



NORTHGATE

Northgate plc

**ANNUAL REPORT
AND ACCOUNTS**

for the year ended 30 April 2017



ABOUT US

Northgate plc is the leading light commercial vehicle hire business in the UK, Spain and Ireland 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 and term basis, giving customers the ability to manage their vehicle fleet requirements without a long term commitment.

The Northgate Difference

- ☉ Option of no capital or contractual commitment
- ☉ Ease of flexing number and type of vehicles
- ☉ 24/7 support

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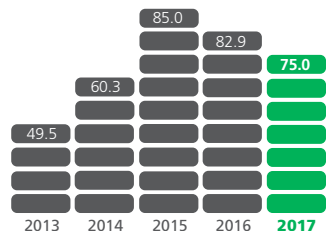
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HIGHLIGHTS

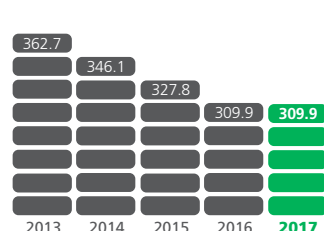


UNDERLYING FINANCIAL

PBT
(£m)



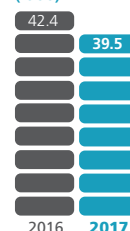
Net debt
(£m)



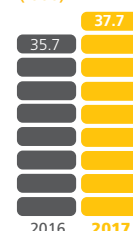
OPERATIONAL

Vehicles on Hire
Closing

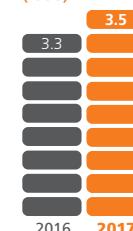
UK
('000)



Spain
('000)



Ireland
('000)



About our non-GAAP measures and why we use them

Throughout this report we refer to underlying results and measures. The underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior period without the effects of one-off or non-operational items.

Underlying measures exclude certain one-off items such as those arising due to restructuring activities and recurring non-operational items, including certain intangible amortisation.

Exceptional items are explained on [page 115](#) and Reconciliations of GAAP to non-GAAP measures are included on [page 25](#).

Navigating the Report

- For further information within this document and relevant page numbers
- Additional information online



CHAIRMAN'S STATEMENT



Our core objective is to grow shareholder value and we will do this by developing a business capable of delivering long term, sustainable and growing cash flows, achieved through a disciplined approach to deployment of capital and a rigorous focus on execution.

ANDREW PAGE | CHAIRMAN

2017 has proved a challenging year for Northgate with a number of factors impacting the Group's performance. During the year it became increasingly clear that, notwithstanding the competitive environment within which Northgate operates, there are significant opportunities for our business which need to be developed in a consistent and focused manner.

Performance

The Group's underlying profit before tax was £75m which represented a 10% decline on the previous year's £83m. The performance of our UK business was disappointing with underlying operating profits declining by £11.5m which represented a fall of 21% on the prior year. We have taken a number of actions to address this and these are set out in detail in the CEO's report. Our Spanish and Irish businesses performed well and continue to make excellent progress with good growth in vehicles on hire ("VOH") and with the potential for further growth in VOH, revenues and profits. VOH grew by 2,200 in Spain and Ireland; in the UK there was a decline of 2,900 which was particularly disappointing as we had anticipated a steadily improving pick up during the second half of the year.

Cash generation was strong with free cash flow of £43m. This provides good scope to further expand our business, including our move into term hire, and also to return cash to our shareholders in the form of increasing dividends.

Dividend

The Group remains in a strong financial position, with healthy cash generation and a robust balance sheet. This underpins our progressive dividend policy and the Board's continued confidence in the outlook for the Group means we are proposing a full year dividend of 17.3p, an increase of 8% compared to the 2016 full year dividend of 16.0p. This means a final proposed dividend of 11.6p (2016 – 10.9p).

This gives a full year dividend cover of 2.7x on underlying earnings, in line with our intention to keep cover in the range of 3.75x to 2.5x.

Board changes

During the year we appointed Kevin Bradshaw as our Group CEO. Kevin has a background in both B2B and B2C organisations and he has a strong track record of developing businesses through clear strategic direction with a focus on consistent execution. He previously led Avis UK and, more recently, was CEO of Wyevale Garden Centres, with both businesses enjoying strong profitable growth under his leadership.



The way forward

Our core objective is to grow shareholder value and we will do this by developing a business capable of delivering long term, sustainable and growing cash flows, achieved through a disciplined approach to deployment of capital and a rigorous focus on execution. Our touchstones will be cash flow and returns on investment.

There is significant potential for Northgate with opportunities to develop the business and grow revenues and profits. In several areas of our business we need to do better, with consistent and effective day to day execution. There is good demand for our product and services and we intend to harness this effectively through marketing clear customer propositions and ensuring we meet or exceed our customers' expectations. There are also previously untapped market segments which we have the infrastructure and skill set to service and I am pleased to report that we are already starting to gain good traction in the term hire segment. Under Kevin's leadership, we anticipate a significant uptick in pace, sharper focus on consistent execution and improved strategic direction. There is much to do at Northgate and significant opportunity to grow our businesses in the UK, Spain and Ireland.

Our people

I would like to record the Board's thanks to all of our 2,900 team members throughout Northgate. They are the people who, day in and day out, make sure that our customers receive a superb service and we are most grateful to them.

Outlook

Northgate is, fundamentally, a very good business with a superb group of people and an infrastructure capable of supporting significant growth. With strong leadership, clear strategic direction and a clear sense of purpose I believe that much can be achieved. The current year has started encouragingly, with some exciting prospects in the pipeline, and our team will be working hard to deliver an improved performance.

Andrew Page
Chairman

Q&A WITH THE CEO

Kevin Bradshaw



What are the three key things you have learned in your first five months with Northgate?

KB My first impressions on joining are that Northgate is a fundamentally good, well positioned business, with great people that have a real desire to serve our customers well and in turn deliver strong returns for our shareholders. There is however, work to be done and I am excited by the challenges that lie ahead.

What is your vision for the Group over the medium term?


KB Over the first five months I have managed to spend time across our network with people working in all areas of the business. I believe that the potential for Northgate is very significant and that we are a business that is capable of delivering good long term growth in cash flows with returns well ahead of our cost of capital. The strategic review on [pages 6 to 39](#) highlights four key growth priorities to deliver these returns. The first area that needs attention is, of course, the UK business and I have already started to address this with self-help actions and leadership changes.

What have been the reasons for the reduction in vehicles on hire in the UK?

KB Competition has certainly intensified but our market research concludes that the rental market has grown by c.6% a year over the last three years. Reductions in vehicles on hire in our business have been broad-based across the range of customer sizes, industry sectors and geography. Some critical key weaknesses have persisted in the execution of our sales and marketing efforts and I have put in measures to address these going forward.

What are your key sustainability priorities over the medium term?

KB We constantly strive to reduce environmental impacts to ensure we are building a sustainable business. Over the medium term I will encourage further initiatives around energy usage and waste management to ensure we continue to progress.

 Read more in our Corporate social responsibility report on [page 34](#)

How do you envisage Brexit impacting the Group?

KB It is currently unclear what, if any, impact Brexit will have on the Group. Economic growth will drive demand and on the other hand our flexible product lends itself well to periods of uncertainty. Under any scenario the Group has a secure funding base and robust balance sheet which underpins our confidence for the future.

WHY INVEST

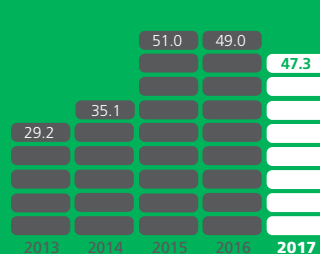
As a new investor why should I invest in Northgate?

NORTHGATE
Vehicle Hire

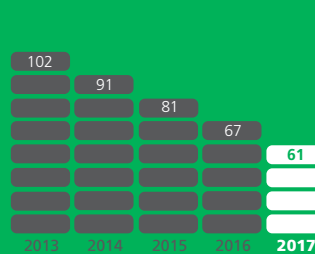
THE NORTHGATE INVESTMENT STORY

We believe that Northgate is a sound investment proposal that will return value to shareholders. Over recent years the Group has delivered a combination of earnings growth, cash generation and dividend growth.

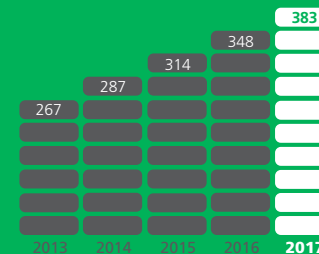
5yr EPS history chart (p)



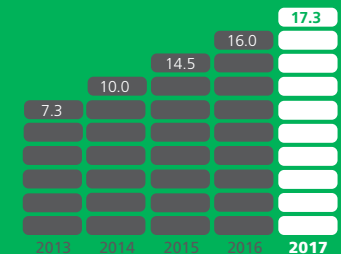
5yr Gearing history (%)



5yr Net tangible asset value per share (p)



5yr Dividend history (p)



Financial profile

- Our business is highly cash generative. After taking into account the impact of adjusting the fleet size, the Group generated £44m of underlying free cash flow in the year.
- We have a progressive dividend policy with dividend growth of 8% in the year set within a cover range of 3.75x to 2.5x in the medium term.
- We have a strong balance sheet at 61% geared and £260m of spare facility to enable future growth.
- Underlying EPS has improved over the last five years from 29.2p in 2013 to 47.3p in 2017.

Market opportunity

- Northgate is the market leading provider of light commercial vehicle flexible rental in the UK, Spain and Ireland and has been operating in this sector since 1981.
 - Read more in our Marketplace section on [page 8](#)
- The potential for growth is vast with eight million light commercial vehicles driving on the roads in the UK, Spain and Ireland.
 - Read more in our Marketplace section on [page 8](#)
- Our strategy is focused around maximising the opportunity to grow in our core markets and to expand our offer so that its appeal crosses over to the adjacent light commercial vehicle markets. High levels of customer service are at the heart of what we do, and our measure of customer satisfaction (NPS) has improved from 23% to 41% over the last three years across the Group.
 - Read more in our Strategy section on [page 10](#)

Risk management

We take a conservative view with respect to risk management. Our robust approach to risk management enables us to continually identify and assess risks to the business. Our business model enables us to respond to changes in demand and conserve cash through reducing vehicle purchases, disposing of liquid vehicle assets or ageing out our existing fleet.

Read more in our Managing risk section on [page 28](#)

STRATEGIC REPORT





This section outlines our strategic objectives. The CEO and CFO provide commentary on the Group's operational and financial performance in the year. We explain how we are performing against our Key Performance Indicators and set out the principal risks to the business as part of an overall review of our risk management procedures. Finally, we outline how the Group is managing its responsibilities to all of its stakeholders.

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MARKETPLACE

An overview of the size of the LCV market in each of the Group's three territories is as follows:



LCVs
4.2m



LCVs
3.6m



LCVs
0.3m



LCVs
8.1m

	UK		Spain		Ireland		Group	
	No. (m)	%	No. (m)	%	No. ('000)	%	No. (m)	%
LCVs								
Owned (new)	2.2	52	2.6	74	133	41	4.9	61
Owned (used)	1.4	35	0.8	21	157	49	2.4	29
Contract hired	0.4	9	0.1	4	21	6	0.5	7
Rental	0.2	4	0.1	1	12	4	0.3	3
Total	4.2	100	3.6	100	323	100	8.1	100

Northgate fleet
at 30 April 2017
('000)

46.4 **41.8** **3.9** **92.1**

SOURCE: Based on research conducted by OC&C using data from MSI, BVRLA, DFT, SIMI. Market defined as LCVs only.



The key characteristics of each major segment are outlined below:

CHARACTERISTICS	TYPICAL COMPETITORS
Acquisition (new) Long term commitment requiring availability of up-front capital or financing. Operators bear the full risk of operating the vehicle and funding running costs. The purchaser takes the risk of the residual value of the vehicle. Can be the cheapest headline cost, but overall holding cost can be higher if vehicles are not utilised or vehicle failure leads to a significant cost of business interruption.	Franchised dealers.
Contract hire Long term contractual commitment (typically a minimum of 36 months). Penalties for early return of vehicles and excess mileage usage. Varying levels of operational support offered at additional cost.	Large companies often backed by financial institutions.
Flexible rental No contractual or capital commitment coupled with operational flexibility and fleet management support. Vehicles are usually supplied fully inclusive of maintenance and without penalty for excess mileage.	Some national companies but predominantly small regional operators.
Daily rental Flexible, satisfying short term requirements at short notice, normally the highest headline cost as a result.	A combination of large multinationals down to small local operators.
Acquisition (secondary market) Typically sold directly to owner managed businesses who may have capital constraints.	Franchised dealers and some national retailers down to small local operators and individual traders. Auction houses selling directly to the trade.

The annual growth rate (AGR) of the market over the last three years has been as follows:

	UK %	Spain %	Ireland %
Owned – new	4	(1)	4
Owned – used	2	(1)	4
Contract hired	9	4	4
Rental	6	1	11
Northgate*	(5)	3	20
GDP growth#	2.4	(2.9)	5.8

SOURCE: Based on research conducted by OC&C using data from MSI, BVRLA, DFT, SIMI.

* Comparing April 2014 to April 2017.

Calendar year 2013 to 2016 other than for Ireland which compares calendar year 2013 to calendar year 2015 due to availability of data.

We have no individual sector focus – our customer portfolio broadly mirrors the wider economy (excluding professional services).

OUR STRATEGY

GROWTH OPPORTUNITIES

CAPABILITIES

FLEXIBLE
SHARE
GAIN

FIXED
TERM SHARE
GAIN

FIXED
TERM
(SUBSTITUTE
OWNED)

VEHICLE
SALES

Brand

NORTHGATE VEHICLE HIRE / BROADEN/DRIVE AWARENESS / ATTRIBUTES

← BRAND AWARENESS →

Digital

DIGITAL CUSTOMER ACQUISITION

Product Management

← INNOVATION + LAUNCH →

Talent / Culture

← PRICE AGILITY /
LOW COST

INNOVATE / TEST / LEARN

→ NETWORK
EXPANSION

← STRONG COMMERCIAL ACCUMEN →

Information Technology

← SYSTEM EFFICIENCY AND DEVELOPMENT →



Strategic linkage

Our strategy forms the basis of everything we do. Our four key areas of strategic focus link to other areas of this report as follows:

Area of strategic focus	Business model ¹ (BUY, MANAGE, SELL)	Key enablers (from business model)	Key performance indicators ²	Principal risks and uncertainties ³
Flexible share gain	BUY, MANAGE	Employees	① ② ③ ④ ⑤ ⑥	① ② ③ ④ ⑤ ⑥
Fixed term share gain	BUY, MANAGE	Employees	① ② ③ ④ ⑤ ⑥	① ② ③ ④ ⑤ ⑥
Fixed term (substitute owned)	BUY, MANAGE	Employees	① ② ③ ④ ⑤ ⑥	① ② ③ ④ ⑤ ⑥
Vehicle sales	SELL	Employees	① ② ③ ④ ⑤ ⑥	① ② ③ ④ ⑤

¹ See page 12

² See page 26

³ See page 28



OUR BUSINESS MODEL

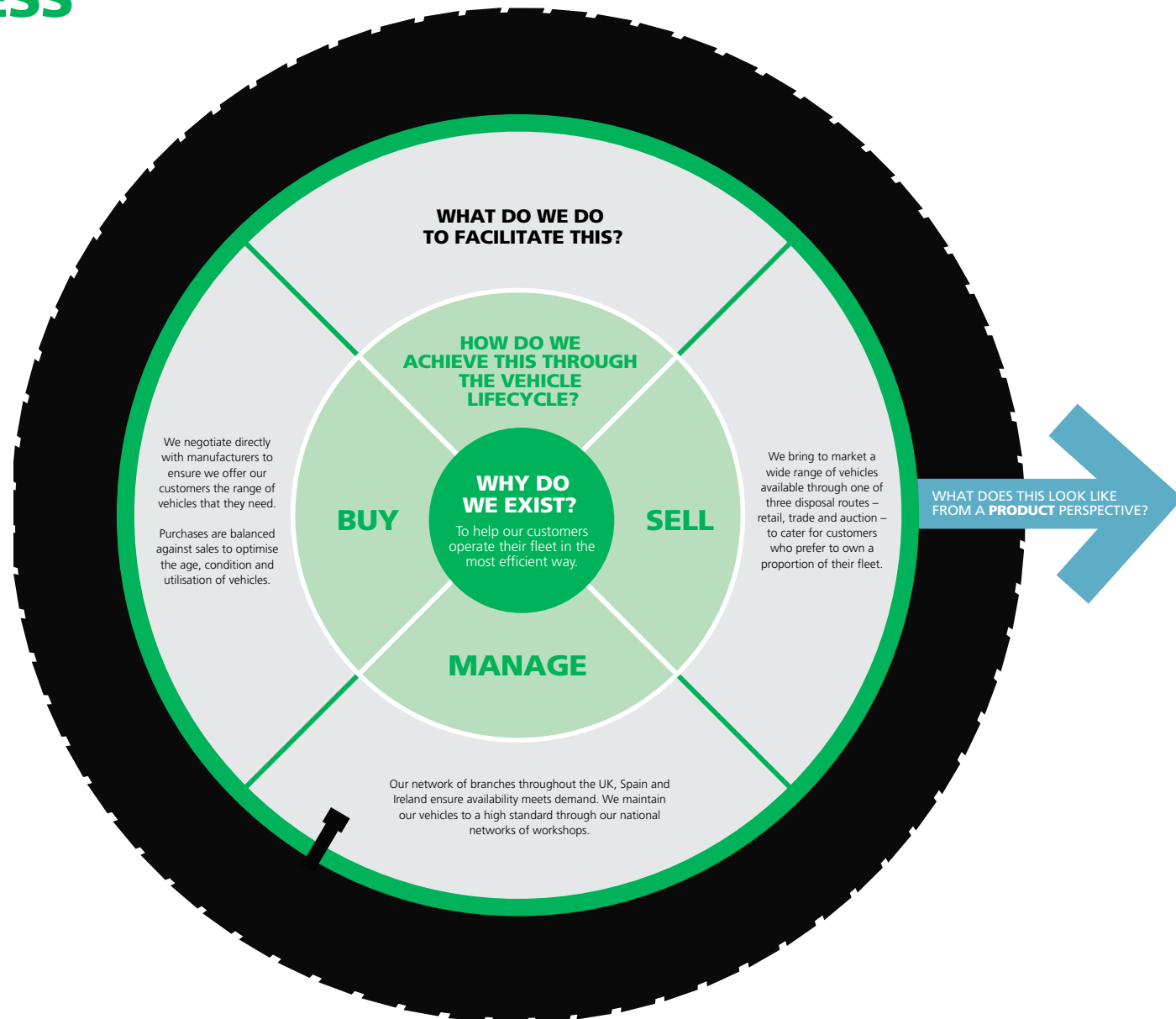
Our reason for being covers two main areas:

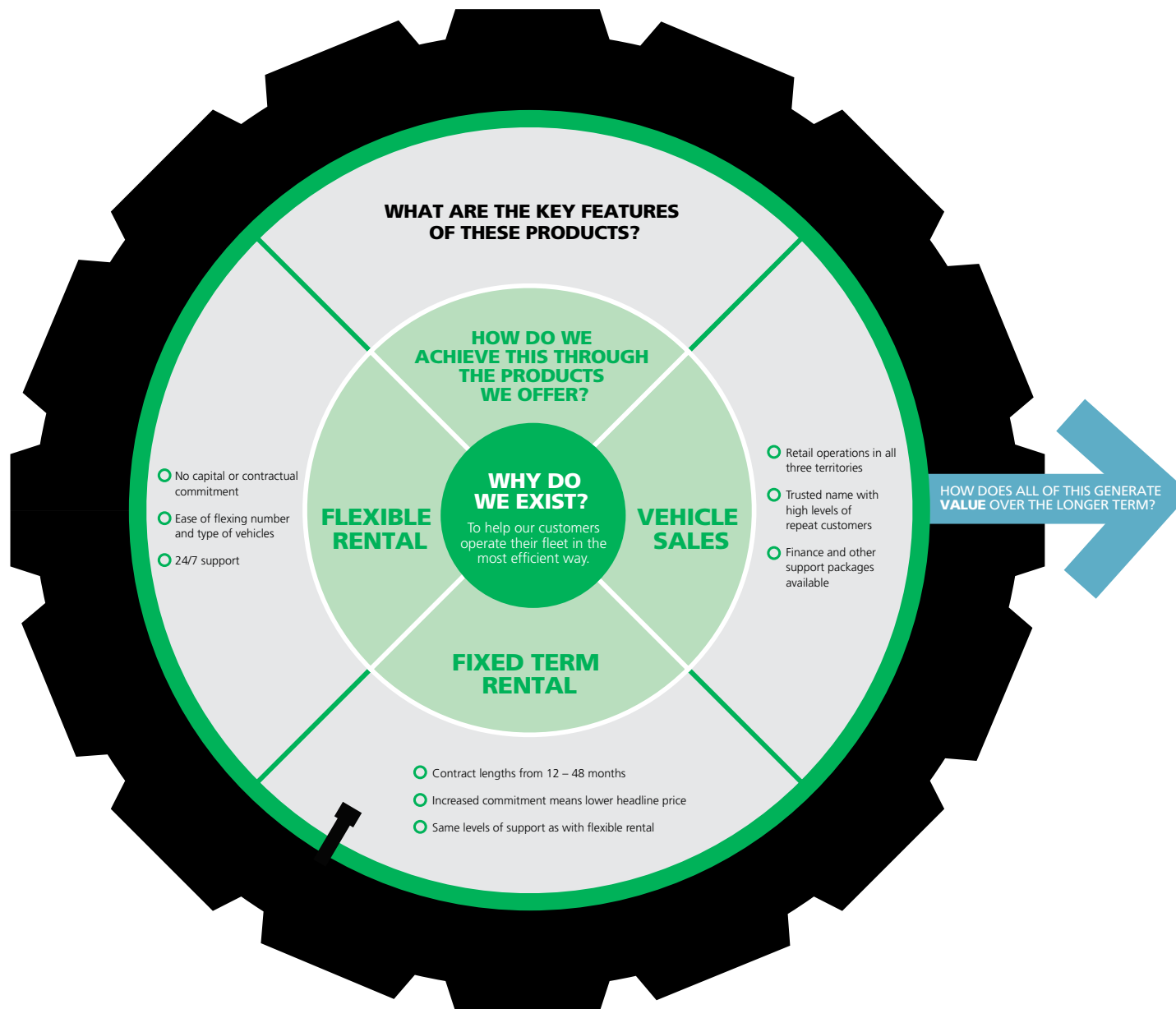
- To help our customers operate their fleet in the most efficient way; and
- To provide significant returns to our shareholders.

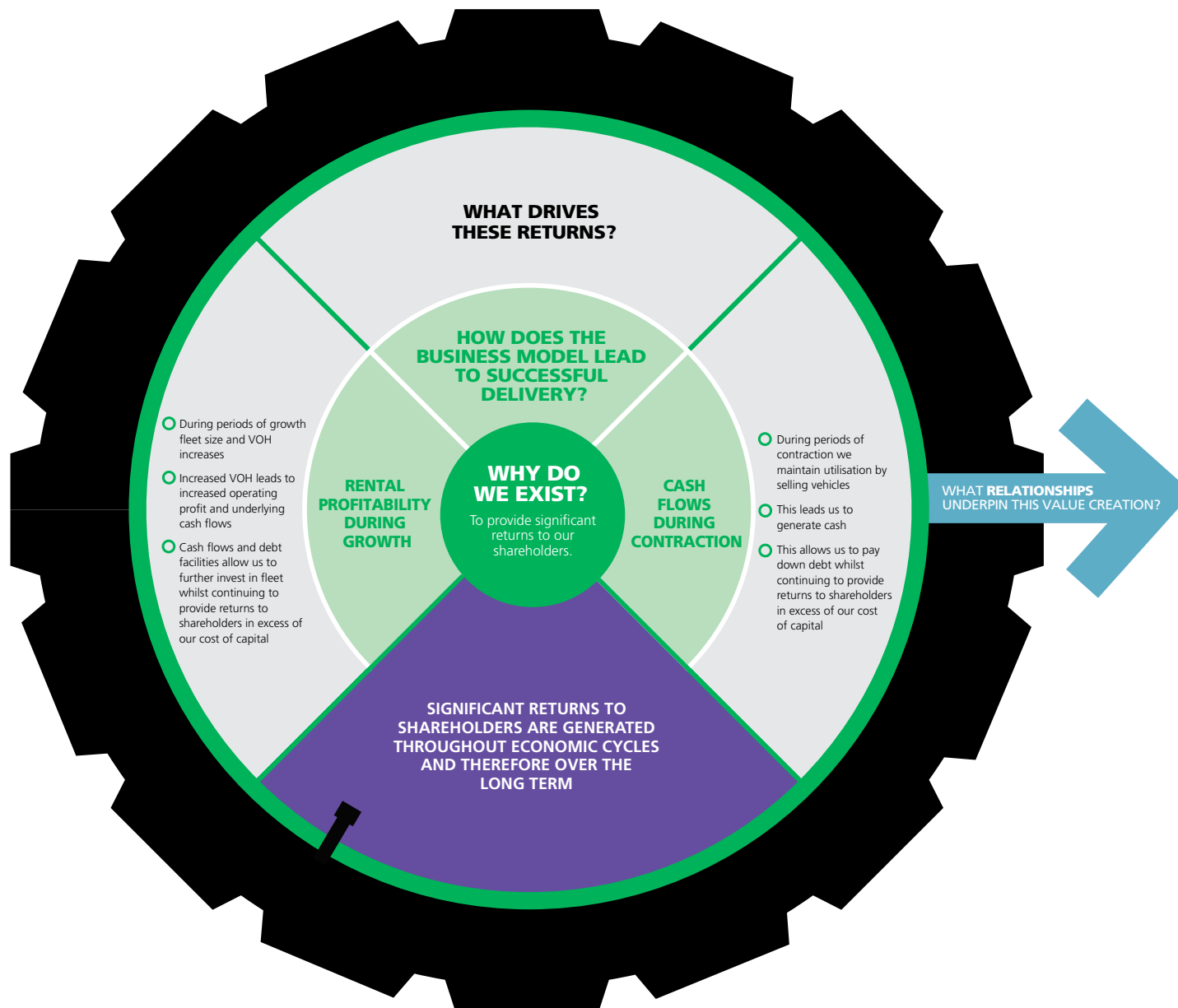
We achieve the first through managing our vehicles through their life cycle and the products that we offer. We achieve the second through honing our business model to generate returns through the economic cycle.

