,112	46	(375)	14,078
Transfers between equity reserves	–	–	5,303	(3,519)	–	(1,784)	–
Total equity at 1 May 2013	180,124	(303)	(649)	(5,370)	68,738	124,112	366,652
Share options fair value charge	–	–	–	–	–	1,203	1,203
Share options exercised	–	–	–	–	–	(2,453)	(2,453)
Profit attributable to owners of the Parent Company	–	–	–	–	–	39,883	39,883
Dividends paid	–	–	–	–	–	(12,234)	(12,234)
Purchase of own shares	–	(2,803)	–	–	–	–	(2,803)
Transfer of shares on vesting of share options	–	2,453	–	–	–	–	2,453
Other comprehensive income	–	–	38	(1,817)	(32)	(157)	(1,968)
Transfers from revaluation reserve	–	–	–	–	(121)	121	–
Total equity at 30 April 2014	**180,124**	**(653)**	**(611)**	**(7,187)**	**68,585**	**150,475**	**390,733**

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 2012	180,124	1,371	(12,617)	63,159	40	8,727	240,804
Share options fair value charge	–	–	–	–	–	1,502	1,502
Profit attributable to owners of the Parent Company	–	–	–	–	–	23,887	23,887
Dividends paid	–	–	–	–	–	(5,719)	(5,719)
Other comprehensive income	–	–	10,833	–	–	–	10,833
Transfers between equity reserves	–	–	1,784	–	–	(1,784)	–
Total equity at 1 May 2013	180,124	1,371	–	63,159	40	26,613	271,307
Share options fair value charge	–	–	–	–	–	1,203	1,203
Profit attributable to owners of the Parent Company	–	–	–	–	–	4,842	4,842
Dividends paid	–	–	–	–	–	(12,234)	(12,234)
Other comprehensive income	–	–	38	–	–	–	38
Total equity at 30 April 2014	**180,124**	**1,371**	**38**	**63,159**	**40**	**20,424**	**265,156**

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 112. The nature of the Group's operations and its principal activities are set out in Note 4 and in the strategic report on pages 9 to 32.

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 IAS 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 27 of the Financial Review.

Changes in accounting policy

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Group was to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. The impact of this in the income statement is less than £0.1 million. Prior year numbers have not been restated as the amounts are not considered material.

IFRS 13, 'Fair value measurement' has not been applied as the impact is not considered to be material.

Various other new accounting standards and amendments were issued during the year, none of which have had or are expected to have any significant impact on the Group and effects will principally relate to amendment and extension of current disclosures.

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 2013 and 30 April 2014.

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.

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

2 Principal accounting policies continued

Revenue recognition

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

Revenue from vehicle 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 acquisition 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

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

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.

2 Principal accounting policies continued

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. If an impairment no longer exists, an impairment reversal is recognised in the income statement to the extent required.

Inventories

Used vehicles held for resale are valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in marketing, selling and distribution.

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

Taxation

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

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised.

Current and deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also dealt with in equity.

2 Principal accounting policies continued

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.

Cash and cash equivalents

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

Bank loans, other loans, loan notes and issue costs

Bank loans, other loans and loan notes are stated at the amount of proceeds after deduction of issue costs, which are amortised over the period of the loan. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement on an accruals basis.

2 Principal accounting policies continued

Foreign currencies

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

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.

2 Principal accounting policies continued

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.

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 judgments and key sources of estimation uncertainty

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

Depreciation

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

Under IAS 16 (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.

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.

4 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 strategic report.

	UK 2014 £000	Spain 2014 £000	Corporate 2014 £000	Total 2014 £000
Revenue: hire of vehicles	292,393	149,878	–	**442,271**
Revenue: sale of vehicles	90,660	38,547	–	**129,207**
Total revenue	**383,053**	**188,425**	**–**	**571,478**
Underlying operating profit (loss) *	**51,007**	**25,555**	**(3,926)**	**72,636**
Exceptional administrative expenses	(5,450)	(626)	(121)	**(6,197)**
Brand royalty charge	–	(5,029)	5,029	**–**
Intangible amortisation	(2,284)	(586)	(30)	**(2,900)**
Operating profit (loss)	**43,273**	**19,314**	**952**	**63,539**
Interest income				**24**
Finance costs				**(12,386)**
Profit before taxation				**51,177**
Other information				
Capital expenditure	206,827	100,588	–	**307,415**
Depreciation	99,084	66,181	62	**165,327**
Reportable segment assets	527,913	286,638	–	**814,551**
Derivative financial instrument assets				**712**
Income tax assets				**9,396**
Total assets				**824,659**
Reportable segment liabilities	271,248	152,816	–	**424,064**
Derivative financial instrument liabilities				**664**
Income tax liabilities				**9,198**
Total liabilities				**433,926**

4 Segmental reporting continued

	UK 2013 £000	Spain 2013 £000	Corporate 2013 £000	Total 2013 £000
Revenue: hire of vehicles	291,104	150,840	–	441,944
Revenue: sale of vehicles	124,583	43,353	–	167,936
Total revenue	415,687	194,193	–	609,880
Underlying operating profit (loss) *	64,241	25,189	(3,026)	86,404
Exceptional administrative expenses	(2,051)	(1,286)	–	(3,337)
Intangible amortisation	(2,886)	(690)	(13)	(3,589)
Operating profit (loss)	59,304	23,213	(3,039)	79,478
Interest income				123
Finance costs (excluding exceptional items)				(37,029)
Exceptional finance costs				(53,954)
Loss before taxation				(11,382)
Other information				
Capital expenditure	193,514	75,272	–	268,786
Depreciation	93,501	69,751	61	163,313
Reportable segment assets	492,818	297,255	–	790,073
Income tax assets				10,550
Total assets				800,623
Reportable segment liabilities	288,268	142,009	–	430,277
Income tax liabilities				3,694
Total liabilities				433,971

* Underlying operating profit (loss) stated before intangible amortisation, intra-group brand royalty charge 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.

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 2014 £000	**Non-current assets 2014 £000**	Revenue 2013 £000	Non-current assets 2013 £000
United Kingdom & Republic of Ireland	**383,053**	**446,011**	415,687	419,418
Spain	**188,425**	**251,547**	194,193	259,084
	571,478	**697,558**	609,880	678,502

There are no external customers from whom the Group derives more than 10 per cent of total revenue. Segment assets and liabilities exclude derivative financial instrument assets and liabilities and current and deferred tax assets and liabilities, since these balances are not included in the segments' assets and liabilities as reviewed by the chief operating decision maker.

5 Operating profit

	2014 £000	2013 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 15 and 16)	**165,327**	163,313
Staff costs (Note 6)	**84,993**	77,683
Cost of inventories recognised as an expense	**163,159**	205,437
Net impairment of trade receivables (Note 37)	**2,395**	1,544
Auditor's remuneration for audit services (below)	**364**	364
Auditor's remuneration for non-audit services (below)	**167**	107

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

	2014 £000	2013 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**237**	237
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	**127**	127
Total audit fees	**364**	364
Other services pursuant to legislation	**21**	21
Tax services	**137**	62
Other services	**9**	24
Total non-audit fees	**167**	107

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 52 and 53 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 Staff costs

	2014 Number	2013 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	**1,403**	1,369
Administration	**495**	500
	1,898	1,869
Spain:		
Direct operations	**732**	757
Administration	**132**	131
	864	888
	2,762	2,757

6 Staff costs continued

	2014 £000	2013 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	**73,690**	67,646
Social security costs	**9,769**	8,791
Other pension costs	**1,534**	1,246
	84,993	77,683

Wages and salaries include £1,778,000 (2013 – £2,944,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the audited part of the Remuneration Report on pages 44 to 51.

