

**Northgate plc**

Annual report and accounts 2012

A flexible approach to business



**NORTHGATE**



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### Who we are

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

### Why choose flexible rental?

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

◐ Available at additional cost

# Highlights of the year

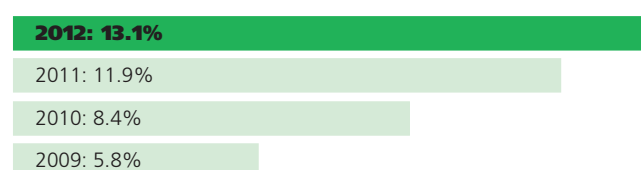
## Operational highlights

- Underlying pricing improvement of 4% in the UK and stable pricing in Spain since April 2011
- Average utilisation of 89% in the UK and 90% in Spain
- Strong used vehicle markets in both the UK and Spain
- Restructuring of businesses in the UK and Spain now substantially complete
- Continued investment in the UK infrastructure, improving branches to the 'One Northgate' standard
- Introduction of the Van Monster retail sales brand to Spain
- Continuing sector diversification in Spain
- Successful centralisation of administrative functions across the UK, with a newly formed Customer Support Centre delivering enhanced customer service

## Financial highlights

	2012	2011	change
Return on capital employed <sup>1</sup>	<b>13.1%</b>	11.9%	<b>+1.2%</b>
Underlying profit before taxation (£m) <sup>2</sup>	<b>59.7</b>	53.8	<b>+10.9%</b>
Profit before taxation (£m)	<b>46.0</b>	26.5	<b>+73.6%</b>
Underlying basic earnings per share <sup>3</sup>	<b>31.5p</b>	29.0p	<b>+8.6%</b>
Basic earnings per share	<b>30.4p</b>	22.1p	<b>+37.6%</b>
Net debt (£m) <sup>4</sup>	<b>371.3</b>	529.9	<b>-158.6</b>
Dividend per share	<b>3.0p</b>	–	

## ROCE<sup>1</sup>



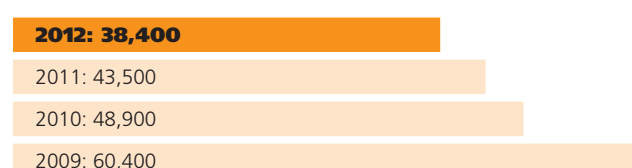
## Gearing<sup>5</sup>



## UK vehicle fleet



## Spanish vehicle fleet



All footnotes are located on page 19.

# Chairman's statement

With the majority of the restructuring completed the Group will continue its strong disciplines of asset management, cash generation and cost control whilst at the same time maximising profitable growth where the appropriate return exists.



**Bob Mackenzie**  
Chairman

I am pleased to report that despite a continuing background of economic uncertainty in the countries in which we operate, the Group has maintained its market leading position and substantially completed the restructuring of our UK and Spanish operations which commenced in summer 2010. We now operate under the Northgate brand in both the UK and Spain and are concentrating on increasing the awareness of our brand in both countries.

The focus of the Group in the year has been to maintain industry leading levels of utilisation, improve operating efficiency to reduce costs and concentrate on increasing the Return on Capital Employed (ROCE). Against all of these measures we have performed well with ROCE<sup>1</sup> increasing to 13.1% in the year (2011 – 11.9%).

Our management team has done an excellent job in moving to one brand, rationalising depots and operations, installing new IT systems in the UK, generating cash and strengthening the balance sheet. We now have a solid base from which both our UK and Spanish

operations can focus on maximising profitable business opportunities going forward.

The balance sheet of the Group continues to strengthen with net debt<sup>4</sup> reducing by £158.6m in the year from £529.9m to £371.3m. At 30 April 2012 we had £276m of headroom<sup>6</sup> on our committed debt facilities of £668m. Net debt to EBITDA<sup>7</sup> has reduced to 1.3x (2011 – 1.7x) and all covenant measures improved over the year as a result of £138m of underlying cash generation<sup>8</sup>. The Group's profitability and cash generation has reduced gearing<sup>5</sup> to 105% from 571% in 2009. As a result we are pleased to announce that the Group is returning to the payment of a dividend.

Our management teams in the UK and Spain have strengthened each business and are working effectively to maximise returns for shareholders and realise the objectives of the Group's strategy.

## UK

Our operating margin<sup>9</sup> increased to 23.2% in the year, compared to 22.0% in 2011. This increase has been achieved through actions aimed at improving operating efficiency, increasing hire rates and the continued strength in the residual values of used vehicles.

Our previous model of 20 separate companies was further reduced to five regions in March 2012. In addition, the implementation of the new IT system has enabled the UK to establish a centralised Customer Support Centre and a Financial Shared Services Centre based in Darlington. This will provide the platform for a consistent and

improved customer service and further operational efficiencies going forward.

During the year the Commercial area of the business was also restructured, and a number of improvement programmes were initiated in the final quarter of the financial year, the main focus being to increase the skills, resource and support within the sales team. The success of these initiatives is central to the objective of returning the business to growth at appropriate levels of return.

## Spain

As widely publicised the Spanish economy continues to be an extremely difficult environment in which to operate. Despite this our operating margin<sup>10</sup> increased to 19.1% in the year (2011 – 18.0%) and utilisation was maintained above 90%. It is testament to the strength and commitment of our Spanish management team that despite hire revenue falling by £20.5m, the underlying operating profit fall was limited to £1.7m.

Given the dire economic situation in Spain, which has been exacerbated by the Euro crisis, we have continued to concentrate on cash generation. Over the last four years capital employed in Spain has been reduced from €829m to €388m with net debt falling from €556m to €172m.

We have successfully replaced the former Fualsa and Record brands and now trade as Northgate, which is enjoying growing brand awareness. Our business in Spain has implemented a new commercial structure which is targeting increased new business wins across a range of sectors to offset declines historically seen in its traditional markets, whilst maintaining its concentration on cash generation.

## Employees

The improvements delivered and our confidence in the future performance of the Group would not be possible without the people we have working with us. The Group has experienced two years of considerable change and this would not have been possible

without their dedication, hard work and loyalty. I would like to thank them on behalf of the Board.

## Dividend

The Group has reduced net debt<sup>4</sup> by £532m over the past four years. In recognition of the higher returns within the business, the sustained improvement in performance and our confidence in the long term future of the Group, the Board recommends the re-introduction of a dividend for the current financial year of 3.0p. This would represent a cash outflow to the Group of £4m and is in respect of the full year.

It is the Board's intention to maintain a sustainable dividend policy with the aim of increasing returns to shareholders over time, whilst taking into account both the underlying profitability, cash generation and cash requirements of the Group. Going forward we would expect to pay one-third of the total dividend at the interim stage and two-thirds as a final dividend.

## Current trading and outlook

The Group retains its strong, market leading position in both the UK and Spain. With the majority of the restructuring completed the Group will continue its strong disciplines of asset management, cash generation and cost control whilst at the same time maximising profitable growth where the appropriate return exists.

Whilst this will be challenging in the awful economic situation Europe finds itself, the Board is confident that the dedication and hard work shown by all our employees over the past two years provides the Group with a strong platform upon which to build.

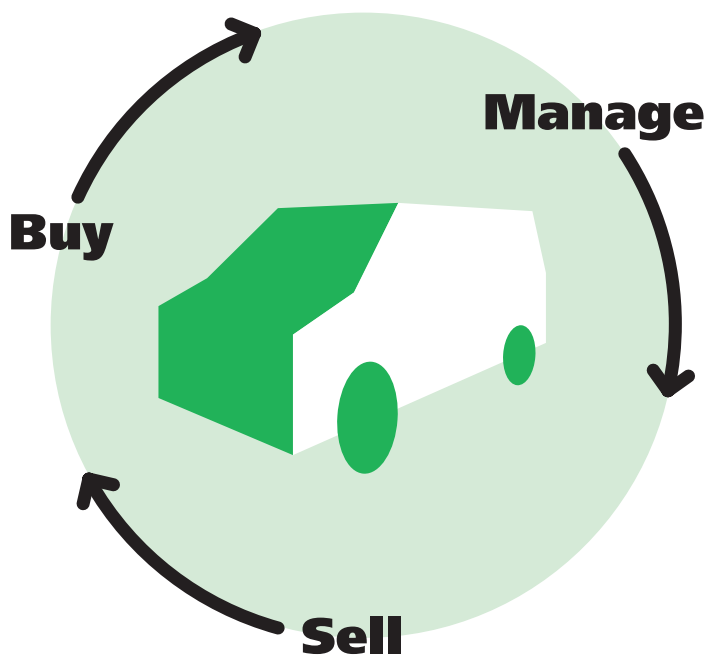
The Group has begun the new financial year in line with the Board's expectations, and the Board is confident the Group is well placed to deliver significant value to shareholders.

**Bob Mackenzie**  
Chairman



## Our business model

We constantly strive to improve our range of services, challenging our business model regularly as we seek to deliver operational and financial benefits throughout the buy-manage-sell fleet life cycle.



### Buy

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

### Manage

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

Vehicle hire is at the heart of our business. We offer a fully flexible product which allows customers to tailor vehicles to their exact requirements and manage the size and composition of their fleet without penalty. Our

national network of branches and workshops in the UK and Spain provide 24/7 support with replacement vehicles on hand to keep customers on the move. We offer a range of ancillary services which enable customers to enjoy operational benefits through efficient fleet management, with our fully outsourced fleet management service providing the ultimate solution.

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

### Sell

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

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



1



2



3

1 We offer the widest range of vehicles to hire in the market, which can be tailored exactly to our customers' requirements.

2 Our national network of branches keeps us close to our customers wherever they are working.

3 Our 'Van Monster' retail sales network offers the biggest range of quality used light commercial vehicles for sale in the market.

# Our strategy and key performance indicators

In a challenging trading environment the strategy of the Group has remained clear: to deliver market leading levels of customer service, focus on improving operational efficiency, and create a resilient and sustainable business for the future. This strategy, delivered through 'One Northgate' has realised an improved return on capital employed of 13.1% with further improvements targeted going forward.

## Asset management

The overall holding cost of vehicles needs to be minimised and utilisation needs to be maintained at a high level in order to maximise return on capital employed (ROCE) whilst holding enough vehicles to meet the flexible demands of our customers.

## Pricing

The hire rate achieved is a key contributor to ROCE. Hire rates need to reflect the level of flexibility and service offered to our customers.

## Customer service

In order to grow the business our product must deliver the highest possible levels of customer service to set us apart from our competitors.

## Return on capital employed (ROCE)

In a capital intensive business, ROCE is a more important measure of performance than profitability alone, as low margin business returns low value to shareholders.

## Earnings per share (EPS)

Basic EPS is considered to be a key short term measure of performance.

### One Northgate

The objective of One Northgate is to provide an industry leading service experience that is delivered consistently to our customers across the UK and Spain.

### Not just a rebrand

The initial phase of One Northgate, rebranding our previous hire companies in the UK and Spain as Northgate has been successfully achieved. Whilst this has improved awareness of the Northgate brand, the key to achieving One Northgate is to raise expectations of the high levels of customer service that underpin our name.

### A consistent and high level of customer service

The key to One Northgate is delivering a consistently high level of customer service. All of our fleet has to meet a minimum 'rentable standard' and the established 'ready-to-rent' line means that an increased number and range of vehicles is available to customers at short notice.

Improvements in workshop planning systems, the increased availability of mobile technicians, and delivery drivers using PDA's have all helped to maximise the time that customers' vehicles are on the road, and internally have improved the efficiency of our operations.

### An organisation matched to the customers' needs

The re-organisation of the UK and Spanish businesses has continued to ensure that we are closer to the customer and can provide a base that will create a resilient and sustainable business for the future. From March 2012 we began to operate from five regions in the UK, supported by a newly formed Customer Support Centre and Financial Shared Services Centre, which now gives us greater focus on our key assets, namely our customers, employees and our fleet.

### Investing in the future

A significant investment in the network infrastructure began this year with the opening of new branches in Grantham and Cannock, and significant refurbishment of eight branches across the UK. The new blueprint equips workshops with the latest technology, and improves customer facilities to increase efficiency and enhance the customer experience. Further investment is planned for 2013.

## Performance

Utilisation was maintained close to our 90% target in the UK and Spain despite a reduction in vehicles on hire of 7,400 in the UK and 5,400 in Spain.

A total of 25,200 vehicles were sold in the UK and 16,800 in Spain at improved residual values. Vehicle purchases were balanced against these disposals to manage the average fleet age to 21.4 months in the UK and 21.8 months in Spain at 30 April 2012.

Underlying hire rates improved by 4% in the UK and remained stable in Spain.

We have various measures of assessing customer service, with the overall indicator being the number of vehicles on hire.

Through the implementation of our 'One Northgate' strategy, we have made significant progress in the year to raise the level and consistency of customer service delivered across the Group. Vehicles on hire have reduced in the year, reflecting the difficult trading environment in the markets in which we operate.

ROCE is maximised through a combination of managing utilisation, hire rates, vehicle holding costs and improvements in operational efficiency.

Group ROCE<sup>1</sup> for the year increased to 13.1% (2011 – 11.9%).

Basic EPS<sup>3</sup> increased to 31.5p from 29.0p in the prior year.

Earnings<sup>3</sup> of £41.9m were 9% higher than in the previous year.

The weighted average number of shares was 133.2m, 0.2m higher than the previous year.

## Target

The minimum target for both segments is to maintain utilisation above 90%.

The holding cost of vehicles will be minimised through managing the mix of purchases and improving the quality and volume of vehicles sold through higher margin retail sales channels.

Minimum hire rate thresholds have been set for new vehicles so that the fleet is grown at rates that are beneficial to ROCE. Further improvements are targeted through the recovery of other costs incurred.

Whilst trading conditions are expected to remain challenging, the substantial completion of restructuring in each business provides a stable platform for growth going forward. Growth will only be pursued where profitable opportunities exist.

Each KPI has been targeted for improvement to contribute to an overall increase in ROCE of the Group. Group ROCE is targeted to increase above levels previously achieved.

The target is to maximise shareholder value by increasing EPS in the short term alongside longer term return on equity.

## Growing the business

Our product is suited well to the current economic climate with many businesses facing uncertainty and looking for a way to operate more efficiently. Commercial operations in the UK and Spain have been restructured to make sure that we are focused in the right areas. We know the importance of listening; not only to make sure that we understand our customers' needs but to make sure that we don't miss any opportunity for them to share in the benefits that Northgate can offer their business.



- 1 Our centralised Customer Support Centre and Financial Shared Service Centre have been successfully launched in the year, delivering a more consistent and efficient service to our customers.
- 2 Investment in our UK workshop infrastructure began this year with the refurbishment of eight sites. Further investment will continue into 2013.
- 3 Commercial operations have been restructured in the UK and Spain to provide a platform for growth.

## UK

Our UK business operates over 52,000 vehicles from 62 locations, servicing over 4,000 customers ranging from blue chip corporations and public sector organisations to small and medium sized enterprises and owner operators. We directly fleet manage 13,000 vehicles and host over 100,000 vehicles on our fleet management portal.

### Operating profit<sup>13</sup>

**2012: £74.4m**

2011: £73.6m

### Operating margin<sup>9</sup>

**2012: 23.2%**

2011: 22.0%

### Number of employees closing

**2012: 1,869**

2011: 2,073

### Closing fleet

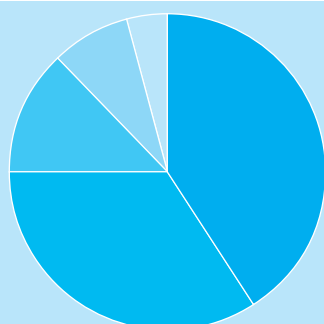
**2012: 52,900**

2011: 61,200

### Locations

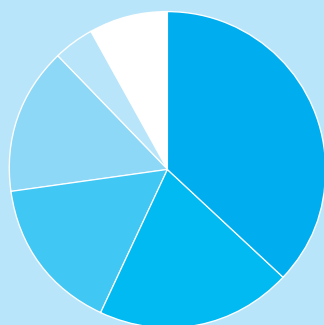
**2012: 62**

2011: 62



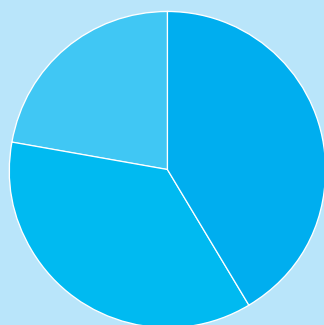
### Fleet mix

- Medium vans **41%**
- Small vans **34%**
- Large commercial vehicles **13%**
- Cars **8%**
- Buses, 4x4 and other specialist vehicles **4%**



### Fleet by manufacturer

- Ford **37%**
- Mercedes **20%**
- Volkswagen **16%**
- Peugeot **15%**
- Vauxhall **4%**
- Others **8%**



### Customers by fleet size

- Corporate fleets (>100) **41%**
- Small and medium fleets (10 – 100) **36%**
- Micro-fleets (<10) **23%**

### Vehicle sales

#### Number of vehicles

**2012: 25,200**

2011: 18,900

#### Revenue from vehicles sold

**2012: £136m**

2011: £103m

### Vehicle purchases

#### Number of vehicles

**2012: 16,500**

2011: 18,900

#### Investment in new vehicles

**2012: £187m**

2011: £201m

## Locations: 62





# Spain

Our business in Spain operates over 38,000 vehicles from 23 locations with over 4,000 customers varying in size and operating in a range of sectors. Our 900 employees work hard to support the widest range of commercial vehicle hire solutions available across the largest geographical branch network in Spain.

## Operating profit<sup>14</sup>

**2012: £35.0m**

2011: £36.6m

## Operating margin<sup>10</sup>

**2012: 19.1%**

2011: 18.0%

## Number of employees closing

**2012: 915**

2011: 936

## Closing fleet

**2012: 38,400**

2011: 43,500

## Locations

**2012: 23**

2011: 25

## Fleet mix

- Small vans **38%**
- Cars **39%**
- Large vans **9%**
- 4x4 **10%**
- Large commercial and other **4%**

## Vehicle sales

Number of vehicles

**2012: 16,800**

2011: 19,000

Revenue from vehicles sold

**2012: £67m**

2011: £75m

## Vehicle purchases

Number of vehicles

**2012: 11,900**

2011: 13,400

Investment in new vehicles

**2012: £118m**

2011: £134m

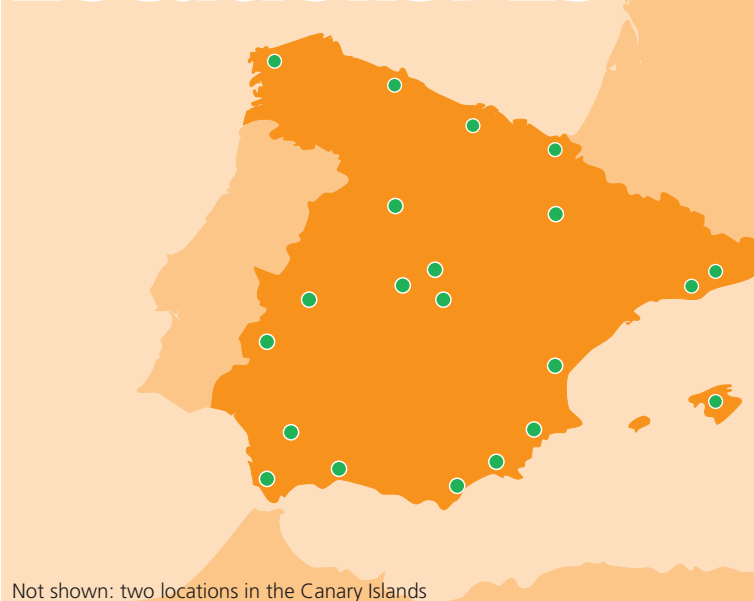
## Fleet by manufacturer

- Citroen **23%**
- Peugeot **22%**
- Ford **14%**
- Opel **11%**
- Seat **6%**
- Others **24%**

## Customers by fleet size

- Small and medium fleets (10 – 100) **41%**
- Corporate fleets (>100) **33%**
- Micro-fleets (<10) **26%**

# Locations: 23



Not shown: two locations in the Canary Islands

## On the road with our customers

Northgate partners over 8,000 customers in the UK and Spain, operating across a range of sectors from owner operators to corporate customers with fleets of over 500 vehicles. With such a variety of customers, we must deliver a service which complements the needs of each business. No single day is the same for Northgate or any of its partners.







UK

## 04:12

Whilst the majority of maintenance work is scheduled, our team of mobile technicians are on call 24/7 to deal with the unexpected. This proves invaluable to Toby Walker, one of our customers in Bolton. One of our technicians responds to his call after he realises that the van lights have been on all night, and he is back on the road within an hour, making it to site on time.

On average we deal with 1,500 roadside incidents each month and have a 83% 'first time fix' rate, getting customers back on the road within 80 minutes. For those few instances where the vehicle can't be fixed at the

roadside, a depot is never too far away, and with our 'ready to rent' line, a replacement vehicle will always be available to get customers back on the road.