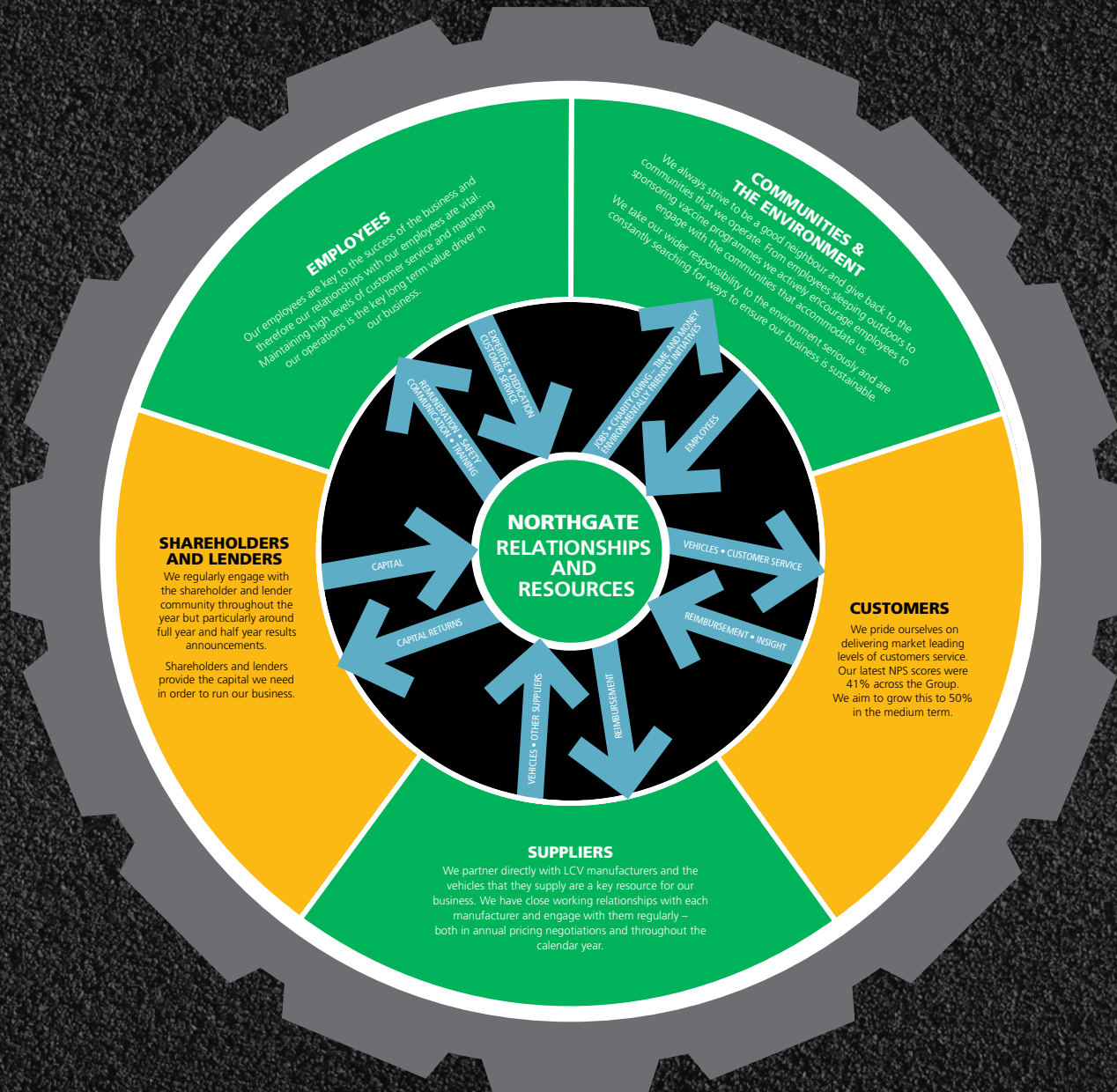
Maintaining key relationships is vital for the business to exist and achieve its objectives. These relationships are covered further in our Corporate social responsibility report.

 See pages 34 to 38









- REASON FOR BEING RELATIONSHIPS
- SUPPORTING RELATIONSHIPS

For further information on our capital allocation strategy see the Chairman's statement on [pages 2 to 3](#)

CHIEF EXECUTIVE OFFICER'S REVIEW



I have undertaken an initial strategic review of the Group and it is clear that there is scope for significant growth within both our current and adjacent markets.

KEVIN BRADSHAW | CEO

Group

Since joining Northgate in January 2017 I have been impressed by the professionalism and hardworking attitude of all our team members. Northgate's business model and market position is robust and we are well positioned to take advantage of significant growth opportunities that exist.

I have undertaken an initial strategic review of the Group and it is clear that there is scope for significant growth within both our current and adjacent markets.

Today, we operate in territories with eight million LCVs that are supplied to customers via three fulfilment models: 'ownership' where the vehicle is purchased; 'contract hire' where the vehicle is hired for a committed term, typically of several years and 'rental' where the vehicle is hired and can be returned at will.

	Market revenue £bn	Growth 2013-2016 % CAGR
Ownership – bought from used	7.4	1.9%
Ownership – bought from new	5.0	0.8%
Contract hire	2.0	8.1%
Rental	1.1	5.8%
Total	15.5	1.7%
UK	10.3	
Spain	4.6	
Ireland	0.6	
Total	15.5	

Based on research conducted by OC&C using data from MSI, BVRLA, DFT, SIMI. Used vehicle transactions reflect primary transactions only. Market defined as LCV only.

The LCV purchase, contract hire and rental markets together generate annual revenues of c.£16bn across our three territories. Today, we participate in c.£11bn of this spanning rental, contract hire and second hand LCV trading.

Growth in the contract hire and rental markets has been particularly strong driven and is driven by three factors:

- First, by a cultural shift away from asset ownership, as customers feel less need to own vehicles outright;
- Second, through the attraction of a low initial deposit followed by certainty in ongoing cash flows afforded by contract hire and rental models versus a high initial cash outlay coupled with uncertainty around the residual value associated with outright purchase; and
- Third, by the attraction of lower 'whole life costs' as third party provision of vehicles and the management of them results in lower overall costs for the customer than direct ownership.

We believe that these factors are driving a structural trend in the market that will underpin strong growth for the contract hire and rental sectors in the coming years.

Blending this market analysis with a review of our relative competitive advantage in each segment has identified four attractive growth opportunities in areas where we have the ability to win.

1. Defend and grow share of flexible rental markets

We have prioritised defence and growth of our position in flexible rental. In a £1bn market with volumes growing at 6% per annum and with an overall volume share of 31%, we see continued opportunity to build on our leadership position here and deliver further strong profitable growth.

2. Gain share in fixed term markets

We see a significant opportunity to grow our share of the contract hire market. At £2bn in market revenue, with volumes growing at 8% per annum and both EBIT margins and return on capital similar to that of flexible rental, we see an outstanding opportunity to grow from a position of low market share today. We see this as a natural adjacency requiring limited variations in our operating model to serve it and with substantial opportunities to cross sell within our existing customer base.

3. Converting ownership model to fixed term rental

We see large untapped potential in converting customer fulfilment from 'ownership' to 'contract hire' instead. With c.£12bn in sales from 1.2m annual transactions in new and second hand LCV trading in our territories, we believe that attractive EBIT margins are achievable from sales volumes that are converted to term hire. Each year, 450,000 of these sales transactions are financed at the point of sale and present a priority to target with a term hire alternative. We see significant tailwinds supporting this conversion as a result of the structural market trends identified.

4. Consolidating a fragmented UK used LCV resale market

We see a substantial opportunity to consolidate the highly fragmented second hand LCV trading market in the UK. In a £5bn market, Northgate has just 2.5% market share through Van Monster. We believe Van Monster has significant potential and is currently under exploited. We see several opportunities to increase the supply of stock to Van Monster, and to drive significant digital and network expansion of the business. While this market currently operates on thinner EBIT margins, very high asset turn ensures that strong returns on capital are delivered.



CHIEF EXECUTIVE OFFICER'S REVIEW

CONTINUED



UK

Underlying operating profit for the year was £43.9m compared to £55.4m in the prior year. This was mainly attributable to 6% lower average vehicles on hire. Closing vehicles on hire were 39,500, a reduction of 2,900 since April 2016.

Closing vehicles on hire growth (reduction)	H1	H2	Total
Year ended 30 April 2017	100	(3,000)	(2,900)
Year ended 30 April 2016	(1,300)	(2,000)	(3,300)

This marks a disappointing second half performance in the UK following growth in the first six months of the year. Whilst the first half peak reflected some seasonal business, we expected the recovery in the final quarter to be stronger than was experienced.

Some key weaknesses have persisted which have contributed to this performance, namely:

- Leadership: aligning business priorities to the changing dynamics of the market;
- Marketing: insufficient lead generation, digital innovation and customer data acquisition;
- Sales: insufficient time in front of customers, price inflexibility and conversion of opportunities;
- Talent: fragmented leadership and insufficient access to strong commercial talent; and
- IT: legacy systems are inflexible, not supporting required changes.

A number of self-help actions have already been taken to fix these weaknesses:

- New leadership appointments in the UK executive team to Managing Director, Sales Director and Marketing Director roles;
- Tactical changes in sales and marketing, introducing enhanced pricing flexibility and re-directing spend in lead generation through telesales and digital channels;
- Formation of a small commercial centre in Reading in order to access a wider talent pool and work collaboratively; and
- Replacement of core IT systems is underway.

These changes will start to have an impact in the new financial year and are crucial to the future success of the business; they will continue to form the foundation of the Group's strategic priorities.

All investments made will be self-funded through the delivery of business wide efficiencies and improved agility to drive growth.

Spain

Underlying operating profit for the year was £42.6m compared to £41.3m in the prior year. On a constant currency basis, operating profit decreased by £4.2m compared to the prior year. This included a £1.6m impact of depreciation rate changes, a £1.2m increase in bad debts due to trading difficulties of three large customers and a £0.7m increase in fleet insurance due to legislative changes. The remaining difference was due to managing a younger fleet and dealing with a higher level of transactional churn within flexible rental.

Closing vehicles on hire growth	H1	H2	Total
Year ended 30 April 2017	500	1,500	2,000
Year ended 30 April 2016	100	–	100

The net growth in closing vehicles on hire of 2,000 vehicles includes a 1,900 reduction from the run out of legacy fixed term contracts. Of the underlying growth, 800 related to flexible contracts and 3,100 related to vehicles put on new fixed term contracts since the product was launched earlier in the year.

The growth in flexible rental was held back by the ongoing uncertainties in the political arena as the Central Government budget approval was deferred. The successful launch of our fixed term offer is very encouraging and this momentum has been carried through into the new financial year.

Ireland

Underlying operating profit for the year was £3.2m compared to £2.8m in the prior year. On a constant currency basis operating profit was £0.1m higher than the prior year.

Closing vehicles on hire growth (reduction)	H1	H2	Total
Year ended 30 April 2017	300	(100)	200
Year ended 30 April 2016	300	–	300

The growth in average vehicles on hire of 11% did not drop through to the bottom line due to the challenge of operating a national fleet from our Dublin hub. Ireland has experienced significant growth in the last five years but this has been partly achieved in regional areas which are not currently supported by internal workshops and other operations. Investments will now be made in the infrastructure of the business to provide a platform for future profitable growth.

Fixed term rental

Since the launch of the new fixed term offer in the year 3,500 vehicles have been put on hire as follows:

	Contracts signed (VOH)	VOH at 30 April 2017	New customers	Existing customers	Average VOH per customer	Average contract length
Spain	3,847	3,130	928	537	2	31 months
UK	269	269	17	16	8	22 months
Ireland	62	62	11	30	2	13 months

The fixed term offer was fully launched in Spain, following a successful trial in the first half of the year. Trials in the UK and Ireland in the second half were also successful and a full product launch will now take place.

Group Outlook

I have confidence in the measures that have been taken to arrest the decline in vehicles on hire in the UK. Our Spanish business continues to trade well and, consequently, I expect the Group to grow vehicles on hire over the course of this current financial year.

On the basis of an initial strategic review, we have identified four clear growth priorities in markets that are attractive and where we believe we have the ability to win. The fixed term opportunity is particularly exciting and we will build on our good progress this year which saw over 4,100 vehicle contracts signed.

As we further develop the strategies and implementation plans for these priorities, I have significant confidence in the prospects for Northgate over the coming years.

Kevin Bradshaw

Chief Executive Officer

FINANCIAL REVIEW



Our objective is to build shareholder value by generating returns above our cost of capital.

PADDY GALLAGHER | CFO

Group Summary

A summary of the Group's financial performance for 2017 with a comparison to 2016, is shown below:

	2017 £m	2016 £m	Change £m	Change %
Revenue	667.4	618.3	49.1	7.9
Underlying operating profit	84.6	94.3	(9.7)	(10.3)
Underlying profit before tax	75.0	82.9	(7.9)	(9.6)
Underlying EPS	47.3p	49.0p	(1.7)p	(3.5)
Dividend per share	17.3p	16.0p	1.3p	8.1
Underlying free cash flow	44.0	48.4	(4.4)	(9.0)

On a statutory basis, operating profit was £81.5m (2016 – £90.6m) and profit before tax was £72.2m (2016 – £77.6m). Basic earnings per share were 45.7p (2016 – 46.1p). Net cash generated from operations, including net capital expenditure on vehicles for hire, was £47.8m (2016 – £73.7m).

Group revenue increased by 7.9% to £667.4m or 2.7% at constant exchange rates.

The weakened Sterling across the year increased profit before tax by £5.2m compared to the prior year.

The impact of previous changes to depreciation rates decreased underlying

profit before tax by £5.7m compared to the prior year.

Excluding both of these impacts underlying profit before tax was £7.4m lower than the prior year.

The accounting requirements to adjust depreciation rates due to changes in expectations of residual values of used vehicles make it more difficult to identify the underlying profit trends in our business.

The impact on operating profit since changes were first made in the year ended 30 April 2013, including the estimated impact on future periods is as follows:

Year:	Cumulative impact Group £m	Year-on-year impact		
		Group £m	UK £m	Spain £m
30 April 2013	5.3	5.3	5.3	–
30 April 2014	4.3	(1.0)	(1.0)	–
30 April 2015	15.7	11.4	8.4	3.0
30 April 2016	12.0	(3.7)	(5.9)	2.2
30 April 2017	6.3	(5.7)	(4.1)	(1.6)
30 April 2018*	2.1	(4.2)	(2.7)	(1.5)
30 April 2019*	–	(2.1)	–	(2.1)

* Management estimates



Free cash flow was £42.9m (2016 – £62.9m) after net capital expenditure of £174.1m (2016 – £155.5m). If the impact of increasing or reducing the fleet size in the year is removed from net capital expenditure in each year, the underlying free cash flow of the Group was £44.0m (2016 – £48.4m).

Net cash generation was £21.0m (2016 – £42.8m). After an adverse exchange rate impact of £20.5m (2016 – £16.1m), closing net debt was £309.9m (2016 – £309.9m) and gearing was 61% (2016 – 67%).

UK

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

	2017 £m	2016 £m	Change £m	Change %
Revenue				
Vehicle hire	272.2	290.7	(18.5)	(6.4)
Vehicle sales	144.0	123.4	20.6	16.7
	416.2	414.1	2.1	0.5
Operating profit	43.9	55.4	(11.5)	(20.8)
Operating margin	16.1%	19.1%		

A decrease in hire revenue of 6.4% was primarily driven by a decrease in the average number of vehicles on hire of 6.3%.

The impact of previous changes to depreciation rates decreased operating profit by £4.1m compared to the prior year.

The increased volume of vehicles sold was offset by a higher net book value per vehicle sold as a result of previous depreciation

rate changes. The total impact was a £4.8m decrease in operating profit compared to the prior year. This equates to a PPU of £703 compared to £979 in the prior year.

Spain

The revenue and operating profit generated in Spain is shown below:

	2017 £m	2016 £m	Change £m	Change %
Revenue				
Vehicle hire	163.4	140.8	22.6	16.1
Vehicle sales	63.2	44.1	19.1	43.4
	226.6	184.9	41.7	22.6
Operating profit	42.6	41.3	1.3	3.2
Operating margin	26.1%	29.3%		

FINANCIAL REVIEW

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The increase in hire revenue of 16.1% benefitted from weaker Sterling across the year. At constant exchange rates hire revenue grew by 1.2% as average vehicles on hire were 1.3% higher compared to the previous year.

Weaker Sterling across the year benefitted operating profit by £5.5m. The impact of previous changes to depreciation rates decreased operating profit by £1.6m compared to the prior year.

An increased volume of vehicles sold was offset by the impact of depreciation rate changes and a higher net book value of selling younger vehicles, contributing £1.0m to the decrease in operating profit compared to the prior year. In Euros this equates to a PPU of €1,589 compared to €2,102 in the prior year.

Corporate

Underlying corporate costs were £5.1m (2016 – £5.1m).

Interest

Net underlying finance charges for the year were £9.6m (2016 – £11.4m).

The net cash interest charge for the year was £9.0m (2016 – £10.1m) benefitting by £1.3m from lower levels of net borrowings, £0.6m in relation to the tax settlement in Spain partially offset by £0.1m of higher pricing and £0.7m of adverse movements in foreign exchange rates.

Non-cash interest reduced by £0.7m to £0.6m (2016 – £1.3m).

Taxation

The Group's underlying and statutory effective tax rate was 16% (2016 – 21%).

Earnings per share

Underlying EPS was 47.3p compared to 49.0p in the prior year.

Underlying earnings for the purpose of calculating EPS were £63.0m (2016 – £65.4m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the prior year.

Exceptional items

During the year £1.0m of exceptional net costs were incurred (2016 – £3.3m) of which £2.2m related to restructuring costs and a £1.2m credit related to the settlement of an historic tax case in Spain.

Dividend and capital allocation

Subject to approval, the final dividend proposed of 11.6p per share (2016 – 10.9p) will be paid on 23 September 2017 to shareholders on the register as at close of business on 11 August 2017.

Including the interim dividend paid of 5.7p (2016 – 5.1p), the total dividend relating to the year would be 17.3p (2016 – 16.0p). The dividend is covered 2.7x by underlying earnings.



Our objective is to build shareholder value by generating returns above our cost of capital. We will allocate capital within our business in accordance with the framework outlined below, with our first priority being to allocate capital to support our growth ambitions:

1. Investment for growth in existing network
2. Investment in new sites
3. Provide regular returns to shareholders
4. Acquisitions
5. Return of surplus cash

We will continue to maintain our balance sheet within the target leverage range of 1.25 to 1.85 times net debt to EBITDA, although we are prepared to move temporarily outside of this range if circumstances warrant it. This is consistent with our objective of maintaining a balance sheet that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

FINANCIAL REVIEW

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Cash flow

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

	2017 £m	2016 £m
Underlying operational cash generation	238.3	242.8
Net capital expenditure	(174.1)	(155.5)
Net taxation and interest payments	(21.2)	(18.8)
Share purchases and refinancing costs	(0.1)	(5.6)
Free cash flow	42.9	62.9
Dividends	(21.9)	(20.1)
Net cash generated (outflow)	21.0	42.8

A total of £346.3m was invested in new vehicles compared to £296.2m in the prior year. The Group's new vehicle capital expenditure was partially funded by £177.0m generated from the sale of used vehicles (2016 – £145.9m). Other net capital expenditure amounted to £4.8m (2016 – £5.2m).

All vehicles required for the Group's operations are paid for in cash up-front. The cash flow generation of the Group in any year is therefore influenced by the capital expenditure to grow the business or cash generated by adjusting the fleet size downwards if vehicles on hire reduce. If the impact of increasing or reducing the fleet size in the year is removed from net capital expenditure, the underlying free cash generation of the Group was as follows:

	2017 £m	2016 £m
Free cash flow	42.9	62.9
Add back: Adjustment to net capital expenditure for (contraction) growth in fleet size	1.1	(14.5)
Underlying free cash flow	44.0	48.4

Net debt reconciles as follows:

	2017 £m	2016 £m
Opening net debt	309.9	337.8
Net cash (generated) outflow	(21.0)	(42.8)
Other non-cash items	0.5	(1.2)
Exchange differences	20.5	16.1
Closing net debt	309.9	309.9

Excluding the £20.5m impact of foreign exchange net debt reduced by £20.5m.

Borrowing facilities

As at 30 April 2017 the Group had £312m drawn against total committed facilities of £572m, giving headroom of £260m, as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing cost
UK bank facility	451	216	235	Jun-20	2.33%
Loan notes	84	84	–	Aug-22	2.38%
Other loans	37	12	25	May-17 to Nov-17	0.93%
	572	312	260		2.17%

The overall cost of borrowings at 30 April 2017 is 2.17% (2016 – 2.14%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.50% to a maximum of 2.25%. The net debt to EBITDA ratio at 30 April 2017 corresponds to a margin of 1.75%.

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 2.16% (2016 – 2.23%) giving an overall cost of bank borrowings (gross of cash balances) at 30 April 2017 of 2.16% (2016 – 2.12%).

The other loans consist of £11.5m of local borrowings in Spain and £0.5m of preference shares.



FINANCIAL REVIEW

CONTINUED

The split of borrowings (gross of cash balances and excluding overdrafts) by currency is as follows:

	2017 £m	2016 £m
Euro	256	257
Sterling	76	75
Borrowings before unamortised arrangement fees	332	332
Unamortised arrangement fees	(2)	(3)
	330	329

There are three financial covenants under the Group's facilities which remain unchanged and are as follows:

	Threshold	April 2017	Headroom	April 2016
Interest cover	3x	9.23x	£56m (EBIT)	9.13x
Loan to value	70%	37%	£289m (Net debt)	39%
Debt leverage	2x	1.31x	£84m (EBITDA)	1.33x

Balance sheet

Net tangible assets at 30 April 2017 were £509.7m (2016 – £463.4m), equivalent to a net tangible asset value of 383p per share (2016 – 348p per share).

Gearing at 30 April 2017 was 61% (2016 – 67%).

Return on capital employed was 10.5% (2016 – 12.2%).

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 our 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 outlined 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 subsidiaries are financed by a combination of retained earnings and 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.

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 97% at 30 April 2017 (2016 – 91%).

Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (62%) is generated in, 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:

	2017 £ : €	2016 £ : €
Average	1.18	1.35
Year end	1.18	1.28

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries 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. At 30 April 2017 70% of Euro net assets were hedged against Euro borrowings (2016 – 78%).