7 Interest income

	2014 £000	2013 £000
Interest on bank and other deposits	**24**	123

8 Finance costs

	2014 £000	2013 £000
Interest on bank overdrafts and loans	**12,361**	30,535
Amortisation of arrangement fees	–	7,480
Amortisation of cross-currency derivatives	–	(610)
Cross-currency derivatives ineffectiveness	–	368
Interest rate derivatives ineffectiveness	–	(12)
Change in fair value of cross-currency derivatives	–	(133)
Change in fair value of interest rate derivatives	–	(445)
Amortisation of de-designated Sterling interest rate swaps	–	(179)
Preference share dividends	**25**	25
Finance costs (excluding exceptional items)	**12,386**	37,029
Exceptional finance costs		
Financing costs incurred on extinguishment of bank loans, loan notes and other loans	–	35,903
Terminated cross currency derivatives recycled from hedging reserve on extinguishment of loan notes	–	(1,446)
Amounts recycled from hedging reserve on termination of interest rate and currency derivatives on extinguishment of banks loans, loan notes and other loans	–	19,497
Total exceptional finance costs	–	53,954
	12,386	90,983

9 Taxation

	2014 £000	2013 £000
Current tax:		
UK corporation tax	**8,461**	1,285
Adjustment in respect of prior years	**–**	118
Foreign tax	**7,295**	6,466
	15,756	7,869
Deferred tax:		
Origination and reversal of timing differences	**(3,575)**	(6,595)
Adjustment in respect of prior years	**(1,216)**	(5,301)
UK rate adjustment	**329**	2
	(4,462)	(11,894)
	11,294	(4,025)

Corporation tax is calculated at 22.83% (2013 – 23.92%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

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

	2014 £000	%	2013 £000	%
Profit (loss) before taxation	**51,177**		(11,382)	
Tax at the UK corporation tax rate of 22.83% (2013 – 23.92%)	**11,684**	**22.8**	(2,723)	23.9
Tax effect of expenses that are not deductible in determining taxable profit	**1,294**	**2.5**	4,015	(35.3)
Difference in taxation in overseas subsidiary undertakings	**(666)**	**(1.3)**	(406)	3.6
Reduction in UK tax rate	**245**	**0.5**	2	–
Adjustment to tax charge in respect of prior years	**(1,263)**	**(2.5)**	(4,913)	43.2
Tax charge (credit) and effective tax rate for the year	**11,294**	**22.0**	(4,025)	35.4

In addition to the amount charged to the income statement, a net deferred tax amount of £85,000 has been charged (2013 – £4,183,000) directly to equity (Note 23).

The underlying tax charge of £13,456,000 (2013 – £10,657,000) excludes exceptional tax credits of £1,458,000 (2013 – £13,783,000) as set out in Note 33, and tax credits on intangible amortisation of £704,000 (2013 – £899,000).

There has been no recognition of deferred tax assets previously derecognised.

On 1 April 2014 the UK Corporation tax rate changed from 23% to 21%. A further change to the UK Corporation tax rate was announced in the March 2013 budget and subsequently enacted, to reduce the rate to 20% from 1 April 2015. Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 21%.

10 Dividends

An interim dividend of 3.2p per ordinary share was paid in January 2014 (2013 – 1.3p). The Directors propose a final dividend for the year ended 30 April 2014 of 6.8p per ordinary share (2013 – 6.0p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2014. No dividends have been paid between 30 April 2014 and the date of signing the Accounts.

11 Earnings per share

	Underlying 2014 £000	Statutory 2014 £000	Underlying 2013 £000	Statutory 2013 £000
Basic and diluted earnings per share				
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 (loss) attributable to the owners of the Parent Company	**46,818**	**39,883**	38,841	(7,357)

	Number	Number	Number	Number
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	**133,232,518**	**133,232,518**	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares:				
– share options	**3,072,264**	**3,072,264**	4,223,706	–
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	**136,304,782**	**136,304,782**	137,456,224	133,232,518
Basic earnings (loss) per share	**35.1p**	**29.9p**	29.2p	(5.5)p
Diluted earnings (loss) per share	**34.3p**	**29.3p**	28.3p	(5.5)p

A total of 4,223,706 potential Ordinary shares were not included within the calculation of statutory diluted earnings per share for the year ended 30 April 2013 as they were antidilutive.

12 Result of the parent company

A profit of £4,842,000 (2013 – £23,887,000) 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.

13 Goodwill

Group	2014 £000	2013 £000
Carrying value:		
At 1 May 2013 and 30 April 2014	**3,589**	3,589

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

The Group has two cash generating units: the UK and Spain. The goodwill balance all relates to the UK CGU. The Group tests its 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.

13 Goodwill continued

In addition to the annual test of impairment, and as required by IAS 36, there has also been an assessment as to whether there has been any indication that an impairment loss of other non-current assets recognised in an earlier year has decreased or no longer exists.

The impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in May 2014 using growth rates of 1% over a 10 year period, including terminal values, using a discount rate of 9.6% for the UK CGU and 9.9% for the Spain CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity.

It was concluded that there were no indicators of additional impairment or reversal of impairment of other non-current assets previously charged for both the UK CGU and Spain CGU.

In the prior year, the impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 2013 using growth rates of 1% over a 10 year period, including terminal values, using a discount rate of 9.9% for the UK CGU and 11.2% for the Spain CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity. It was concluded that there were no indicators of additional impairment or reversal of impairment previously charged for both the UK CGU and Spain CGU.

The value in use assessment is sensitive to changes in the key assumptions used, most notably the discount rate and growth rates. A sensitivity analysis has been performed on the UK CGU and Spain CGU. Based on this sensitivity analysis, no reasonably possible changes to the assumptions used for either the UK CGU or Spanish CGU resulted in an additional impairment charge being required.