## Operational review

Going forward, the success of the Group is dependent upon a return to growth of our businesses in both the UK and Spain where profitable opportunities exist. Whilst this will not be easy within the economic environment in which the Group operates, we are confident that the Group is well positioned, both operationally and financially to achieve this.



**Bob Contreras**  
Chief Executive

### Group

The key to the performance improvements noted over the past two years has been in creating a business that does the simple things well and has optimal operating efficiency. The Group has moved away from targeting vehicle growth via aggressive pricing and is now focused on pursuing markets and customers where the flexible rental offering is right for them.

With the ongoing difficulties in the economies in which we operate the primary focus of the Group has been to improve returns on capital employed and to strengthen the Group's balance sheet.

Over the two years the Group has seen progress in the following key areas:

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

As a result of this, an improved return on capital employed<sup>1</sup> of 13.1% (2011 – 11.9%) has been achieved for the year ended 30 April 2012.

Going forward, the success of the Group is dependent upon a return to growth of our businesses in both the UK and

Spain where profitable opportunities exist. Whilst this will not be easy within the economic environment in which the Group operates, we are confident that the Group is well positioned, both operationally and financially to achieve this.

The reasons why flexible renting provides an attractive business proposal for our customers are still as relevant as they have always been, namely:

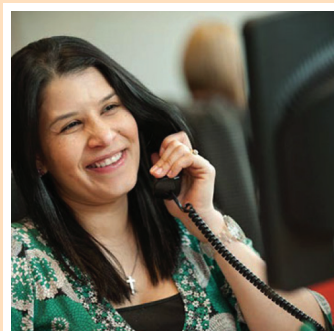
- Avoiding the risk of operational interruption, flexible rental provides a business tool that minimises the cost of downtime and limits exposure if trading conditions change either in the short, medium or long term; and
- Avoiding the capital outlay of purchasing assets, coupled with the lack of flexibility, commitment and risk that outright purchase or contract hire creates.

Our customers benefit from an unrivalled network footprint, specialist knowledge, insight and fleet management capabilities that arise due to the Group's scale and the wealth of knowledge that it contains.

### Spain

# 06:08

Every morning brings an element of the unexpected to add to the deliveries and orders planned into the schedule. Sofia Rodríguez based in Madrid is managing a project in Pamplona, and realises one of her drivers has made three separate trips back to the warehouse as the VW caddy is not big enough for the current project. After calling Northgate she finds out that a replacement Ford Transit can be delivered straight to site from the local branch, saving the cost of downtime and wasted journeys to the warehouse.





## ROCE<sup>1</sup>

**2012: 13.1%**

2011: 11.9%

2010: 8.4%

2009: 5.8%

## UK

Improvements achieved in pricing, operational efficiencies and used vehicle residuals have led to an increase in operating margin<sup>9</sup> from 22.0% to 23.2%.

### Vehicle fleet and utilisation

In the year the UK fleet size reduced by 8,300 to 52,900 vehicles (2011 – 61,200 vehicles). Despite this fall, our asset management strength ensured that average utilisation rates for the year ended 30 April 2012 fell by only 1% to 89% (2011 – 90%).

In response to the reduction in the vehicle fleet the UK reduced vehicle purchases by 2,400 to 16,500 in the year ended 30 April 2012 (2011 – 18,900).

With improved fleet profiling the UK saw a reduction in its average fleet age from 22.1 months at 30 April 2011 to 21.4 months at 30 April 2012, reflecting the Group's commitment to running a fleet with a suitable ageing profile, efficiency and reliability.

### Hire rates and vehicles on hire

Average hire revenue per vehicle closed 3% higher than in the prior year. As experienced in the year ended 30 April 2011 this has been impacted by consumer

demand moving towards smaller vehicles to reduce their operational costs. Adjusting for this mix impact the underlying hire rate increase was 4% as targeted.

Year on year closing vehicles on hire fell by 7,400 (2011 – 1,000). The reduction in vehicles on hire has been caused by a number of factors:

- Customer demand has been impacted as a direct consequence of the economic conditions;
- We have seen returns from specific industries, in particular businesses impacted by the reduction in energy tariffs and grants; and
- The increase in pricing achieved has resulted in some customers who were previously attracted to unsustainably low flexible rental rates revising their fleet mix towards fixed contract rental, whilst ignoring the benefits that a flexible solution provides.

During the year a restructuring of the commercial operations in the UK has been undertaken. This has led to the implementation of a number of key initiatives that are targeted at improving the skills, resources and support that contributes to the commercial offering and delivery. Given the challenging

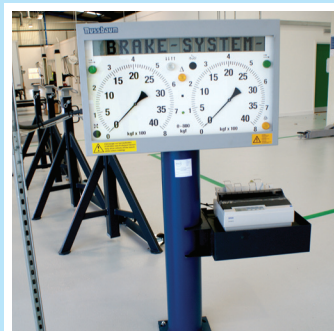
## UK

# 07:08

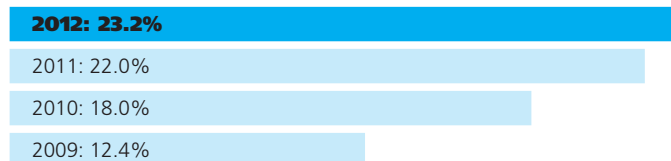
Our workshops are busy places, but we expect that with thousands of vehicles needing routine maintenance. Work is now scheduled through our Central Administration team so vehicles are off the road for the least amount of time.

Pete Johnston, an electrical contractor in Grantham receives a text message from Northgate letting him know that his Peugeot Partner is due in for a routine service. Even when he is waiting at the depot the progress of the job can be viewed on one of our live planners.

Our workshop network is undergoing a huge investment programme to equip it with the latest technology to deal with anything from fast-fit to major intervention repairs. Our technicians are among the best in the UK, trained to the highest standards so customers can be assured that their vehicles are not only the most modern and fuel efficient but are also very well maintained.



## UK operating margin<sup>9</sup>



## UK continued

trading conditions it is clear that the UK business needs to continue to identify and deliver any business opportunities where flexible rental is the most appropriate solution for the customer.

## Restructuring and operational improvement

April 2012 saw the UK business reach an important milestone. The restructuring, which commenced in summer 2010, is now substantially complete. In March 2012 the previous 20 hire companies the Group operated under were further reduced to five regions. All now operate under the single brand of Northgate Vehicle Hire.

During the year a number of key initiatives were implemented which has driven operational efficiency and will help improve customer service. These comprised:

- Improved IT capability and systems, which allows greater visibility and planning of our 53 workshops, leading to increased efficiency and utilisation;

- Further development around driver logistics management, which provides the UK with opportunities for increasing delivery efficiency;
- Improved sales and operational planning, which reduces vehicle holding costs and increases sales opportunities; and
- Centralised customer support and finance which will enhance our customer service offering.

The above operational improvements have delivered £7m of full year equivalent cost savings at April 2012. The savings exceeded the original target by £2m. The year ended 30 April 2012 benefitted from £4m of these savings, with the year ending 30 April 2013 seeing the remaining £3m benefit.

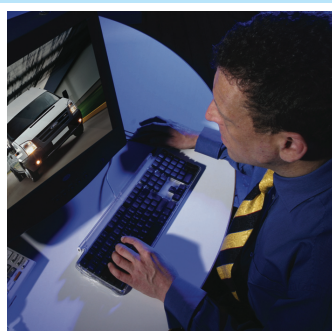
Since the year end all of these initiatives have become embedded and are now part of the day to day business for the UK. Continued efficiencies will be targeted. The UK now has a solid foundation on which to grow efficiently and provide improved customer service.

## UK

# 10:43

It's financial year end for Helen Roberts, a Finance Manager in Sheffield. It has been a difficult year and the recent rises in fuel costs have been a real challenge for her domestic repairs business. That is why her Operations Manager Paul asked for Northgate's help to install vehicle monitoring in their fleet of 200 vehicles. With instant access to the location of their vehicles 24/7, the nearest vehicle is always sent to the next job. The result: a significant 20% saving in fuel costs and 15% reduction in overtime in the first year.

Northgate Vehicle Monitoring has over 4,000 units on hire across 250 customers. Installations can be made from any of our 62 locations, and with all our mobile support units fitted with vehicle monitoring units, it allows a faster response time to any assistance calls.



## UK utilisation

2012: 89%
2011: 90%
2010: 90%
2009: 86%

## UK continued

### Used vehicle sales

In response to the reduced vehicles on hire the UK maximised cash flow generation by reducing purchases and disposing of fleet until the desired utilisation level was achieved.

A total of 25,200 vehicles (2011 – 18,900 vehicles) were sold during the year. Higher margin retail and semi retail channels accounted for 19% (2011 – 22%) of disposals. Whilst the overall percentage has reduced, the absolute number of vehicles sold through these channels has increased by 17%, showing good progress in this area. This has been achieved mainly as a result of the improvements in the asset management and maintenance regimes of vehicles.

The strong resale values for used vehicles observed in the last financial year continued in the year ended 30 April 2012. The improvement in the values achieved and the increase in number of vehicles disposed resulted in a decrease of £22.5m (2011 – £14.2m) in the depreciation charge.

### Depot network

In line with the operational improvement programme

existing sites continue to be reviewed for:

- Suitability, including location, size and functionality; and
- Condition and efficiency.

In the current year four smaller sites have been closed, facilitated by the opening of two new larger sites. The larger sites allow for greater customer service and operational efficiencies. Ireland has also seen two new sites open, driven by an increase in demand outside of the Dublin area. The number of hire locations at April 2012 was 62.

The UK continues to roll out the site refurbishment programme to existing locations, with eight sites completed in the year. This investment focuses largely on workshop improvement and early indications are that efficiency in the sites has improved following the refurbishments. This programme will continue over the next 12 months.

The Group will continue to look for further opportunities to invest in the network where there is an economic benefit in doing so. This will include opportunities to establish a presence in areas of the country where we do not currently operate.

## Spain

# 14:12

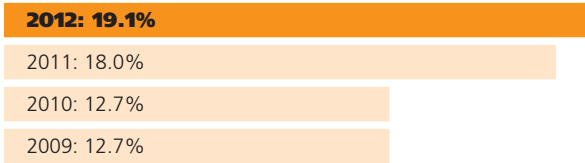
After three separate trips to the garage in the last four months, Javier Ruiz is finally persuaded by his business partner Eduardo that it is time to trade in their van which they have owned for 12 years after having to turn down another job with the van being off the road. Eduardo has heard about the new Van Monster showroom that has recently opened in Bilbao and surprised by the range of quality used vehicles on offer he quickly finds a great deal on an 18 month old Citroën Berlingo. No more wasted time at the garage for Javier and his customers are impressed too.

Van Monster now operates from five separate sites in Spain and eight locations in the UK offering a range of the best quality ex-hire vehicles from our fleet.





Spain operating margin<sup>10</sup>



Spain

Our Spanish business has experienced another difficult year with no notable improvement in trading conditions. In this challenging economic environment strong asset management remains critical and we are pleased to report that vehicle utilisation for the year ended 30 April 2012 was 90% (2011 – 91%).

Continued strong fleet management, cost control, debtor management and improved used vehicle values have offset some of the fall in revenue, helping to improve the operating margin<sup>10</sup> to 19.1% (2011 – 18.0%).

Vehicle fleet and utilisation

The fleet size reduced from 43,500 vehicles at 30 April 2011 to 38,400 at 30 April 2012. The average utilisation for the year was 90% (2011 – 91%).

During the year we purchased 11,900 vehicles (2011 – 13,400) and the average age of the fleet reduced from 25.0 months at 30 April 2011 to 21.8 months at 30 April 2012.

Hire rates and vehicles on hire

Average hire revenue per rented vehicle in the year was 1% lower than the prior year. As in the UK the mix of vehicles on hire in Spain is being impacted by customer demand moving towards smaller vehicles. Excluding this mix impact the revenue per rented vehicle is in line with the prior year.

Vehicles on hire fell 5,400 in the year ended 30 April 2012, from 39,400 vehicles at 30 April 2011. With further improvements to the vehicle disposal infrastructure and strong operational controls, Spain was able to reduce the fleet appropriately and maintain strong vehicle utilisations.

Depot network

The network infrastructure continued to be reviewed throughout the year with two sites being closed in order to tighten operational efficiency without the loss of geographical coverage, leaving the closing number of sites at 23.

Spain

16:32

The flexibility of our product is the main reason why many customers choose Northgate over contract hire or ownership. Álvaro López manages the fleet of one of our large logistics customers in Saragossa. It's a seasonal business, so when he receives notification that a large contract has just been successfully completed, the ten vans on hire from Northgate are returned at no additional cost. This is why he chooses to partner Northgate, because when the next order comes in (large or small), Álvaro knows that Northgate will be on hand to supply the vehicles that he needs at short notice.





## Spain utilisation

**2012: 90%**

2011: 91%

2010: 88%

2009: 83%

## Spain continued

### Sector focus

Spain continues to diversify away from customers operating in the construction industry, with this sector's vehicles on hire accounting for 34% of vehicles on hire at 30 April 2012 compared to 37% at 30 April 2011.

### Used vehicle sales

Over the past two years significant progress has been made in Spain regarding the vehicle sales capability and routes to market. This has been complemented by the change in customer sector concentration coupled with an improved vehicle maintenance regime.

During the year Spain disposed of 16,800 vehicles (2011 – 19,000 vehicles). The continued improvement in resale values achieved has resulted in a reduction in the depreciation charge of €4.9m compared to a €0.2m reduction in the prior year.

## Bad debts

The improvement noted last year in debtor management continued during the year. The incidence of bad debt in Spain in the year ended 30 April 2012 was €3.2m, a €1.1m reduction on the charge in the year ended 30 April 2011 of €4.3m and €7.1m less than the charge noted in the year ended 30 April 2010.

Days' sales outstanding also continue to reduce due to improvements in customer profiling, controls and processes, falling from 94 days as at 30 April 2011 to 71 days at 30 April 2012.

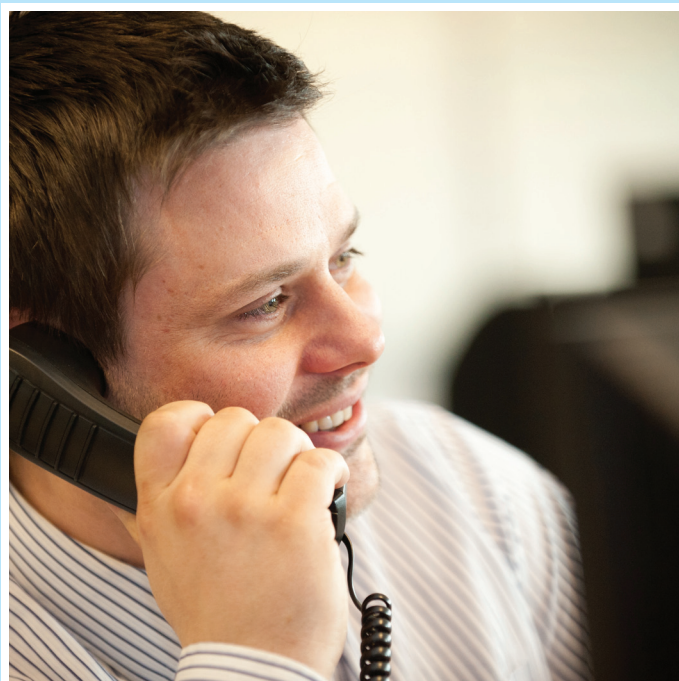
## UK

# 21:51

Nick Jones has been a Northgate customer in Cannock for ten years. When one of his vans reaches the end of its hire life, he is happy to choose a brand new Mercedes Sprinter especially as it is tailored exactly to his needs, with livery, ladder racks and a towbar installed. The van is delivered directly to site, where foreman Keith signs the driver's PDA meaning that he can get on with his job with no paperwork to worry about losing on the way back to the office.

Handheld PDA's are now used by all our delivery drivers, enabling jobs to be scheduled in real time, and replace the previous paper

based rental agreements. On return of vehicles, any damage can be logged and sent directly to the customer, improving the communication between Northgate and its customers.



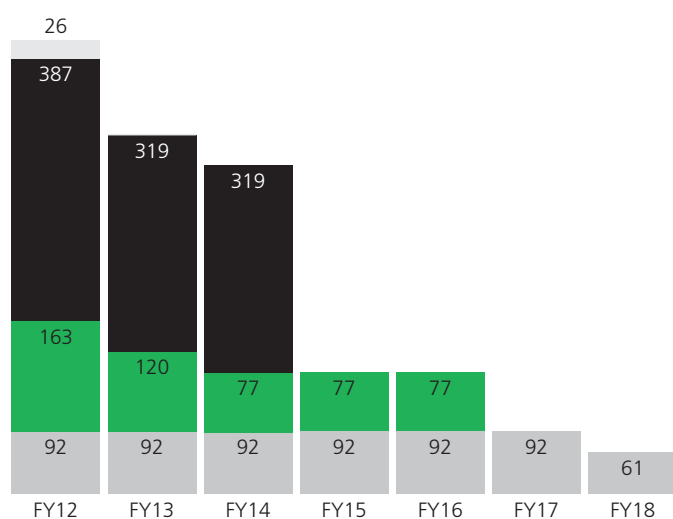
## Financial review

Group return on capital employed was 13.1% compared to 11.9% in the prior year and 8.4% in 2010. This represents a substantial improvement over the previous two years and underlines the Group's success in applying its strategy of maximising returns through strong fleet management and operational efficiency.



**Chris Muir**  
Group Finance Director

### Committed facilities £m



- Other
- Bank facilities
- USPP notes
- M&G

### Group

A summary of the Group's underlying financial performance for 2012, with a comparison to 2011, is shown below:

	2012 £m	2011 £m
Revenue	<b>706.7</b>	715.5
Operating profit <sup>11</sup>	<b>105.2</b>	105.6
Net interest expense <sup>12</sup>	<b>(45.4)</b>	(51.8)
Profit before tax <sup>2</sup>	<b>59.7</b>	53.8
Profit after tax <sup>3</sup>	<b>41.9</b>	38.5
Basic earnings per share <sup>3</sup>	<b>31.5p</b>	29.0p
Return on capital employed <sup>1</sup>	<b>13.1%</b>	11.9%

Group revenue in 2012 decreased by 1.2% to £706.7m (2011 – £715.5m) or 1.4% at constant exchange rates.

Net underlying cash generation<sup>8</sup> was £138.2m (2011 – £99.4m) after net capital expenditure of £133.8m (2011 – £186.1m) resulting in closing net debt<sup>4</sup> of £371.3m (2011 – £529.9m). Gearing<sup>5</sup> improved to 105% (2011 – 163%).

On a statutory basis, operating profit has increased to £94.5m (2011 – £82.6m) with profit before tax increasing to £46.0m (2011 – £26.5m). Basic earnings per share increased to 30.4p (2011 – 22.1p). Net cash from operations, including net capital expenditure on vehicles for hire, increased by £43.5m to £145.8m (2011 – £102.3m), with net debt falling by 27.2% from £529.1m at 30 April 2011 to £385.3m at 30 April 2012. Gearing improved to 109% (2011 – 163%).

### UK

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

	2012 £m	2011 £m
<b>Revenue</b>		
Vehicle hire	<b>320.8</b>	333.9
Vehicle sales	<b>136.3</b>	103.0
	<b>457.1</b>	436.9
<b>Operating profit<sup>13</sup></b>	<b>74.4</b>	73.6

Hire revenue reduced by 4% to £320.8m (2011 - £333.9m) driven by a 7% reduction in the average number of vehicles on hire, partially offset by a 3% increase in hire rates.

An improvement in residual values and increased volume of used vehicle sales contributed £8.3m of the increase in operating profit.

The UK operating margin was as follows:

	2012	2011
Operating margin <sup>9</sup>	<b>23.2%</b>	22.0%

The UK operating profit margin<sup>9</sup> has increased to 23.2% (2011 – 22.0%). This is due to an improvement in hire rates and used vehicle contribution as mentioned above, coupled with cost savings achieved through the restructuring of the UK business.

Given the continuing strength of used vehicle residual values, UK depreciation rates on vehicles for hire have been reduced by 1%, taking effect from 1 May 2012. Based on the composition of the fleet as at 30 April 2012 this is expected to reduce the depreciation charge by £5m in the year ending 30 April 2013, which will reverse over four years as the current fleet is sold.

## Spain

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

	2012 £m	2011 £m
<b>Revenue</b>		
Vehicle hire	<b>182.9</b>	203.3
Vehicle sales	<b>66.7</b>	75.3
	<b>249.6</b>	278.6
Operating profit <sup>14</sup>	<b>35.0</b>	36.6

Hire revenue reduced by 10% due to the reduction in average vehicles on hire (10.5% at constant exchange rates).

An improvement in used vehicle residual values has contributed £4.2m to operating profit in the year with 16,800 vehicles sold (2011 – 19,000).

The Spanish operating margin was as follows:

	2012	2011
Operating margin <sup>10</sup>	<b>19.1%</b>	18.0%

Vehicle hire revenue and operating profit<sup>14</sup> in 2012, expressed at constant exchange rates, would have been lower than reported by £0.9m and £0.2m respectively.