Going concern

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Paddy Gallagher

Chief Financial Officer

GAAP RECONCILIATION

A reconciliation of GAAP to non-GAAP underlying measures is as follows:

	Group 2017 £000	Group 2016 £000
Profit before tax	72,222	77,632
Add back:		
Restructuring costs	2,189	1,777
Intangible amortisation	1,830	1,979
Spain tax settlement	(1,235)	–
Refinancing costs	–	1,561
Underlying profit before tax	75,006	82,949
	Group 2017 £000	Group 2016 £000
Profit for the year	60,901	61,479
Add back:		
Restructuring costs	2,189	1,777
Intangible amortisation	1,830	1,979
Spain tax settlement	(1,235)	–
Refinancing costs	–	1,561
Tax on exceptional items and intangible amortisation	(686)	(1,446)
Underlying profit for the year	62,999	65,350
Weighted average number of Ordinary shares	133,232,518	133,232,518
Underlying basic earnings per share	47.3p	49.0p
	Group 2017 £000	Group 2016 £000
Operating profit	81,482	90,563
Add back:		
Restructuring costs	2,189	1,777
Intangible amortisation	1,830	1,979
Spain tax settlement	(896)	–
Underlying operating profit	84,605	94,319

	UK 2017 £000	Spain 2017 £000	Ireland 2017 £000	Corporate 2017 £000	Eliminations 2017 £000	Group 2017 £000
Underlying operating profit (loss)	43,886	42,607	3,233	(5,121)	–	84,605
Divided by: Revenue: hire of vehicles	272,168	163,419	21,528	–	(995)	456,120
Underlying operating margin	16.1%	26.1%	15.0%	–	–	18.5%

	UK 2016 £000	Spain 2016 £000	Ireland 2016 £000	Corporate 2016 £000	Eliminations 2016 £000	Group 2016 £000
Underlying operating profit (loss)	55,392	41,267	2,759	(5,099)	–	94,319
Divided by: Revenue: hire of vehicles	290,714	140,781	16,691	–	(1,052)	447,134
Underlying operating margin	19.1%	29.3%	16.5%	–	–	21.1%

	Group 2017 £000	Group 2016 £000
Net (decrease) increase in cash and cash equivalents	(328)	5,586
Add back:		
Receipt of bank loans and other borrowings	–	(70,410)
Repayments of bank loans and other borrowings	21,369	107,653
Net cash generated (outflow)	21,041	42,829
Add back: Dividends paid	21,875	20,114
Free cash flow	42,916	62,943
Add back: Adjustment to net capital expenditure for growth (contraction) in fleet size	1,127	(14,545)
Underlying free cash flow	44,043	48,398

KEY PERFORMANCE INDICATORS

		FINANCIAL		OPERATIONAL			
DESCRIPTION	1	2	3	4	5	6	
	<p>Earnings</p> <p>Underlying PBT and EPS are key measures of profitability.</p>	<p>Return on Capital Employed (ROCE)</p> <p>In a capital intensive business ROCE is an important measure of performance.</p>	<p>Asset management</p> <p>Utilisation needs to be optimised in order to be operationally efficient but must also be balanced against the need to have fleet available to meet customer demand.</p>	<p>Vehicle disposals</p> <p>The disposal channels we use are key to minimising the whole life holding cost of vehicles.</p>	<p>Customer service</p> <p>The average number of vehicles on hire during the year is the primary driver of hire revenue.</p> <p>In order to grow the business we must deliver the highest levels of customer service to set us apart from our competitors. NPS is used as a key measure to monitor customer satisfaction.</p>	<p>Staff retention</p> <p>Attracting, retaining and developing the right people is key to the successful delivery of our strategy. Staff turnover is a key measure for monitoring performance in this area.</p>	
PERFORMANCE	<ul style="list-style-type: none"> Underlying PBT was £75.0m (2016 – £82.9m). Underlying EPS was 47.3p (2016 – 49.0p). 	<ul style="list-style-type: none"> ROCE was 10.5% (2016 – 12.2%). 	<ul style="list-style-type: none"> Group utilisation was 89% (2016 – 89%). 	<ul style="list-style-type: none"> We disposed of 33,800 vehicles across the Group (2016 – 30,500). 	<ul style="list-style-type: none"> The average number of vehicles on hire across the Group was 80,800 (2016 – 82,800). The reduction arose in the UK, offset by increases in Spain and Ireland. NPS for the Group was 41% (2016 – 43%). 	<ul style="list-style-type: none"> Group staff turnover was 20% (2016 – 23%). 	

BUSINESS MODEL LINK	RISK FACTOR LINK						TARGET
	Buy	Manage	Sell				
							<ul style="list-style-type: none"> PBT and EPS will be affected by the depreciation rate change unwind in the short term and are then targeted to increase.
							<ul style="list-style-type: none"> In the short term, as the business expands and the impact of previous depreciation rate changes continue to impact results, ROCE will be adversely impacted. Over the longer term the margin of ROCE in excess of our cost of capital is targeted to exceed levels previously achieved.
							<ul style="list-style-type: none"> We continue to target utilisation levels above 90%.
							<ul style="list-style-type: none"> We continue to target improvements in our vehicle disposal capabilities by optimising the age and channel of disposal.
							<ul style="list-style-type: none"> Growth in vehicles on hire is a primary objective of the Group. However, this is only sought where appropriate returns exist. Our target is to achieve an NPS in excess of 50% across the Group.
							<ul style="list-style-type: none"> We aim to manage staff turnover to a percentage below industry standards.

MANAGING RISK



There is a formal governance structure underpinning our approach to risk management. Key roles and responsibilities within the structure are as follows:

Board

The Board has overall responsibility for risk management and internal control and instilling the culture towards risk management throughout the Group. The Board manages this through the Audit and Risk Committee, who report to the Board.

Audit and Risk Committee

The Audit and Risk Committee reviews the Group's risk appetite. The Committee sets the objectives, monitors and reviews the activities of Group Internal Audit and oversees the Group's whistleblowing arrangements. The Committee monitors the Group's risk management processes focusing on the effectiveness of internal controls and business continuity procedures, including cyber risk.

Executive Committee

The Executive Committee is chaired by the CEO. More details on the role of the Executive Committee is in the Introduction to governance on [page 45](#). The regional executive teams report on risks to the Executive Committee, which forms the backdrop to the strategic review held in this forum.

Group Internal Audit

Group Internal Audit are responsible for the monitoring of the Group's risk management approach and provide a link between regional management and the Audit and Risk Committee. The Group Head of Internal Audit reports formally to and attends the meetings of the Audit and Risk Committee and has direct access to the Chairman of the Board and to all members of the Audit and Risk Committee.

In addition to risk-based standardised site audits, Group Internal Audit facilitate the risk management process by meeting with risk owners to monitor risk, discuss new risks arising and to ensure that risks monitored and reported on are consistent across the Group.

Regional Executive Teams

Regional Executive Teams are responsible for implementing risk management within the Group's operations. Regional management identify, analyse, manage and report on the risks that the businesses face as part of a continuous dialogue with Group Internal Audit.

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 Regional Executive Teams at their monthly meetings.

Our internal and external risk environments require a dynamic, proactive approach to risk. The Group's risk appetite is approved by the Board and this culture is disseminated throughout the organisation. The Group takes a conservative view on risk overall. There is an ongoing process of risk identification, analysis and mitigation by the Board and throughout the Group with reporting back upwards.



The Board can therefore 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 this annual report and accords with corporate governance guidance and therefore the Board has performed a robust assessment of the principal risks facing the Group.

Review of risk management and internal control systems

During the previous year the Board engaged a third party to perform a review of the Group's processes and procedures to supplement and bring an alternative perspective from that of the Board. The findings of this review contained a number of recommendations. During this year work has continued on implementing these recommendations and embedding the good practice recommendations received so that they become business as usual as part of our risk management processes.

Risk appetite

Risk is always high on the Board's agenda and the focus on effective risk management cascades all the way through the organisation. The culture of the organisation ensures that all activities from day-to-day operations to high level strategic decisions are performed in line with this approach.

Management's assessment of our principal risks is based on impact, likelihood, change from the prior year and appetite.

The governance of risk is undertaken in the context of the Group's overall risk appetite. The Group considers risk appetite to ensure adequate resources are allocated to the correct risks. During the year the Audit and Risk Committee reviewed the Group's risk appetite statement, which subdivides the Group's six principal risks into 14 specific risks. The results were as follows:

Risk appetite	Number of specific risks
Minimal	3
Low	8
Medium	3
High	–
Total	14

This demonstrates that the Group takes a conservative view towards risk and attempts to minimise its exposure to undue risk.



MANAGING RISK

CONTINUED

Principal risks and uncertainties

Evaluation is defined as Management's assessment of whether the risk factor has:

 **Increased**  **Decreased**  **Stayed the same** since the prior year.

RISK	<p>1</p> <p>Economic environment</p> <p>The demand for our products and services could be affected by a downturn in economic activity in the countries in which the Group operates.</p>	<p>2</p> <p>Competition and hire rates</p> <p>The markets in which the Group operates are fragmented and competitive meaning that price competition is high.</p> <p>There is a risk that the Group fails to attract and retain customers on the basis of pricing. This could either be as a result of pricing too highly or not adequately communicating the value of service provided which underpins our pricing.</p>	<p>3</p> <p>Vehicle holding costs</p> <p>The profitability of the Group is dependent upon minimising vehicle holding costs, which are affected by the pricing levels of new vehicles purchased and the disposal value of vehicles sold.</p>	<p>4</p> <p>Employees and the working environment</p> <p>Failure to attract, develop and retain individuals with the appropriate skills will inhibit the successful delivery of our strategy.</p> <p>Inadequate maintenance of our vehicles and a working environment where individuals do not receive appropriate training and support could place employees and customers' employees at risk from failures in health and safety.</p>	<p>5</p> <p>IT systems</p> <p>The Group's business involves a high number of operational and financial transactions across numerous sites which rely on the continuous operation of our IT systems.</p> <p>If IT systems are not invested in appropriately there is a risk that the operations of the business will become less efficient and this in turn could impact upon customer service delivery.</p>	<p>6</p> <p>Access to capital</p> <p>The Group requires capital to replace vehicles at the end of their rental life and for any growth in the fleet. The Group therefore requires continued access to adequate credit facilities and to remain in compliance with its financial covenants.</p>
IMPACT BEFORE MITIGATION	<p>The high level of operational gearing in our business model means that changes in demand can lead to higher levels of variability in profits.</p> <p>An adverse change in macroeconomic conditions could also increase the risk of customer failure and therefore incidences of bad debts.</p> <p>Demand for our products and the cost of our supplies may be impacted by the UK's decision to leave the EU.</p>	<p>If our pricing is perceived to be higher than our competition for the same level of service, then we will either lose market share or be forced to reduce prices to remain competitive. Without any adjustment to the cost base, this will result in an erosion of returns.</p>	<p>An increase in holding costs, if not recovered through hire rate increases, would adversely affect profitability, shareholder returns and cash generation.</p>	<p>Failure to invest in our workforce and high levels of staff turnover will impact upon customer service and delivery of the Group's strategic objectives.</p> <p>Our recruitment processes seek to attract individuals who will exemplify our core values. Each new joiner receives an introduction to the Group's culture as well as our processes.</p> <p>Failures in health and safety would put the reputation of the business at risk, both in terms of attracting and retaining talent and maintaining customer relationships.</p>	<p>Should IT systems not be invested in adequately or fail, whether the cause is accidental or malicious, this could have an adverse impact on the recording and processing of financial information, efficiency of operations and customer service delivery.</p>	<p>Failure to maintain or extend access to credit facilities could impact on the Group's ability to continue as a going concern.</p>

Should there be a significant economic downturn the flexible nature of the Group's business model allows any vehicles returned to be placed with different customers. Alternatively, utilisation can be maintained through purchasing fewer vehicles, increasing disposals or a combination of the two. Although this may affect short term profitability it generates cash and reduces debt.

No individual customer contributes more than 5% of total revenue generated, and ongoing credit analysis is performed on new and existing customers to assess credit risk.

With regards to the UK's decision to leave the EU the Group's current hedging arrangements protect it from material foreign exchange risks and the Group has in place sufficient borrowing facilities to fund its activities with maturities up to five years. Any impact on demand or the cost of supplies is not yet known.

Core pricing is based upon target levels of return with discount authority levels allowing flexibility to ensure that we remain competitive on pricing.

Further investment will be made in marketing to ensure that the value proposition underpinning pricing is well communicated and received (see Strategy section on [page 10](#)).

Pricing is negotiated with manufacturers on an annual basis in advance of purchases being made. Variable supply terms allow us flexibility to make purchases as required throughout the year.

Whilst the Group is exposed to fluctuations in the used vehicle market, we have sought to optimise the sales route for each vehicle. Should the market experience a short term decline in residual values, we can age our existing fleet until such time as the market improves.

Personal development plans and tailored training are conducted for all employees. Salaries are benchmarked against the market and a range of incentives are provided to attract and retain staff. Succession plans are in place for executive positions. Regular communication and engagement with everyone across the business is vital to our success.

The Group Health, Safety and Environment and Group Internal Audit functions are responsible for delivering health and safety best practice and reporting any non-compliance to the Board.

The Group has an appropriate business continuity plan in the event of disruption arising from an IT systems failure.

Before any material system changes are implemented a project plan is approved by the Board. A member of the executive team will then sponsor the project and an ongoing implementation review will be performed by external consultants. The objective is always to minimise the risk of business disruption that could result from changes.

The Group's main facilities mature in 2020 and 2022 and the Group believes that these facilities provide adequate resources for present requirements.

The Group reviews its compliance with covenants on a monthly basis in conjunction with cash flow forecasts to ensure ongoing compliance. The impact of access to capital on the wider risk of going concern is considered on [page 24](#) and within the viability statement on [page 33](#).



MANAGING RISK

CONTINUED



Viability statement

The Directors have assessed the viability of the Group over a three year period to 30 April 2020, taking into account the Group's current position and the potential impact of the principal risks documented in the Strategic report. Based upon this assessment the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 30 April 2020.

The three year period was selected as this represents the normal holding period of our core vehicle assets and therefore represents the Company's investment cycle. This period is aligned to how our business model runs through its cycle, how capital is employed in the business and therefore how returns on investment are reviewed. Our core banking facilities also mature in 2020.

The strategy and associated principal risks underpin the Group's three year strategic planning process (the Plan), which is updated annually. This process takes into account the current and prospective macroeconomic conditions in the countries in which we operate and the competitive tension that exists within the markets that we trade in.

The Plan also encompasses the projected cash flows, dividend cover and headroom against financial covenants under the Group's existing facilities. The Plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required. Headroom against the Group's existing facilities at 30 April 2017 was £260m as detailed on [page 22](#). The facilities have maturity dates between May 2017 and August 2022, which exceeds the period under review and provides sufficient headroom to fund the capital expenditure and working capital requirements during the planned period.

As explained in the Strategic Report, part of our core business provides customers with vehicles on a non-contract basis which allows them to flex their vehicle requirements as their business needs change. This is core to the proposition we offer, however, it does mean that there is less certainty over the future revenue streams of the Group over a longer period of time. The Directors have therefore made assumptions on future revenue generation in the context of current market conditions and prospects of the Group.

In making this statement, the Directors have considered the resilience of the Group, taking into account its current position and the principal risks facing the business. The Plan was stress tested for severe but reasonable scenarios and the effectiveness of any mitigating actions that would reasonably be taken. The Plan was specifically stress tested for reasonable downturns in vehicles on hire, hire rates, vehicle acquisition costs and residual values of vehicles. The outcome of this testing satisfied the Directors with respect to the ongoing liquidity and solvency of the Group over the period under review. In particular, should there be a significant downturn in demand for the Group's business, vehicle utilisation can be maintained through purchasing fewer vehicles, increasing disposals, or a combination of the two, which would generate cash and reduce debt.



CORPORATE SOCIAL RESPONSIBILITY



Relationships are vital to the Group in achieving our aims of delivering market leading levels of customer service and providing significant returns to our shareholders.

Outlined below are details of five key relationships and the steps we take to engage with these groups and what they provide in return in order to allow us to build a responsible and sustainable business.

We will not allow success to give way to complacency and will strive to do all we can to maintain and deepen these relationships in order to best serve our customers, provide returns to our shareholders and be a responsible corporate citizen.

1. Our customers

Our customers are vital to the ongoing success of the Group. As a Group we are dedicated to providing a market leading service to all of our customers.

All elements of our strategy, as outlined on [pages 10 to 11](#) contribute towards this.

We measure how strong our relationships with our customers are through our NPS scores. For 2017 Group NPS was 41% compared to 43% in the prior year.

We will continue to work hard towards delivering exceptional customer service and the medium term aim is to achieve a score of 50% in all three territories.

Our customers provide valuable insight on how we can improve what we do in order to build a long term, sustainable business.

2. Our shareholders and lenders

A description of the relationship we have with shareholders is contained within the Corporate governance report on [pages 48 to 50](#).

Our lenders provide us with the funding we need in order to meet the capital requirements of the Group and day-to-day working capital requirements. Our borrowing rates are competitively priced and enable us to provide adequate returns to shareholders and lenders.

3. Our employees

Without our employees the Group would not be capable of operating. They enable the high levels of customer service to be delivered which is reflected in our improved NPS scores over recent years. Northgate is committed to equality, judging applications for employment neither by race, nationality, gender, age, disability, sexual orientation or political bias.

Our ethical standards are communicated to employees through 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 employee to have a voice and a means by which they may draw concerns to our attention.



CORPORATE SOCIAL RESPONSIBILITY

CONTINUED

The composition of our employees as at 30 April is as follows:

	2017			2016		
	Male	Female	Total	Male	Female	Total
UK	1,286	495	1,781	1,291	496	1,787
Spain	668	370	1,038	646	348	994
Ireland	69	28	97	59	19	78
Total	2,023	893	2,916	1,996	863	2,859

The gender split at a senior management level is as follows:

	2017		2016	
	Male	Female	Male	Female
Directors	5	2	4	2
Senior managers	21	5	20	3

Providing our employees with an environment where they can flourish will ensure that our business is as good as it can be. At its simplest level this means ensuring that everyone feels safe at work. Clear communication ensures that employee goals are aligned to the Group and regular training enables each individual to perform to the best of their ability and have the opportunity to progress their career within the Group.

Safety

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

Our 'Safe and sound' programme creates an environment of openness and awareness, where all colleagues feel empowered to raise concerns about working practices and conditions. Regular training is provided to employees, most of which is carried out internally by our Health, Safety & Environment team.

The Health, Safety & Environment team carried out audit reviews to measure performance of safety and environment management processes at all locations across the Group during the year and where necessary identified improvements and subsequently monitored compliance with these recommendations.

Safety performance across the business is measured using an Accident frequency rate (AFR). This is calculated as the number of lost time incidents, multiplied by 100,000, divided by the number of hours worked. The results were as follows:

	2017	2016	2015
UK	0.8	0.9	1.1
Spain	1.9	2.2	2.2
Ireland	1.0	1.1	1.4
Group	1.2	1.4	1.5

We aim to have as low an AFR as possible. AFRs are monitored against previous performance and if there were to be a significant decline in performance then a root cause analysis, over and above the continuous monitoring currently in place, would be performed.

Internal communications

The Group mixes face-to-face, digital and traditional communications channels in order to maximise the impact of communication with our employees. Examples include newsletters, staff conferences and use of Yammer.

Training

We use multiple training platforms for our people. These include launching Leadership and Operations Academies in the UK and the Northgate Campus online platform in Spain.

Human rights

Information on equality is contained above and our corporate social responsibility information, including our statement of compliance with the Modern Slavery Act, is contained on our website:

 www.northgateplc.com

4. Our suppliers

Maintaining a positive working relationship with our suppliers is vital to ensure that we have the right vehicles in the right place at the right time to ensure customer needs are met. Vehicle pricing is negotiated on an annual basis and we maintain an active dialogue with suppliers throughout the year too.

Our strong manufacturer relationships provide a competitive advantage and generate value to the Group.

5. Our communities and the environment

The Group operates from 122 locations across the UK, Spain and Ireland. This impacts on the local communities who accommodate us and the environments we operate in.

Communities

One of the main ways we give back to our local communities is through actively encouraging our colleagues to engage with charities that are close to their hearts. All charitable activity is promoted and championed through ongoing internal communications.

UK and Ireland

Amongst the many charitable activities undertaken by employees, the business held a company wide Christmas jumper day in aid of Save the Children and members of one division spent a night sleeping outdoors in support of Byte Night in association with Action for Children. These are only some examples of the variety of worthwhile causes our people invest their time in.

Spain

Our Spanish business engaged with a number of community and charity initiatives over the year. This included continued sponsorship of Gavi – a vaccine alliance – and a cycling event in Madrid in support of childhood cancer. 300kg of food was collected for a local charity as part of a basketball exhibition event with the most prominent local basketball team in Seville.

The communities we operate in provide the core of our workforce, meaning that our employees understand the communities in which we are present.

Environment

The activities that we undertake also have a wider impact on the environment. The main measure that we use to assess our environmental impact is greenhouse gas emissions.



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).

Reporting and baseline year

The information presented covers the period from 1 May 2016 to 30 April 2017, with a comparison to the prior year. The base year for calculations is the year ended 30 April 2014.

Consolidation approach and organisational boundary

The emissions data presented has been derived using the operational control approach, required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013. 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 current conversion factors have been used in arriving at the information supplied below. All six greenhouse gases are reported as appropriate.

Greenhouse gas emissions figures

	Tonnes of CO ₂ e 2017	Tonnes of CO ₂ e 2016
Greenhouse gas emissions source		
Scope 1 – Combustion of fuel and operation of facilities	6,701	6,201
Scope 2 – Electricity, heat, steam and cooling	4,189	4,766
Intensity ratio: Tonnes of CO ₂ e per £m of revenue	23.9	24.5

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

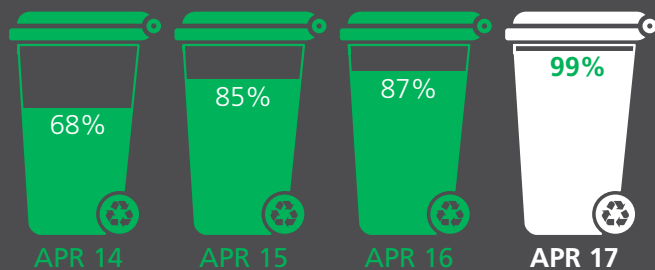
CORPORATE SOCIAL RESPONSIBILITY

CONTINUED

WASTE DIVERSION

Diverting waste from landfill has been a key environmental focus for our UK business over the past three years. A combination of encouragement and training in this area has led to significant engagement from our colleagues and we have become one of our waste management partner's best performers in this area.

DIVERSION RATE FROM LANDFILL



We recognise 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.

A number of initiatives have been introduced during the year to reduce our greenhouse gas emissions. These include:

UK and Ireland

- Widening the roll out of LED lighting following a successful trial in one geographical area;
- Trialling heating controls to reduce energy usage; and
- Continuing to increase diversion rates from landfill.

Spain

- A new e-contracting system reduces paper usage and cuts down journeys to exchange contracts; and
- An increase in the number of electric and hybrid vehicles on the fleet contributing towards emissions reductions.

Our dedication to robust environmental principles, policies and procedures has meant that we have maintained ISO 14001 accreditation in both the UK and Spain.



GOVERNANCE

This section explains our approach to governance from Board level down, including governance structures, activities of the various Board committees and the key skills of those charged with governance.

- 42** Board of Directors
- 44** Chairman's introduction to governance
- 45** Introduction to governance
- 48** Corporate governance
- 51** Report of the Audit and Risk Committee
- 54** Remuneration report
- 74** Report of the Directors
- 77** Statement of Directors' responsibilities
- 78** Independent auditor's report to the members of Northgate plc



The image shows the front of a white van with a large chrome grille and headlights. A wooden post is mounted on the front, holding three yellow license plate holders. Each holder has a white border with the text 'VAN MONSTER www.vanmonster.com' and a small logo on either side.