14 Other intangible assets

	Group			Company
	Customer relationships £000	Other software £000	Total £000	Other software £000
Cost:				
At 1 May 2012	22,109	11,010	33,119	–
Additions	–	1,396	1,396	90
Disposals	(7,185)	–	(7,185)	–
Exchange differences	177	45	222	–
At 1 May 2013	15,101	12,451	27,552	90
Additions	–	945	945	–
Disposals	–	(10)	(10)	–
Exchange differences	(113)	(30)	(143)	–
At 30 April 2014	**14,988**	**13,356**	**28,344**	**90**
Amortisation:				
At 1 May 2012	15,519	8,009	23,528	–
Charge for the year	1,642	1,947	3,589	13
Disposals	(7,185)	–	(7,185)	–
Exchange differences	161	28	189	–
At 1 May 2013	10,137	9,984	20,121	13
Charge for the year	1,304	1,596	2,900	30
Disposals	–	(1)	(1)	–
Exchange differences	(114)	(29)	(143)	–
At 30 April 2014	**11,327**	**11,550**	**22,877**	**43**
Carrying amount:				
At 30 April 2014	**3,661**	**1,806**	**5,467**	**47**
At 30 April 2013	4,964	2,467	7,431	77

15 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2012	964,581
Additions	258,961
Transfer from plant, equipment & fittings	1,233
Transfer to motor vehicles	(467)
Transfer to inventories	(322,071)
Exchange differences	14,012
At 1 May 2013	916,249
Additions	301,004
Transfer to motor vehicles	(46)
Transfer to inventories	(235,375)
Exchange differences	(9,973)
At 30 April 2014	**971,859**
Depreciation:	
At 1 May 2012	341,478
Charge for the year	158,608
Transfer from plant, equipment & fittings	1,173
Transfer to motor vehicles	(91)
Transfer to inventories	(179,434)
Exchange differences	5,354
At 1 May 2013	327,088
Charge for the year	159,215
Transfer to motor vehicles	(3)
Transfer to inventories	(125,356)
Exchange differences	(4,012)
At 30 April 2014	**356,932**
Carrying amount:	
At 30 April 2014	**614,927**
At 30 April 2013	589,161

At 30 April 2014, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £35,254,000 (2013 – £29,935,000).

The depreciation rate on vehicles for hire in the UK was reduced by 1% on 1 May 2012. This resulted in a reduction in the depreciation charge of £3m in the year ended 30 April 2014 (2013 – £4m).

16 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
At 1 May 2012	81,735	16,868	2,381	100,984
Additions	3,849	3,946	634	8,429
Transfer (to) from vehicles for hire	–	(1,233)	467	(766)
Exchange differences	1,765	350	–	2,115
Disposals	(1,399)	(1,542)	(1,107)	(4,048)
At 1 May 2013	85,950	18,389	2,375	106,714
Additions	919	3,537	1,010	5,466
Transfer from vehicles for hire	–	–	46	46
Exchange differences	(1,135)	(257)	–	(1,392)
Disposals	(3,290)	(344)	(619)	(4,253)
At 30 April 2014	**82,444**	**21,325**	**2,812**	**106,581**
Depreciation:				
At 1 May 2012	16,553	9,151	828	26,532
Charge for the year	1,827	2,372	506	4,705
Transfer (to) from vehicles for hire	–	(1,173)	91	(1,082)
Exchange differences	339	187	–	526
Disposals	(437)	(1,263)	(588)	(2,288)
At 1 May 2013	18,282	9,274	837	28,393
Charge for the year	2,223	3,133	592	5,948
Impairment of property	1,916	–	–	1,916
Transfer from vehicles for hire	–	–	3	3
Exchange differences	(242)	(149)	–	(391)
Disposals	(2,064)	(272)	(527)	(2,863)
At 30 April 2014	**20,115**	**11,986**	**905**	**33,006**
Carrying amount:				
At 30 April 2014	**62,329**	**9,339**	**1,907**	**73,575**
At 30 April 2013	67,668	9,115	1,538	78,321

	2014 £000	2013 £000
Land and buildings by category:		
Freehold and long leasehold	**58,583**	62,864
Short leasehold	**3,746**	4,804
	62,329	67,668

At 30 April 2014, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £90,500 (2013 – £81,000).

During the year an impairment loss of €2,084,000 was recognised with respect to a property in Dublin. This was as a result of a problem with the building's foundations. This impairment is reflected in the UK figures in the segmental analysis in Note 4. Other property impairment losses totalled €200,000.

16 Other property, plant and equipment continued

Company	Land & buildings £000
Cost:	
At 1 May 2012, 1 May 2013 and 30 April 2014	**3,239**
Depreciation:	
At 1 May 2012	596
Charge for the year	61
At 1 May 2013	657
Charge for the year	62
At 30 April 2014	**719**
Carrying amount:	
At 30 April 2014	**2,520**
At 30 April 2013	2,582

17 Investments

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertakings £000	Total £000
Cost:			
At 1 May 2012	78,329	47,000	125,329
Liquidation of subsidiary undertaking	(2)	–	(2)
At 1 May 2013	78,327	47,000	125,327
Liquidation of subsidiary undertaking	(1,999)	–	(1,999)
At 30 April 2014	**76,328**	**47,000**	**123,328**
Accumulated provisions:			
At 1 May 2012, 1 May 2013 and 30 April 2014	**2,435**	**–**	**2,435**
Carrying amount:			
At 30 April 2014	**73,893**	**47,000**	**120,893**
At 30 April 2013	75,892	47,000	122,892

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

At 30 April 2014, the principal subsidiary undertakings of the Group, all of which are wholly owned and are registered in England and Wales unless otherwise stated, were as follows:

Northgate (CB) Limited*
Northgate (CB2) Limited*
Northgate España Renting Flexible S.A.* (incorporated in Spain)
Northgate (Europe) Limited
Northgate (Malta) Limited* (incorporated in Malta)
Northgate (MT) Limited* (incorporated in Malta)
Northgate Vehicle Hire (Ireland) Limited* (incorporated in the Republic of Ireland)
Northgate Vehicle Hire Limited

*interest held indirectly by the Company

18 Inventories

	Group	
	2014 £000	2013 £000
Vehicles held for resale	**12,732**	14,410
Spare parts and consumables	**6,344**	4,782
	19,076	19,192

19 Trade and other receivables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade receivables	**65,094**	68,633	**–**	–
Amounts due from subsidiary undertakings	**–**	–	**806,306**	889,090
Other taxes	**–**	–	**39**	86
Other debtors and prepayments	**13,767**	8,784	**157**	98
	78,861	77,417	**806,502**	889,274

		2014	2013
The average credit period given on trade sales is	UK	**39 days**	38 days
	Spain	**54 days**	64 days

Allowances for estimated irrecoverable amounts and the Group's credit risk are considered in Note 37.

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

20 Trade and other payables

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Trade payables	**27,512**	24,188	**176**	445
Amounts due to subsidiary undertakings	**–**	–	**285,054**	370,066
Social security and other taxes	**3,714**	4,789	**104**	165
Accruals and deferred income	**27,705**	23,615	**2,495**	4,905
	58,931	52,592	**287,829**	375,581

Trade payables comprise amounts outstanding for trade purchases.

		2014	2013
The average credit period taken on trade purchases is	UK	**33 days**	36 days
	Spain	**59 days**	59 days

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

21 Borrowings

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

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Bank loans and overdrafts	**363,819**	375,549	**378,571**	370,313
Cumulative Preference shares	**500**	500	**500**	500
Property loans	**–**	223	**–**	–
Confirming facilities	**814**	1,413	**–**	–
	365,133	377,685	**379,071**	370,813

The borrowings are repayable as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	**6,651**	5,678	**21,403**	442
Property loans	**–**	223	**–**	–
Confirming facilities	**814**	1,413	**–**	–
	7,465	7,314	**21,403**	442
In the second year				
Bank loans	**8,451**	–	**8,451**	–
	8,451	–	**8,451**	–
In the third to fifth years				
Bank loans	**348,717**	369,871	**348,717**	369,871
	348,717	369,871	**348,717**	369,871
Due after more than five years				
Cumulative Preference shares	**500**	500	**500**	500
	500	500	**500**	500
Total borrowings	**365,133**	377,685	**379,071**	370,813
Less: Amount due for settlement within one year (shown within current liabilities)	**7,465**	7,314	**21,403**	442
Amount due for settlement after one year	**357,668**	370,371	**357,668**	370,371

The UK syndicated bank loans, totalling £357,168,000 at 30 April 2014, would become repayable in full in the event of a change in control of the Group.