Adjusting for the change in mix of the fleet, revenue per rented vehicle remained stable, which demonstrates good pricing discipline in a difficult trading environment.

The incidence of bad debt in Spain has reduced by £1.0m to £2.7m (2011 – £3.7m), equivalent to 1.5% of rental revenue (2011 – 1.8%) despite no significant improvement in the economic environment, which demonstrates an ongoing improvement in debtor management.

## Corporate

Corporate costs<sup>15</sup> were £4.2m compared to £4.6m in the prior year.

## Return on capital employed

Group return on capital employed<sup>1</sup> was 13.1% compared to 11.9% in the prior year and 8.4% in 2010. This represents a substantial improvement over the previous two years and underlines the Group's success in applying its strategy of maximising returns through strong fleet management and operational efficiency.

Group return on equity, calculated as profit after tax (excluding intangible amortisation, impairment of intangible assets and exceptional items) divided by average shareholders' funds, was 11.9% (2011 – 12.0%).

## Exceptional items

During the year £7.0m of restructuring costs were incurred, of which £5.4m related to the UK, £1.5m related to Spain and £0.1m related to corporate costs. Other exceptional items totalled £(0.3)m.

During the year £3.0m of financing costs were incurred in relation to interest rate swap contracts which were cancelled.

## Interest

Net finance charges for the year before exceptional items were £45.4m (2011 – £51.8m).

The charge includes £6.6m of non-cash interest, primarily from borrowing fees amortised in the year (2011 – £9.4m).

The net cash interest charge has reduced by £3.6m to £38.8m, with a £7.5m saving as a result of the reduction in average net debt throughout the year being partially offset by a £3.8m increased cost as a consequence of higher borrowing rates for the Group in the year and a £0.1m increase due to the impact of exchange rates.

## Taxation

The Group's underlying effective tax charge for its UK and overseas operations is 30% (2011 – 28%).

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

Also excluded from the underlying tax charge in the year is a £11.5m credit following settlement with the UK tax authorities on an outstanding tax matter and a charge of £2.9m to reflect the change in UK tax rates.

Including these items the Group's statutory effective tax charge is 12% (2011 – (11)%).

## Earnings per share

Basic earnings per share (EPS)<sup>3</sup>, were 9% higher than the previous year at 31.5p (2011 – 29.0p). Basic statutory earnings per share were 30.4p (2011 – 22.1p).

Underlying earnings for the purposes of calculating EPS<sup>3</sup> of £41.9m were £3.4m (9%) higher than the previous year (2011 – £38.5m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, 0.2m higher than the previous year.

## Dividend

The Directors recommend the payment of a dividend of 3.0p per share in relation to the Ordinary shares for the year ended 30 April 2012 (2011 – £Nil). Subject to approval by shareholders, the dividend will be paid on 21 September 2012 to ordinary shareholders on the register as at 17 August 2012. The dividend is covered 10 times.

## Balance sheet

Net tangible assets at 30 April 2012 were £353.0m (2011 – £324.4m), equivalent to a tangible net asset value of 264.9p per share (2011 – 243.5p per share).

Gearing<sup>5</sup> at 30 April 2012 was 105% (2011 – 163%) reflecting a £159m reduction in net debt<sup>4</sup>. This demonstrates significant progress in strengthening the balance sheet from a gearing level of 571% at 30 April 2009 and 213% at 30 April 2010.

## Cash flow

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

	2012 £m	2011 £m
Underlying operational cash generation	<b>312.9</b>	331.4
Net capital expenditure	<b>(133.8)</b>	(186.1)
Net taxation and interest payments	<b>(40.9)</b>	(45.9)
Net underlying cash generation <sup>8</sup>	<b>138.2</b>	99.4
Proceeds from issue of share capital	<b>–</b>	0.4
Refinancing fees	<b>(0.1)</b>	(10.3)
Other	<b>(2.6)</b>	(2.6)
<b>Net cash generated</b>	<b>135.5</b>	86.9
Opening net debt <sup>4</sup>	<b>529.9</b>	598.3
Net cash generated	<b>(135.5)</b>	(86.9)
Financing fees paid and amortised	<b>4.5</b>	6.4
Other non-cash items	<b>2.3</b>	3.4
Exchange differences	<b>(29.9)</b>	8.7
<b>Closing net debt<sup>4</sup></b>	<b>371.3</b>	529.9

Underlying operational cash generation (as outlined in the table above) of £312.9m, coupled with tight control over capital expenditure of £133.8m have contributed to a £158.6m reduction in net debt<sup>4</sup> to a closing position of £371.3m.

A total of £306.3m was invested in new vehicles in order to replace fleet compared to £343.6m in the prior year. The Group's new vehicle outlay was partially funded by £180.3m of cash generated from the sale of used vehicles. Other net capital expenditure amounted to £7.8m.

After capital expenditure, and payments of interest and tax of £40.9m, net underlying cash generation<sup>8</sup> was £138.2m, compared to £99.4m in the previous year.

### Borrowing facilities

The Group's financing arrangements comprise committed secured facilities of £668.3m as detailed below. As at 30 April 2012 £392.6m debt gross of £21.3m of unamortised arrangement fees was drawn against these facilities giving headroom of £275.7m<sup>6</sup>.

The Group's facilities and their maturities are shown below:

	Facility £m	Drawn £m	Headroom £m	Maturity
Bank	386.5	114.7	271.8	Sept-14
US loan notes	163.1	163.1	–	Nov-12 to Dec-16
M&G loan	92.1	92.1	–	Oct-17 to Apr-19
Other loans	26.6	22.7	3.9	Up to Nov-12
	668.3	392.6	275.7	

US loan notes bear fixed interest of 8.8%. M&G loan interest is charged at LIBOR +4.25%. This has been swapped into fixed rate debt at a rate of 8.2%. A proportion of bank debt is fixed at 5.1% giving an overall rate of 7.3% on our fixed rate debt. Including floating rate debt, the overall cost of the Group's borrowings is 7.1%.

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, and ranges from a maximum of 3.25% to a minimum of 2.25%. The net debt to EBITDA ratio at 30 April 2012 corresponds to a bank margin of 2.50%.

The Group made total borrowing repayments of £223m in the year. Scheduled bank repayments of £68m are due in November 2012 before the facilities mature in September 2014.

US note repayments and maturities of £45m are due in November 2012, with £43m maturing in December 2013 and £75m in December 2016.

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

There are four financial covenants<sup>7</sup> under the Group's facilities as follows:

#### 1. Interest cover ratio

A minimum ratio of earnings before interest and taxation (EBIT) to net interest costs tested quarterly on a rolling historic 12 month basis. The covenant ratio to be exceeded ranges between 2.00x and 2.25x.

Interest cover at 30 April 2012 was 2.4x (2011 – 2.1x) with EBIT headroom, all else being equal, of £17m.

#### 2. Minimum tangible net worth

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

Headroom at 30 April 2012 was £99m (2011 – £85m).

#### 3. Loan to value

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

Loan to value at 30 April 2012 was 53% (2011 – 63%) giving net debt headroom, all else being equal, of £132m.

#### 4. Debt leverage cover ratio

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

Debt leverage cover at 30 April 2012 was 1.3x (2011 – 1.7x) with EBITDA headroom, all else being equal, of £97m.

### Treasury

The function of Group Treasury is to mitigate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements, to secure finance at minimum cost and to invest cash assets securely and profitably. Treasury operations manage the Group's funding, liquidity and exposure to interest rate risks within a framework of policies and guidelines authorised by the Board of Directors.

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using more complex financial instruments.

#### Credit risk

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit agencies. Our credit exposure is limited to banks which maintain an A rating. Individual aggregate credit exposures are also limited accordingly.

#### Liquidity and funding

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

#### Capital management

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

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

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure. As discussed above, gearing<sup>5</sup> at 30 April 2012 was 105% compared to 163% at 30 April 2011.

#### 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 96% at 30 April 2012 (2011 – 71%).



## Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (64%) is generated in pounds sterling. The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

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

	2012 £ : €	2011 £ : €
Average	<b>1.17</b>	1.17
Year end	<b>1.23</b>	1.12

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. In addition, the Group has entered into a number of Sterling/Euro cross-currency swaps which are designated as net investment hedges. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euro to Sterling at each reporting date. The hedges are considered highly effective in the current and prior year and the exchange differences arising on the borrowings and net investment hedges have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

The Group has in issue US dollar-denominated loan notes which bear fixed rate interest in US dollars. The payment of this interest and the capital repayment of the loan notes at scheduled repayment dates and maturity expose the Group to foreign exchange risk. To mitigate this risk, the Group has entered into a series of Sterling/US dollar cross-currency swaps. The effective start dates and termination dates of these contracts are the same as the loan notes against which hedging relationships are designated. The Group will have interest cash outflows in Sterling and interest cash inflows in US dollars over the life of the contracts. On the termination date of each of the contracts, the Group will pay a principal amount in Sterling and receive a principal amount in US dollars.

## Going concern

In determining whether the Group's 2012 accounts should be prepared on a going concern basis the Directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowings facilities and the risks and uncertainties relating to its business activities in the current economic climate.

The principal risks and uncertainties of the Group are outlined on pages 20 and 21. Measures taken by the Directors in order to mitigate those risks are also outlined.

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

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

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

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's 2012 accounts.

- 1 Calculated as operating profit<sup>11</sup> divided by average capital employed, being shareholders funds plus net debt<sup>4</sup>.
- 2 Stated before intangible amortisation of £4.0m (2011 – £4.7m), exceptional administrative expenses of £6.7m (2011 – £12.5m), impairment of intangible assets of £Nil (2011 – £5.9m) and exceptional finance costs of £3.0m (2011 – £4.2m).
- 3 Stated before intangible amortisation of £4.0m (2011 – £4.7m), exceptional administrative expenses of £6.7m (2011 – £12.5m), impairment of intangible assets of £Nil (2011 – £5.9m), exceptional finance costs of £3.0m (2011 – £4.2m) and tax on intangible amortisation, exceptional items and exceptional tax credit of £12.3m (2011 – £18.2m).
- 4 Net debt taking into account swapped exchange rates for US loan notes and M&G loan swapped into Euro being retranslated to Sterling at closing exchange rates.
- 5 Calculated as net debt<sup>4</sup> divided by tangible net assets with tangible net assets being net assets less goodwill and other intangible assets.
- 6 Headroom calculated as facilities of £668m less net borrowings of £392m. Facilities and net borrowings stated taking into account the fixed swapped exchange rates for US loan notes and M&G loan swapped into Euro being retranslated to Sterling at closing exchange rates. Net borrowings represent net debt<sup>4</sup> of £371m gross of £21m of unamortised arrangement fees and are stated after the deduction of £10m of cash balances, which are available to offset against borrowings.
- 7 Calculated in accordance with covenant requirements of the Group's financing arrangements.
- 8 Net increase in cash and cash equivalents before financing activities and partial recovery of acquisition cost of subsidiary undertaking.
- 9 Calculated as operating profit<sup>13</sup> divided by revenue of £320.8m (2011 – £333.9m), excluding vehicle sales.
- 10 Calculated as operating profit<sup>14</sup> divided by revenue of £182.9m (2011 – £203.3m), excluding vehicle sales.
- 11 Stated before intangible amortisation of £4.0m (2011 – £4.7m), exceptional administrative expenses of £6.7m (2011 – £12.5m) and impairment of intangible assets of £Nil (2011 – £5.9m).
- 12 Stated before exceptional finance costs of £3.0m (2011 – £4.2m).
- 13 Excluding amortisation of intangible assets of £3.1m (2011 – £3.2m) and exceptional administrative expenses of £5.7m (2011 – £2.4m).
- 14 Excluding amortisation of intangible assets of £0.9m (2011 – £1.4m), exceptional administrative expenses of £1.7m (2011 – £9.4m) and impairment of intangible assets of £Nil (2011 – £5.9m).
- 15 Excluding exceptional administrative expenses of £(0.7)m (2011 – £0.6m).

# Principal risks and uncertainties

The operation of a public company involves a number of risks and uncertainties across a full range of commercial, operational and financial areas. The principal risks and uncertainties that have been identified as being capable of impacting the Group's performance over the next financial year are set out below.

Economic environment	Eurozone	Vehicle holding costs
<p><b>Impact</b></p> <p>There is a link in our business between the demand for our products and services and the levels of economic activity in the countries in which the Group operates. The high level of operational gearing in our business model means that changes in demand can lead to higher levels of variation in profitability.</p> <p>The Group operates in Spain, where austerity measures have been implemented. These measures could impact on future trading volumes. The underlying macro-economic conditions have also increased the risk of customer failure, particularly in Spain, which may lead to the occurrence of increased bad debt charges.</p> <p>The construction industry in Spain and other key markets of the Group have been particularly sensitive to the downturn in the economic climate which has led to a decline in the number of vehicles rented in recent years.</p> <p>The Spanish business generates a large proportion of revenue from customers in the construction industry but is seeking to diversify its customer base across a range of market segments.</p>	<p><b>Impact</b></p> <p>The Group operates in and generates 35% of its revenue in Spain, where the functional currency is the Euro. The risks of trading in this country are assessed in the 'Economic Environment' risk. Of the Group's net assets, £294m (2011 - £366m) are located in Spain, against which the Group holds £240m (2011 - £356m) of Euro denominated borrowings providing a net investment hedge.</p> <p>There is a possibility that Spain may leave the Euro. If this occurred and Spain were to reintroduce its own national currency, the Group could be materially affected by a weakening of this currency and higher volatility on trading results when translated into sterling. Local net assets could depreciate while the Group's Euro debt located in the UK could appreciate.</p>	<p><b>Impact</b></p> <p>The overall holding cost of a vehicle is affected by the pricing levels of new vehicles and the disposal value of vehicles sold.</p> <p>The Group purchases substantially all of its fleet from suppliers with no agreement for the repurchase of a vehicle at the end of its hire life cycle. The Group is therefore exposed to fluctuations in residual values in the used vehicle market.</p> <p>An increase in the holding cost of vehicles, if not recovered through hire rate increases, would affect profitability, shareholder returns and cash generation.</p>
<p><b>Mitigation</b></p> <p>Should there be a further significant economic downturn the flexible nature of the Group's business model enables vehicles to be placed with other customers. Alternatively, utilisation can be maintained through a combination of a decrease in vehicle purchases and increase in disposals, which although affecting short term profitability, generates cash and reduces debt levels.</p> <p>An economic downturn also presents opportunities to increase rentals to customers wishing to benefit from the Group's flexible renting solutions, either due to a lack of available finance or an unwillingness to commit to long term rental or outright purchase.</p> <p>No individual customer contributes more than five per cent of total revenue generated, and ongoing credit analysis is performed on new and existing customers to assess credit risk.</p>	<p><b>Mitigation</b></p> <p>The Board has conducted a detailed review of the impact of possible scenarios that may arise from the Eurozone crisis and the risks are being continually monitored. In order to minimise the Group's net exposure to the Spanish currency, regular dividend payments of cash flow generated from the Spanish business have been implemented, and consideration is being given to increasing the level of funding to the Spanish business from locally denominated borrowings.</p>	<p><b>Mitigation</b></p> <p>Risk is managed on new pricing by negotiating fixed pricing terms with manufacturers a year in advance. Flexibility is maintained to make purchases throughout the year under variable supply terms.</p> <p>Flexibility in our business model allows us to determine the period over which we hold a vehicle and therefore in the event of a decline in residual values we would attempt to mitigate the impact by ageing out our existing fleet.</p>

**Competition and hire rates****Impact**

The Group operates in highly competitive markets with competitors often pursuing aggressive pricing actions to increase hire volumes. The market is also fragmented with numerous competitors at a local and national level.

As our business is highly operationally geared, any increase or decrease in hire rates will impact profit and shareholder returns to a greater effect.

**Access to capital****Impact**

The Group requires capital to both replace vehicles that have reached the end of their useful life and for growth in the fleet. Additionally, due to the level of the Group's indebtedness, a significant proportion of the Group's cash flow is required to service its debt obligations. In order to continue to access its credit facilities the Group needs to remain in compliance with its financial covenants throughout the term of its facilities. Current bank facilities are due to mature in September 2014 with other facilities having varying maturity dates up to April 2019. There is a risk that the Group cannot successfully extend its facilities past this date. Failure to access sufficient financing or meet financial covenants could potentially adversely affect the prospects of the Group.

**IT systems****Impact**

The Group's business involves a high volume of transactions and the need to track assets which are located at numerous sites.

Reliance is placed upon the proper functioning of IT systems for the effective running of operations. Any interruption to the Group's IT systems could have a materially adverse affect on its business.

**Change management****Impact**

The UK and Spain businesses have undertaken restructuring programmes to improve the operational efficiency of the Group.

Following the successful execution of the programmes, the new processes and procedures need to be embedded into the business and applied consistently, otherwise the Group will not be in a position to achieve its objectives, and profitability and shareholder returns could be impacted.

**Mitigation**

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

Our current pricing strategy is focused on charging the correct price for the service provided and all ancillary services offered which will attract customers for whom flexible rental is the most appropriate solution but not necessarily the cheapest. This means that the Group will be better positioned against solely price led competition going forward.

**Mitigation**

Financial covenants are reviewed on a monthly basis in conjunction with cash flow forecasts to ensure ongoing compliance. If there is a shortfall in cash generated from operations and/or available under its credit facilities the Group would reduce its capital requirements.

The Group believes that its existing facilities provide adequate resources for present requirements.

The impact of access to capital on the wider risk of going concern is considered on page 19.

**Mitigation**

Prior to any material systems changes being implemented the Board approves a project plan. The project is then led by a member of the executive team, with an ongoing implementation review being carried out by internal audit and external consultants where appropriate. The objective is always to minimise the risk that business interruption could occur as a result of the system changes.

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

**Mitigation**

The Board and its advisors conducted detailed reviews of the restructuring strategy before it commenced, and the results of each project continue to be monitored at Board level. The new processes and procedures have been communicated to all employees and risks arising are continually monitored and mitigating actions are taken when required.

# Corporate social responsibility

## Our corporate responsibility

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

## How we manage corporate responsibility

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

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

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

## Health & safety

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

We realise that excellence in health & safety can only be achieved if it forms part of every individual's responsibility within the Group. Our 'Safe & Sound' initiative was rolled out this year to create an environment of openness and awareness, where all colleagues feel able to identify and raise concerns about working practices and conditions. The Group provides training for employees in a wide range of health & safety disciplines, most of which is carried out internally by the Group's HS&E department, which in the UK is accredited by the British Safety Council.

During the year the Group's HS&E department carried out formal audit reviews to measure performance of our HS&E management system at all locations

and where necessary identified improvements and subsequently monitored compliance. The main objective of the HS&E department is to ensure continuous improvement across the Group and provide pragmatic and practical solutions to the operational risks within the business to all levels of employees with a strong focus on behavioural safety and employee involvement.

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

The AFR's during the current year are as follows:

	2012
UK	1.2
Spain	5.5
Group	2.5

## Ethics

Northgate holds the highest levels of ethical standards and communicates this to all employees by way of the Group's Code of

Business Conduct, which covers the Bribery Act, competition, conflicts of interest, insider information, confidentiality, gifts and entertainment, discrimination, harassment and fair dealing with customers and suppliers.

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

## Our employees

As a Group we value our employees as we understand that they are the key resource required to deliver the high levels of customer service that maintains our competitive advantage. At 30 April 2012 we had 2,800 employees across the Group, 1,900 in the UK and 900 in Spain.

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





### Our employees continued

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

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

Investing in the training and development of our workforce not only improves the quality and standard of our service delivery but enables a high level of retention and allows everyone to contribute to their full potential. Regular training programmes are operated and a suite of 'off-the-shelf' training courses are now available to employees in the UK.

In the UK, the company continues to work with two vehicle manufacturers to recruit apprentices. Over the past two years, 42 new workshop apprentices have been recruited, and it is planned to recruit a further 30 in the financial year to April 2013. A new colleague induction programme has also been introduced in the UK.

Regular communication with our employees is vital in ensuring that we all share in the common goals and values of the Group. Our intranet provides daily updates on the progress of the Group and is supplemented by 'Driven' our quarterly magazine. The Chief Executive also hosts quarterly briefing updates, with an invitation to all staff to directly raise any issues concerning them.

### Environment

Northgate is committed to taking reasonable actions to minimise the risk of adverse impact on the environment from our business. We achieve this by adopting a set of environmental principles to promote and operate processes and procedures which avoid or minimise the contamination of water, air or the ground whilst maintaining a responsibility to manage those by-products and waste materials generated by our activities, particularly from our vehicle repair workshops.

During the year 100% of hazardous waste streams collected from vehicle repair workshops in the UK and 87% of hazardous waste streams collected from vehicle repair workshops in Spain were recycled. We continue to work closely with our waste management partners to improve waste management arrangements and performance across the Group. In

the UK Northgate Plc were awarded the internationally recognised Environmental Standard ISO 14001 during this period. The operating business in Spain also maintained its accreditation to ISO 14001 Standard.