CUSTOMER

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VAN MONSTER www.vanmonster.com

STAKEHOLDER

VAN MONSTER www.vanmonster.com

BOARD OF DIRECTORS



	Andrew Page Chairman	Kevin Bradshaw Chief Executive Officer	Paddy Gallagher Chief Financial Officer	Bill Spencer Senior Independent Director
Joined Board	December 2014	January 2017	February 2016	June 2016
Committee membership	Remuneration, Nominations (Chairman)			Audit & Risk (Chairman), Remuneration, Nominations
Key skills and experience	<ul style="list-style-type: none"> ○ Previously CEO of a FTSE 250 business ○ International business ○ Major capital investment decisions ○ Chartered Accountant 	<ul style="list-style-type: none"> ○ Experienced CEO – track record of driving value growth ○ Turnaround of a UK multi-site vehicle rental business ○ Strategy development 	<ul style="list-style-type: none"> ○ Significant cross-sector experience ○ International business ○ Chartered Accountant 	<ul style="list-style-type: none"> ○ International business ○ Former CFO of a FTSE 100 company ○ Wide multi-industry experience
Current positions	<p>Carpetright – Senior Independent Director</p> <p>Schroder UK Mid Cap Fund plc – non-executive Director</p> <p>JP Morgan Emerging Markets Investment Trust plc – non-executive Director</p>			<p>Exova Group – Senior Independent Director and Chairman of Audit Committee</p> <p>Ricardo plc – non-executive Director</p>
Former positions	<p>Restaurant Group plc – Chief Executive Officer</p> <p>Arena Leisure plc – Senior Independent Director</p>	<p>Wyevale Garden Centres – CEO</p> <p>Avis Europe plc – UK Managing Director and Group Chief Information Officer</p>	<p>Spirit Pub Company plc – CFO</p> <p>The Rank Group plc – CFO</p> <p>Dell Inc – CFO various countries</p>	<p>Intertek Group – CFO</p>



	Andrew Allner Non-executive Director	Jill Caseberry Non-executive Director	Claire Miles Non-executive Director	Katie Wood Company Secretary
Joined Board	September 2007	December 2012	November 2015	December 2016
Committee membership		Audit & Risk, Remuneration (Chairman), Nominations	Audit & Risk, Remuneration, Nominations	Secretary to each Committee
Key skills and experience	<ul style="list-style-type: none"> ○ Significant Board experience ○ UK and multinational experience ○ Chartered Accountant 	<ul style="list-style-type: none"> ○ Sales ○ Marketing ○ General management 	<ul style="list-style-type: none"> ○ Commercial strategy ○ Multi-channel customer operations ○ Large scale transformation 	<ul style="list-style-type: none"> ○ International business ○ Qualified Solicitor ○ Risk Management
Current positions	Marshalls plc – Chairman Go Ahead Group plc – Chairman Fox Marble Holdings plc – Chairman	Enhance Drinks Limited – Chief Executive	UK Customer Operations, Centrica Consumer – Managing Director	
Former positions	RHM plc – Finance Director Enodis Plc – Chief Executive AZ Electronic Materials SA – Senior Independent Director and Chair of Audit Committee CSR plc – Chair of Audit Committee Moss Bros Group plc – Chair of Audit Committee Price Waterhouse – Partner	Mars – Various Sales and Marketing roles PepsiCo – Commercial Director Premier Foods – General Manager	Santander Cards – Managing Director, Retail Distribution GE Money – Commercial Director HFC Bank – Head of Cards	Carr’s Group plc – Company Secretary

CHAIRMAN'S INTRODUCTION TO GOVERNANCE



At Northgate we recognise the vital role that governance plays in delivering the best outcomes for all stakeholders in the business.

ANDREW PAGE | CHAIRMAN

Dear Shareholder,

At Northgate we recognise the vital role that governance plays in delivering the best outcomes for all stakeholders in the business. Our rigorous systems of risk management and internal control ensure that our businesses operate within the Board approved risk appetite levels set out in the Managing risk report on [page 28](#).

Governance issues tackled during the year include changes to the Board and acting upon the recommendations from the previous external Board evaluation – all with a focus on positioning the Group to be in the strongest position it can be to provide fantastic service to our customers and long term sustainable value to our shareholders.

Board changes

During the year Kevin Bradshaw was appointed as Chief Executive Officer. Kevin brings with him a strong cross-sector background and in-depth industry knowledge from his time spent with Avis. I am confident about the Group's future prospects under Kevin's leadership.

Katie Wood has also been appointed as Company Secretary during the year, following the retirement of David Henderson after 47 years' service. Katie's experience and ability to link the operational businesses with non-executive oversight have helped with the smooth functioning of the Board.

Board evaluation

As an external Board evaluation was conducted last year, this year the Board has concentrated on acting upon the recommendations from that report and performed an internal assessment of effectiveness. One of the key areas for development has been the inclusion of site visits and the areas of focus for next year are further market and strategic analysis as Kevin Bradshaw presents his vision for the Group.

Compliance with the Code

As disclosed in last year's Annual Report, Andrew Allner completed nine years' service to the Group in September 2016, meaning that he could no longer be classed as independent by the Code or ABI. However, due to the continued benefit of Andrew's wise counsel it was determined that he should remain on the Board for a further year, until September 2017. We are also proposing that Andrew be re-elected for a further year.

This means that the Board did not comply with section B.1.2 of the Code. However, we feel that maintaining a Board with an appropriate mix of skills and experience serves our stakeholders well.

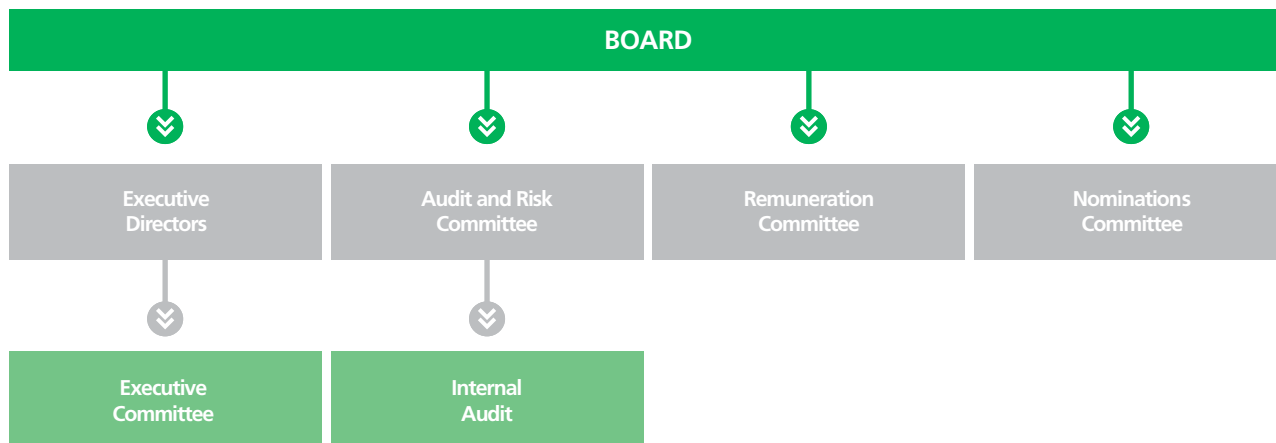
There have been no significant changes to the UK Corporate Governance Code during the year and the Board considers that it has complied with the provisions of the Code throughout the year, other than as described above.

Good governance is a cornerstone of our business and the disciplines and practices that contribute to this are well understood by the Northgate team.

Andrew Page

Chairman
26 June 2017

INTRODUCTION TO GOVERNANCE



Responsibilities

Board

The Board has overall responsibility for:

- Determining the strategy and values of the Group and ensuring long term success for the benefit of all stakeholders;
- Ensuring that adequate resources are available so that strategic objectives may be achieved through the annual planning process and ongoing monitoring;
- Ensuring that the Company's internal control systems (both financial and operational) are fit for purpose and operating as they should be;
- Reporting to and relationships with shareholders;
- Compliance with laws and regulations and good corporate governance;
- Dividend policy;
- Treasury policy;
- Insurance policy;
- Major capital expenditure;
- Acquisitions and disposals;
- Board structure; and
- Remuneration policy.

2018 key focus

- Execution of Group strategy
- IT infrastructure and cyber risk
- Product and market development

2017 key activities

- Appointment of new Chief Executive Officer
- Implementing recommendations of external effectiveness review
- Strategic review
- Review of the Group risk management process and reporting



INTRODUCTION TO GOVERNANCE

CONTINUED

Responsibilities

Executive Directors

Executive Directors are responsible for:

- Ensuring the Group strategy is executed effectively via the Executive Committee;
- Monitoring Group performance;
- Managing the Group's financial affairs; and
- Implementation and review of the system of internal control.

Refreshed strategy

With Kevin Bradshaw joining as CEO in January 2017 his focus has been on performing an in-depth review of the business and its markets and developing the strategy, as set out on [page 10](#).

Executive Committee

The Executive Committee is responsible for:

- Executing Group strategy and policies;
- Considering operational business issues;
- Reviewing risk reporting and taking necessary actions; and
- Managing business performance.

Strategic focus

Contribution towards the refreshing of Group strategy and subsequent implementation within the business.

Audit and Risk Committee

The Audit and Risk Committee is responsible for:

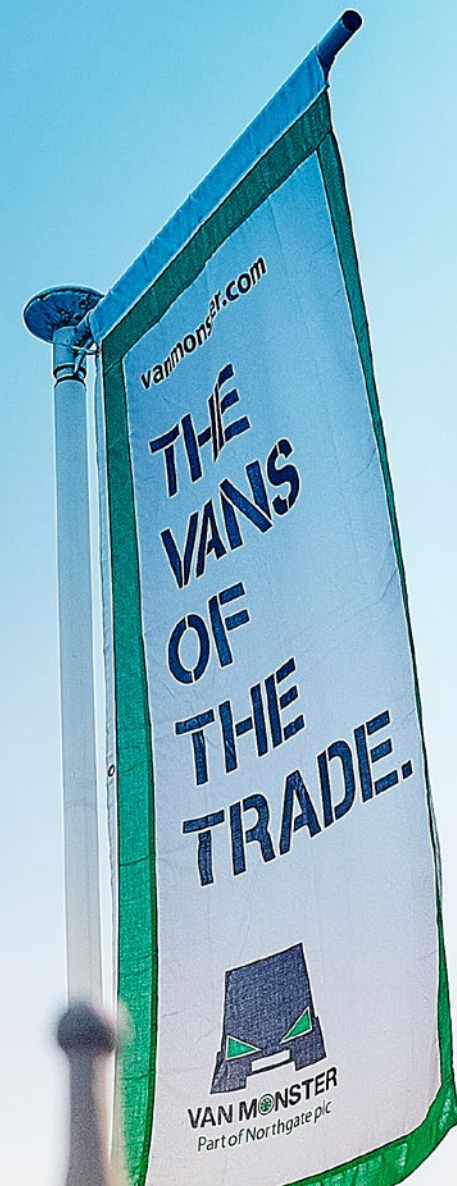
- Monitoring the integrity of financial reporting and reviewing the Group's risk management systems on behalf of the Board, including reviewing the work of Group Internal Audit;
- Overseeing the statutory audit process:
 - Recommending appointments to the Board;
 - Monitoring independence and objectivity, including monitoring auditor rotation and developing policy on non-audit services provided;
 - Approving auditor remuneration and terms of engagement; and
 - Overseeing the audit tender process, if applicable.

Risk management

Implemented the recommendations from the prior year external review and made further improvements to the end-to-end processes of identifying and reporting risks. Commissioned an external review of the work of Group Internal Audit and implemented recommendations arising from this.



Further information on the work of the Audit and Risk Committee is detailed in the Report of the Audit and Risk Committee on [pages 51 to 53](#).



Responsibilities

Remuneration Committee

The Remuneration Committee is responsible for:

- Assessing, reviewing and agreeing with the Board the remuneration policy for the Board excluding the non-executive Directors;
- Assessing and reviewing the remuneration policy and benefit structure for Group employees; and
- Monitoring the share incentive plans including participation and exceptional circumstances and amending the design of the plans in line with best practice.



The Remuneration Report can be found on [pages 54 to 73](#).

Nominations Committee

The Nominations Committee is responsible for:

- Reviewing the structure, size, skills and experience of the Board and making recommendations regarding any changes;
- Considering succession planning for Directors and other senior executives; and
- Making recommendations to the Board for candidates to fill Board vacancies when they arise, normally using the services of professional consultants in the search.

Policy review

Undertook a full review of remuneration policy, which will be presented for a binding vote at this year's AGM.

The Committee also determined the remuneration to be awarded to the newly appointed CEO.

New appointment

During the year the Nominations Committee approved the appointment of a new CEO.

The full terms of reference of the Audit and Risk, Remuneration and Nominations Committees can be found on the Group's corporate website.





We recognise the vital role that good governance plays in delivering the best outcomes for all stakeholders in the business.

UK Listed Companies are required by the FCA (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 Code. The provisions of the Code applicable to listed companies are divided into five parts, as set out below:

1. Leadership

The business is managed by the Board of Directors, currently comprising two executive and five non-executive Directors, details of whom are shown on [pages 42 and 43](#). The offices of the Chairman and Chief Executive Officer are separate. An overview of the leadership of the Group, including the responsibilities and activities of each component is outlined on [pages 45 to 47](#).

2. Effectiveness Information supplied

The Chairman ensures that all Directors are appropriately briefed to enable them to discharge their duties. Management accounts are prepared and submitted to the Board on a monthly basis. Before each Board meeting appropriate documentation on all items to be discussed is circulated.



Attendance

Directors' attendance at Board and Committee meetings during the year is detailed as follows:

No. of meetings	Board 8	Audit and Risk 4	Remuneration 4	Nominations 3
AJ Allner ¹				
K Bradshaw ²		–	–	–
J Caseberry				
RL Contreras ³		–	–	–
P Gallagher		–	–	–
C Miles				
A Page		–		
B Spencer ⁴				

¹ Retired from all Committees in September 2016.

² Appointed 11 January 2017.

³ Resigned 11 January 2017.

⁴ Appointed to Board 1 June 2016 and appointed Chairman of Audit & Risk Committee 1 October 2016.

All Directors in office at that time were present at the AGM held in September 2016.

The external auditor and the Head of Group Internal Audit attended all Audit and Risk Committee meetings.

Andrew Allner completed nine years' service as a non-executive Director of the Company in September 2016 and therefore is no longer regarded as independent in terms of the Code or by the ABI. Bill Spencer, appointed to the Board as a non-executive Director on 1 June 2016, assumed the

roles of Senior Independent Director and Chairman of the Audit and Risk Committee on 1 October 2016. This means that the Board was not compliant with section B.1.2 of the Code (more than half of the Directors, excluding the Chairman, should be independent) from September 2016 to the date of this report. However, we feel that maintaining a Board with an appropriate mix of skills and experience serves our stakeholders well.

Board review

The internal evaluation established that the Board had built on the evaluation recommendations from the previous year. It highlighted areas for additional focus in FY2018, which included further market and strategic analysis. With the appointment of Kevin Bradshaw in January 2017 a refreshing of the Group's strategy was undertaken and this will be a further focus of the Board throughout FY2018. In addition, a review against new strategic objectives will be regularly monitored.

The inclusion of site visits for Board meetings during the year had a positive impact on employee engagement and enhanced the Board's first-hand experience of the Company's operations; this will continue throughout FY2018.

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 at:

www.northgateplc.com

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.

CORPORATE GOVERNANCE

CONTINUED

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 does not believe it is appropriate to set targets, however aspirational, at the present time.

At 30 April 2017 29% of Board members, 19% of the senior management team and 31% of all employees were female.

Conflicts of interest

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.

3. Accountability

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.

Internal control

Confirmation that the Board has performed an assessment of the risk management and internal control systems of the Group, as required by the Code provision C.2.3, is contained in the Managing risk report on [pages 28 to 33](#).

Whistleblowing hotline

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 and Internal Audit as appropriate.

Information and communication

Each reporting segment prepares monthly management accounts with a comparison against their business plan and prior year, with review by management of variance from targeted performance levels. These commentaries are consolidated and submitted to the Board. Year to date actuals are used to guide forecasts, which are updated regularly and communicated to the Board.

Planning

Each reporting segment prepares a three year business plan on an annual basis. This is presented to and approved by the Board. Performance against these plans is reviewed on a monthly basis.

Assurance

A description of the work of the Audit and Risk Committee is given on [pages 51 to 53](#). Both the external auditor and Head of Internal Audit report directly to the Committee.

4. Remuneration

Details of the Company's remuneration policy and the remuneration of each Director are given on [pages 54 to 73](#).

5. Relations with shareholders

Throughout the year the Company maintains a regular dialogue with institutional investors and market 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 CEO and CFO.

The Company's major institutional shareholders have been advised by the Chief Executive Officer 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 AGM, for which more than the recommended minimum 20 working days' notice is given.

Details of proxies lodged in respect of the AGM will be published on the Company's website as soon as is practicable following the meeting.

Significant interests in shares are detailed on [page 74](#).

Compliance with the Code

The Board considers that the Company complied with the provisions of the Code throughout the year, with the exception of provision B.1.2, as described in section 2 above.

Katie Wood

Company Secretary
26 June 2017

REPORT OF THE AUDIT AND RISK COMMITTEE

Chairman's introduction



The Audit and Risk Committee has an important role in ensuring the integrity of the Group's financial reporting and in reviewing the effectiveness of the Group's internal control systems and risk management.

BILL SPENCER | CHAIRMAN

Dear Shareholder,

I am delighted to present to you my first report as Chairman of the Audit and Risk Committee since joining the Board in June 2016. The Committee has continued to follow a detailed program of work. We have been provided with good quality material to allow proper consideration to be given to the Committee's responsibilities.

The Audit and Risk Committee (the Committee) has an important role in ensuring the integrity of the Group's financial reporting and reviewing the effectiveness of the Group's internal control systems and risk management.

The report which follows sets out details on the workings of the Committee, the work done during the year and the key issues considered in the preparation of the financial statements and the related information, judgements and assurance received.

The key accounting issue considered during the year continued to be determining appropriate depreciation rates for our vehicles. This is an area where significant judgement is required and the Committee is satisfied with the rigour applied to this issue.

The other area I would like to highlight and where I believe we have continued to make good progress is risk management. The Board's risk appetite and approach towards risk is outlined in the Managing risk report on [pages 28 to 33](#). We have implemented the recommendations put forward in the external review conducted in the prior year and have also reviewed the work of Group Internal Audit to ensure that this key function is operating effectively.

I hope you find this report useful and I would welcome any comments.

Bill Spencer

Chairman of Audit and Risk Committee
26 June 2017

REPORT OF THE AUDIT AND RISK COMMITTEE

Role

The role of the Audit and Risk Committee is set out on [page 46](#).

Membership

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

	Date of appointment
B Spencer (Chairman)	1 June 2016
J Caseberry	10 December 2012
C Miles	27 November 2015

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.

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 2017 are given on [page 49](#).

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 Group Head of Internal Audit and the external auditor, are normally invited to attend all meetings.

Activity

Since May 2016, the Committee has:

- Reviewed the financial statements for the years ended 30 April 2016 and 2017 and the half yearly report issued in December 2016. As part of this review process, the Committee received reports from PwC. For the full year results this included making a recommendation to the Board as to whether the Annual Report and Accounts were fair, balanced and understandable;
- Reviewed and agreed the scope of the audit work to be undertaken by PwC and agreed their fees;
- Reviewed the effectiveness of the Group's system of internal controls;
- Received regular reports from the Head of Internal Audit;
- Reviewed the progress made by management in implementing the control improvements recommended by Internal Audit;
- Reviewed the Group's whistleblowing procedures;
- Reviewed the Group's depreciation policy and depreciation rates adopted within this policy;
- Reviewed the Group's corporate taxation arrangements;
- Reviewed the updated external report on cyber security and the extent to which recommendations made in the previous year had been implemented;
- Reviewed the Group's accounting for supplier rebate arrangements;
- Reviewed the possible future impact on the Group's accounts of new accounting standards which are scheduled to come into effect in future years;
- Reviewed and approved the Group's policy on non-audit fees;
- Reviewed a management paper on the Group's investor relations activities, principally focused on communication through the annual report;
- Monitored and assessed the Group's going concern status and viability statement made on [page 33](#);
- 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.

Risk management

As part of the Committee's role to oversee the Group's approach to risk management the Committee has monitored the Group's risk management processes and business continuity procedures.

This included reviewing the end to end processes of identifying and reporting risks and implementing improvements to the collection of data.

The Committee monitored and reviewed the activities of the Group's Internal Audit function including agreeing the scope of work to be performed. An external review was commissioned in the year and recommendations regarding the methodology of work to be performed and reporting have since been implemented.



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 adjustments to depreciation when vehicles are sold, 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 judgements made;
- **The recoverability of aged trade receivables** – throughout the period, KPIs are provided. The Committee ensured that management dedicated sufficient resources to mitigate bad debt risk across the Group;

- **Provisions for uncertain tax positions** – the Committee reviewed formal papers prepared by management at each reporting date which outlined the Group's tax positions. The Committee challenged areas where significant judgement was taken in order to determine the level of provisions held in the balance sheet and was satisfied with the judgements made; and
- **Financial statements** – the Committee considered the presentation of the Annual Report and Accounts, and in particular, the analysis between underlying and statutory disclosures. We were satisfied with management's presentation.

External auditor

The Committee reviews and makes recommendations with regard to the appointment of the external auditor. In making this recommendation, the Committee considers auditor effectiveness and independence, partner rotation and any other factors which may impact upon the external auditor's reappointment. PwC was first appointed in September 2015 and the Committee supports a proposed resolution at the AGM in September 2017 to re-appoint them for a further year.

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

- Certain audit related work such as the review of the half year announcement, 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. The external auditor is not invited to compete for this type of work.

Fees paid and payable to PwC in respect of the year under review are as shown in Note 5 on [page 99](#).

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. The Committee also conducted one-to-one meetings with the audit partner without management being present. Based on all of this information, the Committee concluded that the audit process was operating effectively. As a result of this the Committee has recommended to the Board the reappointment of PwC at the AGM.

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 the UK, Spain and Ireland;
- Ensured that the Head of Internal Audit has direct access to the Chairman of the Board and to all members of the Committee; and
- Conducted a one-to-one meeting with the Head of Internal Audit without management present, 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 AGM to answer any questions about the work of the Committee.

Bill Spencer

Chairman of Audit and Risk Committee
26 June 2017

REMUNERATION REPORT

Chairman's introduction



Northgate is committed to a transparent and open dialogue with shareholders. The objective of this report is to communicate clearly the strong link between executive pay and performance.

JILL CASEBERRY | CHAIRMAN OF THE REMUNERATION COMMITTEE

Dear Shareholder,

On behalf of the Board, I am pleased to introduce the Directors' remuneration report for the year ended 30 April 2017. The report is divided into three sections, namely: (i) the annual statement; (ii) the remuneration policy (which details the Directors' remuneration policy which we will be seeking shareholder approval for at the forthcoming AGM); and (iii) the annual remuneration report.

Performance of the Group

FY2017 was a challenging year for the Company, with increased competition in all territories. Spain and Ireland grew vehicles on hire and self-help measures have been initiated in the UK. Considerable insight of our growth opportunity has been gained giving us confidence going forward.

- Underlying profit before tax £75.0m (2016 – £82.9m)
- Underlying basic earnings per share 47.3p (2016 – 49.0p);
- Underlying free cash flow generation of £44.0m (2016 – £48.4m);
- 8% increase in proposed full year dividend per share to 17.3p (2016 – 16.0p).

Executive change

In January 2017, Bob Contreras left the business and Kevin Bradshaw was appointed as CEO. Kevin's salary, benefits and variable remuneration opportunities are at the same level as the former CEO and no 'buy-out' payments were made.

The remuneration package will be reviewed in May 2018 following an assessment of his performance and a review of market conditions.

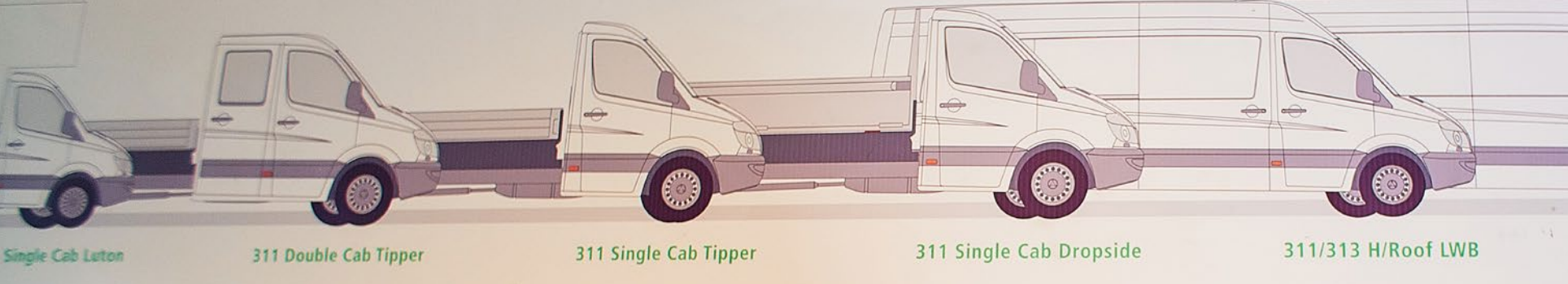
In accordance with Bob Contreras' Service Agreement, he is entitled to a payment in lieu of 12 months notice, subject to mitigation. In line with our remuneration policy and good leaver status, Bob must exercise his deferred bonus shares within six months of leaving the business. His EPSP awards will remain subject to performance, vest pro-rata and on the original dates.

Remuneration policy review

During the course of the last six months the Remuneration Committee (the Committee) undertook a full review of the policy, which will be presented for a binding vote at this year's AGM. The objectives of this review were to ensure that the policy continues to align with the Group's strategy, duly reflects investor best practise, and provides us with the ability to attract, motivate and retain high-calibre executive talent.

In developing the proposals for the revised policy, we have consulted with our major shareholders, the Investment Association, ISS and Glass Lewis Governance Services, as well as taking into account the climate of opinion on reward and pay for executive directors.

Following the review the Committee concluded that a small number of minor changes should be proposed.



Single Cab Luton

311 Double Cab Tipper

311 Single Cab Tipper

311 Single Cab Dropside

311/313 H/Roof LWB

Key changes:

- Bringing the CEO annual bonus target and threshold performance into line with that for other Directors;
- Introduction of a two-year post vesting holding period for long term incentive awards granted from 2017;
- Providing discretion for the Committee to determine that dividend equivalents will be paid on deferred bonus or performance share awards;
- Increase of minimum shareholding level from 150% of salary to 200% of salary for both CEO and CFO; and
- Executive Director’s contracts to provide for equal notice periods for the executive Director and Company. Normally the notice period will be six months.