Bank loans

Bank loans and overdrafts are secured and bear interest at rates of 2.37% to 2.55% (2013 – 2.38% to 2.85%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

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.

21 Borrowings continued

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2013 – 1,300,000), of which 1,000,000 (2013 – 1,000,000) were allotted and fully paid at the balance sheet date.

Property loans

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

At 30 April 2014, the average remaining lease term was one year and the average borrowing rate was 2.0%.

Confirming facilities

Spanish confirming facilities of £814,000 (2013 – £1,413,000) are unsecured and all fall due within one year. 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. The Group pays no interest on confirming.

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:

	2014 £000	2013 £000
Less than one year	**8,172**	7,262
In one year to five years	**64,617**	58,197
	72,789	65,459

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 2013 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	**At 30 April 2014 £000**
Cash at bank and in hand	(14,962)	(4,109)	–	15	**(19,056)**
Bank loans	375,549	(6,106)	–	(5,624)	**363,819**
Cumulative Preference shares	500	–	–	–	**500**
Property loans and other borrowings	1,636	(223)	(599)	–	**814**
Consolidated net debt	362,723	(10,438)	(599)	(5,609)	**346,077**

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 2014, the gearing of the Group amounted to 90.7% (2013 – 102.0%) where net borrowings are £346,077,000 (2013 – £362,723,000) and shareholders' funds less goodwill and the net book value of intangible assets are £381,677,000 (2013 – £355,632,000).

21 Borrowings continued

Financial instruments (see also Note 37)

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 22.

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 rating agencies. Deals are authorised only with banks with which dealing mandates have been agreed and which maintain an A rating. Individual aggregate credit exposures are limited accordingly.

Financing and interest rate risk

The Group's policy is to finance operating subsidiary undertakings by a combination of retained earnings and 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 22. 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 2014 79.8% (2013 – 0.5%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £105,000,000 and £206,500,000, £500,000 of preference shares and £814,000 of confirming facilities (30 April 2013 – £500,000 of preference shares and £1,413,000 of confirming facilities), as detailed in Note 22.

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 22) as explained above.

21 Borrowings continued

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

Group	Sterling £000	Euro £000	Total £000
At 30 April 2014			
Bank loans	125,000	238,819	**363,819**
Cumulative Preference shares	500	–	**500**
Confirming facilities	–	814	**814**
	125,500	**239,633**	**365,133**

Group	Sterling £000	Euro £000	Total £000
At 30 April 2013			
Bank loans	136,000	239,549	375,549
Cumulative Preference shares	500	–	500
Property loans	–	223	223
Confirming facilities	–	1,413	1,413
	136,500	241,185	377,685

22 Derivative financial instruments

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

Their net estimated fair values are as follows:

	Group		Company	
	2014 £000	2013 £000	**2014 £000**	2013 £000
Interest rate derivatives	**48**	–	**48**	–
Cross-currency derivatives	**–**	–	**–**	(1,517)
	48	–	**48**	(1,517)
They are represented in the balance sheet as follows:				
Non-current derivative financial instrument assets	**712**	–	**712**	–
Current derivative financial instrument liabilities	**–**	–	**–**	(1,517)
Non-current derivative financial instrument liabilities	**(664)**	–	**(664)**	–
	48	–	**48**	(1,517)

22 Derivative financial instruments continued

Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings 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 a substantial element of the interest cost on outstanding debt. The Group's borrowing facilities were restructured on 29 April 2013 on which date all the then existing interest rate and cross-currency swaps were cancelled. New interest rate swaps were entered into on 2 May 2013. The Group was therefore not party to any interest rate derivatives at 30 April 2013. Additional interest rate hedging was executed in April 2014. The interest rate derivatives to which the Group was party as at 30 April 2014 are summarised below:

	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
At 30 April 2014			
Sterling interest rate swaps	£105,000,000	1.02%	2.9 years
Euro interest rate swaps	€206,500,000	0.48%	2.6 years

In May 2013, £55,000,000 and €206,500,000 of interest rate swaps commenced. These had weighted average pay rates of 0.68% and 0.48% respectively and all had weighted average lives of 3.6 years.

In April 2014, £50,000,000 of interest rate swaps commenced. These had weighted average pay rates of 1.40% and weighted average lives of 3.2 years.

During the prior year the following transactions relating to interest rate derivatives occurred:

£25,000,000 and €152,832,000 of interest rate swaps with a weighted average fixed contract pay rate of 2.44% and 2.35% matured;

£25,000,000 of interest rate swaps with a weighted average fixed contract receive rate of 1.13% matured;

€76,416,000 of interest rate swaps which were entered into in the year ended 30 April 2011 commenced with a weighted average fixed contract pay rate of 3.12% and a weighted average life of 2.0 years;

€76,416,000 of interest rate swaps with a weighted average fixed contract pay rate of 3.12% and a remaining weighted average life of 1.4 years were cancelled at a cash cost of £2,709,000. This was in connection with the extinguishment of bank debt; and

£100,000,000 Sterling interest rate swaps with a weighted average fixed contract pay rate of 3.62% and weighted average remaining life of 8.0 years were cancelled at a cash cost of £16,841,000. This was in connection with the early repayment of the other loan.

All the Group's interest rate swaps are 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, has been deferred in equity. To the extent that the interest rate swaps are not 100% effective, a net amount of £Nil (2013 – £12,000) has been credited to the income statement (Note 8).

The total change in fair values of interest rate derivatives credited to the income statement of £Nil (2013 – £445,000) is shown within finance costs (Note 8).

Sterling/US Dollar cross-currency swaps

In April 2013 the Group made early repayment of all outstanding US Dollar denominated loan notes with a capital value of $178,502,000 with total repayments in the year of $249,837,000.

During the period in which these US Dollar denominated notes were in issue they bore fixed rate interest in US Dollars. The payment of this interest and the capital repayment of the loan notes at maturity exposed the Group to foreign exchange risk. To mitigate this risk, the Group previously entered into a series of Sterling/US Dollar cross-currency swaps. The effective start dates and termination dates of these contracts were the same as the loan notes against which hedging relationships were designated and which are shown in Note 21.

22 Derivative financial instruments continued

The Group had 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 paid a principal amount in Sterling and received a principal amount in US Dollars. The weighted average interest rate that the Group paid in Sterling in the prior year was 8.86%.

All the Group's Sterling/US Dollar cross-currency swaps entered into in September 2009 were designated and were 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, were deferred in equity. To the extent that the cross-currency swaps were not 100% effective, a net amount of £368,000 was charged to the income statement (Note 8).

In November 2012 cross-currency swaps with a total notional amount of $71,335,000 matured.