As at 30 April 2012, the UK business operated from a total of 78 locations including 62 rental sites. The Spanish business operates from a total of 30 locations including 23 rental sites. The vast majority of these sites are located on industrial estates, so our activities have minimal impact on the local community of the areas in which we operate.

### Our customers and suppliers

Northgate recognises the need to support our customers in managing a sustainable business. We work with our suppliers to make a fleet available to our customers comprised entirely of modern vehicles, achieving the highest levels of exhaust emission standards.

In Spain we are one of the first businesses to offer hire of electric vehicles to our customers and our vehicle monitoring systems in the UK have enabled certain customers to reduce fuel costs by up to 15% by reviewing the usage of their fleets and identifying training needs to educate employees on more fuel efficient driving methods.

As at 30 April 2012 the UK fleet of 52,900 vehicles had an average age of 21.4 months. The total fleet in Spain was 38,400 vehicles with an average age of 21.8 months. All vehicles purchased in the year ended 30 April 2012 met the latest Euro V standards.

### Our community

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

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



- 1 All vehicles purchased in the year met the latest environmental Euro V standards.
- 2 A bodyshop technician at our Valencia site in Spain.
- 3 Our Safe & Sound initiative was rolled out this year to all employees in the UK.
- 4 These electric vehicles delivered to our airport management customer in Madrid in the year form part of our electric vehicle fleet in Spain.

## Board of Directors

The Board is confident that the dedication and hard work shown by all our employees over the past two years provides the Group with a strong platform upon which to build.



**Bob Mackenzie** ACA

Appointed to the Board as Chairman in February 2010. Prior to his appointment, he was Chief Executive of Sea Containers Ltd, including the Chairmanship of its subsidiary GNER. He was until recently Chairman of Dometic Holdings AB, a Swedish based manufacturing company. He was previously Chairman of PHS Group plc and held senior executive board appointments with National Parking Corporation, BET plc, Storehouse plc and Hanson plc. He has also acted as a senior adviser to a number of private equity funds. He qualified as a Chartered Accountant with KPMG in 1978. Age 59.



**Bob Contreras** ACA

Appointed Chief Executive on 7 June 2010 having been Group Finance Director since June 2008 when he joined the Group. A Chartered Accountant, Bob has held senior positions with Azlan Group plc, Damovo Group SA and most recently with Mölnlycke Healthcare Group. Age 49.

### Left to right

**Bob Mackenzie** ACA  
Chairman

**Bob Contreras** ACA  
Chief Executive

**Chris Muir** ACA  
Group Finance Director

**Andrew Allner** FCA  
Non-executive Director

**Jan Astrand** MBA  
Non-executive Director

**Tom Brown** MBA (Oxon),  
MBA IMD  
Non-executive Director

### Board committees

#### Audit and Risk

- Andrew Allner (Chairman)
- Jan Astrand
- Tom Brown

#### Remuneration

- Tom Brown (Chairman)
- Andrew Allner
- Jan Astrand
- Bob Mackenzie

#### Nominations

- Bob Mackenzie (Chairman)
- Andrew Allner
- Jan Astrand
- Tom Brown



**Chris Muir** ACA

Appointed to the Board as Group Finance Director on 19 May 2011. Chris originally joined Northgate as Group Accountant in 2003, being appointed Group Financial Controller in March 2004 and UK Finance Director in May 2006. Qualifying as a Chartered Accountant in 1999, Chris worked for Deloitte LLP from 1997 until 2003, leaving as a manager. Chris has a first class honours degree in Economics and Accountancy from the University of Newcastle upon Tyne. Age 36.



**Andrew Allner** FCA

Appointed to the Board as a non-executive Director and to the Chair of the Audit and Risk Committee in September 2007. Andrew is currently Chairman of Marshalls plc and also Senior Independent Director and Chairman of the Audit Committee at AZ Electronic Materials SA and the Go-Ahead Group plc and serves as non-executive Director and Chairman of the Audit Committee at CSR plc. He was Group Finance Director of RHM plc, taking a lead role in its flotation in July 2005 on the London Stock Exchange. Prior to joining RHM plc, Andrew was CEO of Enodis plc and has served in senior executive positions with Dalgety plc, Amersham International plc and Guinness plc. He was also a non-executive director of Moss Bros Group plc from 2001 to 2005. A graduate of Oxford University, he is a former partner of Price Waterhouse and is a Fellow of the Institute of Chartered Accountants in England and Wales. Age 58.



**Jan Astrand** MBA

Appointed to the Board as a non-executive Director in February 2001. Jan is also currently a non-executive Director of Lavendon Group plc. A Swedish national, Jan was Chairman of CRC Group plc until January 2007. Prior to this, he was Chairman of Car Park Group AB in Stockholm and also Senior Independent Director of PHS Group Plc. From 1994 to 1999 he was President and Chief Executive of Axus (International) Inc. (previously known as Hertz Leasing International). From 1989 to 1994 he was Vice President, Finance and Administration and Chief Financial Officer of Hertz (Europe) Ltd and before that he was Chief Financial Officer of Commodore International Ltd based in the US. Age 65.



**Tom Brown** MA (Oxon), MBA IMD

Appointed to the Board as a non-executive Director in April 2005 and appointed Senior Independent Director in June 2007. Tom is a Director of a number of private companies, and a member of the Economics Committee of the EEF. He was previously Chairman of Chamberlin plc, Group Chief Executive of United Industries plc and before that Group Managing Director of Fenner plc. In all he has served on the boards of UK quoted companies for some 25 years, following executive roles with GKN plc and a period consulting with McKinsey & Co Inc. Age 63.

# Report of the Directors

The Directors present their report and the audited accounts for the year ended 30 April 2012.

## Results

Profit for the year after taxation was £40,468,000 (2011 – £29,393,000).

No interim dividend was paid on the Ordinary shares.

The Directors recommend the payment of a final dividend of 3.0p per share on the Ordinary shares. This dividend, if approved, will be paid on 21 September 2012 to shareholders on the register at close of business on 17 August 2012.

## Principal activities and business review

The Company is an investment holding company.

The principal subsidiaries are listed in Note 18 to the accounts.

The information that fulfils the requirements of the Business Review, together with a description of the principal activities of the business, can be found in the Operational Review and Financial Review on pages 10 to 21, which are incorporated in this report by reference.

A description of the principal risks and uncertainties facing the Company and the Group is set out on pages 20 and 21 which are incorporated into this report by reference.

## Close company status

So far as the Directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

## Capital structure

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

The cumulative Preference shares of 50p each entitle the holder to receive a cumulative preferential dividend at the rate of 5% on the paid up capital and the right to a return of capital at either winding up or a repayment of capital. The cumulative Preference shares do not entitle the holders to any further or other participation in the profits or assets of the Company.

The percentage of the issued nominal value of the Ordinary shares is 99.255% of the total issued nominal value of all share capital.

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

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

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

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

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

## Interests in shares

The following interests in the issued Ordinary share capital of the Company have been notified to the Company in accordance with the provisions of Chapter 5 of the Disclosure and Transparency Rules:

	30 April 2012	26 June 2012
Standard Life Investments Limited	10,658,099 (8.00%)	10,852,029 (8.14%)
Aberforth Partners	7,481,552 (5.62%)	7,481,552 (5.62%)
Artemis Investment Management Ltd	7,115,776 (5.34%)	7,115,776 (5.34%)
Blackrock Inc	6,730,413 (5.05%)	6,730,413 (5.05%)
Legal & General Group plc	6,698,272 (5.03%)	6,698,272 (5.03%)
Aviva plc	6,582,482 (4.94%)	6,672,204 (5.01%)
Henderson Global Investors Ltd	6,642,934 (4.99%)	6,665,585 (5.00%)
Royal London Asset Management Ltd	4,117,374 (3.09%)	4,117,374 (3.09%)

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

## Directors

Details of the present Directors are listed on pages 24 and 25. All have served throughout the year except Chris Muir who was appointed on 19 May 2011.

Resolutions to re-appoint each of the Directors in office at the date of this report will be proposed at the Annual General Meeting.

The termination provisions in respect of executive Directors' contracts are set out in the Remuneration Report on pages 28 to 32.

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

	Ordinary Shares of 50p each 30 April 2012	Ordinary Shares of 50p each 1 May 2011
AJ Allner	13,090	13,090
JG Astrand	51,920	51,920
THP Brown	52,634	52,634
RL Contreras	116,608	115,048
RD Mackenzie	100,000	100,000
CJR Muir	17,493	12,657*

\*On date of appointment.

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

No changes in the above interests have occurred between 30 April 2012 and the date of this report.

Details of options held by the Directors under the Company's various share schemes are given in the Remuneration Report on pages 28 to 32.

## Directors' indemnities

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



## Donations

During the year the Group made charitable donations of £3,000 (2011 – £5,000) principally to local charities serving the communities in which the Group operates.

No political donations were made.

## Payment of suppliers

The Group's policy is to pay suppliers within normal trading terms agreed with that supplier. The policy is made known to the staff who handle payments to suppliers. At 30 April 2012 the Group's creditor days were as shown in Note 21 to the accounts.

## Employee consultation

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

## Disabled employees

Applications for employment by disabled persons are given full consideration, taking into account the aptitudes of the applicant concerned. Every effort is made to try to ensure that employees who become disabled whilst already employed are able to continue in employment by making reasonable adjustments in the workplace, arranging appropriate training or providing suitable alternative employment. It is Group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees. The Group's equal opportunity policy is available on the Company's website.

## Remuneration report

As required by the Directors' Remuneration Report Regulations 2002, the Remuneration Report, set out on pages 28 to 32, will be put to shareholders for approval at the Annual General Meeting.

## Power to allot shares

The present authority of the Directors to allot shares was granted at the Annual General Meeting held in September 2011 and expires at the forthcoming Annual General Meeting. A resolution to renew that authority for a period expiring at the conclusion of the Annual General Meeting to be held in 2013 will be proposed at the Annual General Meeting. The authority will permit the Directors to allot up to an aggregate nominal amount of £22m of share capital which represents less than 33% of the present issued Ordinary share capital and is within the limits approved by the Investment Committees of the Association of British Insurers and the National Association of Pension Funds.

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

A special resolution will be proposed to renew the authority of the Directors to allot Ordinary shares for cash other than to existing shareholders on a proportionate basis. The authority will be limited to an aggregate nominal amount of £3,330,000 representing approximately 5% of the current issued Ordinary share capital.

The Directors have no present intention of exercising this authority and confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative use of such authorities within a rolling three year period. The Principles provide that companies should

not issue shares for cash representing more than 7.5% of the Company's issued share capital in any rolling three year period, other than to existing shareholders, without prior consultation with shareholders.

## Length of notice of general meetings

The minimum notice period permitted by the Companies Act 2006 for general meetings of listed companies is 21 days, but the Act provides that companies may reduce this period to 14 days (other than for AGMs) provided that two conditions are met. The first condition is that the Company offers a facility for shareholders to vote by electronic means. This condition is met if the Company offers a facility, accessible to all shareholders, to appoint a proxy by means of a website. Please refer to Note 6 to the Notice of Annual General Meeting on page 86 for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

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

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

## Authority for the Company to purchase its own shares

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

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

## Financial instruments

Details of the Group's use of financial instruments are given in the Financial Review on pages 18 and 19 and in Notes 23 and 39 to the accounts.

## Auditor

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

- so far as each of the Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the Directors has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information (as defined) and to establish that the Company's auditor is aware of that information.

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

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

By order of the Board

**D Henderson**  
Secretary

26 June 2012

# Remuneration report

The Remuneration Committee has written terms of reference which are available on the Company's website. Membership of the Committee is shown on page 24.

The Committee is responsible for making recommendations to the Board on the remuneration packages and terms and conditions of employment of the Chairman, the executive Directors of the Company and of the Company Secretary. The Committee also reviews remuneration policy generally throughout the Group. The Committee consults with the Chief Executive who may be invited to attend meetings. The Company Secretary is secretary to the Committee. Neither the Chief Executive nor the Company Secretary take part in discussions relating to their own remuneration.

The senior executives below Board level, both in the UK and Spain, also have a significant influence on the ability of the Company to achieve its goals. Accordingly, in addition to setting the remuneration of the executive Directors, the Committee also reviews the remuneration for these senior employees, to ensure that rewards are competitive with the market and that they are appropriate relative to the Board and to the remaining employees.

The Committee has access to external independent advice on matters relating to remuneration. During the year the Committee took advice from New Bridge Street (NBS) (an Aon plc company) on remuneration matters and share scheme implementation. NBS is appointed by the Committee. Neither NBS nor any other Aon plc company undertakes other work for the Company or the Group. The terms of engagement between the Committee and NBS are available on request from the Company Secretary.

## Remuneration policy

The Committee aims to ensure that executive Directors are fairly and competitively rewarded for their individual contributions by means of basic salary, benefits in kind and pension benefits. High levels of performance are recognised by annual bonuses and the motivation to achieve the maximum benefit for shareholders in the future is provided by the allocation of long term share incentives. Only basic salary is pensionable.

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

Following further restructuring of the business in the UK (see Operational Review on pages 10 to 15), the Committee has endorsed the implementation of a common grading structure for all levels of management and staff below the main board, with defined and consistent pay and benefits, which provides a rational approach to remuneration. This will aid the Committee in ensuring that there is a proper balance across the Group, especially when conducting the annual salary review.

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee will seek to ensure that the incentive

structure for executive Directors and senior management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account ESG matters.

The Committee has been following the proposals and recommendations of the Department for Business Innovation and Skills on executive remuneration and will consider their implications for the Company during the course of the year.

## Service contracts

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

RL Contreras	27 May 2011
CJR Muir	19 May 2011

In the event of early termination of an executive Director's service contract, compensation of up to the equivalent of one year's basic salary and benefits may be payable. There is no contractual entitlement to compensation beyond this. Directors have a duty to make reasonable efforts to mitigate any loss arising from such termination and the Committee will have regard to that duty on a case by case basis when assessing the appropriate level of compensation which may be payable. It is also the Board's policy that where compensation on early termination is due, in appropriate circumstances it should be paid on a phased basis.

## Basic salaries

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

RL Contreras	£375,000
CJR Muir	£200,000

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

In line with the majority of management and staff in both the UK and Spain, Bob Contreras has received no increase in basic pay this year.

On his appointment in May 2011, Chris Muir's salary was set significantly below market level. In recognition of this and of his performance in the role to date, his basic salary has therefore been increased by 14% from £175,000 to £200,000 with effect from 1 May 2012. This increase has moved him partially towards the market rate. Subject to performance, further increases may be made in subsequent years.

## Total remuneration

The chart below shows the balance between fixed and variable performance based pay for Bob Contreras and Chris Muir for the year ended 30 April 2012 and projections for the year ending 30 April 2013.

For 2012 an expected value of 55% of the face value has been used in respect of the performance shares awarded in that year.

Total reward for 2013 can only be estimated, because the actual value of the cash and deferred bonus will not be known until the end of the relevant performance period. A target level of bonus of 50% of the maximum and an expected value of 55% of the face value has been used in respect of performance shares and 100% of the face value in respect of deferred bonus shares.

For the year ending 30 April 2013, on target performance has been assumed for the annual bonus scheme.

RL Contreras	2012	375	96	165	165	309
	2013	375	96	94	94	309
CJR Muir	2012	175	52	77	77	144
	2013	200	56	50	50	165

- Base salary
- Pension & benefits
- Annual bonus – cash
- Annual bonus – deferred shares
- Performance Shares

For comparison purposes, Chris Muir's remuneration for 2012 has been assumed to be for a full year.

## External appointments

The Board recognises that executive Directors may be invited to become non-executive Directors of other companies and that such appointments can broaden their knowledge and experience, to the benefit of the Group. Provided that it does not impact on their executive duties, Directors are generally allowed to accept one such appointment. As the purpose of seeking such positions is self-education rather than financial reward, any resulting fees would normally be expected to be paid to the Company as compensation for the time commitment involved. No such external appointments are currently held.

## Pension schemes

Throughout the year all pension arrangements (other than the Willhire Pension Scheme – see Note 38 of the accounts) operated by the Group were defined contribution type schemes. The executive Directors receive a pension contribution of 18% of salary.

## Non-executive directors

The remuneration of the non-executive Directors (other than the Chairman) is determined by the Board as a whole, within the overall limit set by the Articles of Association. Non-executive Directors are not eligible for performance related payments nor may they participate in the Company's share incentive or pension schemes. Non-executive Directors do not have contracts of service with the Company and their appointments are terminable without notice.

The original dates of appointment to the Board and of their current letters of appointment are:

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

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

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

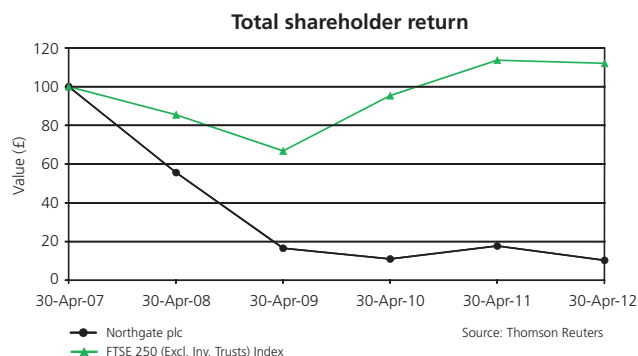
† Including £10,000 in respect of his Chairmanship of the Audit and Risk Committee.

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

No fees were increased on review this year. The fee structure for non-executive Directors reflects the time commitment and responsibility for carrying out non-executive duties. Fees are set taking into account market practice for similar roles in companies of a comparable size.

## Performance graph

As required by Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the graph below illustrates the performance of Northgate plc measured by Total Shareholder Return (share price growth plus dividends paid) against a 'broad equity market index' over the last five years. As the Company has been a constituent of the FTSE 250 index for the majority of the last five years, that index (excluding investment companies) is considered to be the most appropriate benchmark. The mid-market price of the Company's Ordinary shares at 30 April 2012 was 199p (30 April 2011 – 342p). The range during the year was 190p to 342p.



This graph shows the value, by the 30 April 2012, of £100 invested in Northgate on 30 April 2007 compared with that of £100 invested in the FTSE 250 (excl. Inv. Trusts) Index. The other points plotted are the values at intervening financial year ends.

The following parts of this report have been audited:

	Salary/ fees £000	Bonus £000	Benefits* £000	Total 2012 £000	Total 2011 £000	Pension contributions**	
						2012 £000	2011 £000
RD Mackenzie	160	—	—	<b>160</b>	183	—	—
AJ Allner	60	—	—	<b>60</b>	46	—	—
JG Astrand	50	—	—	<b>50</b>	39	—	—
THP Brown	68	—	—	<b>68</b>	45	—	—
RL Contreras	375	330	61	<b>766</b>	753	<b>35</b>	24
CJR Muir***	166	154	19	<b>339</b>	—	<b>30</b>	—
PJ Tallentire	—	—	—	—	526	—	7
Total emoluments excluding pension contributions	<b>879</b>	<b>484</b>	<b>80</b>	<b>1,443</b>	1,592	—	—
Total pension contributions	—	—	—	—	—	<b>65</b>	31

\* These benefits include: company car, private medical insurance, permanent health insurance, life assurance and payments in lieu of pension contributions.

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

\*\*\* From 19 May 2011

In addition to the fees shown above, paid in respect of his office as a Director of the Company, Jan Astrand also received fees of €129,600 (2011 - €Nil) in respect of his consultancy work in Spain referred to in the Corporate Governance Report on pages 34 and 35.

### Share incentive plans

The Group currently operates three share-based incentive schemes. Directors participate in the Executive Performance Share Plan (EPSP) and Deferred Annual Bonus Plan (DABP), and below the Board other executives participate in the Management Performance Share Plan (MPSP) and DABP. No executive participates in all three schemes. Expressed in face value terms, this effectively provides Directors with a cap of 200% of basic salary for share awards each year (150% under the EPSP and 50% under the DABP).

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

Awards held by Directors during the year are shown in the table on page 31.

### Deferred annual bonus plan

The DABP was introduced in 2003 for executive Directors and senior and middle management. Part of the bonus is delivered in cash and part in the form of deferred shares awarded following the announcement of the Group's full year results. The total maximum potential bonus (cash and shares) which may be achieved by each executive Director is 100% of basic salary earned in the financial year. 50% of the total bonus actually earned is paid in cash and 50% is deferred as shares. The level of bonus payable for 'on-target' performance is 50% of salary.

The deferred shares may be received by the employee after three years and are subject to forfeiture if the employee chooses to leave during that time. This provides a strong retention mechanism and has the motivational benefits of certainty and clarity for the employee. During the retention period, executives continue to have an incentive to influence the share price so as to maximise the value on release.

Awards over 592,839 deferred shares awarded to 72 executives were outstanding at 30 April 2012.

In respect of the year ended 30 April 2012, bonuses for the two executive Directors were calculated based on a matrix of net debt (range £494m to £463m) and ROCE (range 12.77% to 13.50%). These measures were representative of the Group's strategic priorities of strengthening the balance sheet and improving operating efficiencies. The net debt and ROCE achievements result in bonuses equating to 88% of the maximum. 50% of the bonus will be paid in cash and 50% in deferred shares. The number of shares to be awarded will be calculated based on the closing

mid-market price on 27 June 2012, being the date of the preliminary results announcement.