Full details of the proposed changes can be found on [pages 56 to 64](#).

Overall reward structure

The Committee continues to believe that the total reward available to its executives should be competitive for a company of Northgate’s size, complexity and geography. In order to ensure strong alignment to the interests of shareholders, the policy provides a greater weighting to the variable elements of remuneration and for a significant proportion of the remuneration package to be paid in equity.

Review of remuneration for 2017 and basis for 2018

Base salary

In line with the senior level UK workforce, no salary increases have been awarded to the CEO or CFO for the year ending 30 April 2018.

Annual bonus

Annual bonus targets for the year ended 30 April 2017 were based on profit before tax (75% of maximum opportunity) and key strategic targets (25% of maximum opportunity) with a ROCE underpin. As the profit before tax threshold was not met, bonus has not been awarded to Bob Contreras, Kevin Bradshaw or Paddy Gallagher. Full details of the bonus criteria and calculations can be found on [page 67](#).

The maximum annual bonus opportunity and performance metrics for the coming year are the same as for the year just ended. Performance targets will be disclosed retrospectively in next year’s report.

Upon review of the FY2016 bonus paid to Bob Contreras in July 2016 an error was identified. This error resulted in an overpayment of bonus in the sum of £41,000, split equally between shares and cash. Subsequently, using the clawback provisions of the bonus scheme all monies due have been repaid.

Executive Performance Share Plan (EPSP)

Vesting of the EPSP award granted on the 27 June 2014 was based on performance over the three years ended 30 April 2017. This award was subject to EPS performance for 60% of the award and ROCE for the other 40%. The performance achieved has resulted in 61.8% vesting before pro-rating for period of service. Further detail regarding this award can be found on [page 67](#).

For the coming year, EPSP award levels for the CEO and CFO remain unchanged from this year and EPS and TSR continue to be the target metrics. The balance between these metrics remains 60% on EPS and 40% on TSR compared to the FTSE 250 (excluding Investment Trusts). The EPS target is set at a level to encourage progressive and sustainable growth of earnings for shareholders. Since 2013 there has been a threshold of CPI + 3% p.a. and a stretch of CPI + 11% p.a., and these remain the targets for the coming year’s awards.

Committee changes

During the course of the year Andrew Allner stepped down from the Committee, as he is no longer independent, but he continues to offer wise counsel as he attends meetings by invitation.

Other items

As previously reported, our depreciation rates were reduced on 1 May 2012 and 1 May 2014 in the UK and 1 May 2014 in Spain. Where appropriate, when setting performance targets in future, the Committee will take this into account. With regard to outstanding unvested EPSP awards the Committee has agreed that it will review the position at the end of the performance period, for each award, when the exact impact is known and make any adjustment it considers appropriate. Any adjustment will be fully explained in the annual report on remuneration for the relevant year.

Conclusion

The Committee remains committed to a remuneration policy and implementation, which provides the appropriate opportunity for the executives to be fairly rewarded for their contribution to the business, aligned with the interest of all stakeholders.

We value the support that shareholders have provided in the past, including the 99% vote given to approve our remuneration report at the 2016 AGM. Northgate is committed to a transparent and open dialogue with shareholders and we look forward to your continued support at our AGM in September.

Jill Caseberry

Chairman of the Remuneration Committee
26 June 2017

REMUNERATION REPORT

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 Companies Act 2006, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, the UK Code on Corporate Governance and the UK Listing Rules. Our Directors' remuneration policy was approved by shareholders at our AGM on 18 September 2014 and became effective from that date. The policy outlined below is a new policy for the three years from 2017 and will be put to a binding vote of shareholders at the AGM to be held on 19 September 2017.

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

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	<p>Reviewed annually by the Committee, taking account of Company performance, individual performance, changes in responsibility and levels of increase for the broader UK population.</p> <p>Reference is also made to remuneration levels within relevant FTSE and industry comparator companies.</p> <p>The Committee considers the impact of any basic salary increase on the total remuneration package.</p>	<p>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.</p> <p>Details of the outcome of the most recent salary review are provided in the annual remuneration report.</p>
No change to policy from 2014 vote.		
BENEFITS		
To provide market competitive benefits to ensure the wellbeing of executives	<p>The Company typically provides:</p> <ul style="list-style-type: none"> ○ A car or cash allowance in lieu ○ Medical insurance ○ Death in service benefits ○ Critical illness insurance ○ Other ancillary benefits, including relocation expenses (as required) <p>Executive Directors are also entitled to 30 days' leave per annum.</p> <p>Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role.</p>	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.
<p>Proposed change from 2014 vote</p> <p>Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role.</p>		
PENSION		
To provide market competitive retirement 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.
No change to policy from 2014 vote.		

REMUNERATION REPORT CONTINUED

Remuneration Policy Report

Purpose and link to strategy	Operation	Maximum opportunity
ANNUAL BONUS		
<p>To encourage and reward delivery of the Company's operational objectives and to provide alignment with shareholders through the deferred share element</p>	<p>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.</p> <p>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 report on remuneration.</p> <p>Up to 100% of salary, 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.</p> <p>The Remuneration Committee has the discretion to determine the payment of dividend equivalents arising over the period between grant and the vesting date. These may be paid in cash or shares.</p> <p>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.</p> <p>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.</p>	<p>Maximum: 150% of salary CEO; 100% of salary other executives.</p> <p>Target: 50% of maximum.</p> <p>Threshold: 25% of maximum.</p> <p>For performance below threshold, no bonus is payable.</p>
<p>Proposed change from 2014 vote</p> <p>Bringing the opportunity for the CEO at threshold and target performance into line with that for other Directors.</p> <p>Providing the discretion for the Committee to determine that dividend equivalents will be paid on deferred bonus awards.</p>		

Purpose and link to strategy	Operation	Maximum opportunity
LONG-TERM INCENTIVES		
<p>To encourage and reward delivery of the Company's strategic objectives and provide alignment with shareholders through the use of shares</p>	<p>Annual awards of performance shares (or nil cost options) to executive Directors.</p> <p>Awards are granted subject to continued employment and satisfaction of challenging performance conditions measured over three years.</p> <p>Between 2010 and 2014 awards were granted subject to both an EPS and a ROCE performance condition. In 2015, and subsequently, the awards have been granted subject to both EPS and TSR. 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.</p> <p>Awards will vest, subject to performance, on the third anniversary of grant and will be subject to an additional two year holding period post vesting, during which time awarded shares may not be sold (other than for tax).</p> <p>The terms of the EPSP rules provide the Committee with the discretion to grant and/or settle all or part of an EPSP award in cash. In practice this discretion would only be used in exceptional circumstances for executive Directors or to enable the Company to settle any tax or social security withholding which may apply.</p> <p>The Remuneration Committee has the discretion to determine the payment of dividend equivalents arising over the period between grant and the vesting date. These may be paid in cash or shares.</p> <p>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.</p>	<p>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.</p> <p>The normal grant policy is 150% of salary for each executive Director.</p> <p>25% of the grant vests for threshold performance increasing in a straight line to 100% for maximum performance.</p> <p>If performance is below threshold for a measure, then the proportion of the award subject to that measure will lapse.</p>
<p>Proposed change from 2014 vote</p> <p>Introduction of a post vesting holding period for EPSP awards granted from 2017.</p> <p>Providing the discretion for the Committee to determine that dividend equivalents will be paid on EPSP awards.</p> <p>The ability to grant and/or settle all or part of an EPSP award in cash (to be used only in exceptional circumstances for executive Directors or to enable the Company to settle any tax or social security withholding which may apply).</p>		

REMUNERATION REPORT CONTINUED

Remuneration Policy Report

Purpose and link to strategy	Operation	Maximum opportunity
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.	<p>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.</p> <p>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.</p>
No change to policy from 2014 vote.		
NON-EXECUTIVE DIRECTOR FEES		
To attract and retain a high-calibre Chairman and non-executive Directors by offering a market competitive fee level	<p>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.</p> <p>The level of these fees is reviewed every two to three years by the Committee and CEO 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.</p> <p>Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role.</p>	<p>The maximum aggregate amount is currently £700,000 as provided in the Articles of Association.</p> <p>Details of the outcome of the most recent fee review are provided in the annual report on remuneration.</p>
Proposed change from 2014 vote		
Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role.		

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 2015 have been EPS and TSR. 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 TSR 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); and
- 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 the 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 page 70 of the annual report on remuneration), remain eligible to vest based on their original award terms.

It is proposed that the Committee be provided discretion to enable that dividend equivalents be paid on DABP and EPSP awards from date of grant to vesting.

Share ownership requirements

It is proposed that 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 200% of 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. Executive Directors are required to retain all vested DABP and EPSP awards on vesting, subject to sales to meet tax obligations, and the Remuneration Committee's discretion in exceptional circumstances until the ownership requirement is met.

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

REMUNERATION REPORT CONTINUED

Remuneration Policy Report

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.

In accordance with best practice it is proposed that the executive Directors are required to hold any awards under EPSP for two years following vesting.

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. In line with best practice it is proposed that the Director will normally 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 ongoing 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 and 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. In line with best practice it is proposed that equal notice periods will apply to the executive Directors and the Company and that these will normally be six months, although in exceptional circumstances a notice period may be agreed of up to a maximum of 12 months.

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 circumstances in which a departing Director may be entitled to pursue a legal claim, the Company may negotiate settlement terms and, with the approval of the Committee on the remuneration elements therein, enter into a settlement agreement accordingly.

In summary, the proposed contractual provisions are as follows:

Provision	Detailed terms
Notice period	Current executive Directors: six months from the executive and six months from the Company. Any future executive Directors: normally a six months' notice from both the Company and the Director (up to a maximum of 12 months in exceptional circumstances).
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.

For all leavers, the Committee may also determine to make a payment in reimbursement of a reasonable level of outplacement and legal fees in connection with a settlement agreement as well as any statutory entitlement.

All non-executive Directors have letters of appointment with the Company for an initial period of three years, subject to annual reappointment 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 is 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 report on remuneration as they arise.

REMUNERATION REPORT

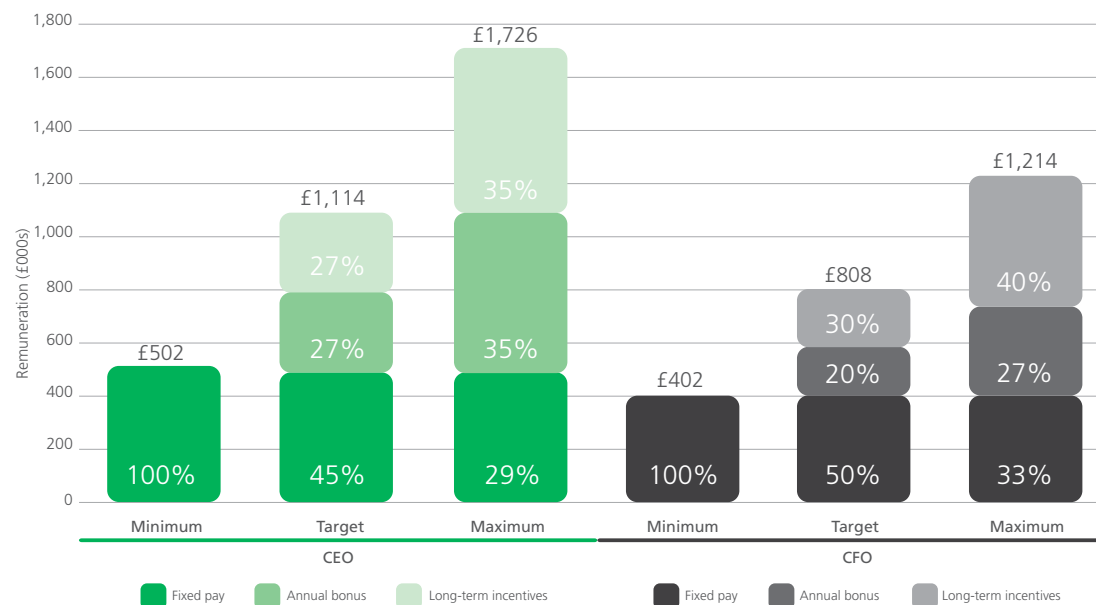
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Remuneration Policy Report

Reward scenarios

The Company's policy results in a significant portion of remuneration received by executive Directors being dependent on Company performance. The chart opposite 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 50% of the annual bonus opportunity

Maximum = Fixed plus 100% 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 2017. The value of taxable benefits is based on the cost of supplying those benefits (as disclosed) for the year ending 30 April 2018.

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 because of uncertainty over the value that may be received from participating in this scheme, it has been excluded from the above charts.

REMUNERATION REPORT

Annual Report on Remuneration

The Remuneration Committee

The members of the Committee are listed below. All are independent non-executive Directors, as defined in the UK Corporate Governance Code, with the exception of the Group Chairman, A Page, who was independent on appointment.

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
J Caseberry (Chairman)	4 out of 4
AJ Allner ¹	1 out of 4
A Page	4 out of 4
B Spencer	4 out of 4
C Miles	4 out of 4

¹ AJ Allner stepped down as a Committee member at the AGM in September 2016. He attended one meeting as a Committee member, the remainder he has attended by invitation.

The CEO attends meetings by invitation and assists the Committee in its deliberations, except when issues relating to his 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, which was 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 Company Secretary 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 £32,708 (2016 – £29,947). 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 plc overall 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. www.northgateplc.com

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 in the UK, Spain and Ireland, 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 their 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 REPORT

CONTINUED

Annual Report on Remuneration

Remuneration for the year ended 30 April 2017 (audited)

The table below sets out the remuneration received by the Directors in relation to performance in the year ended 30 April 2017 (or for performance periods ending in the year ended 30 April 2017 in respect of long term incentives) and in the year ended 30 April 2016.

£000		Salary & Fees	Taxable Benefits ⁶	Annual Bonus	Long Term incentive ⁷	Pension ⁸	Other ⁹	Loss of Office	Total
Executive Directors									
K Bradshaw ¹	2017	125	7	–	–	23	–	–	155
RL Contreras ²	2017	284	14	–	355	51	3	166	873
	2016	408	7	208	438	73	4	–	1,138
PJ Gallagher ³	2017	325	18	–	–	59	–	–	402
	2016	62	5	16	–	10	–	–	93
Chairman									
A Page	2017	163	–	–	–	–	–	–	163
	2016	138	–	–	–	–	–	–	138
Non-executive Directors									
AJ Allner	2017	63	–	–	–	–	–	–	63
	2016	71	–	–	–	–	–	–	71
B Spencer ⁴	2017	62	–	–	–	–	–	–	62
J Caseberry	2017	65	–	–	–	–	–	–	65
	2016	65	–	–	–	–	–	–	65
C Miles ⁵	2017	55	–	–	–	–	–	–	55
	2016	28	–	–	–	–	–	–	28

- ¹ Kevin Bradshaw was appointed to the Board on 11 January 2017.
- ² Bob Contreras retired from the Board on 11 January 2017.
- ³ Paddy Gallagher was appointed to the Board on 22 February 2016.
- ⁴ Bill Spencer was appointed to the Board on 1 June 2016.
- ⁵ Claire Miles was appointed to the Board on 27 November 2015.
- ⁶ Taxable Benefits:

	RL		
	K Bradshaw £000	Contreras £000	PJ Gallagher £000
Car	6	13	17
Medical insurance	1	1	1

- ⁷ This relates to the 2014 EPSP award, details of which are given on [page 67](#). The value of the options vesting in respect of FY2016 shown in last year's accounts of £505,000 was valued at the average closing share price over the last three months of that financial year of 385p per share. They have been restated using the actual share price on that date of vesting (9 July 2016) of 334p. The options vesting in respect of FY2017 are valued at the average closing price over the last three months of FY2017 of 543p.
- ⁸ The executive Directors are eligible for membership of a Group personal pension plan under which they are entitled to a contribution from the Company of 18% of basic salary. In view of the Annual Allowance cap, part or all of their entitlements were paid to them in cash.
- ⁹ 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.

In accordance with Bob Contreras' Service Agreement and his agreement with the Company relating to the termination of his employment, following the Termination Date (11 January 2017) Bob is entitled to receive a payment in lieu of his 12 month notice period. This payment is to be made in equal monthly instalments with any remuneration received during the 12 months following the Termination Date being offset against the monthly amount being paid to him by the Company, excluding the remuneration received by him from Speedy Hire Plc as a non-executive Director. His salary and benefits at Northgate as at the Termination Date equated to £499,320 per annum. The total amount paid in this financial year after he ceased to be a Director was therefore £195,746. Upon review an error in the calculation of the FY2016 bonus paid to Bob Contreras in July 2016 was identified. This error resulted in an overpayment of bonus in the sum of £41,000, split equally between shares and cash. Subsequently, using the clawback provisions of the bonus scheme all monies due have been repaid from the monthly installments of the pay in lieu of notice in May and June 2017.

Kevin Bradshaw was appointed to the Board on 11 January 2017 at a basic salary of £408,000 per annum, which will be reviewed in May 2018 following an assessment of performance and a review of market conditions. His maximum annual bonus potential is 150% of basic salary and his maximum annual award level under the EPSP is 150% of salary. There was no buyout of incentive arrangements from his previous employer.

Annual bonus for the year ended 30 April 2017 (audited)

Deferred annual bonus plan

The bonus for the executive Directors in respect of the year under review was based as to 75% on Group PBT and 25% on strategic objectives, with a ROCE underpin below which no bonus would be payable, and a minimum PBT threshold. For the year ended 30 April 2017, the PBT threshold of £76.0m was not met and no bonus has been paid to any executive Directors.

Vesting of EPSP awards

The EPSP award granted on 27 June 2014 was based on performance over the three years ended 30 April 2017. As disclosed in previous annual reports, the performance condition for this award was as follows:

Performance Condition	Threshold target (25% Vesting)*	Stretch target (100% Vesting)*	End measurement point	Actual	Adjusted*	% Vesting
EPS (60% of award)	35.1p+ (CPI +3% p.a.) = 39.1p	35.1p+ (CPI +11% p.a.) = 48.3p	Final year of the performance period	47.3p	45.9p	80.8
ROCE (40% of award)	11.7%	12.6%	Average of the 3 years of the performance period	11.9%	11.8%	33.3

* As indicated in last year's report, the EPS and ROCE targets and out-turns have been adjusted to reflect the changes in vehicle depreciation rates which were not envisaged when the targets were originally set.

The resulting vesting position will therefore be:

	Original award* (shares)	Total vesting %	Pro rating %	Total shares vesting
RL Contreras	117,647	61.8	90.0 ⁽¹⁾	65,469

Note 1: The number of shares vesting to Bob Contreras has been pro rated for time to reflect his period of service with the Company relative to the performance period – 986 out of 1,095 days.

REMUNERATION REPORT

CONTINUED

Annual Report on Remuneration

EPSP awards made during the year (audited)

The following EPSP awards were granted to executive Directors during the year:

	Type of award	Basis of award granted	Share price at date of award ¹	Number of shares over which award was granted	Face value of award (£)	% of face value that would vest on threshold performance	Vesting determined by performance over
K Bradshaw ²	Nil cost option	150% of salary of £408,000	510p	36,107	184,146	25%	Three financial years to 30 April 2019
RL Contreras ³	Nil cost option	150% of salary of £408,000	316p	193,364	611,997	25%	As above
PJ Gallagher	Nil cost option	150% of salary of £325,000	316p	154,028	487,499	25%	As above

¹ Grants made to Bob Contreras and Paddy Gallagher on 18 July 2016. Share price at 30 June 2016, being the date of the Preliminary Announcement of the results for FY2016. Grant made to Kevin Bradshaw on 26 January 2017 and share price at date award was made.

² The award was pro rated for time to reflect the start date and awarded on 18 January 2017. The original grant was made over an excess number of shares (47,597). A deed of surrender in respect of the excess was executed and this excess lapsed.

³ The number of shares vesting to Bob Contreras will be pro rated for time to reflect his period of service with the Company relative to the performance period – 8 out of 36 months.

This award is subject to EPS and TSR targets as follows:

Performance condition	Threshold target (25% vesting)	Stretch target (100% vesting)	End measurement point
EPS (60% of award)	49.0 p+ (CPI+3% p.a.)	49.0 p+ (CPI+11%p.a.)	Final year of the performance period relative to FTSE 250 (excl. investment trusts) over the performance period.
TSR (40% of award)	Median	Upper quartile	

Percentage change in remuneration levels

	2016	2017	% change
CEO (£000) ¹			
– salary	408	408	0
– benefits	16	21	31
– bonus	209	–	(100)
Average per UK employee (£)			
– salary	24,640	25,676	4
– benefits	1,691	1,570	(7)
– bonus	383	817	113

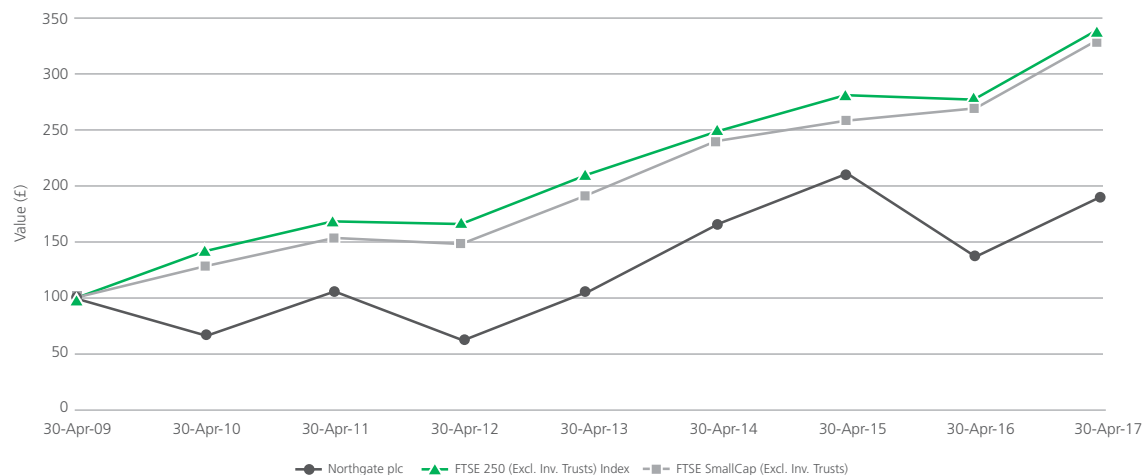
The CEO's figure is calculated as the combined salary and benefits of Bob Contreras and Kevin Bradshaw. This shows the movement in the salary, benefits and annual bonus for the CEO between the year under review and the previous financial year compared to that for the average UK employee. The Committee 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 measured by TSR

As required by the Regulations, 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 eight years. As the Company has been a constituent of the FTSE 250 index for the majority of that time, that index (excluding investment companies) is considered to be the most appropriate benchmark. The mid-market price of the Company's Ordinary shares at 28 April 2017 was 535p (30 April 2016 – 403p). The range during the year was 323p to 645p.

The chart opposite shows the Company's TSR performance against the performance of the FTSE 250 index from 30 April 2009 to 30 April 2017.

Total shareholder return (TSR)



This graph shows the value, at 30 April 2017, of £100 invested in Northgate plc on 30 April 2009, compared with the value of £100 invested in the FTSE 250 (Excl. Inv. Trusts) and FTSE SmallCap (Excl. Inv. Trusts) Indices on the same date. The other points plotted are the values at intervening financial year-ends.

Total remuneration for CEO

Year ended 30 April	2011	2012	2013	2014	2015	2016	2017
Total Remuneration (£000)	821	1,115	859	628	1,138	1,214	821
Annual bonus (% of maximum)	100%	100%	0%	43.6%	90.3%	34.1%	0%
Long term incentive vesting (% of maximum)	0%	100%	33.3%	0%	47.9%	79.2%	61.8%

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

	2016	2017	% increase
Staff costs	89,368	93,850	5.0
Dividends	20,139	21,875	8.6

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

REMUNERATION REPORT

CONTINUED

Annual Report on Remuneration

Outstanding share awards

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

K Bradshaw (audited)

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2016	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2017	End of performance period	Vesting date	Exercise period
EPSP	26.01.17	Nil	–	36,107	–	–	–	36,107	30.04.19	26.01.20	26.01.20 – 26.01.27

The original grant was made over an excess number of shares (47,597). A deed of surrender in respect of the excess was executed and this excess lapsed.