In April 2013 cross-currency swaps with a total notional amount of $178,502,000 and weighted average remaining life of 2.4 years were cancelled with a cash outflow of $400,000.

Euro/Sterling cross-currency swaps

In November 2012, cross currency swaps with a total notional amount of €27,623,000 matured.

In April 2013 the Group cancelled all remaining Euro/Sterling cross-currency swaps with a total notional value of €114,157,000. The Group had interest cash inflows in Sterling and interest cash outflows in Euro over the life of the contract. On termination date of the contract, the Group paid a principal amount in Euro and received a principal amount in Sterling. The interest rate that the Group paid in Euro during the prior year was 8.18%.

	Sterling/ US Dollar £000	Euro/ Sterling £000
Gross movement in fair values initially deferred in hedging reserve:		
At 30 April 2013 and 30 April 2014	34,665	(3,154)
Cumulative amounts recycled to the income statement:		
At 30 April 2013 and 30 April 2014	(36,449)	4
Cumulative amounts recycled to the currency translation reserve:		
At 30 April 2013 and 30 April 2014	–	2,306
Cumulative amounts recycled to retained earnings		
At 30 April 2013 and 30 April 2014	1,784	–
Net fair value deferred in hedging reserve:		
At 30 April 2013 and 30 April 2014	–	(844)

In prior years, 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 matched 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 30 April 2013 was a loss of £68,000. In addition, the amount included the amortisation of the interest legs of the terminated swaps over their residual life. The amount recycled to the translation reserve represented 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 represented the fair value of the interest rate element of the derivatives (Note 29).

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 in prior years, the Group entered into a number of Sterling/Euro cross-currency swaps which were 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.

22 Derivative financial instruments continued

The hedges are considered highly effective in the current and prior year.

Forward exchange contracts

At 30 April 2014, the Company held Sterling/Euro forward exchange contracts with a notional value of €177,007,000 (2013 – €Nil) with a subsidiary undertaking which had a fair value of £Nil (2013 – £Nil) and weighted average remaining life of 0.5 years (2013 – Nil years).

Company cross-currency swaps

At 30 April 2013, the Company held Sterling/Euro cross-currency swaps with a subsidiary undertaking which had a fair value of £(1,517,000) and weighted average remaining life of one year with a weighted average Euro interest receivable rate of 1.20% and weighted average GBP interest payable rate of 1.53%. The Company had no cross-currency swaps at 30 April 2014.

23 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	Losses £000	Other timing differences £000	Total £000
At 1 May 2012	35,880	1,469	(1,037)	1,693	(24,649)	(7,690)	5,666
Charge (credit) to income	(12,558)	(56)	129	(430)	4,862	1,458	(6,595)
Credit to equity	–	–	–	–	–	4,175	4,175
Exchange differences	815	13	–	6	(799)	(74)	(39)
Adjustment to UK tax rate charged (credited) to income	35	(45)	38	(49)	–	23	2
Adjustment to UK tax rate charged to equity	–	–	–	–	–	8	8
Adjustments in respect of prior years	(4,662)	–	–	–	–	(639)	(5,301)
At 1 May 2013	19,510	1,381	(870)	1,220	(20,586)	(2,739)	(2,084)
(Credit) charge to income	(11,203)	555	–	(159)	7,767	(535)	(3,575)
Charge to equity	–	–	–	–	–	(118)	(118)
Exchange differences	(289)	(9)	–	–	358	50	110
Adjustment to UK tax rate charged (credited) to income	296	168	16	(95)	–	(56)	329
Adjustment to UK tax rate charged to equity	–	–	–	–	–	33	33
Adjustments in respect of prior years	(1,143)	–	–	–	(118)	48	(1,213)
At 30 April 2014	**7,171**	**2,095**	**(854)**	**966**	**(12,579)**	**(3,317)**	**(6,518)**

23 Deferred tax continued

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The analysis of the deferred tax balances after offset is as follows:

At 30 April 2014	
Deferred tax assets	(9,396)
Deferred tax liabilities	2,878
Net deferred tax assets	(6,518)
At 30 April 2013	
Deferred tax assets	(4,688)
Deferred tax liabilities	2,604
Net deferred tax assets	(2,084)

In the current year, the net charge to equity of £85,000 (2013 – £4,183,000), in respect of other timing differences included £10,000 (2013 – £4,301,000) relating to derivative financial instruments which has been reflected in the hedging reserve (Note 29).

There are no deferred tax assets which are not recognised in the balance sheet. Deferred tax assets of £12,579,000 (2013 – £20,586,000) have been recognised in the balance sheet in respect of losses, as it is considered probable that there will be sufficient future taxable profits against which these losses will be utilised.

Net deferred tax assets of £3,317,000 (2013 – £2,739,000) classified as other timing differences relate to movements on fair values of interest rate and foreign currency derivatives, retirement benefit obligations, other timing differences in relation to tax payable in various tax jurisdictions in which the Group operates and other timing differences within the UK.

The following are the major deferred tax 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 2012	(1,037)	(4,161)	(5,198)
Charge to income	129	47	176
Charge to equity	–	3,984	3,984
Change in UK tax rate charged to income	38	3	41
At 1 May 2013	(870)	(127)	(997)
Charge to income	–	47	47
Change in UK tax rate charged to income	16	8	24
At 30 April 2014	**(854)**	**(72)**	**(926)**

24 Share capital

Group and Company	**2014 £000**	2013 £000
Allotted and fully paid:		
133,232,518 (2013 – 133,232,518) Ordinary shares of 50p each	**66,616**	66,616

25 Share premium account

Group and Company	2014 £000	2013 £000
At 1 May 2012, 1 May 2013 and 30 April 2014	**113,508**	113,508

26 Revaluation reserve

	Group £000	Company £000
At 1 May 2012	1,189	1,371
Foreign exchange differences	46	–
At 1 May 2013	1,235	1,371
Transfer to retained earnings on disposal of revalued properties	(121)	–
Foreign exchange differences	(32)	–
At 30 April 2014	**1,082**	**1,371**

27 Own shares reserve

	Group £000	Company £000
At 1 May 2012	(685)	–
Purchase of own shares	(1,988)	–
Transfer of shares on vesting of share options	2,370	–
At 1 May 2013	(303)	–
Purchase of own shares	(2,803)	–
Transfer of shares on vesting of share options	2,453	–
At 30 April 2014	**(653)**	**–**

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 35). At 30 April 2014 the Guernsey Trust held 116,063 (2013 – 98,037) 50p Ordinary shares and the Capita Trust held 32,079 (2013 – 22,891) 50p Ordinary shares. The total number of shares held by these employee trusts represents 0.1% of the allotted and fully paid share capital of the Group.