The bonus for the executive Directors in respect of the year ending 30 April 2013 will comprise three elements reflecting the Group's near term priorities:

1. UK Marginal Contribution (MC). MC is defined as all revenue except from the sale of used vehicles, less the depreciation charge on hire vehicles. A UK MC of £192,524k pays zero bonus, £199,767k pays one third of annual salary, with a straight line in between.
2. Spain. Performance to be measured against personal targets tailored to the particular situation in that country, with a maximum bonus of one third of annual salary.
3. Group ROCE. 13.1% pays zero bonus, 14.4% pays one third of annual salary, with a straight line in between.

No element of bonus will be paid unless Group operating profit is at least 95% of the Group operating profit for the year ending 30 April 2013, included within the Group's three year rolling business plan ('the business plan').

### Executive performance share plan

Currently only executive Directors participate in the EPSP with other executives participating in the MPSP (see below). Awards under the EPSP vest after three years subject to continued employment and the satisfaction of challenging performance targets. In line with the Committee's policy of placing greater emphasis on variable pay than on base salaries, grants are currently being made at 150% of salary face value, being the maximum permitted under the rules. Consistent with the approach used in recent years, the performance targets applying to the grants to be made in 2012 will be a mixture of underlying EPS and return on capital employed. 50% of the award will apply to each measure to closely reflect the importance the Board places on balance sheet management. 25% of each part of the award will vest for achieving a threshold performance target increasing to full vesting for achieving a stretch performance target. The Committee considers that EPS and ROCE are the most appropriate performance measures for the EPSP since they incentivise the executives to both improve the earnings profile of the Group and manage balance sheet efficiency (important for a capital intensive business), both of which should flow through to superior returns to its shareholders. Currently EPS targets are set for the third year of the three year performance period and ROCE targets are set for the average of the three years of the performance period.

The relevant targets are:

	EPS in 3rd Year		ROCE average over 3 years	
	Threshold	Stretch	Threshold	Stretch
2009 award	18.30p	21.00p	8.70%	10.40%
2010 award	31.45p	37.00p	10.20%	12.00%
2011 award	38.50p	47.20p	13.50%	13.85%
2012 award†	CPI +3%	CPI +11%	13.75%	14.41%

† The EPS targets will be calculated by applying the compound annual growth to the 2012 actual EPS of 31.5p

The performance targets for the 2009 award were achieved in full.



## Directors' interests in share awards

	At 1 May 2011	Number granted	Market price at grant p	Number exercised	Date of exercise	Exercise price p	Share price on date of exercise p	Gross gain on exercise £	Number lapsed	At 30 April 2012	Normally exercisable
<b>Executive performance share plan</b>											
RL Contreras	49,313	–	267.5	–	–	–	–	–	49,313	–	Sep 2011
	130,952	–	157.5	–	–	–	–	–	–	130,952	Oct 2012
	302,593	–	173.5	–	–	–	–	–	–	302,593	Aug 2013
	–	171,546	327.9	–	–	–	–	–	–	171,546	Jul 2014 – Jul 2021
	<b>482,858</b>	<b>171,546</b>		<b>–</b>					<b>49,313</b>	<b>605,091</b>	
CJR Muir	–	80,054	327.9	–	–	–	–	–	–	80,054	Jul 2014 – Jul 2021
	<b>482,858</b>	<b>251,600</b>		<b>–</b>		<b>–</b>			<b>49,313</b>	<b>685,145</b>	
<b>Management performance share plan</b>											
CJR Muir	3,360*	–	706.0	–	–	–	–	–	3,360	–	Jul 2011
	9,602*	–	292.0	–	–	–	–	–	–	9,602	Jul 2012
	28,571*	–	157.5	–	–	–	–	–	–	28,571	Oct 2012
	25,936*	–	173.5	–	–	–	–	–	2,318	23,618	Jul 2013
	<b>67,469*</b>	<b>–</b>		<b>–</b>					<b>5,678</b>	<b>61,791</b>	
<b>Deferred annual bonus plan</b>											
Following changes made to the Rules of the DABP by the Committee, awards can now 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 a HMRC Approved Option (an 'Option').											
The value of a Linked Deferred Award is capped at the value required in respect of the exercise price of the associated Option. When calculating the maximum value of the shares under a Linked Deferred Award that may be granted under such award the value of the shares under the associated Option is not counted. All DABP awards ordinarily become exercisable on the third anniversary of their grant. Related Linked Deferred Awards and Options must be exercised at the same time unless the Option has been waived. In the table below, the awards made during the year were made under the revised Rules.											
RL Contreras	29,719	–		–	–	–	–	–	–	29,719	Aug 2013 – Aug 2015
		9,149								9,149	
		(with capped value of £30,000) <sup>1</sup>		–	–	–	–	–	–	(with capped value of £30,000)	Aug 2014 – Aug 2021
	–	9,149 <sup>2</sup>		–	–	327.9	–	–	–	9,149	Aug 2014 – Aug 2021
	–	44,220 <sup>3</sup>		–	–	–	–	–	–	44,220	Aug 2014 – Aug 2021
	<b>29,719</b>	<b>53,369</b>		<b>–</b>					<b>–</b>	<b>83,088</b>	
CJR Muir	3,274*	–		3,274	12.07.11	–	325.5	10,657	–	–	Jul 2011 – Jul 2013
	15,873*	–		–	–	–	–	–	–	15,873	Oct 2012 – Oct 2014
	9,337*	–		–	–	–	–	–	–	9,337	Aug 2013 – Aug 2015
		7,295								7,295	
		(with capped value of £23,920) <sup>1</sup>		–	–	–	–	–	–	(with capped value of £23,920)	Aug 2014 – Aug 2021
	–	7,295 <sup>2</sup>		–	–	327.9	–	–	–	7,295	Aug 2014 – Aug 2021
	<b>28,484</b>	<b>7,295</b>		<b>3,274</b>					<b>–</b>	<b>32,505</b>	
	<b>58,203</b>	<b>60,664</b>		<b>3,274</b>					<b>–</b>	<b>115,593</b>	

\* These awards were made prior to his appointment to the Board

<sup>1</sup> Linked Deferred Award

<sup>2</sup> Option associated with the relevant Linked Deferred Award

<sup>3</sup> Deferred Award

## Management performance share plan

The MPSP is designed to reward achievement of, and individual contribution to, the business plan. The MPSP operates only for executives below Board level.

Participants receive a conditional award of free shares which will vest after three years subject to achievement of performance conditions and continued employment during the vesting period. The maximum award in any financial year is capped at 100% of salary. Awards do not normally exceed 50% of salary.

The Committee believes that the most appropriate measure of performance against the business plan is one based on divisional earnings before interest or tax or Group profit before tax, as relevant to the individual. The Committee has discretion to alter the performance targets to take account of any significant event occurring after the grant of an award but prior to vesting.

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

The position as at 30 April 2012 with regard to awards made under the MPSP is as follows:

	2008	2009	2010	2011	Total
Original award of shares adjusted as appropriate for rights issue and consolidation	283,486	872,638	604,664	362,372	2,123,160
Lapsed	218,672	313,078	89,083	24,670	645,503
Early vesting	–	148,577	8,538	–	157,115
Remaining subject to performance	64,814	410,983	507,043	337,702	1,320,542

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

## All employee share scheme

The All Employee Share Scheme ('the AESS'), which is approved by HM Revenue and Customs under Schedule 8 Finance Act 2000, was introduced in 2000 to provide employees at all levels with the opportunity to acquire shares in the Company on preferential terms. The Board believes that encouraging wider share ownership by all staff will have longer term benefits for the Company and for shareholders. The AESS operates under a trust deed, the Trustees being Capita IRG Trustees Limited ('the Capita Trust').

To participate in the AESS, which operates on a yearly cycle, employees are required to make regular monthly savings (on which tax relief is obtained), by deduction from pay, for a year at the end of which these payments are used to buy shares in the Company ('Partnership shares').

For each Partnership share acquired, the employee will receive one additional free share ('Matching shares'). Matching shares will normally be forfeited if, within three years of acquiring the Partnership shares, the employee either sells the Partnership shares or leaves the Group. After this three year period Partnership and Matching shares may be sold, although there are significant tax incentives to continue holding the shares in the scheme for a further two years. Those employees who are most committed to the Company will therefore receive the most benefit.

The eleventh annual cycle ended in December 2011 and resulted in 343 employees acquiring 167,499 Partnership shares at 192p each and being allocated the same number of Matching shares. As at 30 April 2012 the Capita Trust held 1,305,864 50p Ordinary shares that have been allocated to employees from the first eleven cycles.

The twelfth annual cycle started in January 2012 and currently some 350 employees are making contributions to the scheme at an annualised rate of £315,000.

## Share ownership guidelines

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

As at 30 April 2012, the value of Bob Contreras' shareholding expressed as a percentage of his basic salary on that date was 62% and of Chris Muir, 20%.

## Sourcing of shares and dilution

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

### DABP and MPSP

To date, awards under these two schemes have been satisfied through open market purchases by an employee benefit trust based in Guernsey ('the Guernsey Trust'). During the year 300,000 (2011 – 550,000) Ordinary shares were purchased by the Guernsey Trust and 254,717 (2011 – 149,243) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2012 the Guernsey Trust held 265,868 (2011 – 478,758) Ordinary shares as a hedge against the Group's obligations under these schemes.

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

### EPSP

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

### AESS

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 2012 was 334,998 (2011 – 345,534) of which 258,173 were transferred from the Guernsey Trust, with the balance of 76,825 (2011 – 62,449) being shares already held by the Capita Trust from forfeitures during the year.

At 30 April 2012 the Capita Trust held 23,715 (2011 – 38,964) Ordinary shares which had been forfeited as a result of early withdrawals post January 2012.

## Overall plan limits

All the above schemes operate within the following limits:

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

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

The dilution position as at 30 April 2012 was 2.16% under the EPSP, MPSP and DABP and 2.63% under the AESS.

### Tom Brown

Chairman of the Remuneration Committee

26 June 2012

# Report of the audit and risk committee

## Role

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

The Committee's terms of reference, which include all matters referred to in the UK Corporate Governance Code ('the Code'), are reviewed annually by the Committee and are available on the Company's website. In summary these include:

- monitoring the integrity of financial reporting, reviewing the Group's internal controls and risk management systems, monitoring the effectiveness of the Group's internal audit function;
- making recommendations to the Board regarding the appointment of the external auditor and approving its remuneration and terms of engagement;
- monitoring the independence and objectivity of the external auditor and developing a policy for the provision of non-audit services by the external auditor;
- monitoring the audit process and any issues arising therefrom; and
- all aspects of Group risk.

## Membership

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

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

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.

Whereas Andrew Allner and Tom Brown are considered to be independent, as is stated in the report on Corporate Governance on pages 34 and 35, Jan Astrand is not currently considered to be independent in terms of the Code.

## 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 2012 are given on page 34.

Due to the cyclical nature of its agenda, which is linked to events in the Group's financial calendar, the Committee will generally meet four times a year. The other Directors, together with the head of internal audit and the external auditor, are normally invited to attend all meetings.

## Activity

Since May 2011, the Committee has:

- reviewed the financial statements for the years ended 30 April 2011 and 2012, the half yearly report issued in December 2011 and Interim Management Statements issued in September 2011 and March 2012. As part of this review process, the Committee received reports from Deloitte LLP on the full and half year results;
- reviewed and agreed the scope of the audit work to be undertaken by Deloitte LLP and agreed their fees;
- monitored the Group's risk management process and business continuity procedures;
- reviewed the effectiveness of the Group's system of internal controls;
- reviewed the Group's whistle blowing procedures;

- reviewed a report on completeness of income;
- reviewed the Group's depreciation policy and agreed a change in the rates applicable to the UK vehicles for hire from 1 May 2012;
- reviewed the Group's corporate taxation arrangements;
- monitored and reviewed the activities of the Group's internal audit department;
- reviewed a report on impairment;
- monitored the Group's going concern status;
- reviewed the Group's Eurozone contingency planning measures; and
- reviewed its own effectiveness and terms of reference.

## External auditor

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

- Tax compliance and other audit related work (including in particular Corporation Tax): this is work that, in its capacity as auditor, it is best placed to carry out and will generally be asked to do so. Nevertheless, where appropriate, it will be asked for a fee quote; and
- Tax advisory and other non-audit related and general consultancy work: this type of work will either be placed on the basis of the lowest fee quote or to consultants who are felt to be best able to provide the expertise and working relationship required. In certain instances, such as the appointment of consultants to provide external advice and support to the internal audit department, the auditor will not be invited to compete for the work.

During the year, the Committee reviewed and was satisfied as to the effectiveness and independence of the external auditor, including conducting one-to-one meetings with the audit partner.

Consequently, the Committee has recommended to the Board the reappointment of Deloitte LLP at the Annual General Meeting.

Fees paid and payable to Deloitte LLP in respect of the year under review are as shown in Note 6 on page 51.

## Internal audit

In fulfilling its duty to monitor the effectiveness of the internal audit function, the Committee has:

- reviewed the adequacy of the resources of the internal audit department for both the UK and Spain;
- ensured that the head of internal audit has direct access to the Chairman of the Board and to all members of the Committee;
- conducted a one-to-one meeting with the head of internal audit, approved the internal audit programme, and reviewed half-yearly reports by the head of internal audit;
- approved, post year end, the appointment of a new head of internal audit in order to strengthen this function.

The Chairman of the Committee will be available at the Annual General Meeting to answer any questions about the work of the Committee.

## Andrew Allner

Chairman of the Audit and Risk Committee

26 June 2012



# Corporate governance

UK Listed Companies are required by the Financial Services Authority (the designated UK Listing Authority) to include a statement in their annual accounts on compliance with the principles of good corporate governance and code of best practice set out in the UK Corporate Governance Code ('the Code').

The provisions of the Code applicable to listed companies are divided into four parts, as set out below:

## 1 Directors

The business of the Company is managed by the Board of Directors, currently comprising two executive and four non-executive Directors, details of whom are shown on pages 24 and 25.

The offices of the Chairman and Chief Executive Officer are separate. The division of their responsibilities has been set out in writing, approved by the Board and is available on the Company's website.

The Board meets regularly to review trading results and has responsibility for the major areas of Group strategy, the annual Business Plan, financial reporting to and relationships with shareholders, dividend policy, internal financial and other controls, financing and treasury policy, insurance policy, major capital expenditure, acquisitions and disposals, Board structure, remuneration policy, corporate governance and compliance.

The Chairman ensures that all Directors are properly briefed to enable them to discharge their duties. In particular, detailed management accounts are prepared and copies sent to all Board members every month and, in advance of each Board meeting, appropriate documentation on all items to be discussed is circulated.

Directors' attendance at Board and Committee meetings during the year is detailed below.

	Board	Audit and risk	Remuneration
<b>No. of Meetings</b>	<b>9</b>	<b>4</b>	<b>5</b>
RD Mackenzie	9	–	5
AJ Allner	9	4	5
JG Astrand	9	4	5
THP Brown	8	4	5
RL Contreras	9	–	–
CJR Muir	9	–	–

All Directors in office at that time were present at the Annual General Meeting held in September 2011.

The external auditor attended all Audit and Risk Committee meetings. The head of internal audit attended three meetings.

Before appointment, non-executive Directors are required to assure the Board that they can give the time commitment necessary to properly fulfill their duties, both in terms of availability to attend meetings and discuss matters on the telephone and meeting preparation time.

In accordance with the provisions of the Code, resolutions to re-appoint all Directors currently in office will be proposed at the Annual General Meeting.

During the year, Jan Astrand, who was first appointed to the Board in February 2001, was appointed as non-executive Chairman of the Board of our Spanish subsidiary, Northgate España Renting Flexible S.A., in order to reintroduce direct representation on that Board. It is a role for which Jan is ideally suited, as he is permanently resident in Spain and fluent in Spanish. The appointment is for an initial term of one year from December 2011. He receives no additional remuneration for this appointment.

In addition, he was asked and agreed to undertake a project to implement a margin improvement programme in Spain focusing on certain key areas of the business where he would be able to draw on his extensive knowledge of the business in the UK. This project commenced in November 2011 and Jan's

involvement is expected to last for one year. He is being remunerated on a consultancy basis for this work. Details of the fees paid in the year are shown in Note 40 on page 82.

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

The Board has established a Nominations Committee, which is chaired by Bob Mackenzie. All the non-executive Directors are members. Its main function is to lead the process for Board appointments by selecting and proposing to the Board suitable candidates of appropriate calibre. The Committee would normally expect to use the services of professional consultants to help in the search for candidates.

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

The Committee met formally on one occasion during the year.

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

Pursuant to those provisions of the Companies Act 2006 relating to conflicts of interest and in accordance with the authority contained in the Company's Articles of Association, the Board has put in place procedures to deal with the notification, authorisation, recording and monitoring of Directors' conflicts of interest and these procedures have operated effectively throughout the year and to the date of signing of this report and accounts.

## 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, we have recently endorsed a new Equal Opportunities Policy (which may be found on our website). Whilst the overriding criteria for Board appointments will always be based on merit, so as to encourage an appropriate balance of skills, experience and knowledge on the Board at all times, for all future appointments we will only use executive search firms who have committed to the Voluntary Code of Conduct on gender diversity. At the same time the Board recognises that, particularly given the nature of its business, the development of a pool of suitably qualified candidates may take time to achieve and therefore do not believe it is appropriate to set targets, however aspirational, at the present time.

Currently, 27% of our total UK workforce and 8% of our senior management in the UK are female.

## 2 Directors' remuneration

The Company's policy on remuneration and details of the remuneration of each Director are given in the Remuneration Report on pages 28 to 32.

## 3 Accountability and audit

An assessment of the Company's position and prospects is included in the Chairman's Statement and in the Operational Review and Financial Review on pages 2 to 21.

### Internal control

Provision C.2.1 of the Code requires the Directors to conduct an annual review of the effectiveness of the Group's system of internal controls. The Turnbull guidance provides relevant guidance for directors on compliance with the internal control provisions of the Code.

### Corporate governance

The Directors are responsible for the Group's system of internal controls which aims to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable. Although no system of internal controls can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide the Directors with reasonable assurance that, should any problems occur, these are identified on a timely basis and dealt with appropriately. The key features of the Group's system of internal controls, which was in place throughout the period covered by the accounts, are described below:

### Control environment

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

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

### Identification of risks

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

### Information and communication

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

### Control procedures

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

### Monitoring

The Board has delegated to executive management implementation of the system of internal control. The Board, including the Audit and Risk Committee, receives reports on the system of control from the external auditor and from management. An independent internal audit function reports bi-annually to the Audit and Risk Committee primarily on the key areas of risk within the business. The Directors confirm that they have reviewed the effectiveness of the system of internal controls covering financial, operational and compliance matters and risk management, for the period covered by these accounts in accordance with the Turnbull guidance.

### Audit

An account of the work of the Audit and Risk Committee is given in the Report of the Audit and Risk Committee on page 33.

## 4 Relations with shareholders

Throughout the year the Company maintains a regular dialogue with institutional investors and brokers' analysts, providing them with such information on the Company's progress and future plans as is permitted within the guidelines of the Listing Rules. In particular, twice a year, at the time of announcing the Company's half and full year results, they are invited to briefings given by the Chief Executive and Group Finance Director.

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

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

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

### Compliance with the Code

The Board considers that the Company complied with the provisions of the Code throughout the year with the exception of those relating to Board and Committee composition. The Code states that at least half the Board, excluding the Chairman, should be comprised of independent non-executive directors: as referred to above, since November 2011, only two out of the five relevant Directors have been independent. Similarly, the Code states that both the Audit and Remuneration Committees should comprise at least three independent non-executive directors, whereas there are currently two. The Board recognises that, whilst Jan Astrand has ceased to be independent for very good reasons, the composition of the Board does not now have the balance expected under the Code and the Nomination Committee is therefore conducting a search for an additional independent non-executive director, which will restore the Company to full compliance with the Code.