RL Contreras (audited)

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2016	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2017	End of performance period	Vesting date	Exercise period
EPSP	17.08.12	Nil	128,917	–	–	128,917	–	–	30.04.15	17.08.15	17.08.15 – 17.08.22
EPSP	09.07.13	Nil	165,684	–	–	131,138	34,546	–	30.04.16	09.07.16	09.07.16 – 09.07.23
EPSP	27.06.14	Nil	117,647	–	–	–	–	117,647	30.04.17	27.06.17	27.06.17 – 27.06.24
EPSP	20.07.15	Nil	–	106,434	–	–	–	106,434	30.04.18	20.07.18	20.07.18 – 20.07.25
EPSP	18.07.16	Nil	–	193,364	–	–	–	193,364	30.04.19	18.07.19	18.07.19 – 18.07.26
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
DABP	11.07.14	Nil	16,025 ¹	–	–	16,025	–	–	–	11.07.17	11.07.17 – 11.07.24
DABP	20.07.15	Nil	59,478 ¹	–	–	59,478	–	–	–	20.07.18	20.07.18 – 20.07.25
DABP	18.07.16	Nil	–	32,968 ¹	–	–	–	32,968	–	18.07.19	18.07.19 – 18.07.26

PJ Gallagher (audited)

Scheme	Grant date	Exercise price (p)	Number of shares at 1 May 2016	Granted during year	Vested during year	Exercised during year	Lapsed during year	Number of shares at 30 April 2017	End of performance period	Vesting date	Exercise period
EPSP	18.07.16	Nil	–	154,028	–	–	–	154,028	30.04.19	18.07.19	18.07.19 – 18.07.26
DABP	18.07.16	Nil	–	2,526 ²	–	–	–	2,526	–	18.07.19	18.07.19 – 18.07.26
DABP	18.07.16	317	–	2,526 ³	–	–	–	2,526	–	18.07.19	18.07.19 – 18.07.26

¹ Deferred Award.

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

³ Approved Option.

The share price at 30 April 2017 was 535p.

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.

As an eligible leaver, Bob Contreras will be permitted to exercise all outstanding vested and unvested DABP awards for up to six months from his termination date, 11 January 2017. Similarly, he will be permitted to exercise all vested but unexercised EPSP awards over the same period. Unvested EPSP awards will be considered for release, subject to the applicable performance conditions and pro rated for time, on the scheduled vesting dates.

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 Group will therefore receive the most benefit.

The sixteenth annual cycle ended in December 2016 and resulted in 509 employees acquiring 118,306 Partnership shares at 393.5p each and being allocated the same number of Matching shares. As at 30 April 2017 the Capita Trust held 1,386,214 Ordinary shares that have been allocated to employees from the first 16 cycles.

The seventeenth annual cycle started in January 2017 and currently some 600 employees are making contributions to the scheme at an annualised rate of £577,710.

During the year, an award of 155 free shares was made to all eligible employees with one year's service. The total number of shares awarded was 223,355.

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 200,000 (2016 – 600,000) Ordinary shares were purchased by the Guernsey Trust and 305,507 (2016 – 345,967) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2017 the Guernsey Trust held 708,221 (2016 – 1,899,747) 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 has 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. To date, all exercises have been satisfied by open market purchase.

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 2017 was 236,612 (2016 – 230,532), of which 164,055 were transferred from the Guernsey Trust, with the balance of 72,557 (2016 – 80,432) being shares already held by the Capita Trust from forfeiture during the year. The 223,355 free shares referred to above were also sourced from the Guernsey Trust.

At 30 April 2017 the Capita Trust held 31,479 (2016 – 17,186) Ordinary shares which had been forfeited as a result of early withdrawals post January 2017.

Overall plan limits and clawback

All the above schemes operate within the following limits: in any ten calendar year period, the Company may not issue (or grant rights to issue) more than:

- a. 10% of the issued Ordinary share capital 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 2017 was 0.90% under the EPSP, MPSP and DABP and 1.34% under all schemes.

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

The clawback mechanism was used in relation to Bob Contreras' FY2016 bonus as detailed on [page 67](#).

REMUNERATION REPORT

CONTINUED

Annual Report on Remuneration

Directors' shareholding and share interests

The executive Directors are required to build up a shareholding equivalent to 150% 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. It is proposed that the minimum shareholding increases to 200% of salary for the next and future financial years. This proposal is set out as an amendment to the remuneration policy.

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 opposite:

Share Interests (audited)

	Beneficially owned at 30 April 2017	Vested but not exercised EPSP	Not vested EPSP	Vested but not exercised DABP	Not vested DABP	% shareholding guideline achieved at 30 April 2017
RL Contreras	–	–	417,445	–	–	–
K Bradshaw	–	–	36,107	–	–	–
PJ Gallagher	–	–	154,028	–	2,526	–
A Page	10,000	–	–	–	–	N/A
AJ Allner	13,090	–	–	–	–	N/A
J Caseberry	5,000	–	–	–	–	N/A
C Miles	–	–	–	–	–	N/A
B Spencer	8,000	–	–	–	–	N/A

No changes in the above interests have occurred between 30 April 2017 and the date of this report.

Remuneration for FY2018

Salaries as at 1 May 2017 are as follows:

	Salary as at 1 May 2016	Salary as at 1 May 2017	Increase
K Bradshaw	£408,000 ⁽¹⁾	£408,000	0%
PJ Gallagher	£325,000	£325,000	0%

¹ On appointment.

In line with senior UK staff, no increases were made to the executive Directors' salaries at 1 May 2017.

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:

	Salary as at 1 May 2016	Salary as at 1 May 2017	Increase
Chairman	£163,200	£163,200	0%
Base fee	£55,000	£55,000	0%
Senior Independent Director	£10,000	£10,000	0%
Audit Committee Chairman	£10,000	£10,000	0%
Remuneration Committee Chairman	£10,000	£10,000	0%

Fees were last reviewed at 1 May 2017.

Performance targets for the annual bonus and EPSP awards to be granted in 2017

For 2017, the annual bonus will be based on 75% PBT 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 report on remuneration.

The EPSP awards to be granted in 2017 will be subject to two separate performance conditions, with EPS accounting for 60% of the award and TSR compared to the FTSE 250 (Excluding Investment Trusts) Index of Companies for the remaining 40%. The performance conditions are as follows with intermediate vesting between the threshold and stretch targets:

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
TSR (40% of award)	Median	Upper quartile	End of the three year 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 2017 will be 150% of salary for the EPSP for both the CEO and CFO. Annual bonus opportunity will be 150% of salary for the CEO and 100% of salary for the CFO.

Statement of shareholder voting and shareholder feedback

The following table sets out the votes from shareholders for the Directors' report on remuneration received at the 2016 AGM:

	Approve the report on remuneration	
	Total number of votes	% of votes cast
For	103,311,631	99.02%
Against	1,021,122	0.98%
Total votes cast (excluding votes withheld)	104,332,753	100%
Votes withheld	5,775,041	
Total votes cast (including votes withheld)	110,107,794	

Votes withheld are not included in the final proxy figures as they are not recognised as a vote in law.

Approval

This annual report on remuneration has been approved by the Board of Directors.

Signed on behalf of the Board of Directors.

Jill Caseberry

Chairman of the Remuneration Committee

26 June 2017

REPORT OF THE DIRECTORS

The Directors present their report and the audited consolidated accounts for the year ended 30 April 2017.

Results

Details on financial performance and dividends can be found in the Strategic Report from [pages 8 to 39](#).

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 23. 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 2017	%
BlackRock Inc.	5,126,407	3.85
Crystal Amber Fund Ltd	5,706,442	4.28
JO Hambro Capital Management Ltd	6,722,974	5.05
Norges Bank	6,722,974	5.05

Since 30 April 2017 no changes in interests have been notified to the Company.

Directors

Details of the present Directors are listed on [pages 42 and 43](#). All have served throughout the year except Kevin Bradshaw, who was appointed on 11 January 2017, Bob Contreras, who retired from the Board on 11 January 2017 and Bill Spencer, who joined the Board in June 2016.

Resolutions to reappoint each of the Directors in office at the date of this report will be proposed at the AGM.

Termination provisions in respect of executive Directors' contracts can be found in the Remuneration policy, starting on [page 56](#).

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 their periods of office during the year and, for those currently in office, 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:

 www.northgateplc.com

Employee consultation

Employees are kept informed on matters affecting them as employees and on various issues affecting the performance of the Group through CEO 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 SIP, 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:

 www.northgateplc.com

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 34 to 39.

Remuneration report

The Directors' Remuneration report contains:

- A statement by Jill Caseberry, Chairman of the Company's Remuneration Committee;
- The Directors' remuneration policy; and
- The Annual report on remuneration, which sets out payments made in the financial year ended 30 April 2017.

The statement by the Chairman and Annual report on remuneration will 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 vote on the policy document included in this report will be held in September 2017. This policy, if approved, will take effect from the end of the AGM and be in place for three financial years. 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.

The Directors' remuneration report can be found on pages 54 to 73.

Power to allot shares

The present authority of the Directors to allot shares was granted at the AGM held in September 2016 and expires at the forthcoming AGM. A resolution to renew that authority for a period expiring at the conclusion of the AGM to be held in 2018 will be proposed at the AGM. The authority will permit the Directors to allot up to an aggregate nominal amount of £22m of share capital which represents approximately 33% of the present issued Ordinary share capital and is within the limits approved by the Investment Association 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 a 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 in accordance with the best practice guidance set out in the Statement of Principles issued by The Pre-Emption Group and which has been endorsed by the Investment Association. This authority will be limited to:

- Firstly, an aggregate nominal amount of £3,330,000, representing approximately 5% of the current issued Ordinary share capital (Resolution 14b); and
- Secondly, a further 5% of the Company's share capital, provided that this additional power is only used in connection with acquisitions and specified capital investments which are announced contemporaneously with the issue or which have taken place in the preceding six month period and are disclosed in the announcement of the issue (Resolution 15).

The 2015 Statement of Principles defines a 'specified capital investment' as "one or more specific capital investment related uses for the proceeds of an issuance of equity securities, in respect of which sufficient information regarding the effect of the transaction on the listed company, the assets the subject of the transaction and (where appropriate) the profits attributable to them is made available to shareholders to enable them to reach an assessment of the potential return". Items that are regarded as operating expenditure rather than capital expenditure will not typically be regarded as falling within the term 'specified capital investment'.

REPORT OF THE DIRECTORS

CONTINUED

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. This limit excludes any Ordinary shares issued pursuant to a general disapplication of pre-emption rights in connection with an acquisition or specified capital investment.

Disclosure of information under Listing Rule 9.8.4

Dividend waiver arrangements are in place for the employee trusts as shown on page 71.

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 AGM on page 125 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 AGM. 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

There is no present intention to buy back any of the Company's 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.

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 AGM.

Financial instruments

Details of the Group's use of financial instruments are given in the Financial review on pages 18 to 25 and in Notes 21 and 29 to the accounts.

Auditor

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- So far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they 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 appointment of PwC as auditor of the Company will be proposed at the forthcoming AGM. This proposal is supported by the Audit and Risk Committee.

The Directors' Report, comprising the Corporate Governance Report and the Reports of the Audit and Remuneration Committees, has been approved by the Board and signed on its behalf.

By order of the Board

Katie Wood
Company Secretary
26 June 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRS as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group 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 Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in 'Board of Directors' on [pages 42 to 43](#), confirm that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Kevin Bradshaw
Chief Executive Officer
26 June 2017

INDEPENDENT AUDITOR'S REPORT

to the members of Northgate plc

Report on the financial statements

Our opinion

In our opinion:

- Northgate plc's Group financial statements and Parent Company financial statements (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 2017 and of the Group's profit and the Group's and the Parent Company's cash flows 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.

What we have audited

The financial statements, included within the Annual Report and Accounts (the "Annual Report"), comprise:

- the Balance sheets as at 30 April 2017;
- the Consolidated income statement for the year then ended;
- the Statements of comprehensive income for the year then ended;
- the Cash flow statements for the year then ended;
- the Statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

Our audit approach

Overview



- Overall Group materiality: £3.6m which represents 5% of profit before tax.
- Northgate plc has two principal trading components in the UK and Spain, both of which are financially significant components for the Group audit.
- In aggregate full scope audits of these components provided us with the evidence required to form an opinion on the financial statements. Collectively the scope of our work covered 97% of revenue, 96% of total assets and 91% of profit before tax.

The key areas of focus for our audit, as set out below, are:

- Determining appropriate depreciation rates for vehicles available for hire.
- The recoverability of aged trade receivables.
- Provisions for uncertain tax positions.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus

How our audit addressed the area of focus

Determining appropriate depreciation rates for vehicles available for hire

The net book value of vehicle assets for hire at 30 April 2017 is £731.7m (2016: £684.5m) with a depreciation charge for the year of £149.7m (2016: £137.7m). IAS 16 'Property, Plant and Equipment' requires that depreciation rates and estimated useful lives are reviewed regularly to ensure that the net book value of tangible fixed assets when they are sold is broadly equivalent to their market value.

This requires management to make an estimate of the sale proceeds at the time of disposal. Determining likely sales proceeds for future vehicle disposals is judgemental and requires a number of key estimates to be made, including the age, condition and mileage of each vehicle, the method of selling a vehicle and expected future market conditions, such as forecast levels of supply and demand.

Further explanation is included in the Group's critical accounting judgements and key sources of estimation uncertainty in Note 3, the Audit Committee report on [page 51](#) and Note 14.

We examined management's assumptions of expected future market values of hire vehicles used in the calculation by comparison to external third party industry data for expected future market prices.

We considered the historical accuracy of expected future market values by comparison to actual values achieved.

We tested the assumption of the level of vehicle registrations to third party, publicly available data and recalculated the impact of a reduction in fleet age on disposal profits.

We performed detailed testing of the calculations supporting these judgements, including comparison to recent actual market prices achieved on disposal of similar vehicles.

From the work we performed we did not identify any material misstatements.

The recoverability of aged trade receivables

Trade receivables are stated in the balance sheet at their fair value less any provision for irrecoverable amounts. At 30 April 2017 net trade receivables were £53.7m (2016: £58.1m) after provisions of £13.9m (2016: £12.8m).

Determining an appropriate provision for potentially irrecoverable trade receivables requires judgement across the Group's large and diverse customer base of the likely levels of recovery of these receivables along with the consideration of the overall economic environments in the UK, Ireland and Spain.

Further details are included in the Group's critical accounting judgements and key sources of estimation uncertainty in Note 3, the Audit Committee report on [pages 51 to 53](#) and Note 18.

We recalculated provisions to test whether they were calculated in accordance with Group policy.

We examined the levels of post year end cash collections against year end trade receivables and investigated individual overdue balances, by reference to recent history of recoveries and correspondence with customers.

To assess the reasonableness of provisions we tested the age profile of the trade receivables balance back to a sample of invoices raised. We considered the collectability of individual balances raised more than 90 days, by reference to recent history of recoveries and correspondence with customers.

We also performed look back testing to consider management's historical accuracy of provisioning for trade receivables.

From the work we performed we did not identify any material misstatements.

Provisions for uncertain tax positions

We focused on this area due to the judgment required in assessing the need for provisions to cover the risk of challenge of certain of the Group's tax positions, which have been taken as current tax deductions in the current and previous years.

Uncertain tax provisions at the year end totalled £14.3m (2016: £14.2m).

We evaluated and challenged management's rationale for the level of provisions held. We considered the status of recent and current tax audits and enquiries, the out-turn of previous claims and the tax environment in each territory. We also considered any penalty regimes that could apply should any of the Group's tax positions be challenged successfully.

From the work we performed we did not identify any material misstatements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Northgate plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Northgate plc has two principal trading components in the UK and Spain, a smaller trading component in Ireland and a non-trading component in Malta, overseen by a Group function in the UK.

The subsidiary businesses in the UK and Spain were financially significant components for the Group audit.

The UK audit team performed the audit of Northgate's UK business and received an audit opinion from the PwC member firm in Spain on Northgate Spain.

We ensured that appropriate further audit work was undertaken for Northgate plc as the Parent Company. This included audit work on, for example, centrally held tax provisions, accounting for financial hedging instruments, the consolidation of the Group's results, the preparation of the financial statements, assessing the appropriate classification of exceptional items and work on certain disclosures within the Directors' remuneration report.

We were in active dialogue throughout the year with the team responsible for the audit of Northgate Spain; this included consideration of how they planned and performed their work, visiting the business once during the year and attending the audit closing meeting, which was also attended by the Northgate Spain Finance Director.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Group materiality	£3.6m (2016: £3.9m).
How we determined it	5% of profit before tax.
Rationale for benchmark applied	We believe a standard benchmark of 5% of profit before tax is an appropriate quantitative indicator of materiality, although of course an item could also be material for qualitative reasons. We selected profit before tax because management believes it best reflects the performance of Northgate plc.
Component materiality	For each component in our audit scope, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £2.2m for Northgate Spain to £3.0m for Northgate UK. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £180,000 (2016: £200,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on [page 24](#), in relation to going concern. We have nothing to report having performed our review.

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to the Directors' statement about whether they considered it appropriate to adopt the going concern basis in preparing the financial statements. We have nothing material to add or to draw attention to.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing the financial statements. The going concern basis presumes that the Group and Parent Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate. However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and Parent Company's ability to continue as a going concern.

Other required reporting

Consistency of other information and compliance with applicable requirements

Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Report of the Directors. We have nothing to report in this respect.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Corporate Governance Statement set out on pages 48 to 50 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- the information given in the Corporate Governance Statement set out on pages 48 to 50 with respect to the Company's corporate governance code and practices and about its administrative, management and supervisory bodies complies with rules 7.2.2, 7.2.3 and 7.2.7 of the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority.

In addition, in light of the knowledge and understanding of the Group, the Parent Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the information referred to above in the Corporate Governance Statement. We have nothing to report in this respect.

ISAs (UK & Ireland) reporting

Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- | | |
|---|----------------------------------|
| <ul style="list-style-type: none"> ○ information in the Annual Report is: <ul style="list-style-type: none"> — 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 and Parent Company acquired in the course of performing our audit; or — otherwise misleading. | We have no exceptions to report. |
| <ul style="list-style-type: none"> ○ the statement given by the Directors on page 77, in accordance with provision C.1.1 of the UK Corporate Governance Code (the "Code"), that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's and Parent Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Parent Company acquired in the course of performing our audit. | We have no exceptions to report. |
| <ul style="list-style-type: none"> ○ the section of the Annual Report on page 51, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee. | We have no exceptions to report. |

INDEPENDENT AUDITOR'S REPORT CONTINUED

to the members of Northgate plc

The Directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

Under ISAs (UK & Ireland) we are required to report to you if we have anything material to add or to draw attention to in relation to:

- | | |
|---|---|
| <ul style="list-style-type: none"> ○ the Directors' confirmation on page 28 of the Annual Report, in accordance with provision C.2.1 of the Code, that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. | <p>We have nothing material to add or to draw attention to.</p> |
| <ul style="list-style-type: none"> ○ the disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated. | <p>We have nothing material to add or to draw attention to.</p> |
| <ul style="list-style-type: none"> ○ the Directors' explanation on page 33 of the Annual Report, in accordance with provision C.2.2 of the Code, as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. | <p>We have nothing material to add or to draw attention to.</p> |

Under the Listing Rules we are required to review the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the Directors' statement in relation to the longer-term viability of the group. Our review was substantially less in scope than an audit and only consisted of making enquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the Code; and considering whether the statements are consistent with the knowledge acquired by us in the course of performing our audit. We have nothing to report having performed our review.

Adequacy of accounting records and information and explanations received

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 and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.
- We have no exceptions to report arising from this responsibility.

Directors' remuneration

Directors' remuneration report – Companies Act 2006 opinion

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Other Companies Act 2006 reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Corporate governance statement

Under the Companies Act 2006 we are required to report to you if, in our opinion, a corporate governance statement has not been prepared by the Parent Company. We have no exceptions to report arising from this responsibility.

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to ten further provisions of the Code. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities set out on [page 77](#), 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Parent Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

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.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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. With respect to the Strategic Report, Report of the Directors and Corporate Governance Statement, we consider whether those reports include the disclosures required by applicable legal requirements.

Ian Morrison

(Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

26 June 2017

FINANCIALS

In the financials you will find the financial statements for both the Group and the Parent Company, along with the accompanying notes.

- 86 Consolidated income statement
- 87 Statements of comprehensive income
- 88 Balance sheets
- 89 Cash flow statements
- 90 Notes to the cash flow statements
- 91 Statements of changes in equity
- 92 Notes to the accounts



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	Underlying 2017 £000	Statutory 2017 £000	Underlying 2016 £000	Statutory 2016 £000
Revenue: hire of vehicles	4	456,120	456,120	447,134	447,134
Revenue: sale of vehicles	4	211,309	211,309	171,154	171,154
Total revenue	4	667,429	667,429	618,288	618,288
Cost of sales		(514,446)	(514,446)	(459,286)	(459,286)
Gross profit		152,983	152,983	159,002	159,002
Administrative expenses (excluding exceptional items and intangible amortisation)		(68,378)	(68,378)	(64,683)	(64,683)
Exceptional administrative expenses	26	–	(1,293)	–	(1,777)
Intangible amortisation	13	–	(1,830)	–	(1,979)
Total administrative expenses		(68,378)	(71,501)	(64,683)	(68,439)
Operating profit	4, 5	84,605	81,482	94,319	90,563
Interest income		2	2	3	3
Finance costs (excluding exceptional items)	7	(9,601)	(9,601)	(11,373)	(11,373)
Exceptional finance credit (costs)	7, 26	–	339	–	(1,561)
Profit before taxation		75,006	72,222	82,949	77,632
Taxation	8	(12,007)	(11,321)	(17,599)	(16,153)
Profit for the year		62,999	60,901	65,350	61,479
Profit 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 26, as well as certain intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.					
Earnings per share					
Basic	10	47.3p	45.7p	49.0p	46.1p
Diluted	10	46.7p	45.1p	48.3p	45.5p

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	GROUP		COMPANY	
		2017 £000	2016 £000	2017 £000	2016 £000
Amounts attributable to the owners of the Parent Company					
Profit attributable to the owners		60,901	61,479	38,138	37,624
Other comprehensive income (expense)					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings		25,952	22,775	–	–
Net foreign exchange differences on long term borrowings held as hedges		(21,793)	(18,347)	–	–
Foreign exchange difference on revaluation reserve	25	85	70	–	–
Recycling of hedging reserve items		–	649	–	–
Net fair value gains (losses) on cash flow hedges		659	(1,428)	659	(1,428)
Deferred tax (charge) credit recognised directly in equity relating to cash flow hedges		(157)	285	(157)	285
Total other comprehensive income (expense)		4,746	4,004	502	(1,143)
Total comprehensive income for the year		65,647	65,483	38,640	36,481

All items will subsequently be reclassified to the consolidated income statement.

BALANCE SHEETS

AS AT 30 APRIL 2017

	Notes	Restated			
		GROUP		COMPANY	
		2017 £000	2016 £000	2017 £000	2016 £000
Non-current assets					
Goodwill	12	3,589	3,589	–	–
Other intangible assets	13	3,309	4,054	–	–
Property, plant and equipment: vehicles for hire	14	731,657	684,499	–	–
Other property, plant and equipment	15	65,262	65,765	2,141	2,398
Total property, plant and equipment		796,919	750,264	2,141	2,398
Deferred tax assets	22	13,730	15,256	1,306	1,688
Investments	16	–	–	120,893	120,893
Total non-current assets		817,547	773,163	124,340	124,979
Current assets					
Inventories	17	33,666	23,109	–	–
Trade and other receivables	18	62,656	63,499	883,455	825,275
Derivative financial instrument assets	21	213	–	213	–
Cash and bank balances		41,166	55,248	–	–
Total current assets		137,701	141,856	883,668	825,275
Total assets		955,248	915,019	1,008,008	950,254
Current liabilities					
Trade and other payables	19	64,913	53,183	381,156	328,233
Current tax liabilities		18,568	19,350	1,604	–
Short term borrowings	20	32,585	46,515	19,492	34,347
Total current liabilities		116,066	119,048	402,252	362,580
Net current assets		21,635	22,808	481,416	462,695
Non-current liabilities					
Derivative financial instrument liabilities	21	2,706	3,152	2,706	3,152
Long term borrowings	20	318,439	318,610	318,439	318,610
Deferred tax liabilities	22	1,420	3,184	–	–
Total non-current liabilities		322,565	324,946	321,145	321,762
Total liabilities		438,631	443,994	723,397	684,342
Net assets		516,617	471,025	284,611	265,912
Equity					
Share capital	23	66,616	66,616	66,616	66,616
Share premium account	24	113,508	113,508	113,508	113,508
Own shares reserve	25	(1,659)	(8,157)	–	–
Hedging reserve	25	(2,020)	(2,522)	(2,020)	(2,522)
Translation reserve	25	(5,241)	(9,400)	–	–
Other reserves	25	68,614	68,529	64,570	64,570
Retained earnings					
At 1 May		242,451	150,475	23,740	4,564
Profit for the financial year		60,901	61,479	38,138	37,624
Other changes in retained earnings		(26,553)	30,497	(19,941)	(18,448)
At 30 April		276,799	242,451	41,937	23,740
Total equity		516,617	471,025	284,611	265,912

Total equity is wholly attributable to the owners of the Parent Company. The financial statements on pages 86 to 123 were approved by the Board of Directors and authorised for issue on 26 June 2017.