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

28 Merger reserve

	Group £000	Company £000
At 1 May 2012, 1 May 2013 and 30 April 2014	**67,463**	**63,159**

29 Hedging reserve

	Group £000	Company £000
At 1 May 2012	(14,247)	(12,617)
Movement in fair value of hedged interest rate derivatives	(3,236)	(3,236)
Movement in fair value of hedged foreign currency derivatives	(4,272)	(2,059)
Deferred tax on fair value of interest rate and foreign currency derivatives	(4,301)	(3,984)
Amortisation of terminated foreign currency derivatives	(610)	(602)
Transfer to income statement	20,714	20,714
Transfer to retained earnings (Note 32)	1,784	1,784
Transfer to translation reserve (Note 30)	3,519	–
At 1 May 2013	(649)	–
Movement in fair value of hedged interest rate derivatives	48	48
Deferred tax on fair value of interest rate derivatives	(10)	(10)
At 30 April 2014	**(611)**	**38**

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

30 Translation reserve

	Group £000	Company £000
At 1 May 2012	(7,963)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	6,725	–
Net foreign exchange differences on long term borrowings held as hedges	(613)	–
Foreign exchange element of fair value movement of hedged derivatives transferred from hedging reserve (Note 29)	(3,519)	–
At 1 May 2013	(5,370)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(3,589)	–
Net foreign exchange differences on long term borrowings held as hedges	1,772	–
At 30 April 2014	**(7,187)**	**–**

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 22.

31 Capital redemption reserve

	Group £000	Company £000
At 1 May 2012, 1 May 2013 and 30 April 2014	**40**	**40**

32 Retained earnings

	Group £000	Company £000
At 1 May 2012	140,215	8,727
(Loss) profit for the year	(7,357)	23,887
Dividends paid	(5,719)	(5,719)
Share options exercised	(2,370)	–
Share options fair value charge	1,502	1,502
Defined benefit pension charge recognised directly in equity	(490)	–
Net deferred tax credit recognised directly in equity	115	–
Transfer from hedging reserve	(1,784)	(1,784)
At 1 May 2013	124,112	26,613
Profit for the year	39,883	4,842
Transfer from revaluation reserve on disposal of revalued properties	121	–
Dividends paid	(12,234)	(12,234)
Share options exercised	(2,453)	–
Share options fair value charge	1,203	1,203
Defined benefit pension charge recognised directly in equity	(199)	–
Net deferred tax credit recognised directly in equity	42	–
At 30 April 2014	**150,475**	**20,424**

33 Exceptional items

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

	2014 £000	2013 £000
Restructuring costs	**1,826**	2,892
Impairment of property	**1,916**	–
Net property losses	**51**	445
Defined benefit pension scheme buyout	**2,404**	–
Exceptional administrative expenses	**6,197**	3,337
Costs associated with April 2013 refinancing (Note 8)	**–**	53,954
Exceptional finance costs	**–**	53,954
Total pre-tax exceptional items	**6,197**	57,291
Exceptional tax credit	**(1,458)**	(13,783)

Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £1,826,000 (2013 – £2,892,000), of which £1,414,000 (2013 – £2,075,000) arose in the United Kingdom and £412,000 (2013 – £817,000) in Spain.

Impairment of property

Impairment of property was £1,916,000 (2013 - £Nil). £1,752,000 was booked against a property in the United Kingdom segment and £164,000 against a property in Spain.

Net property losses

Net property losses were £51,000 (2013 – £445,000), of which £Nil (2013 – £24,000 profit) arose in the United Kingdom and £51,000 (2013 – £469,000) arose in Spain.

33 Exceptional items continued

Defined benefit pension scheme buyout

Pension scheme buyout costs of £2,404,000 (2013 - £Nil) were incurred in relation to the deferred members of the Group's defined benefit pension scheme.

Costs associated with April 2013 refinancing

In April 2013 the group incurred £53,954,000 of costs relating to the extinguishment of the Group's bank loans, loan notes and other loans, and termination of related hedging arrangements. These costs comprised £42,752,000 of cash costs and £11,202,000 of non-cash costs. Other net cash inflows of £3,652,000 not included within the income statement, were received in relation to cancellation of certain cross-currency swaps on the refinancing date. The net cash outflow relating to the extinguishment of debt and cancellation of previous hedging arrangements was therefore £39,100,000.

34 Operating lease arrangements

As lessee

Group	2014 £000	2013 £000
Minimum lease payments under operating leases recognised in the income statement for the year	**5,357**	5,193

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	2014 £000	2013 £000
Within one year	**5,183**	4,581
In the second to fifth years inclusive	**14,363**	13,549
After five years	**17,893**	20,163
	37,439	38,293

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

Leases are negotiated for an average term of 11 years (2013 – 13 years) and rentals are fixed for an average term of seven years (2013 – seven 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.

35 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration Report on pages 37 to 51.

The Group and Company recognised total expenses of £1,203,000 (2013 – £1,502,000) related to equity-settled share-based payment transactions in the year.

All options granted under the Deferred Annual Bonus Plan (DABP), Management Performance Share Plan (MPSP) and Executive Performance Share Plan (EPSP) are nil cost options.

The All Employee Share Scheme (AESS) 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.

35 Share based payments continued

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

The Board may make discretionary awards of free shares to eligible employees. Employees must remain in the employ of the Group during the vesting period of three years in order to receive the free shares.

Details regarding the plans in the year ended 30 April 2014 are outlined below:

	DABP Number of share options 2014	**MPSP Number of share options 2014**	**EPSP Number of share options 2014**	**AESS Number of matching shares 2014**	**Free Shares Number of free shares 2014**
At 1 May 2013	623,603	1,187,059	1,097,733	363,069	298,500
Granted/allocated during the year	12,558	–	292,103	103,237	183,550
Exercised/vested during the year	(244,941)	(159,774)	–	(102,602)	(31,800)
Forfeited/lapsed during the year	(3,170)	(244,926)	(201,279)	(51,806)	(48,850)
At 30 April 2014	**388,050**	**782,359**	**1,188,557**	**311,898**	**401,400**
Exercisable at the end of the year	51,821	61,203	232,266	–	–

	DABP 2014	**MPSP 2014**	**EPSP 2014**	**AESS 2014**	**Free Shares 2014**
Weighted average remaining contractual life at the end of the year	2.9 years	3.1 years	4.8 years	1.7 years	1.7 years
Weighted average share price at the date of exercise of options in the year	£4.06	£4.06	–	£5.61	£4.48
Date options granted/allocated in the year	August 2013	–	July 2013	January 2014	August 2013
Aggregate estimated fair value of options at the date of grant	£35,000	–	£690,000	£534,000	£513,000
The inputs into the Black-Scholes model were as follows:					
Weighted average share price	£3.03	–	£2.87	£3.71	£3.03
Weighted average exercise price	£Nil	–	£Nil	£Nil	£Nil
Expected volatility	57.8%	–	57.4%	56.5%	57.8%
Expected life	3 years	–	3 years	3 years	3 years
Risk free rate	1.54%	–	1.34%	1.99%	1.54%
Expected dividends	3.6%	–	3.8%	2.7%	3.6%

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

Details regarding the plans in the year ended 30 April 2013 are outlined below:

	DABP Number of share options 2013	MPSP Number of share options 2013	EPSP Number of share options 2013	AESS Number of matching shares 2013	Free Shares Number of free shares 2013
At 1 May 2012	592,839	1,320,542	685,145	475,716	–
Granted/allocated during the year	160,332	691,157	412,588	145,512	345,750
Exercised during the year	(117,015)	(337,915)	–	(230,958)	(23,750)
Forfeited/lapsed during the year	(12,553)	(486,725)	–	(27,201)	(23,500)
At 30 April 2013	623,603	1,187,059	1,097,733	363,069	298,500
Exercisable at the end of the year	23,799	51,428	130,952	–	–