By order of the Board

**D Henderson**

Secretary

26 June 2012

# Directors' responsibilities

The Directors are responsible for preparing the annual report and accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRS as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing these financial statements, IAS 1 (Presentation of Financial Statements) requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

### Bob Contreras

Chief Executive Officer

26 June 2012



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

We have audited the financial statements of Northgate plc for the year ended 30 April 2012 which comprise the consolidated income statement, the Group and Parent Company statement of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company notes to the cash flow statements, the Group and Parent Company statements of changes in equity and the related notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 April 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Financial Review, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

## Christopher Powell FCA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Leeds, United Kingdom

26 June 2012

# Consolidated income statement

For the year ended 30 April 2012

	Notes	Underlying 2012 £000	Statutory 2012 £000	Underlying 2011 £000	Statutory 2011 £000
Revenue: hire of vehicles	4,5	<b>503,659</b>	<b>503,659</b>	537,285	537,285
Revenue: sale of vehicles	4,5	<b>203,039</b>	<b>203,039</b>	178,217	178,217
<b>Total revenue</b>	4,5	<b>706,698</b>	<b>706,698</b>	715,502	715,502
Cost of sales		<b>(540,915)</b>	<b>(540,915)</b>	(553,083)	(553,083)
<b>Gross profit</b>		<b>165,783</b>	<b>165,783</b>	162,419	162,419
Administrative expenses (excluding exceptional items, impairment of intangible assets and intangible amortisation)		<b>(60,607)</b>	<b>(60,607)</b>	(56,772)	(56,772)
Exceptional administrative expenses	35	–	<b>(6,702)</b>	–	(12,499)
Impairment of intangible assets	35	–	–	–	(5,892)
Intangible amortisation	15	–	<b>(3,996)</b>	–	(4,681)
Total administrative expenses		<b>(60,607)</b>	<b>(71,305)</b>	(56,772)	(79,844)
<b>Operating profit</b>	5,6	<b>105,176</b>	<b>94,478</b>	105,647	82,575
Interest income	8	<b>165</b>	<b>165</b>	848	848
Finance costs (excluding exceptional items)	9	<b>(45,610)</b>	<b>(45,610)</b>	(52,649)	(52,649)
Exceptional finance costs	9,35	–	<b>(3,046)</b>	–	(4,234)
Total finance costs		<b>(45,610)</b>	<b>(48,656)</b>	(52,649)	(56,883)
<b>Profit before taxation</b>		<b>59,731</b>	<b>45,987</b>	53,846	26,540
Taxation	10	<b>(17,803)</b>	<b>(5,519)</b>	(15,305)	2,853
<b>Profit for the year</b>		<b>41,928</b>	<b>40,468</b>	38,541	29,393

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

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

## Earnings per share

Basic	12	<b>31.5p</b>	<b>30.4p</b>	29.0p	22.1p
Diluted	12	<b>30.8p</b>	<b>29.7p</b>	28.5p	21.7p

# Statements of comprehensive income

For the year ended 30 April 2012

		Group		Company	
	Notes	2012 £000	2011 £000	2012 £000	2011 £000
<b>Amounts attributable to the owners of the Parent Company</b>					
Profit (loss) attributable to the owners		<b>40,468</b>	29,393	<b>(2,957)</b>	(18,384)
<b>Other comprehensive income</b>					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	32	<b>(16,711)</b>	4,645	–	–
Net foreign exchange differences on long term borrowings and derivatives held as hedges	32	<b>13,486</b>	(3,727)	–	–
Deferred taxation on disposal of revalued property		<b>5</b>	–	–	–
Foreign exchange difference on revaluation reserve	28	<b>(120)</b>	33	–	–
Net fair value (losses) gains on cash flow hedges	31	<b>(16,188)</b>	5,386	<b>(14,201)</b>	5,069
Deferred tax credit (charge) recognised directly in equity relating to cash flow hedges	31	<b>3,834</b>	(1,559)	<b>3,360</b>	(1,467)
Actuarial losses on defined benefit pension scheme	34	<b>(227)</b>	(169)	–	–
Deferred tax credit recognised directly in equity relating to defined benefit pension scheme	34	<b>60</b>	50	–	–
<b>Total other comprehensive income</b>		<b>(15,861)</b>	4,659	<b>(10,841)</b>	3,602
<b>Total comprehensive income for the year</b>		<b>24,607</b>	34,052	<b>(13,798)</b>	(14,782)



# Balance sheets

As at 30 April 2012

		Group		Company	
	Notes	2012 £000	2011 £000	2012 £000	2011 £000
Non-current assets					
Goodwill	14	3,589	3,589	–	–
Other intangible assets	15	9,591	11,809	–	–
Property, plant and equipment: vehicles for hire	16	623,103	714,042	–	–
Other property, plant and equipment	17	74,452	77,308	2,643	2,705
Total property, plant and equipment		697,555	791,350	2,643	2,705
Derivative financial instrument assets	23	11,249	2,155	11,249	2,155
Deferred tax assets	25	1,691	10,179	5,198	1,910
Investments	18	–	–	122,894	147,894
Total non-current assets		723,675	819,082	141,984	154,664
Current assets					
Inventories	19	22,213	21,371	–	–
Trade and other receivables	20	97,278	124,623	882,710	903,532
Derivative financial instrument assets	23	–	–	–	3,301
Cash and cash equivalents		9,707	96,885	964	18,937
Total current assets		129,198	242,879	883,674	925,770
Total assets		852,873	1,061,961	1,025,658	1,080,434
Current liabilities					
Trade and other payables	21	63,188	67,419	394,345	221,696
Derivative financial instrument liabilities	23	1,046	–	1,631	–
Current tax liabilities	24	4,150	16,712	–	–
Short term borrowings	22	135,558	13,578	113,654	–
Total current liabilities		203,942	97,709	509,630	221,696
Net current (liabilities) assets		(74,744)	145,170	374,044	704,074
Non-current liabilities					
Derivative financial instrument liabilities	23	15,951	7,684	15,951	7,684
Long term borrowings	22	259,487	612,434	259,273	598,515
Deferred tax liabilities	25	7,357	4,233	–	–
Retirement benefit obligation	38	–	142	–	–
Total non-current liabilities		282,795	624,493	275,224	606,199
Total liabilities		486,737	722,202	784,854	827,895
Net assets		366,136	339,759	240,804	252,539
Equity					
Share capital	26	66,616	66,616	66,616	66,616
Share premium account	27	113,508	113,508	113,508	113,508
Revaluation reserve	28	1,189	1,363	1,371	1,371
Own shares reserve	29	(685)	(1,630)	–	–
Merger reserve	30	67,463	67,463	63,159	63,159
Hedging reserve	31	(14,247)	(1,893)	(12,617)	(1,776)
Translation reserve	32	(7,963)	(4,738)	–	–
Capital redemption reserve	33	40	40	40	40
Retained earnings	34	140,215	99,030	8,727	9,621
Total equity		366,136	339,759	240,804	252,539

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

The financial statements were approved by the Board of Directors and authorised for issue on 26 June 2012.

They were signed on its behalf by:

**RD Mackenzie**

Director

**CJR Muir**

Director

# Cash flow statements

For the year ended 30 April 2012

		Group		Company	
		2012 £000	2011 £000	2012 £000	2011 £000
<b>Net cash from (used in) operations</b>	(a)	<b>145,826</b>	102,260	<b>(39,688)</b>	(41,539)
<b>Investing activities</b>					
Interest received		<b>165</b>	848	<b>77</b>	112
Partial recovery of acquisition cost of subsidiary undertaking		<b>775</b>	–	<b>–</b>	–
Dividends received from subsidiary undertakings		<b>–</b>	–	<b>45,000</b>	45,000
Proceeds from disposal of other property, plant and equipment		<b>1,876</b>	3,295	<b>–</b>	–
Purchases of other property, plant and equipment		<b>(7,705)</b>	(4,972)	<b>–</b>	–
Purchases of intangible assets		<b>(1,982)</b>	(2,027)	<b>–</b>	–
<b>Net cash (used in) from investing activities</b>		<b>(6,871)</b>	(2,856)	<b>45,077</b>	45,112
<b>Financing activities</b>					
Repayments of bank loans and other borrowings		<b>(222,592)</b>	(175,464)	<b>(213,852)</b>	(195,944)
Debt issue costs paid		<b>(86)</b>	(10,309)	<b>(86)</b>	(10,309)
Receipt of other loan		<b>–</b>	100,000	<b>–</b>	100,000
Loans from subsidiary undertakings		<b>–</b>	–	<b>214,160</b>	85,992
Settlement of financial instruments with subsidiary undertaking		<b>–</b>	–	<b>(18,950)</b>	–
Proceeds from issue of share capital		<b>–</b>	380	<b>–</b>	380
Payments to acquire own shares for share schemes		<b>(293)</b>	(1,676)	<b>(293)</b>	(1,676)
Termination of financial instruments		<b>(3,046)</b>	(896)	<b>(3,046)</b>	(896)
<b>Net cash used in financing activities</b>		<b>(226,017)</b>	(87,965)	<b>(22,067)</b>	(22,453)
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(87,062)</b>	11,439	<b>(16,678)</b>	(18,880)
Cash and cash equivalents at 1 May		<b>96,885</b>	85,343	<b>18,937</b>	38,737
Effect of foreign exchange movements		<b>(116)</b>	103	<b>(1,295)</b>	(920)
<b>Cash and cash equivalents at 30 April</b>		<b>9,707</b>	96,885	<b>964</b>	18,937

# Notes to the cash flow statements

For the year ended 30 April 2012

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

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Operating profit (loss)	<b>94,478</b>	82,575	<b>(4,207)</b>	(5,137)
Adjustments for:				
Depreciation of property, plant and equipment	<b>192,729</b>	215,867	<b>62</b>	61
Impairment of intangible assets	–	5,892	–	–
Impairment of other property, plant and equipment	–	6,868	–	–
Exchange differences	<b>25</b>	69	–	–
Amortisation of intangible assets	<b>3,996</b>	4,681	–	–
Loss on disposal of property, plant and equipment	<b>443</b>	48	–	–
Share options fair value charge	<b>2,063</b>	1,897	<b>2,063</b>	1,897
<b>Operating cash flows before movements in working capital</b>	<b>293,734</b>	317,897	<b>(2,082)</b>	(3,179)
Decrease (increase) in non-vehicle inventories	<b>229</b>	(619)	–	–
Decrease in receivables	<b>22,456</b>	18,836	<b>329</b>	11
(Decrease) increase in payables	<b>(3,538)</b>	(4,729)	<b>(1,403)</b>	3,173
<b>Cash generated from (used in) operations</b>	<b>312,881</b>	331,385	<b>(3,156)</b>	5
Income taxes paid	<b>(2,582)</b>	(3,292)	–	–
Interest paid	<b>(38,487)</b>	(43,445)	<b>(36,532)</b>	(41,544)
<b>Net cash generated from (used in) operations</b>	<b>271,812</b>	284,648	<b>(39,688)</b>	(41,539)
Purchase of vehicles	<b>(306,311)</b>	(343,620)	–	–
Proceeds from disposal of vehicles	<b>180,325</b>	161,232	–	–
<b>Net cash from (used in) operations</b>	<b>145,826</b>	102,260	<b>(39,688)</b>	(41,539)



# Statements of changes in equity

For the year ended 30 April 2012

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 2010	179,744	(891)	(5,720)	(5,656)	68,833	68,796	305,106
Share options fair value charge	–	–	–	–	–	1,897	1,897
Share options exercised	–	–	–	–	–	(937)	(937)
Issue of Ordinary share capital	380	–	–	–	–	–	380
Profit attributable to owners of the Parent Company	–	–	–	–	–	29,393	29,393
Purchase of own shares	–	(1,676)	–	–	–	–	(1,676)
Transfer of shares on vesting of share options	–	937	–	–	–	–	937
Other comprehensive income	–	–	2,616	2,129	33	(119)	4,659
Transfers between equity reserves	–	–	1,211	(1,211)	–	–	–
Total equity at 1 May 2011	180,124	(1,630)	(1,893)	(4,738)	68,866	99,030	339,759
Share options fair value charge	–	–	–	–	–	2,063	2,063
Share options exercised	–	–	–	–	–	(1,238)	(1,238)
Transfer on disposal of revalued property	–	–	–	–	(54)	54	–
Profit attributable to owners of the Parent Company	–	–	–	–	–	40,468	40,468
Purchase of own shares	–	(293)	–	–	–	–	(293)
Transfer of shares on vesting of share options	–	1,238	–	–	–	–	1,238
Other comprehensive income	–	–	(1,478)	(14,101)	(120)	(162)	(15,861)
Transfers between equity reserves	–	–	(10,876)	10,876	–	–	–
<b>Total equity at 30 April 2012</b>	<b>180,124</b>	<b>(685)</b>	<b>(14,247)</b>	<b>(7,963)</b>	<b>68,692</b>	<b>140,215</b>	<b>366,136</b>

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

Company	Share capital and share premium £000	Revaluation reserve £000	Hedging reserve £000	Merger reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
Total equity at 1 May 2010	179,744	1,371	(5,378)	63,159	40	26,108	265,044
Share options fair value charge	–	–	–	–	–	1,897	1,897
Issue of Ordinary share capital	380	–	–	–	–	–	380
Loss attributable to owners of the Parent Company	–	–	–	–	–	(18,384)	(18,384)
Other comprehensive income	–	–	3,602	–	–	–	3,602
Total equity at 1 May 2011	180,124	1,371	(1,776)	63,159	40	9,621	252,539
Share options fair value charge	–	–	–	–	–	2,063	2,063
Loss attributable to owners of the Parent Company	–	–	–	–	–	(2,957)	(2,957)
Other comprehensive income	–	–	(10,841)	–	–	–	(10,841)
<b>Total equity at 30 April 2012</b>	<b>180,124</b>	<b>1,371</b>	<b>(12,617)</b>	<b>63,159</b>	<b>40</b>	<b>8,727</b>	<b>240,804</b>

# 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 86. The nature of the Group's operations and its principal activities are set out in Note 5 and in the Operational Review and Financial Review on pages 10 to 21.

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

## 2. Principal accounting policies

### Statement of compliance

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

### Basis of preparation

The financial information has been prepared on the historical cost basis, except for the revaluation of certain financial instruments.

### Going concern

The accounts continue to be prepared on a going concern basis since the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future as set out on page 19 of the Financial Review.

### Changes in accounting policy

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

The following new standards, amendments to standards and interpretations are mandatory for the financial year beginning 1 May 2011 but have no material impact on the consolidated results or financial position of the Group.

IFRS 7	Financial Instruments: Disclosures – Amendments relating to the transfer of financial assets
IAS 24	Related Party Disclosures (revised 2009)
IAS 27	Consolidated and Separate Financial Statements – Amendments
IFRIC 14	Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 relating to voluntary prepayments for existing funding contributions
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments
Improvements to IFRS 2010	

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

The following relevant new standards, amendments to standards and interpretations were in issue (and in some cases have not yet been adopted by the EU) with an effective date for financial years beginning on or after the dates disclosed below.

IFRS 7	Financial Instruments: Disclosures – Transfers of financial assets	1 July 2011
IFRS 7	Financial Instruments: Disclosures – Offsetting financial assets and financial liabilities	1 January 2013
IFRS 9	Financial Instruments	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Financial Statements – Amendments relating to the disclosures of other comprehensive income	1 July 2012
IAS 12	Income Taxes – Amendments for deferred tax and recovery of underlying assets.	1 January 2012
IAS 19	Employee Benefits (amended)	1 January 2013
IAS 27	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2013
Improvements to IFRS 2011		1 January 2013

The Directors are currently assessing the impact of IFRS 9 on its results, financial position and cash flows and do not expect that there will be any material impact on the Group's accounts on adoption of any of the other above standards and interpretations.

## 2. Principal accounting policies (continued)

### Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2011 and 30 April 2012. The results of a new subsidiary undertaking are included from the date of its acquisition. Where an entity has ceased to be a subsidiary undertaking during the year, its results are included to the date of cessation.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary undertaking are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of non-controlling interests is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently any losses applicable to the non-controlling interest in excess of the amount of non-controlling interest are allocated against the interests of the parent.

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

### Revenue recognition

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

Revenue from vehicle hire is recognised evenly over the hire period and revenue from sales of other related goods and services is recognised at the point of sale.

Revenue from the sale of used vehicles is recognised at the point of sale.

### Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiary undertakings and interests in associates and is the difference between the cost of the acquisition and the fair value of the net identifiable assets and liabilities acquired.

Goodwill is stated at cost less any accumulated impairment losses identified through annual or other tests for impairment. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

### Intangible assets – arising on business combinations

Amortisation of intangible assets is charged to the income statement on a straight line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Customer relationships	5 to 13 years
Brand names	5 to 10 years
Non-compete agreements	2 to 4 years

### Intangible assets – other

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Software assets are amortised on a straight line basis over their estimated useful lives, which do not exceed three years.

### Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and any provision for impairment. Certain properties were revalued prior to the adoption of IFRS. These valuations were treated as deemed cost at the time of adopting IFRS for the first time. Depreciation is provided so as to write off the cost of assets to residual values on a straight line basis over the assets' useful estimated lives as follows:

Freehold buildings	50 years
Leasehold buildings	50 years or over the life of the lease, whichever is shorter
Plant, equipment & fittings	3 to 10 years
Vehicles for hire	3 to 6 years
Motor vehicles	3 to 6 years

Vehicles for hire are depreciated on a straight line basis using depreciation rates that reflect economic lives of between three and six years. These depreciation rates have been determined with the anticipation that the net book values at the point the vehicles are transferred into inventories is in line with the open market values for those vehicles. Depreciation charges reflect adjustments made as a result of differences between expected and actual residual values of used vehicles, taking into account the further directly attributable costs to sell the vehicles.

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

## 2. Principal accounting policies (continued)

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.

### Fixed asset investments

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

### Impairment

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

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

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

Where an impairment loss has been recognised in an earlier period, the Group reassesses whether there are any indications that such impairment has decreased or no longer exists. If an impairment no longer exists, an impairment reversal is recognised in the income statement to the extent required.

### Inventories

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

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

### Taxation

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

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

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

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

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

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

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

### Financial instruments and hedge accounting

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

Trade receivables are non-interest bearing and are stated at their nominal value less any appropriate provision for irrecoverable amounts. Trade payables are non-interest bearing and are stated at their nominal value.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are stated at fair value. Any gain or loss on remeasurement to fair value is recognised immediately in the income statement except where derivatives qualify for hedge accounting, where recognition of the resultant gain or loss depends on the nature of the items being hedged.

The fair value of cross-currency and interest rate derivatives is the estimated amount that the Group would receive or pay to terminate the derivative at the balance sheet date, taking into account current interest rates and the current creditworthiness of the derivative counterparties.



## 2. Principal accounting policies (continued)

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised in the income statement. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting for cash flow hedges is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement as a net profit or loss for the period.

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

### Cash and cash equivalents

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

### Bank loans, other loan, loan notes and issue costs

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

### Foreign currencies

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

The net assets of overseas subsidiary undertakings are translated into UK Sterling at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is recognised directly in equity. The results of overseas subsidiary undertakings and joint ventures are translated into UK Sterling using average exchange rates for the financial period and variances compared with the exchange rate at the balance sheet date are recognised directly in equity. All other translation differences are taken to the income statement with the exception of exchange differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are recognised directly in equity, together with the exchange difference on the net investment in these enterprises.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as assets and liabilities of the foreign entity. They are denominated in the functional currency of the foreign entity and translated at the exchange rate prevailing at the balance sheet date, with any variances reflected directly in equity.

All foreign exchange differences reflected directly in equity are shown in the translation reserve component of equity.

### Leasing and hire purchase commitments

#### As Lessee:

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value or, if lower, the present value of the future minimum lease payments and are depreciated over their useful economic lives using Group policies. The capital elements of future obligations under finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged to the income statement over the periods of the leases and hire purchase contracts so as to produce a constant rate of return on the outstanding balance.

Rentals payable under operating leases are charged to the income statement on a straight line basis over the lease term.

#### As Lessor:

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

### Retirement benefit costs

The Group predominantly operates defined contribution pension schemes but has one defined benefit scheme. Contributions in respect of defined contribution arrangements are charged to the income statement in the period they fall due. Pension contributions in respect of one of these arrangements are held in trustee administered funds, independently of the Group's finances.

For the defined benefit scheme, the cost of providing benefits is determined using the Projected Unit Credit Method, with updates to actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses are recognised in full in the period in which they occur. They are recognised outside the income statement and presented in the statement of other comprehensive income.

## 2. Principal accounting policies (continued)

Past service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of the scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

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

### Employee share schemes and share based payments

The Group has applied the requirements of IFRS 2 (Share-based Payment). The Group issues equity-settled payments to certain employees.

Equity-settled employee schemes, including employee share options and deferred annual bonuses, provide employees with the option to acquire shares of the Company. Employee share options and deferred annual bonuses are generally subject to performance or service conditions.

The fair value of equity-settled payments is measured at the date of grant and charged to the income statement over the period during which performance or service conditions are required to be met or immediately where no performance or service criteria exist. The fair value of equity-settled payments granted is measured using the Black-Scholes model. The amount recognised as an expense is adjusted to reflect the actual number of employee share options that vest, except where forfeiture is only due to market based performance criteria not being met.

The Group also operates a share incentive plan under which employees each have the option to purchase an amount of shares annually and receive an equivalent number of free shares. The Group recognises the free shares as an expense evenly throughout the period over which the employees must remain in the employ of the Group in order to receive the free shares.

### Interest income and finance costs

Interest income and finance costs are recognised in the income statement using the effective interest rate method.

### Exceptional items

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

### Dividends

Dividends on Ordinary shares are recognised in the period in which they are either paid or formally approved, whichever is earlier.

### Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

### Own shares

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

## 3. Critical accounting judgments and key sources of estimation uncertainty

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

### Depreciation

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

Under IAS 16 (Property, Plant and Equipment), the Group is required to review its depreciation rates and estimated useful lives regularly to ensure that the net book value of disposals of tangible fixed assets are broadly equivalent to their market value.