They were signed on its behalf by:

A Page
Director

PJ Gallagher
Director

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2017

	Notes	GROUP		COMPANY	
		2017 £000	2016 £000	2017 £000	2016 £000
Net cash generated from (used in) operations	(a)	47,818	73,726	(10,425)	(10,867)
Investing activities					
Interest received		2	3	2	3
Dividends received from subsidiary undertakings		–	–	53,013	44,788
Loans to subsidiary undertakings		–	–	17,002	20,411
Proceeds from disposals of other property, plant and equipment		1,222	1,001	–	–
Purchases of other property, plant and equipment		(4,878)	(4,503)	(149)	–
Purchases of intangible assets		(1,133)	(1,682)	–	–
Net cash (used in) generated from investing activities		(4,787)	(5,181)	69,868	65,202
Financing activities					
Dividends paid		(21,875)	(20,114)	(21,875)	(20,114)
Receipt of bank loans and other borrowings		–	70,410	–	70,410
Repayments of bank loans and other borrowings		(21,369)	(107,653)	(21,151)	(103,280)
Debt issue costs paid		–	(1,675)	–	(1,675)
Net payments to acquire own shares for share schemes		(114)	(2,366)	(114)	(2,366)
Termination of financial instruments		–	(1,561)	–	(1,561)
Net cash used in financing activities		(43,358)	(62,959)	(43,140)	(58,586)
Net (decrease) increase in cash and cash equivalents		(327)	5,586	16,303	(4,251)
Cash and cash equivalents at 1 May		18,748	9,676	(34,347)	(28,638)
Effect of foreign exchange movements		1,216	3,486	(1,448)	(1,458)
Cash and cash equivalents at 30 April	(b)	19,637	18,748	(19,492)	(34,347)

NOTES TO THE CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 APRIL 2017

(a) Net cash generated from (used in) operations

	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
Operating profit (loss)	81,482	90,563	(593)	(2,104)
Adjustments for:				
Depreciation of property, plant and equipment	156,291	144,272	63	61
Net impairment of property, plant and equipment	131	–	343	–
Amortisation of intangible assets	1,891	1,979	–	16
Loss on disposal of property, plant and equipment	199	122	–	–
Share options fair value charge	1,934	1,666	1,934	1,666
Operating cash flows before movements in working capital	241,928	238,602	1,747	(361)
Decrease in non-vehicle inventories	525	866	–	–
Decrease in receivables	4,801	10,157	68	2,353
(Decrease) increase in payables	(8,952)	(6,825)	(492)	315
Cash generated from operations	238,302	242,800	1,323	2,307
Income taxes paid, net	(12,602)	(8,259)	–	–
Interest paid	(8,552)	(10,527)	(11,748)	(13,174)
Net cash generated from (used in) operations	217,148	224,014	(10,425)	(10,867)
Purchases of vehicles	(346,305)	(296,165)	–	–
Proceeds from disposals of vehicles	176,975	145,877	–	–
Net cash generated from (used in) operations	47,818	73,726	(10,425)	(10,867)

(b) Cash and cash equivalents

	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
Cash and cash equivalents comprise:				
Cash and bank balances	41,166	55,248	–	–
Bank overdrafts	(21,529)	(36,500)	(19,492)	(34,347)
Cash and cash equivalents	19,637	18,748	(19,492)	(34,347)

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 APRIL 2017

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 2015	180,124	(8,812)	(2,028)	(13,828)	68,459	202,441	426,356
Share options fair value charge	–	–	–	–	–	1,666	1,666
Share options exercised	–	–	–	–	–	(3,021)	(3,021)
Profit attributable to owners of the Parent Company	–	–	–	–	–	61,479	61,479
Dividends paid	–	–	–	–	–	(20,114)	(20,114)
Net purchase of own shares	–	(2,366)	–	–	–	–	(2,366)
Transfer of shares on vesting of share options	–	3,021	–	–	–	–	3,021
Other comprehensive (expense) income	–	–	(494)	4,428	70	–	4,004
Total equity at 1 May 2016	180,124	(8,157)	(2,522)	(9,400)	68,529	242,451	471,025
Share options fair value charge	–	–	–	–	–	1,934	1,934
Share options exercised	–	–	–	–	–	(6,612)	(6,612)
Profit attributable to owners of the Parent Company	–	–	–	–	–	60,901	60,901
Dividends paid	–	–	–	–	–	(21,875)	(21,875)
Net purchase of own shares	–	(114)	–	–	–	–	(114)
Transfer of shares on vesting of share options	–	6,612	–	–	–	–	6,612
Other comprehensive income	–	–	502	4,159	85	–	4,746
Total equity at 30 April 2017	180,124	(1,659)	(2,020)	(5,241)	68,614	276,799	516,617

Company	Share capital and share premium £000	Hedging reserve £000	Other reserves £000	Retained earnings £000	Total £000
Total equity at 1 May 2015	180,124	(1,379)	64,570	4,564	247,879
Share options fair value charge	–	–	–	1,666	1,666
Profit attributable to owners of the Parent Company	–	–	–	37,624	37,624
Dividends paid	–	–	–	(20,114)	(20,114)
Other comprehensive expense	–	(1,143)	–	–	(1,143)
Total equity at 1 May 2016	180,124	(2,522)	64,570	23,740	265,912
Share options fair value charge	–	–	–	1,934	1,934
Profit attributable to owners of the Parent Company	–	–	–	38,138	38,138
Dividends paid	–	–	–	(21,875)	(21,875)
Other comprehensive income	–	502	–	–	502
Total equity at 30 April 2017	180,124	(2,020)	64,570	41,937	284,611

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

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 128](#). The nature of the Group's operations and its principal activities are set out in the Strategic report on [pages 8 to 39](#).

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 IFRS, adopted by the 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. The accounts have been prepared in accordance with International Financial Reporting Standards, Interpretations Committee (IFRS-IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

Going concern

Having assessed the principal risks and the other matters discussed in connection with the viability statement on [page 33](#) the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

Changes in accounting policy

Annual improvements 2014, IFRS 14 (Regulatory deferral accounts), IFRS 11 (Joint arrangements), IAS 16 (Property, plant and equipment), IAS 41 (Agriculture), IAS 38 (Intangible assets), IAS 27 (Separate financial statements), IAS 1 (Presentation of financial statements), IFRS 10 (Consolidated

financial statements) and IAS 28 (Investments in associates) became effective or were amended during the year but had no impact on the financial statements. Various new accounting standards and amendments were endorsed during the year, none of which have had or are expected to have any significant impact on the Group. As a result of the clarification of an accounting standard, cash and cash equivalents and bank overdrafts are now shown gross, even where accounts have a right of offset within the same banking facility. The comparatives as at 30 April 2016 have been restated to increase cash and bank balances and bank overdrafts by £36,500,000. IFRS 9 (Financial instruments) and IFRS 15 (Revenue from contracts with customers) will be effective from 1 May 2018 but neither are expected to have a significant impact on the Group's reported results.

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2016 and 30 April 2017.

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.

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. Revenue from sales of other related goods and services is recognised at the point at which the goods or services are provided.

Revenue from the sale of used vehicles is recognised at the point of sale, which is usually represented by the point at which the customer takes possession of the vehicle. Where cash is received in advance of customers collecting or taking delivery of vehicles, revenue is recognised subject to the bill and hold criteria of IAS 18 (Revenue) being met.

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiary undertakings 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
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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 range from three to 10 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 12 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 12 years, averaging around 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.

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.

Investments in subsidiaries

Investments in subsidiaries 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 has decreased or no longer exists, an impairment reversal is recognised in the income statement to the extent required.

Non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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 and any amounts outstanding in relation to previous years. 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 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.

NOTES TO THE ACCOUNTS

CONTINUED

2 Principal accounting policies continued

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

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

Financial instruments and hedge accounting

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provision of the instrument.

Trade receivables are non-interest bearing and are initially stated at their fair value and subsequently at amortised cost less any appropriate provision for irrecoverable amounts. Trade payables are non-interest bearing and are stated initially at their fair value and subsequently at amortised cost.

The Group uses derivative financial instruments to hedge its exposure to interest and foreign exchange 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 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 in other comprehensive income 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.

No derivative assets and liabilities are offset. Certain customer rebates, which will be settled in cash, are offset against the trade receivables balance until such time as these are settled.

Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and bank overdrafts. Cash at bank and in hand and bank overdrafts are shown gross irrespective of where accounts have a right of offset within the same banking facility.

Bank loans, other loans, loan notes and issue costs

Bank loans, other loans and loan notes are stated initially at fair value – the amount of proceeds after deduction of issue costs – and then subsequently at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for in the income statement on an accruals basis.

Foreign currencies

Transactions in foreign currencies other than UK Sterling are recorded at the rate prevailing at the date of the transaction. 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 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 that 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

As Lessee:

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 operates defined contribution pension schemes. 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.

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 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. At the end of each reporting period, the Group revises its estimate of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to the original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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 or 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 judgements and key sources of estimation uncertainty

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

Depreciation

Vehicles for hire are depreciated on a straight-line basis using depreciation rates that reflect economic lives of between three and 12 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, after taking account of costs required to sell the 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 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.

	Restated UK† 2016 £000	Spain 2016 £000	Ireland† 2016 £000	Corporate 2016 £000	Eliminations 2016 £000	Restated Total 2016 £000
Revenue: hire of vehicles	290,714	140,781	16,691	–	(1,052)	447,134
Revenue: sale of vehicles	123,401	44,110	3,643	–	–	171,154
Total revenue	414,115	184,891	20,334	–	(1,052)	618,288
Underlying operating profit (loss)*	55,392	41,267	2,759	(5,099)	–	94,319
Restructuring costs						(1,777)
Intangible amortisation						(1,979)
Operating profit						90,563
Interest income						3
Finance costs						(11,373)
Exceptional finance costs						(1,561)
Profit before taxation						77,632
Other information						
Capital expenditure	192,204	95,847	11,726	–	–	299,777
Depreciation	90,875	45,827	7,509	61	–	144,272
Reportable segment assets	580,335	283,591	35,837	–	–	899,673
Income tax assets						15,256
Total assets						915,019
Reportable segment liabilities	271,310	119,473	27,525	–	–	418,308
Derivative financial instrument liabilities						3,152
Income tax liabilities						22,534
Total liabilities						443,994

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

† Ireland was previously reported as part of the UK segment.

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.

NOTES TO THE ACCOUNTS

CONTINUED

4 Segmental reporting continued

Geographical information

Revenues are attributed to countries on the basis of the Company's location.

	Revenue 2017 £000	Non-current assets 2017 £000	Revenue 2016 £000	Non-current assets 2016 £000
United Kingdom	416,211	440,910	414,115	464,526
Spain	226,660	328,540	184,891	263,046
Republic of Ireland	25,553	34,367	20,334	30,335
Eliminations	(995)	–	(1,052)	–
	667,429	803,817	618,288	757,907

There are no external customers from whom the Group derives more than 10% of total revenue.

5 Operating profit

	2017 £000	2016 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 14 and 15)	156,291	144,272
Amortisation of intangible assets (Note 13)	1,891	1,979
Staff costs (Note 6)	93,850	89,368
Cost of inventories recognised as an expense	241,064	206,849
Net impairment of trade receivables (Note 29)	3,498	3,468
Auditors' remuneration for audit services (below)	356	324
Auditors' remuneration for non-audit services (below)	40	122

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

	2017 £000	2016 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	218	205
Fees payable to the Company's auditors and its associates for the audit of the Company's subsidiaries pursuant to legislation	138	119
Total audit fees	356	324
Other services pursuant to legislation	21	26
Other services	19	68
Tax services	–	28
Total non-audit fees	40	122

Fees payable to PwC 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 51 to 53](#) and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

6 Staff costs

	2017 Number	Restated 2016 Number
The average number of persons employed by the Group:		
United Kingdom:		
Direct operations	1,313	1,430
Administration	485	460
	1,798	1,890
Spain:		
Direct operations	870	806
Administration	162	147
	1,032	953
Republic of Ireland:		
Direct operations	71	62
Administration	16	16
	87	78
	2,917	2,921

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6 Staff costs continued

	2017 £000	2016 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	80,569	77,569
Social security costs	11,376	9,806
Other pension costs – defined contribution plans	1,905	1,993
	93,850	89,368

Wages and salaries include £2,562,000 (2016 – £2,391,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the Remuneration report on pages 54 to 73.

7 Finance costs

	2017 £000	2016 £000
Interest on bank overdrafts and loans	8,940	10,096
Recycling of hedging reserve items	–	649
Amortisation of arrangement fees	636	603
Preference share dividends	25	25
Finance costs (excluding exceptional items)	9,601	11,373
Interest refunded in relation to Spain tax settlement (Note 26)	(339)	–
Termination of interest rate swaps (Note 26)	–	1,561
Exceptional finance (credit) costs	(339)	1,561
	9,262	12,934

8 Taxation

	2017 £000	2016 £000
Current tax:		
UK corporation tax	8,172	10,823
Adjustment in respect of prior years	1,234	854
Foreign tax	1,136	5,023
	10,542	16,700
Deferred tax:		
Origination and reversal of timing differences	701	1,168
Adjustment in respect of prior years	127	(1,818)
Rate adjustments in UK and Spain	(49)	103
	779	(547)
	11,321	16,153

UK corporation tax is calculated at 19.92% (2016 – 20.00%) 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 for the year can be reconciled to the profit before taxation as stated in the income statement as follows:

	2017 £000	%	2016 £000	%
Profit before taxation	72,222		77,632	
Tax at the UK corporation tax rate of 19.92% (2016 – 20.00%)	14,387	19.9	15,526	20.0
Tax effect of expenses that are not deductible in determining taxable profit	236	0.3	1,502	1.9
Tax effect of income not taxable in determining taxable profit	(3,643)	(5.0)	(960)	(1.2)
Difference in taxation in overseas subsidiary undertakings	(971)	(1.3)	946	1.2
Reduction in tax rate	(49)	(0.1)	103	0.1
Adjustment to tax charge in respect of prior years	1,361	1.9	(964)	(1.2)
Tax charge and effective tax rate for the year	11,321	15.7	16,153	20.8

In addition to the amount charged to the income statement, a net deferred tax amount of £157,000 has been debited (2016 – £285,000 credited) directly to equity (Note 22).

The underlying tax charge of £12,007,000 (2016 – £17,599,000) excludes exceptional tax credits of £95,000 (2016 – £668,000) as set out in Note 26, and tax credits on brand royalty charges and intangible amortisation of £591,000 (2016 – £778,000). There has been no recognition of deferred tax assets previously derecognised.

In July 2015 an announcement was made meaning that the applicable tax rate in the UK will reduce from 20% to 19% for the fiscal year starting 1 April 2017 and thereafter. This was substantively enacted on 1 April 2017 and therefore deferred tax balances arising in the UK have been revalued to 19%. In March 2016 it was announced that for the fiscal year starting 1 April 2020 the rate would reduce to 17%. This change has not been substantively enacted at the balance sheet date and deferred tax balances have therefore not been revalued to this rate. The Spanish corporation tax rate reduced to 25% on 1 January 2016. Based on the expected timing of the reversal of temporary differences, the tax disclosures reflect deferred tax measured at 19% in the UK and 25% in Spain.

9 Dividends

An interim dividend of 5.7p per Ordinary share was paid in January 2017 (2016 – 5.1p). The Directors propose a final dividend for the year ended 30 April 2017 of 11.6p per Ordinary share (2016 – 10.9p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2017. No dividends have been paid between 30 April 2017 and the date of signing the Accounts.

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10 Earnings per share

	Underlying 2017 £000	Statutory 2017 £000	Underlying 2016 £000	Statutory 2016 £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 profit for the year attributable to the owners of the Parent Company	62,999	60,901	65,350	61,479
	2017 Number	2017 Number	2016 Number	2016 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	1,700,849	1,700,849	1,990,249	1,990,249
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	134,933,367	134,933,367	135,222,767	135,222,767
Basic earnings per share	47.3p	45.7p	49.0p	46.1p
Diluted earnings per share	46.7p	45.1p	48.3p	45.5p

11 Result of the Parent Company

A profit of £38,138,000 (2016 – £37,624,000) 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.

12 Goodwill

	£000
Carrying value:	
At 1 May 2015, 1 May 2016 and 30 April 2017	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 goodwill balance all relates to the UK. 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 year. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth rates forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

In 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 business plan approved by the Directors in May 2017 using growth rates of 1% over a 10 year period, including terminal values, using a discount rate of 8.6% for the UK CGU, 9.0% for the Spain CGU and 8.2% for the Ireland CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity.

12 Goodwill continued

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

In the prior year, the impairment assessment was based on risk-adjusted cash flow forecasts derived from a three year business plan approved by the Directors in May 2016 using growth rates of 1% over a 10 year period, including terminal values, using a discount rate of 8.9% for the UK CGU (which included Ireland) and 8.9% 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 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, Spain CGU and Ireland CGU. Based on this sensitivity analysis, no reasonably possible changes to the assumptions used for either the UK CGU, Spain CGU or Ireland CGU resulted in an additional impairment charge being required.

13 Other intangible assets

	GROUP			COMPANY
	Customer relationships £000	Other software £000	Total £000	Other software £000
Cost:				
At 1 May 2015	14,484	14,096	28,580	90
Additions	–	1,682	1,682	–
Exchange differences	280	91	371	–
At 1 May 2016	14,764	15,869	30,633	90
Additions	–	1,133	1,133	–
Exchange differences	630	111	741	–
At 30 April 2017	15,394	17,113	32,507	90
Amortisation:				
At 1 May 2015	11,574	12,665	24,239	74
Charge for the year	775	1,204	1,979	16
Exchange differences	279	82	361	–
At 1 May 2016	12,628	13,951	26,579	90
Charge for the year	775	1,116	1,891	–
Exchange differences	629	99	728	–
At 30 April 2017	14,032	15,166	29,198	90
Carrying amount:				
At 30 April 2017	1,362	1,947	3,309	–
At 30 April 2016	2,136	1,918	4,054	–
			2017 £000	2016 £000
Intangible amortisation:				
Included within underlying operating profit			61	–
Excluded from underlying operating profit			1,830	1,979
			1,891	1,979

NOTES TO THE ACCOUNTS

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14 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2015	987,127
Additions	293,592
Exchange differences	27,464
Transfer to motor vehicles	(663)
Transfer to inventories	(310,394)
At 1 May 2016	997,126
Additions	364,499
Exchange differences	33,330
Transfer from motor vehicles	22
Transfer to inventories	(360,729)
At 30 April 2017	1,034,248
Depreciation:	
At 1 May 2015	326,967
Charge for the year	137,678
Exchange differences	9,850
Transfer to motor vehicles	(170)
Transfer to inventories	(161,698)
At 1 May 2016	312,627
Charge for the year	149,742
Exchange differences	11,944
Transfer from motor vehicles	57
Transfer to inventories	(171,779)
At 30 April 2017	302,591
Carrying amount:	
At 30 April 2017	731,657
At 30 April 2016	684,499

At 30 April 2017, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £19,397,000 (2016 – £20,599,000).

15 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
At 1 May 2015	76,799	19,798	3,354	99,951
Additions	726	2,504	1,273	4,503
Exchange differences	2,580	755	–	3,335
Transfer from vehicles for hire	–	–	663	663
Disposals	(1,474)	(1,164)	(1,489)	(4,127)
At 1 May 2016	78,631	21,893	3,801	104,325
Additions	1,380	2,308	1,190	4,878
Exchange differences	3,085	932	–	4,017
Transfer to vehicles for hire	–	–	(22)	(22)
Disposals	(1,704)	(117)	(1,208)	(3,029)
At 30 April 2017	81,392	25,016	3,761	110,169
Depreciation:				
At 1 May 2015	20,811	11,828	1,064	33,703
Charge for the year	2,577	3,318	699	6,594
Exchange differences	600	497	–	1,097
Transfer from vehicles for hire	–	–	170	170
Disposals	(1,209)	(1,026)	(769)	(3,004)
At 1 May 2016	22,779	14,617	1,164	38,560
Charge for the year	2,516	3,307	726	6,549
Net impairment	131	–	–	131
Exchange differences	717	615	–	1,332
Transfer to vehicles for hire	–	–	(57)	(57)
Disposals	(870)	(44)	(694)	(1,608)
At 30 April 2017	25,273	18,495	1,139	44,907
Carrying amount:				
At 30 April 2017	56,119	6,521	2,622	65,262
At 30 April 2016	55,852	7,276	2,637	65,765
			2017	2016
			£000	£000
Land and buildings by category:				
Freehold and long leasehold			50,218	49,909
Short leasehold			5,901	5,943
			56,119	55,852

At 30 April 2017, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £35,000 (2016 – £48,000).

Land and buildings in the Group and Company include £2,141,000 (2016 - £Nil) of assets held for sale. The carrying value of these assets equates to the estimated sale value net of attributable costs to sell.

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15 Other property, plant and equipment continued

Company	Land & buildings £000
Cost	
At 1 May 2015 and 1 May 2016	3,239
Additions	149
At 30 April 2017	3,388
Depreciation:	
At 1 May 2015	780
Charge for the year	61
At 1 May 2016	841
Charge for the year	63
Impairment	343
At 30 April 2017	1,247
Carrying amount:	
At 30 April 2017	2,141
At 30 April 2016	2,398

16 Investments

Company	Shares in subsidiary undertakings £000	Loans in subsidiary undertakings £000	Total £000
Cost:			
At 1 May 2015, 1 May 2016 and 30 April 2017	76,328	47,000	123,328
Accumulated provisions:			
At 1 May 2015, 1 May 2016 and 30 April 2017	2,435	-	2,435
Carrying amount:			
At 1 May 2016 and 30 April 2017	73,893	47,000	120,893

At 30 April 2017, a full list of subsidiaries of the Group, for all of which the ordinary shares were wholly owned, was as follows:

Name	Registered office
Northgate (CB) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (CB2) Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate España Renting Flexible S.A.*	Avd Isaac Newton, 3 Parque Empresarial La Carpetania, 28906 Getafe, Madrid, Spain
Northgate (Europe) Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Northgate (Malta) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate (MT) Limited*	Office 1, Verdala Business Centre, LM Complex, Brewery Street, Mriehel, Birkirkara BKR3000, Malta
Northgate Vehicle Hire (Ireland) Limited*	One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland
Northgate Vehicle Hire Limited	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
NGMalta Finance Limited*	One Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland
Northgate Vehicle Sales Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ
Goode Durrant Administration Limited*	Northgate Centre, Lingfield Way, Darlington, DL1 4PZ

* Interest held indirectly by the Company.

17 Inventories

Group	2017 £000	2016 £000
Vehicles held for resale	28,733	17,758
Spare parts and consumables	4,933	5,351
	33,666	23,109

18 Trade and other receivables

	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade receivables	53,675	58,131	–	–
Amounts due from subsidiary undertakings	–	–	883,224	825,090
Other taxes	–	–	112	56
Other receivables and prepayments	8,981	5,368	119	129
	62,656	63,499	883,455	825,275

Allowances for estimated irrecoverable amounts and the Group's credit risk are considered in Note 29.

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

19 Trade and other payables

	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
Trade payables	35,566	23,158	77	125
Amounts due to subsidiary undertakings	–	–	378,570	325,226
Social security and other taxes	4,646	7,054	196	239
Accruals and deferred income	24,701	22,971	2,313	2,643
	64,913	53,183	381,156	328,233

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

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20 Borrowings

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

	Restated			
	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
Bank loans and overdrafts	265,765	286,242	253,038	274,527
Loan notes	84,393	77,930	84,393	77,930
Cumulative Preference shares	500	500	500	500
Confirming facilities	366	453	–	–
	351,024	365,125	337,931	352,957

The borrowings are repayable as follows:

	Restated			
	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	32,219	46,062	19,492	34,347
Confirming facilities	366	453	–	–
	32,585	46,515	19,492	34,347
In the third to fifth years				
Bank loans	235,499	242,754	235,499	242,754
	235,499	242,754	235,499	242,754
Due after more than five years				
Loan notes	84,473	78,025	84,473	78,025
Cumulative Preference shares	500	500	500	500
	84,973	78,525	84,973	78,525
Unamortised finance fees relating to the bank loans and loan notes	(2,033)	(2,669)	(2,033)	(2,669)
Total borrowings	351,024	365,125	337,931	352,957
Less: Amounts due for settlement within one year (shown within current liabilities)	32,585	46,515	19,492	34,347
Amounts due for settlement after more than one year	318,439	318,610	318,439	318,610

The UK syndicated bank loans, totalling £235,499,000 (gross of unamortised fees) at 30 April 2017, would become repayable in full in the event of a change in control of the Group. The holders of the loan notes, totalling £84,473,000 (gross of unamortised fees) at 30 April 2017, would have to be offered full repayment in the event of a change in control of the Group.