35 Share based payments continued

	DABP 2013	MPSP 2013	EPSP 2013	AESS 2013	Free Shares 2013
Weighted average remaining contractual life at the end of the year	3.0 years	3.4 years	3.2 years	1.8 years	2.3 years
Weighted average share price at the date of exercise of options in the year	£2.57	£2.48	–	£3.29	£2.80
Date options granted/allocated in the year	July 2012	August 2012	August 2012	January 2013	August 2012
Aggregate estimated fair value of options at the date of grant	£242,000	£1,050,000	£628,000	£410,000	£506,000
The inputs into the Black-Scholes model were as follows:					
Weighted average share price	£2.07	£2.10	£2.10	£3.31	£2.02
Weighted average exercise price	£Nil	£Nil	£Nil	£Nil	£Nil
Expected volatility	83.2%	69.4%	69.4%	62.1%	74.7%
Expected life	3 years	3 years	3 years	5 years	3 years
Risk free rate	0.8%	0.7%	0.7%	0.9%	0.6%
Expected dividends	3.0%	3.2%	3.2%	3.1%	3.1%

36 Retirement benefit schemes

During the year the Group operated two group personal pension plans and The Willhire Pension Scheme ('the Scheme' or 'Scheme'), which includes both defined benefit and defined contribution sections. The total operating pension cost to the Group of all these arrangements was £1,534,000 (2013 – £1,246,000) 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:

	2014 Valuation % pa	2013 Valuation % pa
Discount rate	**4.4**	4.3
Inflation rate – RPI	**3.5**	3.3
Inflation rate – CPI	**2.8**	2.6
Salary increases	**n/a**	n/a
Future pension increases	**2.8**	2.6
Life expectancy of retirees in current year	**23 to 26 years**	23 to 26 years
Life expectancy of retirees 25 years hence	**25 to 28 years**	25 to 28 years

36 Retirement benefit schemes continued

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:

	2014 £000	2013 £000
Interest cost	**200**	201
Expected return on plan assets	**(200)**	(106)
Total pension charge	**–**	95

Actuarial gains and losses have been reported directly in equity, within retained earnings. The cumulative net amount of actuarial losses reflected directly in equity since 3 February 2006 is £2,977,000 (2013 – £9,000).

The actual return on the scheme assets was a loss of £2,777,000 (2013 – gain £591,000). There are no reimbursement rights.

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

	2014 £000	2013 £000
Present value of defined benefit obligations	**(4,334)**	(4,901)
Fair value of Scheme assets	**4,363**	5,515
Surplus in the Scheme	**29**	614
Amounts not recognised	**(29)**	(614)
Asset recognised in the balance sheet	**–**	–

The surplus in the Scheme has not been recognised since the present value of the economic benefits of the surplus on a reduction in contributions is £Nil.

The net movements in the surplus were as follows:

	2014 £000	2013 £000
At 1 May	**614**	75
Pension credit (charge) recognised in the income statement	**–**	(95)
Actuarial (losses) gains	**(2,968)**	124
Contributions	**2,383**	510
At 30 April	**29**	614

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

	2014 £000	2013 £000
At 1 May	**4,901**	4,402
Interest cost	**200**	201
Actuarial (gains) losses	**(9)**	361
Benefits paid	**(758)**	(63)
At 30 April	**4,334**	4,901

36 Retirement benefit schemes continued

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

	2014 £000	2013 £000
At 1 May	**5,515**	4,477
Expected return on Scheme assets	**200**	106
Contributions	**2,383**	510
Benefits paid	**(758)**	(63)
Actuarial (losses) gains	**(2,977)**	485
At 30 April	**4,363**	5,515

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:

	2014 Expected return %	2014 Fair value of assets £000	2013 Expected return %	2013 Fair value of assets £000
Debt instruments	**–**	**–**	1.9	5,461
Cash	**–**	**29**	1.9	54
Insurance policy	**–**	**4,334**	–	–
		4,363		5,515

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 £2,383,000 in accordance with latest actuarial advice received.

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Group was to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. The impact of this in the income statement is less than £0.1 million. Prior year numbers have not been restated as the amounts are not considered material.

36 Retirement benefit schemes continued

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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Funded status:					
Present value of defined benefit obligation	**(4,334)**	(4,901)	(4,402)	(4,832)	(4,501)
Fair value of Scheme assets	**4,363**	5,515	4,477	4,690	3,962
Surplus (deficit) in the Scheme	**29**	614	75	(142)	(539)
Experience adjustments on Scheme obligations:					
Amount	**–**	6	(75)	35	65
Percentage of Scheme obligations (%)	**0%**	0.1%	(1.7)%	0.7%	1.4%
Experience adjustments on Scheme assets:					
Amount	**(2,977)**	485	115	64	539
Percentage of Scheme assets (%)	**(68.2)%**	8.8%	2.6%	1.4%	13.6%

37 Financial instruments

The following disclosures and analysis relate to the Group's financial instruments.

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 21, 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 24 to 32.

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 21 and 22.

Foreign currency sensitivity analysis

During the year, the Group has been exposed to movements in the exchange rate between Euro and Sterling, where Sterling is the functional currency of the Group.

37 Financial instruments continued

The following tables detail the Group's sensitivity to a €0.10 (2013 – €0.10) increase and decrease in the Euro/Sterling exchange rate.

A €0.10 (2013 – €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 (2013 – €0.10) change in foreign currency rates.

2014	**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	**390,733**	**386,456**	**395,784**

2013	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	366,652	362,338	371,763

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

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 contracts. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied.

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% (2013 – 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.

2014	**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	**51,177**	**49,868**	**52,487**
Total equity	**390,733**	**389,724**	**391,744**

2013	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
Loss before taxation	(11,382)	(11,800)	(10,965)
Total equity	366,652	366,335	366,970

37 Financial instruments continued

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	2014 %	2013 %	2014 £000	2013 £000	2014 £000	2013 £000
Sterling						
In the third to fifth years inclusive	**1.02%**	–	**105,000**	–	**685**	–
Euro						
In the third to fifth years inclusive	**0.48%**	–	**206,500**	–	**(637)**	–

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 21 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.

2014	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%**	**28,326**	**–**	**–**	**–**	**28,326**
Fixed interest rate instruments	**5.00%**	**25**	**25**	**75**	**500**	**625**
Variable interest rate instruments	**2.73%**	**16,680**	**18,134**	**359,635**	**–**	**394,449**
		45,031	**18,159**	**359,710**	**500**	**423,400**

2013	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%	25,601	–	–	–	25,601
Fixed interest rate instruments	5.00%	25	25	75	500	625
Variable interest rate instruments	2.67%	15,877	9,868	389,093	–	414,838
		41,503	9,893	389,168	500	441,064

37 Financial instruments continued

At the prior year end, there were no derivative financial instruments in existence. The following table details the Group's liquidity analysis for its derivative financial instruments at 30 April 2014. It includes both liabilities and assets to illustrate how the cashflows are matched in each period.