Depreciation charges reflect adjustments made as a result of differences between expected and actual residual values of used vehicles, taking into account the further directly attributable costs to sell the vehicles.

### Intangible assets

Amortisation of intangible assets is charged to the income statement on a straight line basis over the estimated useful lives of each intangible asset. The Directors have made assumptions with regard to the evidence in the market, at the time of acquisitions, when determining these estimated useful lives.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

### 3. Critical accounting judgements and key sources of estimation uncertainty (continued)

#### Impairment of goodwill and other non-current assets

Determining whether goodwill and other non-current assets are impaired or whether the reversal of a previously recognised impairment is necessary requires an estimation of their value in use in the cash generating units. The value in use calculation requires the entity to estimate the future cash flows expected to arise from each cash generating unit and a suitable discount rate in order to calculate present value.

#### Provision for bad and doubtful debts

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

#### Taxation

The Group carries out tax planning consistent with a Group of its size and makes appropriate provision, based on best estimates, until tax computations are agreed with the tax authorities. To the extent that tax estimates result in the recognition of deferred tax assets, those assets are only carried in the balance sheet to the extent that it is considered that they are likely to be recovered in the short term. In the current year, net deferred tax assets totalling £Nil previously derecognised have been recognised as the recovery of those assets is now considered probable in the short term (2011 – £5,928,000), as explained further in Note 10.

### 4. Revenue

Total revenue of £706,698,000 (2011 – £715,502,000) comprises revenue from the hire of vehicles of £503,659,000 (2011 – £537,285,000) and revenue from the sale of vehicles of £203,039,000 (2011 – £178,217,000).

### 5. Segmental reporting

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

	UK 2012 £000	Spain 2012 £000	Corporate 2012 £000	Total 2012 £000
Revenue: hire of vehicles	320,772	182,887	–	503,659
Revenue: sale of vehicles	136,312	66,727	–	203,039
<b>Total revenue</b>	<b>457,084</b>	<b>249,614</b>	<b>–</b>	<b>706,698</b>
<b>Underlying operating profit (loss) *</b>	<b>74,402</b>	<b>34,989</b>	<b>(4,215)</b>	<b>105,176</b>
Exceptional administrative expenses	(5,670)	(1,724)	692	(6,702)
Intangible amortisation	(3,135)	(861)	–	(3,996)
<b>Operating profit (loss)</b>	<b>65,597</b>	<b>32,404</b>	<b>(3,523)</b>	<b>94,478</b>
Interest income				165
Finance costs (excluding exceptional items)				(45,610)
Exceptional finance costs				(3,046)
<b>Profit before taxation</b>				<b>45,987</b>
<b>Other information</b>				
Capital expenditure	194,697	120,259	–	314,956
Depreciation	110,933	81,734	62	192,729
Reportable segment assets	510,448	329,485	–	839,933
Derivative financial instrument assets				11,249
Income tax assets				1,691
<b>Total assets</b>				<b>852,873</b>
Reportable segment liabilities	306,477	151,756	–	458,233
Derivative financial instrument liabilities				16,997
Income tax liabilities				11,507
<b>Total liabilities</b>				<b>486,737</b>

**5. Segmental reporting** (continued)

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

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

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

There is no significant intersegment trading.

**Geographical information**

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

	Revenue 2012 £000	Non-current assets 2012 £000	Revenue 2011 £000	Non-current assets 2011 £000
United Kingdom & Republic of Ireland	<b>457,084</b>	<b>429,714</b>	436,899	475,413
Spain	<b>249,614</b>	<b>281,021</b>	278,603	331,335
	<b>706,698</b>	<b>710,735</b>	715,502	806,748

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



## 6. Operating profit

	2012 £000	2011 £000
<b>Operating profit is stated after charging:</b>		
Depreciation of property, plant and equipment (Notes 16 and 17)	<b>192,729</b>	215,867
Impairment of other property, plant and equipment (Notes 17 and 35)	–	6,868
Amortisation of intangible assets (Note 15)	<b>3,996</b>	4,681
Impairment of intangible assets (Notes 15 and 35)	–	5,892
Net foreign exchange losses	<b>25</b>	69
Exceptional administrative expenses (excluding impairment of assets - Note 35)	<b>6,702</b>	5,631
Staff costs (Note 7)	<b>82,834</b>	84,356
Cost of inventories recognised as an expense	<b>248,665</b>	210,681
Net impairment of trade receivables (Note 39)	<b>4,961</b>	5,457
Auditor's remuneration for audit services (below)	<b>397</b>	405
Auditor's remuneration for non-audit services (below)	<b>171</b>	149

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

	2012 £000	2011 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<b>240</b>	240
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	<b>157</b>	165
<b>Total audit fees</b>	<b>397</b>	405
Other services pursuant to legislation	<b>21</b>	21
Tax services	<b>95</b>	64
Other services	<b>55</b>	64
<b>Total non-audit fees</b>	<b>171</b>	149

Fees payable to Deloitte LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

A description of the work of the Audit and Risk Committee is set out on page 33 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

**7. Staff costs**

	2012 Number	2011 Number
The average number of persons employed by the Group:		
<b>United Kingdom and Republic of Ireland:</b>		
Direct operations	1,514	1,599
Administration	481	480
	<b>1,995</b>	2,079
<b>Spain:</b>		
Direct operations	800	830
Administration	123	136
	<b>923</b>	966
	<b>2,918</b>	3,045

	2012 £000	2011 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	71,870	72,936
Social security costs	9,557	9,995
Other pension costs	1,407	1,425
	<b>82,834</b>	84,356

Wages and salaries include £5,319,000 (2011 – £2,306,000) in respect of redundancies and loss of office.

Details of Directors' remuneration, pension contributions and share options are provided in the audited part of the Remuneration Report on pages 28 to 32.

**8. Interest income**

	2012 £000	2011 £000
Interest on bank and other deposits	165	848

**9. Finance costs**

	2012 £000	2011 £000
Interest on bank overdrafts and loans	38,991	43,241
Amortisation of arrangement fees	7,799	9,777
Amortisation of terminated cross-currency derivatives	(605)	(608)
Cross-currency derivatives ineffectiveness (Note 23)	459	(202)
Interest rate derivatives ineffectiveness (Note 23)	(28)	–
Change in fair value of cross-currency derivatives (Note 23)	(147)	416
Change in fair value of interest rate derivatives (Note 23)	(453)	–
Amortisation of de-designated Sterling interest rate swaps	(431)	–
Preference share dividends	25	25
Finance costs (excluding exceptional items)	<b>45,610</b>	52,649
<b>Exceptional finance costs</b>		
Financing fees written off on extinguishment of debt (Note 35)	–	2,728
Termination of Euro interest rate swaps (Note 23)	3,046	473
Termination of cross-currency swaps (Note 23)	–	423
De-designation of Sterling interest rate derivatives (Note 23)	–	610
Total exceptional finance costs	<b>3,046</b>	4,234
	<b>48,656</b>	56,883

## 10. Taxation

	2012 £000	2011 £000
<b>Current tax:</b>		
UK corporation tax	1,897	5,593
Adjustment in respect of prior years	(11,505)	(4,241)
Foreign tax	488	642
	<b>(9,120)</b>	1,994
<b>Deferred tax:</b>		
Origination and reversal of timing differences	12,044	1,091
Adjustment in respect of prior years	(285)	102
Net recognition of deferred tax assets	–	(5,928)
UK rate adjustment	2,880	(112)
	<b>14,639</b>	(4,847)
	<b>5,519</b>	(2,853)

Corporation tax is calculated at 25.83% (2011 – 28.00%) 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/(credit) for the year can be reconciled to the profit before taxation as stated in the income statement as follows:

	2012 £000	%	2011 £000	%
<b>Profit before taxation</b>	<b>45,987</b>		26,540	
Tax at the UK corporation tax rate of 25.83% (2011 – 28.00%)	11,880	25.8	7,431	28.0
Tax effect of expenses that are not deductible in determining taxable profit	4,396	9.6	440	1.6
Tax effect of income not taxable in determining taxable profit	(652)	(1.4)	(615)	(2.3)
Difference in taxation in overseas subsidiary undertakings	(1,195)	(2.6)	70	0.3
Recognition of deferred tax assets (below)	–	–	(5,928)	(22.3)
Reduction in UK tax rate	2,880	6.3	(112)	(0.4)
Adjustment to tax charge in respect of prior years	(11,790)	(25.6)	(4,139)	(15.6)
<b>Tax charge/(credit) and effective tax rate for the year</b>	<b>5,519</b>	<b>12.0</b>	(2,853)	(10.7)

In addition to the amount charged to the income statement, a net deferred tax amount of £3,899,000 has been credited (2011 – £1,509,000 charged) directly to equity (Note 25).

The underlying tax charge of £17,803,000 (2011 – £15,305,000) excludes exceptional tax credits of £11,216,000 (2011 – £16,818,000) as set out in Note 35, and tax credits on intangible amortisation of £1,068,000 (2011 – £1,340,000).

There has been no recognition of deferred tax assets previously derecognised (2011 – £5,928,000).

On 1 April 2012 the UK Corporation tax rate changed from 26% to 24%. Accordingly, the tax disclosures reflect deferred tax measured on the new 24% rate. The rate is proposed to be reduced further to 23% by 1 April 2014. It has not been possible to quantify the full anticipated effect of the further 1% reduction, although this will further reduce the Group's future tax charge and reduce the deferred tax liabilities and assets of the Group and of the Company accordingly.

## 11. Dividends

No dividends were paid in the year (2011 – £Nil). The Directors propose a final dividend of 3.0p for the year ended 30 April 2012 (2011 – £Nil), which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2012.

## 12. Earnings per share

	Underlying 2012 £000	Statutory 2012 £000	Underlying 2011 £000	Statutory 2011 £000
<b>Basic and diluted earnings per share</b>				
The calculation of basic and diluted earnings per share is based on the following data:				
<b>Earnings</b>				
Earnings for the purposes of basic and diluted earnings per share, being net profit attributable to the owners of the Parent Company	41,928	40,468	38,541	29,393
	Number	Number	Number	Number
<b>Number of shares</b>				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	133,232,518	133,232,518	133,029,317	133,029,317
Effect of dilutive potential Ordinary shares: – share options	3,074,242	3,074,242	2,306,309	2,306,309
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	136,306,760	136,306,760	135,335,626	135,335,626
Basic earnings per share	31.5p	30.4p	29.0p	22.1p
Diluted earnings per share	30.8p	29.7p	28.5p	21.7p

## 13. Result of the parent company

A loss of £2,957,000 (2011 – £18,384,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under s408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

## 14. Goodwill

Group	2012 £000	2011 £000
<b>Carrying value:</b>		
<b>At 1 May 2011 and 30 April 2012</b>	<b>3,589</b>	3,589

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

The Group has two cash generating units: the UK and Spain. The Group tests its CGUs annually for impairment, or more frequently if there are indications that assets might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The Directors estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth rates forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

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 recognised in an earlier year has decreased or no longer exists.

The impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 2012 using growth rates of 1% to 2% over a 10 year period, including terminal values, using a discount rate of 10.3% for the UK CGU and 11.7% for the Spanish 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 Spanish CGU.

In the prior year, the impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 2011 using growth rates of 1% to 3% over a 10 year period, including terminal values, using a discount rate of 10% for the UK CGU and 10% for the Spanish CGU. It was concluded that there were no indicators of additional impairment or reversal of impairment previously charged for both the UK CGU and Spanish CGU.

The impairment assessment is sensitive to changes in the key assumptions used, most notably the discount rate and growth rates. A sensitivity analysis has been performed on the UK CGU and Spanish CGU. Based on this sensitivity analysis, no reasonably possible changes to the assumptions used for the UK CGU resulted in an additional impairment charge being required. The Spanish CGU had headroom of £0.5m at the balance sheet date. An increase in the discount rate of 0.02% would eliminate the headroom in the Spanish CGU.



## 15. Other intangible assets

Group	Brand names £000	Customer relationships £000	Software technology £000	Other software £000	Total £000
<b>Cost:</b>					
At 1 May 2010	14,815	22,525	168	7,603	45,111
Additions	–	–	–	2,027	2,027
Disposals	(15,166)	–	(168)	(107)	(15,441)
Exchange differences	351	155	–	35	541
At 1 May 2011	–	22,680	–	9,558	32,238
Additions	–	–	–	1,982	1,982
Disposals	–	–	–	(408)	(408)
Exchange differences	–	(571)	–	(122)	(693)
<b>At 30 April 2012</b>	<b>–</b>	<b>22,109</b>	<b>–</b>	<b>11,010</b>	<b>33,119</b>
<b>Amortisation:</b>					
At 1 May 2010	8,047	11,026	151	5,438	24,662
Charge for the year	747	2,594	17	1,323	4,681
Impairment charge (Note 35)	5,892	–	–	–	5,892
Disposals	(15,166)	–	(168)	(107)	(15,441)
Exchange differences	480	122	–	33	635
At 1 May 2011	–	13,742	–	6,687	20,429
Charge for the year	–	2,212	–	1,784	3,996
Disposals	–	–	–	(357)	(357)
Exchange differences	–	(435)	–	(105)	(540)
<b>At 30 April 2012</b>	<b>–</b>	<b>15,519</b>	<b>–</b>	<b>8,009</b>	<b>23,528</b>
<b>Carrying amount:</b>					
<b>At 30 April 2012</b>	<b>–</b>	<b>6,590</b>	<b>–</b>	<b>3,001</b>	<b>9,591</b>
At 30 April 2011	–	8,938	–	2,871	11,809

**16. Property, plant and equipment: vehicles for hire**

<b>Group</b>	<b>£000</b>
<b>Cost:</b>	
At 1 May 2010	1,161,725
Additions	334,916
Transfer to motor vehicles	(385)
Exchange differences	11,315
Transfer to inventories	(353,896)
At 1 May 2011	1,153,675
Additions	305,401
Transfer to motor vehicles	(223)
Exchange differences	(40,036)
Transfer to inventories	(454,236)
<b>At 30 April 2012</b>	<b>964,581</b>
<b>Depreciation:</b>	
At 1 May 2010	420,182
Charge for the year	211,622
Exchange differences	4,827
Transfer to motor vehicles	(186)
Transfer to inventories	(196,812)
At 1 May 2011	439,633
Charge for the year	188,443
Exchange differences	(15,292)
Transfer to motor vehicles	(93)
Transfer to inventories	(271,213)
<b>At 30 April 2012</b>	<b>341,478</b>
<b>Carrying amount:</b>	
<b>At 30 April 2012</b>	<b>623,103</b>
At 30 April 2011	714,042

At 30 April 2012, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £27,784,000 (2011 – £33,699,000).

## 17. Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
<b>Cost:</b>				
At 1 May 2010	87,200	22,766	1,321	111,287
Additions	2,593	1,418	762	4,773
Transfer from vehicles for hire	–	–	385	385
Exchange differences	1,166	153	–	1,319
Transfer to other debtors and prepayments	–	(856)	–	(856)
Disposals	(3,360)	(3,471)	(699)	(7,530)
At 1 May 2011	87,599	20,010	1,769	109,378
Additions	3,092	3,541	940	7,573
Transfer from vehicles for hire	–	–	223	223
Exchange differences	(4,366)	(811)	–	(5,177)
Disposals	(4,590)	(5,872)	(551)	(11,013)
<b>At 30 April 2012</b>	<b>81,735</b>	<b>16,868</b>	<b>2,381</b>	<b>100,984</b>
<b>Depreciation:</b>				
At 1 May 2010	10,768	13,541	466	24,775
Charge for the year	1,730	2,152	363	4,245
Impairment charge (Note 35)	6,868	–	–	6,868
Exchange differences	112	71	–	183
Transfer from vehicles for hire	–	–	186	186
Disposals	(1,142)	(2,582)	(463)	(4,187)
At 1 May 2011	18,336	13,182	552	32,070
Charge for the year	1,831	1,940	515	4,286
Exchange differences	(818)	(358)	–	(1,176)
Transfer from vehicles for hire	–	–	93	93
Disposals	(2,796)	(5,613)	(332)	(8,741)
<b>At 30 April 2012</b>	<b>16,553</b>	<b>9,151</b>	<b>828</b>	<b>26,532</b>
<b>Carrying amount:</b>				
<b>At 30 April 2012</b>	<b>65,182</b>	<b>7,717</b>	<b>1,553</b>	<b>74,452</b>
At 30 April 2011	69,263	6,828	1,217	77,308
			<b>2012 £000</b>	2011 £000
<b>Land and buildings by category:</b>				
Freehold and long leasehold			<b>59,984</b>	60,647
Short leasehold			<b>5,198</b>	8,616
			<b>65,182</b>	69,263

At 30 April 2012, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £309,000 (2011 – £123,000).

**17. Other property, plant and equipment** (continued)

Company	Land & buildings £000
<b>Cost:</b>	
<b>At 1 May 2010, 1 May 2011 and 30 April 2012</b>	<b>3,239</b>
<b>Depreciation:</b>	
At 1 May 2010	473
Charge for the year	61
At 1 May 2011	534
Charge for the year	62
<b>At 30 April 2012</b>	<b>596</b>
<b>Carrying amount:</b>	
<b>At 30 April 2012</b>	<b>2,643</b>
At 30 April 2011	2,705

**18. Investments**

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertaking £000	Total £000
<b>Cost:</b>			
At 1 May 2010 and 1 May 2011	103,329	47,000	150,329
Capital reduction of subsidiary undertaking	(25,000)	–	(25,000)
<b>At 30 April 2012</b>	<b>78,329</b>	<b>47,000</b>	<b>125,329</b>
<b>Accumulated provisions:</b>			
<b>At 1 May 2010, 1 May 2011 and 30 April 2012</b>	<b>2,435</b>	<b>–</b>	<b>2,435</b>
<b>Carrying amount:</b>			
<b>At 30 April 2012</b>	<b>75,894</b>	<b>47,000</b>	<b>122,894</b>
At 30 April 2011	100,894	47,000	147,894

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

At 30 April 2012, the principal subsidiary undertakings of the Group were as follows, all of which are wholly owned and are registered in England and Wales unless otherwise stated:

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

\*interest held indirectly by the Company

**19. Inventories**

	Group	
	2012 £000	2011 £000
Vehicles held for resale	<b>17,771</b>	16,095
Spare parts and consumables	<b>4,442</b>	5,276
	<b>22,213</b>	21,371



## 20. Trade and other receivables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade receivables	<b>84,930</b>	110,915	–	–
Amounts due from subsidiary undertakings	–	–	<b>880,854</b>	901,347
Other taxes	–	–	<b>1,827</b>	2,142
Other debtors and prepayments	<b>12,348</b>	13,708	<b>29</b>	43
	<b>97,278</b>	124,623	<b>882,710</b>	903,532

	2012	2011
The average credit period given on trade sales is	UK Spain	42 days 94 days

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

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

## 21. Trade and other payables

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Trade payables	<b>23,446</b>	33,623	<b>34</b>	801
Amounts due to subsidiary undertakings	–	–	<b>381,936</b>	211,518
Social security and other taxes	<b>9,655</b>	5,703	<b>97</b>	77
Accruals and deferred income	<b>30,087</b>	28,093	<b>12,278</b>	9,300
	<b>63,188</b>	67,419	<b>394,345</b>	221,696

	2012	2011
The average credit period taken on trade purchases is	UK Spain	48 days 105 days

Trade payables comprise amounts outstanding for trade purchases.

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

## 22. Borrowings

Borrowings comprise bank loans, loan notes, property loans, preference shares and other borrowings.

Except as detailed in Note 39, the Directors consider that the carrying amounts of the Group's borrowings approximate to their fair value.