Bank loans and overdrafts

Bank loans and overdrafts are unsecured and bear interest at rates of 0.70% to 1.75% (2016 – 0.70% to 2.25%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

Loan notes

The Company has €100,000,000 of private placement loan notes which bear interest at 2.38%. These are unsecured and mature in August 2022.

Cumulative Preference shares

The cumulative Preference shares of 50p each entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The cumulative Preference shares do not entitle the holders to any further or other participation in the profits or assets of the Company. These shares have no voting rights other than in exceptional circumstances.

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2016 – 1,300,000), of which 1,000,000 (2016 – 1,000,000) were allotted and fully paid at the balance sheet date.

Confirming facilities

Spanish confirming facilities of £366,000 (2016 – £453,000) are unsecured and all fall due within one year. 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:

	2017 £000	2016 £000
Less than one year	25,416	5,200
In one year to five years	215,000	195,494
	240,416	200,694

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:

	Restated At 1 May 2016 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2017 £000
Bank loans	249,742	(21,369)	621	15,242	244,236
Bank overdrafts	36,500	(16,420)	–	1,449	21,529
Loan notes	77,930	–	15	6,448	84,393
Cumulative Preference shares	500	–	–	–	500
Confirming facilities	453	–	(125)	38	366
	365,125	(37,789)	511	23,177	351,024
Cash at bank and in hand	(55,248)	16,747	–	(2,665)	(41,166)
Consolidated net debt	309,877	(21,042)	511	20,512	309,858

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 and bank balances. At 30 April 2017, the gearing of the Group amounted to 60.8% (2016 – 66.9%) where net borrowings are £309,858,000 (2016 – £309,877,000) and shareholders' funds less goodwill and the net book value of intangible assets are £509,719,000 (2016 – £463,382,000).

Financial instruments (see also Note 29)

Financial assets

The Group's principal financial assets are cash and bank balances, 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 Group has credit insurance policies in place to partially 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 21.

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20 Borrowings continued

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 and loan notes.

Cash at bank, and on deposit, yields interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings is managed through the use of interest rate derivatives as detailed in Note 21. 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 2017 102.9% (2016 – 96.7%) of net borrowings were at fixed rates of interest comprising interest rate swaps of £75,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £366,000 of confirming facilities (30 April 2016 – interest rate swaps of £75,000,000 and €190,000,000, loan notes of €100,000,000, £500,000 of Preference shares and £453,000 of confirming facilities).

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euros as net investment hedges against its Euro denominated investments (Note 21).

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

Group	Sterling £000	Euro £000	Total £000
At 30 April 2017			
Bank loans	74,523	169,713	244,236
Bank overdrafts	2,038	19,491	21,529
Cumulative Preference shares	500	–	500
Confirming facilities	–	366	366
Loan notes	–	84,393	84,393
	77,061	273,963	351,024
Group Restated	Sterling £000	Euro £000	Total £000
At 30 April 2016			
Bank loans	74,376	175,366	249,742
Bank overdrafts	8,286	28,214	36,500
Cumulative Preference shares	500	–	500
Confirming facilities	–	453	453
Loan notes	–	77,930	77,930
	83,162	281,963	365,125

21 Derivative financial instruments

The Group's derivative financial instruments at the balance sheet date comprise interest rate swaps and cross-currency swaps. Their net estimated fair values are as follows:

	GROUP		COMPANY	
	2017 £000	2016 £000	2017 £000	2016 £000
Interest rate derivatives	(2,706)	(3,152)	(2,706)	(3,152)
Cross-currency derivatives	213	–	213	–
	(2,493)	(3,152)	(2,493)	(3,152)
They are represented in the balance sheet as follows:				
Current derivative financial instrument assets	213	–	213	–
Non-current derivative financial instrument liabilities	(2,706)	(3,152)	(2,706)	(3,152)
	(2,493)	(3,152)	(2,493)	(3,152)

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 interest rate derivatives to which the Group was party as at 30 April 2017 are summarised below:

	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
At 30 April 2017			
Sterling interest rate swaps	£75,000,000	1.17%	3.2 years
Euro interest rate swaps	€190,000,000	0.06%	3.2 years
At 30 April 2016			
Sterling interest rate swaps	£75,000,000	1.17%	4.2 years
Euro interest rate swaps	€190,000,000	0.06%	4.2 years

In October 2015 interest rate swaps totalling £105,000,000 and €206,500,000 were cancelled and interest rate swaps totalling £75,000,000 and €190,000,000 commenced. These had weighted average pay rates of 1.17% and 0.06% respectively and all had weighted average lives of 4.7 years.

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. There was no hedge ineffectiveness during the year (2016 – £Nil).

Cross-currency derivatives

Market values have been used to determine the fair values of the cross-currency derivatives at the balance sheet date. The estimated fair values are as follows:

	2017 £000	2016 £000
Euro/Sterling cross-currency swaps	213	–

In April 2017 a cross-currency swap with a principal value of €25,000,000 commenced. The Group will have interest cash inflows in Sterling and interest cash outflows in Euro over the life of the contract. On the termination date of the contract, the Group will pay a principal amount in Euro and receive a principal amount in Sterling. The interest rate that the Group pays in Euro is 2.15% and the interest rate the Group receives in Sterling is 2.92%. The swap had a life of 0.5 years. The change in fair value has been deferred in equity.

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21 Derivative financial instruments continued 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 Euros by maintaining a proportion of its borrowings in the same currency. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euros 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.

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

22 Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payments £000	Intangible assets £000	Losses £000	Other temporary differences £000	Total £000
At 1 May 2015	2,489	1,156	(687)	562	(9,509)	(4,271)	(10,260)
(Credit) charge to income	(1,908)	(28)	(186)	(155)	2,335	1,110	1,168
Credit to equity	–	–	–	–	–	(285)	(285)
Exchange differences	(268)	21	–	(1)	(577)	(155)	(980)
Adjustment to tax rate charged (credited) to income	96	–	–	–	(56)	63	103
Adjustments in respect of prior years credited to income	(1,804)	–	–	–	–	(14)	(1,818)
At 1 May 2016	(1,395)	1,149	(873)	406	(7,807)	(3,552)	(12,072)
(Credit) charge to income	(2,425)	4	476	(154)	2,862	(62)	701
Charge to equity	–	–	–	–	–	132	132
Exchange differences	(357)	26	–	(2)	(653)	(188)	(1,174)
Adjustment to tax rate (credited) charged to income	(57)	(42)	34	(14)	–	30	(49)
Adjustment to tax rate charged (credited) to equity	–	–	–	–	–	25	25
Adjustments in respect of prior years charged (credited) to income	325	–	(343)	–	–	145	127
At 30 April 2017	(3,909)	1,137	(706)	236	(5,598)	(3,470)	(12,310)

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:

	Total £000
At 30 April 2017	
Deferred tax assets	(13,730)
Deferred tax liabilities	1,420
Net deferred tax assets	(12,310)
At 30 April 2016	
Deferred tax assets	(15,256)
Deferred tax liabilities	3,184
Net deferred tax assets	(12,072)

In the current year, the net charge to equity of £157,000 (2016 – £285,000 credit) in respect of other temporary differences relates to derivative financial instruments which has been reflected in the hedging reserve (Note 25).

There are no deferred tax assets which are not recognised in the balance sheet.

Net deferred tax assets of £3,470,000 (2016 – £3,552,000) classified as other temporary differences relate to movements on fair values of foreign currency derivatives, other temporary differences in relation to tax payable in various tax jurisdictions in which the Group operates and other temporary differences within the UK.

The following are the major deferred tax assets recognised by the Company and movements thereon during the current and prior year:

Company	Share based payments £000	Other temporary differences £000	Total £000
At 1 May 2015	(687)	(371)	(1,058)
Credit to income	(186)	(159)	(345)
Credit to equity	–	(285)	(285)
At 1 May 2016	(873)	(815)	(1,688)
Charge to income	167	58	225
Charge to equity	–	157	157
At 30 April 2017	(706)	(600)	(1,306)

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23 Share capital

Group and Company	2017 £000	2016 £000
Allotted and fully paid:		
133,232,518 (2016 – 133,232,518) Ordinary shares of 50p each	66,616	66,616

24 Share premium account

Group and Company	£000
At 1 May 2015, 1 May 2016 and 30 April 2017	113,508

25 Other reserves

Group	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2015	40	956	67,463
Foreign exchange differences	–	70	–
At 1 May 2016	40	1,026	67,463
Foreign exchange differences	–	85	–
At 30 April 2017	40	1,111	67,463

Company	Capital redemption reserve £000	Revaluation reserve £000	Merger reserve £000
At 1 May 2015, 1 May 2016 and 30 April 2017	40	1,371	63,159

The above shows the movements on the reserves classified as 'Other reserves' on the Group's Statement of changes in equity. Movements on the own shares reserve, hedging reserve and translation reserve are shown in the Statements of changes in equity, which can be seen on [page 91](#).

Further information on certain of these reserves is given below:

Own shares

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 28). At 30 April 2017 the Guernsey Trust held 708,221 (2016 – 1,899,747) 50p Ordinary shares and the Capita Trust held 31,479 (2016 – 17,186) 50p Ordinary shares. The total number of shares held by these employee trusts represents 0.6% (2016 – 1.4%) 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 IFRS 10 (Consolidated Financial Statements).

Hedging reserve

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate derivatives that are deferred in equity, as explained in Note 2 and Note 21, less amounts transferred to the income statement and other components of equity.

Translation reserve

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 21.

26 Exceptional items

	2017 £000	2016 £000
Restructuring costs	2,189	1,777
Spain tax settlement	(896)	–
Exceptional administrative expenses	1,293	1,777
Interest refunded in relation to Spain tax settlement	(339)	–
Termination of interest rate swaps	–	1,561
Exceptional finance (credit) costs	(339)	1,561
Total pre-tax exceptional items	954	3,338
Tax credits relating to exceptional items	(95)	(668)

Details of exceptional items recognised in the income statement are as follows:

Restructuring costs

The Group incurred total exceptional restructuring costs of £2,189,000 (2016 – £1,777,000), all of which related to staff costs and arose in the United Kingdom.

Spain tax settlement

The Spain tax settlement followed the resolution of an historic tax case with the Spanish tax authorities.

Interest refunded in relation to Spain tax settlement

This relates to interest refunded by the Spanish tax authorities on the settlement of the case disclosed above.

Costs associated with July 2015 refinancing

The Group incurred £Nil (2016 – £1,561,000) of exceptional finance costs relating to the cancellation of previous interest rate swaps which no longer qualified for hedge accounting as the hedged items were deemed to no longer exist.

27 Operating lease arrangements

As lessee

	2017 £000	2016 £000
Group		
Lease payments under operating leases recognised in the income statement for the year	7,163	6,422

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:

	2017 £000	2016 £000
Group		
Within one year	7,011	6,020
In the second to fifth years inclusive	20,347	17,011
After five years	21,731	20,863
	49,089	43,894

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 9 years (2016 – 11 years) and rentals are fixed for an average term of 9 years (2016 – 10 years).

As lessor

The revenue of the Group is principally generated from the hire of vehicles under operating lease arrangements. For the majority of vehicles hired 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.

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28 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration report on pages 54 to 73.

The Group and Company recognised total expenses of £1,934,000 (2016 – £1,666,000) related to equity-settled share based payment transactions in the year.

All options granted under the MPSP and EPSP are nil cost options. Options granted under the DABP have exercise prices ranging from £Nil to £5.75.

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.

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 2017 are outlined below:

	DABP Number of share options 2017	MPSP Number of share options 2017	EPSP Number of share options 2017	AESS Number of matching shares 2017	Free Shares Number of free shares 2017
At 1 May 2016	595,521	184,174	882,433	234,044	288,750
Granted/allocated during the year	107,625	–	485,209	118,306	223,355
Exercised/vested during the year	(467,993)	(85,498)	(426,665)	(76,198)	(115,385)
Forfeited/lapsed during the year	(13,169)	–	(63,067)	(36,575)	(50,120)
At 30 April 2017	221,984	98,676	877,910	239,577	346,600
Exercisable at the end of the year	18,744	98,676	–	–	–
	DABP 2017	MPSP 2017	EPSP 2017	AESS 2017	Free Shares 2017
Weighted average remaining contractual life at the end of the year	8.0 years	5.1 years	8.6 years	2.0 years	1.6 years
Weighted average share price at the date of exercise of options in the year	£4.58	£4.58	£4.58	£5.05	£4.50
Date options granted/allocated during the year	July 2016	–	July 2016/ January 2017*	January 2017	August 2016
Aggregate estimated fair value of options at the date of grant	£221,000	–	£1,017,000	£535,000	£648,000
The inputs into the Black–Scholes model were as follows:					
Weighted average share price	£3.46	–	£3.46	£5.17	£4.10
Weighted average exercise price	£0.52	–	£Nil	£Nil	£Nil
Expected volatility	48.5%	–	48.5%	47.9%	48.8%
Expected life	3 years	–	3 years	3 years	3 years
Risk free rate	0.39%	–	0.39%	0.63%	0.17%
Expected dividends	4.0%	–	4.0%	4.5%	4.1%

*36,107 share options were granted in January 2017 under the EPSP scheme on the appointment of the new CEO.

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 2016 are outlined below:

	DABP Number of share options 2016	MPSP Number of share options 2016	EPSP Number of share options 2016	AESS Number of matching shares 2016	Free Shares Number of free shares 2016
At 1 May 2015	398,355	587,046	1,142,683	254,360	457,400
Granted/allocated during the year	253,812	–	186,525	115,264	113,400
Exercised/vested during the year	(56,646)	(51,970)	(231,816)	(115,497)	(238,600)
Forfeited/lapsed during the year	–	(350,902)	(214,959)	(20,083)	(43,450)
At 30 April 2016	595,521	184,174	882,433	234,044	288,750
Exercisable at the end of the year	237,632	184,174	197,599	–	–

	DABP 2016	MPSP 2016	EPSP 2016	AESS 2016	Free Shares 2016
Weighted average remaining contractual life at the end of the year	7.7 years	6.0 years	7.7 years	1.9 years	1.2 years
Weighted average share price at the date of exercise of options in the year	£4.83	£4.83	£4.83	£3.36	£4.62
Date options granted/allocated in the year	July 2015	–	July 2015	January 2016	August 2015
Aggregate estimated fair value of options at the date of grant	£617,000	–	£658,000	£378,000	£440,000
The inputs into the Black–Scholes model were as follows:					
Weighted average share price	£5.65	–	£5.65	£5.31	£5.69
Weighted average exercise price	£2.31	–	£Nil	£Nil	£Nil
Expected volatility	46.7%	–	46.7%	45.7%	46.2%
Expected life	3 years	–	3 years	3 years	3 years
Risk free rate	1.53%	–	1.53%	1.03%	1.38%
Expected dividends	2.9%	–	2.9%	3.0%	2.9%

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29 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 20, 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 23 to 25.

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 20 and 21.

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.

The following tables detail the Group's sensitivity to a €0.20 (2016 – €0.15) increase and decrease in the Euro/Sterling exchange rate.

A €0.20 (2016 – €0.15) 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 €0.20 (2016 – €0.15) change in foreign currency rates.

	As stated in annual report £000	As would be stated if €0.20 increase £000	As would be stated if €0.20 decrease £000
2017			
Profit before taxation	72,222	66,510	80,265
Total equity	516,617	495,570	546,228
		As would be stated if €0.15 increase £000	As would be stated if €0.15 decrease £000
2016			
Profit before taxation	77,632	75,047	80,629
Total equity	471,025	462,602	481,687

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 year and the average rate applicable for the year. In all instances it is assumed that any derivatives designated in hedging relationships are 100% effective.

A 1.0% (2016 – 1.0%) increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rates in the near term.

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2017			
Profit before taxation	72,222	72,002	72,443
Total equity	516,617	516,442	516,795
		As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2016			
Profit before taxation	77,632	77,200	78,062
Total equity	471,025	470,680	471,370

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.

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29 Financial instruments continued

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

Outstanding receive floating pay fixed contracts	Average contract fixed interest rate		Notional principal amount		Fair value	
	2017 %	2016 %	2017 £000	2016 £000	2017 £000	2016 £000
Sterling						
In the second to fifth years inclusive	1.17	1.17	£75,000	£75,000	(1,377)	(1,001)
Euro						
In the second to fifth years inclusive	0.06	0.06	€190,000	€190,000	(1,329)	(2,151)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have 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 financial liabilities. Included in Note 20 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 tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have 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 tables include 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.

2017	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%	57,461	–	–	–	57,461
Fixed interest rate instruments	2.40%	2,035	2,035	6,106	87,492	97,668
Variable interest rate instruments	1.54%	14,518	3,714	239,838	–	258,070
		74,014	5,749	245,944	87,492	413,199

Restated 2016	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%	60,111	–	–	–	60,111
Fixed interest rate instruments	2.40%	1,882	1,882	5,646	80,851	90,261
Variable interest rate instruments	1.64%	13,723	4,053	251,543	–	269,319
		75,716	5,935	257,189	80,851	419,691

The following tables detail the Group's liquidity analysis for its derivative financial instruments. It includes both liabilities and assets to illustrate how the cash flows are matched in each period. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross cash inflows (outflows) on those derivatives that require gross settlement.

2017	<1 year £000	2nd year £000	3-5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	1,377	1,324	1,253	3,954
Gross settled				
Cross-currency derivatives	21,345	–	–	21,345
Assets				
Gross settled:				
Cross-currency derivatives	21,573	–	–	21,573
2016	<1 year £000	2nd year £000	3-5 years £000	Total £000
Liabilities				
Net settled:				
Interest rate swaps	1,091	1,091	2,226	4,408

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 and cross currency swaps, are held at fair value.

NOTES TO THE ACCOUNTS

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29 Financial instruments continued

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 receivables 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.

	2017 £000	2016 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	67,623	71,004
Allowance for doubtful receivables	(13,948)	(12,873)
	53,675	58,131
Ageing of trade receivables not impaired		
Not overdue	41,369	52,088
Past due not more than two months	10,624	4,552
Past due more than two months but not more than four months	(235)	221
Past due more than four months but not more than six months	1,917	1,270
	53,675	58,131

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, £936,000 (2016 – £802,000) is due from the Group's largest customer. There are no customers who represent more than 5% 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, Spain and Ireland.

Included in the Group's trade receivables balance are debtors with a carrying amount of £12,306,000 (2016 – £6,043,000) 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.

	2017 £000	2016 £000
Movement in the allowance for doubtful receivables		
At 1 May	12,873	12,615
Impairment losses recognised	4,483	4,837
Amounts written off as uncollectible	(3,178)	(3,846)
Impaired losses reversed	(985)	(1,369)
Exchange differences	755	636
At 30 April	13,948	12,873

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

Included in the allowance for doubtful receivables are trade receivables with customers which have been placed under liquidation of £448,000 (2016 – £159,000).

	2017 £000	2016 £000
Ageing of impaired trade receivables		
Not overdue	3	138
Past due not more than two months	449	1,856
Past due more than two months but not more than four months	4,130	2,434
Past due more than four months but not more than six months	554	250
Past due more than six months but not more than one year	8,812	8,195
	13,948	12,873

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.

30 Related party transactions

Transactions with subsidiary undertakings

Transactions between the Company and its subsidiary undertakings, which are related parties, are £3,067,000 (2016 – £3,447,000) interest payable and £6,204,000 (2016 – £5,282,000) royalty charges receivable.

Balances with subsidiary undertakings at the balance sheet date are shown in Notes 18 and 19.

Remuneration of key management personnel

In the current and prior year, the Directors of Northgate plc are determined to be the key management personnel of the Group. There are other senior executives in the Group who are able to influence the Company in the achievement of its goals. However, in the opinion of the Directors, only the Directors of the Company have significant authority for planning, directing and controlling the activities of the Group.

In respect of the compensation of key management personnel, the short term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the Remuneration report on [pages 54 to 73](#). The fair value charged to the income statement in respect of equity-settled share based payment transactions with the Directors is £247,000 (2016 – £660,000). There are no other long term benefits accruing to key management personnel, other than as set out in the Remuneration report.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the one hundred and nineteenth Annual General Meeting of Northgate plc ('the Company') will be held at 10 Paternoster Square, London EC4 at 11.30 am on 19 September 2017 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 2017.
2. To declare a final dividend of 11.6p per Ordinary share.
3. To approve the Directors' Remuneration Report in the form set out on pages 54 to 73 of the 2017 Annual Report and Accounts.
4. To approve the Directors' Remuneration Policy in the form set out on pages 56 to 64 of the Directors' Remuneration Report in the 2017 Annual Report and Accounts.
5. To appoint PricewaterhouseCoopers 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 A Page as a director.
8. To re-elect Mr AJ Allner as a director.
9. To re-elect Miss J Caseberry as a director.
10. To re-elect Mrs C Miles as a director.
11. To re-elect Mr B Spencer as a director.
12. To re-elect Mr P Gallagher as a director.
13. To elect Mr K Bradshaw as a director.
14. 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.
15. That subject to the passing of Resolution 14 the Board be authorised to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be limited:
 - a. to the allotment of equity securities 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 of equity securities or sale of treasury shares (otherwise than under paragraph (a) above) up to a nominal amount of £3,330,000, such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 19 December 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
16. That subject to the passing of Resolution 14, the Board be authorised in addition to any authority granted under Resolution 15 to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment or sale, such authority to be:
 - a. limited to the allotment of equity securities or sale of treasury shares up to a nominal amount of £3,330,000; and
 - b. used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Board of the Company determines to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice,
 such authority to expire at the end of the next Annual General Meeting of the Company (or, if earlier, at the close of business on 19 December 2018) but, in each case, prior to its expiry the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the authority expires and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the authority had not expired.
17. That a general meeting, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.
18. 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 26 June 2017;
 - 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.

By Order of the Board

Katie Wood

Company Secretary

26 June 2017

Registered office:

Northgate Centre, Lingfield Way, Darlington, DL1 4PZ.

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, excluding non business days, 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 at close of business on Friday 15 September 2017 or, in the case of an adjourned meeting, at close of business on the day which is two days before the meeting (excluding days which are not working days). 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.signalshares.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, excluding non business days, 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.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

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 27 June 2017 (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/investors.php.
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 (i) have the right to require the Company 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 8 August 2017, being the date six 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.

GLOSSARY

Term	Definition
ABI	Association of British Insurers
AGM	Annual General Meeting
Annual Report on Remuneration	That section of the Remuneration report which is subject to an advisory shareholder vote
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPI	Consumer Price Index
CSR	Corporate Social Responsibility
DABP	Deferred Annual Bonus Plan
DEFRA	The Department for Environment, Food and Rural Affairs
EBIT	Earnings before interest and taxation (equivalent to operating profit)
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Basic earnings per share
EPSP	Executive Performance Share Plan
ESG	Environment, social and governance
ESOS	Energy Savings Opportunity Scheme
EU	European Union
Facility headroom	Calculated as facilities of £571.9m less net borrowings of £311.9m. Net borrowings represent net debt of £309.9m excluding unamortised arrangement fees of £2.0m and are stated after the deduction of £41.2m of cash balances which are available to offset against borrowings.
FCA	Financial Conduct Authority
Free cash flow	Net cash generated before the payment of dividends
FY2016	The year ended 30 April 2016
FY2017	The year ended 30 April 2017
FY2018	The year ending 30 April 2018
GAAP	Generally Accepted Accounting Practice: meaning compliance with International Financial Reporting Standards
Gearing	Calculated as net debt divided by net tangible assets (as defined below)
GHG	Greenhouse Gas

Term	Definition
HMRC	Her Majesty's Revenue & Customs
IFRS	International Financial Reporting Standards
ISO	International Organisation for Standardisation
ISS	Institutional Shareholder Services
KPIs	Key Performance Indicators
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
Listing Rules	The Listing Rules of the Financial Conduct Authority
MPSP	Management Performance Share Plan (closed to new awards from 2013)
NBS	New Bridge Street, a trading name of Aon plc
Net tangible assets	Net assets less goodwill and other intangible assets
NPS	Net promoter score: a standardised measure of customer satisfaction
PBT	Underlying profit before tax
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs), divided by the number of vehicles sold
PwC	PricewaterhouseCoopers LLP
ROCE	Underlying return on capital employed: calculated as underlying operating profit (see non-GAAP reconciliation) divided by average capital employed
SIP	The Company's HMRC approved share incentive plan, also known as the All Employee Share Scheme
SMEs	Small and medium sized enterprises
The Code	The UK Corporate Governance Code
The Company	Northgate plc
The Group	The Company and its subsidiaries
TSR	Total Shareholder Return
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period

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 interim statement

January

Payment of interim dividend

June

Announcement of year end results

July

Report and accounts posted to shareholders

September

Annual General Meeting

Payment of final dividend

Secretary and registered office

Katie Wood
Northgate Centre
Lingfield Way
Darlington
DL1 4PZ
Tel: 01325 467558

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Tel: 0871 664 0300
(calls cost 10p per minute plus network extras)
Overseas: (+44) 208 639 3399





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