2014	<1 year £000	2nd year £000	3-5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	**892**	**887**	**686**	**2,465**

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).

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.

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.

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.

37 Financial instruments continued

	2014 £000	2013 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	**79,564**	85,457
Allowance for doubtful receivables	**(14,470)**	(16,824)
	65,094	68,633
Ageing of trade receivables not impaired		
Not overdue	**58,687**	61,545
Past due not more than two months	**5,062**	5,023
Past due more than two months but not more than four months	**249**	517
Past due more than four months but not more than six months	**1,096**	1,548
	65,094	68,633

Before accepting any new customers, the Group will perform credit analysis 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 £355,000 (2013 – £685,000) is due from the Group's largest customer. There are no 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 £6,407,000 (2013 – £7,088,000) 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.

	2014 £000	2013 £000
Movement in the allowance for doubtful receivables		
At 1 May	**16,824**	20,378
Impairment losses recognised	**6,038**	5,894
Amounts written off as uncollectible	**(4,442)**	(5,615)
Impaired losses reversed	**(3,643)**	(4,350)
Exchange differences	**(307)**	517
At 30 April	**14,470**	16,824

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.

37 Financial instruments continued

Included in the allowance for doubtful receivables are trade receivables which have been placed under liquidation of £46,000 (2013 – £164,000).

	2014 £000	2013 £000
Ageing of impaired trade receivables		
Not overdue	**298**	481
Past due not more than two months	**1,780**	419
Past due more than two months but not more than four months	**1,315**	3,078
Past due more than four months but not more than six months	**384**	736
Past due more than six months but not more than one year	**10,693**	12,110
	14,470	16,824

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

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

38 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £6,464,000 (2013 – £7,394,000) interest payable and £5,028,000 (2013 – £Nil) royalty charge.

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 19 and 20.

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.

During the year, consultancy fees of £Nil (2013 – £55,000) were paid by Northgate España Renting Flexible S.A. to JG Astrand. The details of the consultancy are set out in the Corporate governance report on pages 54 to 56.

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 44 to 51. The fair value charged to the income statement in respect of equity-settled share-based payment transactions with the Directors is £273,000 (2013 – £299,000). 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

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Revenue: hire of vehicles	**442,271**	441,944	503,659	537,285	563,698
Operating profit	**63,539**	79,478	94,478	82,575	71,109
Net finance costs	**(12,362)**	(90,860)	(48,491)	(56,035)	(61,494)
Profit (loss) before taxation	**51,177**	(11,382)	45,987	26,540	9,615
Taxation	**(11,294)**	4,025	(5,519)	2,853	14,741
Profit (loss) for the year	**39,883**	(7,357)	40,468	29,393	24,356
Basic earnings (loss) per Ordinary share	**29.9p**	(5.5)p	30.4p	22.1p	23.1p
Dividends	**12,234**	5,719	–	–	–
Dividends per Ordinary share	**9.2p**	4.3p	–	–	–

Balance sheet

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Assets employed					
Non-current assets	**707,666**	683,190	723,675	819,082	885,124
Net current assets (liabilities)	**44,277**	56,437	(74,744)	145,170	(6,024)
Non-current liabilities	**(361,210)**	(372,975)	(282,795)	(624,493)	(573,994)
	390,733	366,652	366,136	339,759	305,106
Financed by					
Share capital	**66,616**	66,616	66,616	66,616	66,475
Share premium account	**113,508**	113,508	113,508	113,508	113,269
Reserves	**210,609**	186,528	186,012	159,635	125,362
	390,733	366,652	366,136	339,759	305,106
Net asset value per Ordinary share	**286p**	275p	275p	255p	229p

Notice of Annual General Meeting

Notice is hereby given that the one hundred and sixteenth Annual General Meeting of Northgate plc ('the Company') will be held at 60 Great Portland Street, London W1W 7RT at 11.30 a.m. on 18 September 2014 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14 to 17 will be proposed as special resolutions:

1. To receive the Directors' report and audited accounts of the Company for the year ended 30 April 2014.
2. To declare a final dividend of 6.8p per Ordinary share.
3. To approve the Directors' Remuneration Report, other than the part containing the Directors' Remuneration Policy, in the form set out on pages 37 to 51 of the 2014 Annual Report and Accounts.
4. To approve the Directors' Remuneration Policy in the form set out on pages 39 to 43 of the Directors' Remuneration Report in the 2014 Annual Report and Accounts.
5. To re-appoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting.
6. To authorise the Audit and Risk Committee to determine the remuneration of the auditor.
7. To re-elect Mr RD Mackenzie as a director.
8. To re-elect Mr AJ Allner as a director.
9. To re-elect Mr JG Astrand as a director.
10. To re-elect Miss G Caseberry as a director.
11. To re-elect Mr RL Contreras as a director.
12. To re-elect Mr CJR Muir as a director.
13. That the Board be and it is hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006 ('the Act') to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £22,000,000 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
14. That subject to the passing of Resolution 13 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 Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of s561 of the 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 (a) 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.
15. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.
16. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Companies Act 2006) of Ordinary shares of 50p each of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
    a. the maximum number of Ordinary shares hereby authorised to be acquired is 13,300,000 representing approximately 10% of the issued Ordinary share capital of the Company as at 24 June 2014;
    b. the minimum price which may be paid for any such Ordinary share is 50p;
    c. the maximum price (excluding expenses) which may be paid for any such Ordinary share is an amount equal to 105% of the average of the middle market quotations for an Ordinary share in the Company as derived from The London Stock

Exchange Daily Official List for the five business days immediately preceding the day on which such share is contracted to be purchased;

d. the authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company after the passing of this resolution unless previously renewed, varied or revoked by the Company in general meeting; and

e. the Company may make a contract to purchase its Ordinary shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority, and may purchase its Ordinary shares in pursuance of any such contract.

17. That the Regulations contained in the document submitted to the Meeting marked 'A' and signed by the Chairman of the meeting for the purposes of identification be and the same are hereby adopted as the Articles of Association of the Company to the exclusion of and in substitution for all existing Articles of Association of the Company.

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 396,101 shares representing approximately 0.3% of the issued Ordinary share capital of the Company.

24 June 2014
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 Annual General Meeting ('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 does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. 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 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours before the time of the Meeting.
4. 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 Act ('a Nominated Person'). The rights to appoint a proxy cannot 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.
5. 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.
6. 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.
7. 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 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.
8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Act, 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.
9. Members satisfying the thresholds in section 527 of the Act 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 auditor 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.
10. 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.
11. As at 24 June 2014 (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.
12. 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.
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 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 6 August 2014, 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.

Shareholder information

Classification

Information concerning day to day movements in the price of the Company's Ordinary shares can be found on the Company's website at www.northgateplc.com.

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

The Company's joint corporate brokers are Barclays Bank plc and Numis Securities Limited and the Company's Ordinary shares are traded on SETSmm.

Financial calendar

December

Publication of Half Yearly Report

January

Payment of interim dividend

March

Publication of Interim Management Statement

June

Announcement of year end results

July

Report and accounts posted to shareholders

September

Annual General Meeting
Payment of final dividend
Publication of Interim Management Statement

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