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Bank loans	<b>129,282</b>	360,974	<b>113,673</b>	338,791
Loan notes	<b>161,002</b>	161,718	<b>161,002</b>	161,718
Other loan	<b>97,752</b>	97,506	<b>97,752</b>	97,506
Cumulative Preference shares	<b>500</b>	500	<b>500</b>	500
Property loans	<b>862</b>	1,952	–	–
Confirming facilities	<b>5,647</b>	3,362	–	–
	<b>395,045</b>	626,012	<b>372,927</b>	598,515

**22. Borrowings** (continued)

The borrowings are repayable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
	<b>£000</b>	£000	<b>£000</b>	£000
<b>On demand or within one year</b> <b>(shown within current liabilities)</b>				
Bank loans	<b>83,312</b>	9,209	<b>67,703</b>	–
Loan notes	<b>45,951</b>	–	<b>45,951</b>	–
Property loans	<b>648</b>	1,007	<b>–</b>	–
Confirming facilities	<b>5,647</b>	3,362	<b>–</b>	–
	<b>135,558</b>	13,578	<b>113,654</b>	–
<b>In the second year</b>				
Bank loans	<b>–</b>	87,236	<b>–</b>	74,262
Loan notes	<b>42,717</b>	46,392	<b>42,717</b>	46,392
Property loans	<b>214</b>	710	<b>–</b>	–
	<b>42,931</b>	134,338	<b>42,717</b>	120,654
<b>In the third to fifth years</b>				
Bank loans	<b>45,970</b>	264,529	<b>45,970</b>	264,529
Loan notes	<b>72,334</b>	43,150	<b>72,334</b>	43,150
Property loans	<b>–</b>	235	<b>–</b>	–
	<b>118,304</b>	307,914	<b>118,304</b>	307,679
<b>Due after more than five years</b>				
Loan notes	<b>–</b>	72,176	<b>–</b>	72,176
Other loan	<b>97,752</b>	97,506	<b>97,752</b>	97,506
Cumulative Preference shares	<b>500</b>	500	<b>500</b>	500
	<b>98,252</b>	170,182	<b>98,252</b>	170,182
<b>Total borrowings</b>	<b>395,045</b>	626,012	<b>372,927</b>	598,515
<b>Less: Amount due for settlement within one year</b> <b>(shown within current liabilities)</b>	<b>135,558</b>	13,578	<b>113,654</b>	–
<b>Amount due for settlement after one year</b>	<b>259,487</b>	612,434	<b>259,273</b>	598,515

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

**Bank loans**

Bank loans are secured and bear interest at rates of 1.50% to 2.75% (2011 – 1.20% to 3.25%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

## 22. Borrowings (continued)

### Loan notes

In 2006 and 2007, the Company issued unsecured loan notes to investors principally based in the United States. The total of the loan notes ('the US Notes') issued by the Group was US\$357,000,000 and £21,000,000. During the year, the Group has repaid \$7,070,000 and £Nil respectively (2011 – \$73,463,000 and £3,820,000). In addition, and in accordance with the terms of the US Notes, during the prior year, make-whole notes amounting to \$7,530,000 and £456,000 were issued, all of which on their issue had a maturity of September 2012 and otherwise had the same terms as the related loan notes. During the prior year, all make-whole notes were repaid in full. The US Notes are not publicly tradeable, are secured and have the following maturity profile:

Value of loan notes	Maturity date	Weighted average fixed interest rate on the US Notes	Overall weighted average fixed interest rate	Carrying value 30 April 2012 £000	Carrying value 30 April 2011 £000
\$37,201,000 (2011: \$40,755,000) 5 year loan notes	November 2012	7.72% (2011 – 7.72%)	8.19% (2011 – 8.19%)	<b>22,867</b>	24,453
\$86,620,000 (2011: \$90,136,000) 7 year loan notes	December 2013	7.86% (2011 – 7.86%)	9.02% (2011 – 8.99%)	<b>53,245</b>	54,082
\$89,318,000 (2011: \$89,318,000) 10 year loan notes	December 2016	7.99% (2011 – 7.99%)	8.91% (2011 – 8.91%)	<b>54,904</b>	53,591
£15,631,000 (2011: £15,631,000) 10 year loan notes	December 2016	7.89% (2011 – 7.89%)	7.89% (2011 – 7.89%)	<b>15,631</b>	15,631
\$36,698,000 (2011: \$36,698,000) 10 year loan notes	December 2016	7.99% (2011 – 7.99%)	8.89% (2011 – 8.89%)	<b>22,558</b>	22,018
Unamortised finance fees relating to the US Dollar denominated loan Notes				<b>(7,202)</b>	(7,267)
Unamortised finance fees relating to the Sterling denominated loan Notes				<b>(1,001)</b>	(790)
				<b>161,002</b>	161,718

The redemption of the US Notes and interest payments on the US Notes are due to the loan note holders in the same currency as the issue currency of the US Notes. These factors expose the Group to foreign currency exchange risk. As explained in further detail in Note 23, the Group has entered into cross-currency swap financial instruments in order to mitigate this risk. Both the weighted average fixed interest rate on the US Notes and the overall weighted average fixed interest rate (taking into account the interest rates within the cross-currency swap instruments) are shown in the table above.

### Other loan

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

### Cumulative Preference shares

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

The total number of authorised cumulative Preference shares of 50p each is 1,300,000 (2011 – 1,300,000), of which 1,000,000 (2011 – 1,000,000) were allotted and fully paid at the balance sheet date.

### Property loans

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

The average remaining lease term is one year (2011 – two years). At 30 April 2012, the average borrowing rate for property loans was 2.8% (2011 – 2.1%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

**22. Borrowings** (continued)

	<b>Minimum lease payments</b>		<b>Present value of minimum lease payments</b>	
	<b>2012 £000</b>	2011 £000	<b>2012 £000</b>	2011 £000
Amounts payable under property loans:				
Within one year	<b>664</b>	1,040	<b>648</b>	1,007
In the second to fifth years inclusive	<b>220</b>	975	<b>214</b>	945
	<b>884</b>	2,015	<b>862</b>	1,952
Less future finance charges	<b>(22)</b>	(63)	<b>–</b>	–
Present value of lease obligations	<b>862</b>	1,952	<b>862</b>	1,952
Less: amount due for settlement within one year (shown under current liabilities)			<b>(648)</b>	(1,007)
Amount due for settlement after one year			<b>214</b>	945

**Confirming facilities**

Spanish confirming facilities of £5,647,000 (2011 – £3,362,000) are unsecured and all fall due within one year. It is common practice in Spain for businesses to have a bank facility which enables their suppliers to be paid earlier than under normal credit terms. When this is the case the supplier pays to Northgate España's bank a discount fee for early settlement. When invoices fall due for payment, Northgate España settles such invoices with its bank. The Group pays no interest on confirming.

**Total borrowing facilities**

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

	<b>2012 £000</b>	2011 £000
Less than one year	<b>3,946</b>	14,135
In one year to five years	<b>261,998</b>	113,866
	<b>265,944</b>	128,001

The total amount permitted to be borrowed by the Company and its subsidiary undertakings in terms of the Articles of Association shall not exceed six times the aggregate of the issued share capital of the Company and Group reserves, as defined in those Articles.

**Analysis of consolidated net debt**

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

	At 1 May 2011 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	<b>At 30 April 2012 £000</b>
Cash at bank and in hand	96,885	(87,062)	–	(116)	<b>9,707</b>
Bank loans	(360,974)	217,050	(4,443)	19,085	<b>(129,282)</b>
Loan notes	(161,718)	4,457	147	(3,888)	<b>(161,002)</b>
Other loan	(97,506)	–	(246)	–	<b>(97,752)</b>
Cumulative Preference shares	(500)	–	–	–	<b>(500)</b>
Property loans and other borrowings	(5,314)	1,085	(2,285)	5	<b>(6,509)</b>
	(529,127)	135,530	(6,827)	15,086	<b>(385,338)</b>

The Group calculates gearing to be net borrowings as a percentage of shareholders' funds less goodwill and the net book value of intangible assets, where net borrowings comprise borrowings less cash at bank. At 30 April 2012, the gearing of the Group amounted to 109.2% (2011 – 163.1%) where net borrowings are £385,338,000 (2011 – £529,127,000) and shareholders' funds less goodwill and the net book value of intangible assets are £352,956,000 (2011 – £324,361,000).



## 22. Borrowings (continued)

### Financial instruments (see also Note 39)

#### Financial assets

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

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

#### Treasury policies and the management of risk

The function of Group Treasury is to mitigate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements, to secure finance at minimum cost and to invest cash assets securely and profitably. Treasury operations manage the Group's funding, liquidity and exposure to interest rate risks within a framework of policies and guidelines authorised by the Board of Directors.

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using more complex financial instruments. Further details regarding derivative financial instruments are shown in Note 23.

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit 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, loan notes, other loans and bank borrowings, including medium term bank loans.

Cash at bank and on deposit yield interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate derivatives as detailed in Note 23. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. At 30 April 2012, 96% (2011 – 71%) of gross borrowings were at fixed or capped rates of interest, comprising £100,000,000 and €152,832,000 of interest rate swaps, \$249,837,000 of US Dollar/Sterling cross-currency swaps, £15,631,000 of Sterling denominated loan notes, £500,000 of preference shares and £5,647,000 of confirming facilities (2011 – £100,000,000 and €212,832,000 of interest rate swaps, \$256,907,000 of US Dollar/Sterling cross-currency swaps, £15,631,000 of Sterling denominated loan notes, £500,000 of preference shares and £3,362,000 of confirming facilities), as detailed in Note 23.

#### Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euro as net investment hedges against its Euro denominated investments (Note 23) and with the exception of US Dollar denominated loan notes, as explained above.

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

Group	Sterling £000	Euro £000	US Dollars £000	Total £000
<b>At 30 April 2012</b>				
Bank loans	–	129,282	–	<b>129,282</b>
Loan notes	14,630	–	146,372	<b>161,002</b>
Other loan	97,752	–	–	<b>97,752</b>
Cumulative Preference shares	500	–	–	<b>500</b>
Property loans	–	862	–	<b>862</b>
Confirming facilities	–	5,647	–	<b>5,647</b>
	<b>112,882</b>	<b>135,791</b>	<b>146,372</b>	<b>395,045</b>

**22. Borrowings** (continued)

Group	Sterling £000	Euro £000	US Dollars £000	Total £000
At 30 April 2011				
Bank loans	47,170	313,804	–	360,974
Loan notes	14,841	–	146,877	161,718
Other loan	97,506	–	–	97,506
Cumulative Preference shares	500	–	–	500
Property loans	–	1,952	–	1,952
Confirming facilities	–	3,362	–	3,362
	160,017	319,118	146,877	626,012

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

Group	Sterling £'000	Euro £'000	Total £'000
<b>At 30 April 2012</b>			
Cash at bank and in hand	8,382	1,325	<b>9,707</b>
Bank loans	–	(129,282)	<b>(129,282)</b>
Loan notes	(132,122)	(22,780)	<b>(154,902)</b>
Other loan	–	(89,815)	<b>(89,815)</b>
Cumulative Preference shares	(500)	–	<b>(500)</b>
Property loans	–	(862)	<b>(862)</b>
Confirming facilities	–	(5,647)	<b>(5,647)</b>
	<b>(124,240)</b>	<b>(247,061)</b>	<b>(371,301)</b>

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

At 30 April 2012, the gearing of the Group reflecting the above fixed swapped exchange rates amounted to 105.2% (2011 – 163.4%) where net borrowings are £371,301,000 (2011 – £529,854,000) and shareholders' funds less goodwill and the net book value of intangible assets are £352,956,000 (2011 – £324,361,000).

**23. Derivative financial instruments**

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

Their net estimated fair values are as follows:

	Group		Company	
	2012 £000	2011 £000	2012 £000	2011 £000
Interest rate derivatives	<b>(16,314)</b>	(5,377)	<b>(16,314)</b>	(5,377)
Cross-currency derivatives	<b>10,566</b>	(152)	<b>9,981</b>	3,149
	<b>(5,748)</b>	(5,529)	<b>(6,333)</b>	(2,228)
They are represented in the balance sheet as follows:				
Non-current derivative financial instrument assets	<b>11,249</b>	2,155	<b>11,249</b>	2,155
Current derivative financial instrument (liabilities) assets	<b>(1,046)</b>	–	<b>(1,631)</b>	3,301
Non-current derivative financial instrument liabilities	<b>(15,951)</b>	(7,684)	<b>(15,951)</b>	(7,684)
	<b>(5,748)</b>	(5,529)	<b>(6,333)</b>	(2,228)

## 23. Derivative financial instruments (continued)

### Interest rate derivatives

The Group's exposure to interest fluctuations on its borrowings is managed through the use of interest rate derivatives. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. The interest rate derivatives to which the Group was party as at 30 April 2012 and 30 April 2011 are summarised below:

	Total nominal values	Weighted average fixed contract net pay rates	Weighted average remaining life
<b>30 April 2012</b>			
Sterling denominated interest rate swaps	<b>£100,000,000</b>	4.45%	9.0 years
Euro denominated interest rate swaps	<b>€152,832,000</b>	2.35%	0.4 years
<b>30 April 2011</b>			
Sterling denominated interest rate swaps	£100,000,000	4.45%	10.0 years
Euro denominated interest rate swaps	€212,832,000	2.35%	1.4 years

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

- £38,000,000 and €60,000,000 of interest rate swaps with a weighted average fixed contract pay rate of 2.44% and 2.35% respectively matured.
- €59,000,000 of interest rate swaps due to commence in September 2012 with a weighted average fixed contract pay rate of 3.13% and a remaining weighted average life of 2.4 years were cancelled at a cash cost of £3,046,000 (Notes 9 and 35). This was in connection with a voluntary prepayment of the bank term debt; and
- £38,000,000 of interest rate swaps with a weighted average fixed contract receive rate of 1.13% matured.

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

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

All the Group's interest rate swaps were designated as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, were deferred in equity. To the extent that the interest rate swaps were not 100% effective, a net amount of £28,000 (2011 – £Nil) has been credited to the income statement (Note 9).

The total change in fair values of interest rate derivatives credited to the income statement of £453,000 (2011 – £Nil) is shown within finance costs (Note 9).

### Cross-currency derivatives

Market values have been used to determine fair values of cross-currency derivatives at each balance sheet date.

The estimated fair values are as follows:

	2012 £000	2011 £000
Sterling/US Dollar cross-currency swaps	<b>2,702</b>	882
Euro/Sterling cross-currency swaps	<b>7,864</b>	(1,034)
	<b>10,566</b>	(152)

### Sterling/US Dollar cross-currency swaps

The Group has in issue US Dollar denominated loan notes of capital value \$249,837,000 (2011 – \$256,907,000) which bear fixed rate interest in US Dollars. The payment of this interest and the capital repayment of the loan notes at maturity expose the Group to foreign exchange risk. To mitigate this risk, the Group has entered into a series of Sterling/US Dollar cross-currency swaps. The effective start dates and termination dates of these contracts are the same as the loan notes against which hedging relationships are designated and which are shown in Note 22.

The Group will have interest cash outflows in Sterling and interest cash inflows in US Dollars over the life of the contracts. On the termination date of each of the contracts, the Group will pay a principal amount in Sterling and receive a principal amount in US Dollars. The weighted average interest rate that the Group pays in Sterling is 8.86% (2011 – 8.83%).

**23. Derivative financial instruments (continued)**

All the Group's Sterling/US Dollar cross-currency swaps entered into in September 2009 are designated and are highly effective as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, are deferred in equity. To the extent that the cross-currency swaps were not 100% effective, a net amount of £459,000 has been charged (2011 – £202,000 credited) to the income statement (Note 9).

In February 2012, cross-currency swaps with a total notional amount of \$7,070,000 were entered into in connection with a voluntary prepayment offer to the note holders. At that time, these swaps had a weighted average life of 1.3 years and a weighted average contract Sterling receive rate of 8.08%. The change in fair value between that date and 30 April 2012 has been taken to the income statement.

In the prior year, the following transactions occurred:

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

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

A total amount of £147,000 was credited in the income statement (2011 – £416,000 charged) in relation to the change in fair value of Sterling/US Dollar cross-currency swaps (Note 9).

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

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

**Euro/Sterling cross-currency swaps**

The Group also has Euro/Sterling cross-currency swaps of total notional value €141,780,000 (2011 – €124,635,000). The Group will have interest cash inflows in Sterling and interest cash outflows in Euro over the life of the contract. On the termination date of the contract, the Group will pay a principal amount in Euro and receive a principal amount in Sterling. The interest rate that the Group pays in Euro is 8.18% (2011 – 8.19%).

In August 2011, cross-currency swaps with a notional amount of €17,145,000 commenced. At that time, these swaps had a weighted average life of 3.1 years and a weighted average contract Euro pay rate of 7.90%. The change in fair value from that date has been deferred into equity.

In the prior year, the following transactions occurred:

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

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

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

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

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

During the year €Nil (2011 – €3,551,000) of swaps matured.

### 23. Derivative financial instruments (continued)

	Sterling/ US Dollar £000	Euro/ Sterling £000
Gross movement in fair values initially deferred in hedging reserve:		
At 30 April 2011	34,444	(9,839)
Movement in fair value of hedged instruments	2,280	8,898
<b>At 30 April 2012</b>	<b>36,724</b>	<b>(941)</b>
Cumulative amounts recycled to the income statement:		
At 30 April 2011	(32,079)	20
Movement for the year	(4,633)	(8)
<b>At 30 April 2012</b>	<b>(36,712)</b>	<b>12</b>
Cumulative amounts recycled to the currency translation reserve:		
At 30 April 2011	–	9,663
Movement for the year	–	(10,876)
<b>At 30 April 2012</b>	<b>–</b>	<b>(1,213)</b>
Net fair value deferred in hedging reserve:		
<b>At 30 April 2012</b>	<b>12</b>	<b>(2,142)</b>
At 30 April 2011	2,365	(156)

Amounts recycled to the income statement from the hedging reserve represent the movements on the foreign exchange elements of the total fair value of the Sterling/US Dollar swaps. This matches the exchange difference on retranslation of the loan notes at the exchange rate prevailing at the balance sheet date, leaving a net impact of £Nil in the income statement. The gross exchange difference on retranslation of the loan notes at the exchange rate prevailing at the balance sheet date was a loss of £3,887,000 (2011 – gain of £15,315,000). In addition, the amount includes the amortisation of the interest legs of the terminated swaps over their residual life. The amount recycled to the translation reserve represents the movement on the foreign exchange elements of the total fair value of the derivative subsequent to the designation of the Euro/Sterling swap as a net investment hedge. The net fair value remaining in the hedging reserve represents the fair value of the interest rate element of the derivatives (Note 31).

#### Net investment hedges

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. In addition, the Group has entered into a number of Sterling/Euro cross-currency swaps which are designated as net investment hedges. The hedging objective is to reduce the risk of spot retranslation of the Euro subsidiaries from Euro to Sterling at each reporting date. Exchange differences arising on the borrowings and net investment hedges have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries.

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

#### Company current derivative financial asset

At 30 April 2012, the Company held Sterling/Euro cross-currency swaps with a subsidiary undertaking which had a fair value of £(585,000) (2011 – £3,301,000) and weighted average remaining life of one year (2011 – one year) with a weighted average Euro interest receivable rate of 2.02% (2011 – 2.79%) and weighted average GBP interest payable rate of 2.50% (2011 – 2.23%).

### 24. Current tax

The current tax creditor of £4,150,000 at 30 April 2012 (2011 – £16,712,000) includes a total amount of £3,664,000 (2011 – £13,997,000) that is considered unlikely to give rise to a cash outflow within 12 months of the balance sheet date but is shown in the balance sheet as a current liability in order to satisfy the requirements of IAS 1.



## 25. Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payment £000	Intangible assets £000	Losses £000	Other timing differences £000	Total £000
At 1 May 2010	(9,027)	1,864	(151)	5,077	(5,895)	7,323	(809)
Charge (credit) to income	174	(35)	(1,004)	(2,737)	8,667	(3,974)	1,091
Recognition of deferred tax assets (Note 10)	–	–	–	–	(5,928)	–	(5,928)
Charge to equity	–	–	–	–	–	1,465	1,465
Exchange differences	(7)	11	–	(30)	(161)	(46)	(233)
Adjustment to UK tax rate (credited) charged to income	(8)	(97)	83	(139)	–	49	(112)
Adjustment to UK tax rate charged to equity	–	–	–	–	–	44	44
Adjustments in respect of prior years	(157)	–	–	206	–	53	102
Transfer to current tax	8,834	–	–	–	–	(10,400)	(1,566)
At 1 May 2011	(191)	1,743	(1,072)	2,377	(3,317)	(5,486)	(5,946)
Charge (credit) to income	34,185	(136)	(51)	(605)	(22,196)	847	12,044
Credit to equity	–	(5)	–	–	–	(4,267)	(4,272)
Exchange differences	(1,433)	(38)	–	(38)	1,491	287	269
Adjustment to UK tax rate charged (credited) to income	2,855	(95)	86	(41)	–	75	2,880
Adjustment to UK tax rate charged to equity	–	–	–	–	–	373	373
Adjustments in respect of prior years	(42)	–	–	–	(627)	384	(285)
Transfer from current tax	506	–	–	–	–	97	603
<b>At 30 April 2012</b>	<b>35,880</b>	<b>1,469</b>	<b>(1,037)</b>	<b>1,693</b>	<b>(24,649)</b>	<b>(7,690)</b>	<b>5,666</b>

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

### At 30 April 2012

Deferred tax assets	<b>(1,691)</b>
Deferred tax liabilities	<b>7,357</b>
<b>Net deferred tax liabilities</b>	<b>5,666</b>

At 30 April 2011	
Deferred tax assets	(10,179)
Deferred tax liabilities	4,233
Net deferred tax assets	(5,946)

In the current year, the net credit to equity of £3,894,000 (2011 – £1,509,000 charge), in respect of other timing differences included £3,834,000 (2011 – £1,559,000 charge) relating to derivative financial instruments which has been reflected in the hedging reserve (Note 31).

There are no deferred tax assets which are not recognised in the balance sheet. Deferred tax assets of £24,649,000 (2011 – £3,317,000) have been recognised in the balance sheet in respect of losses, as it is considered probable that there will be sufficient future taxable profits against which these losses will be utilised.

Net deferred tax assets of £7,690,000 (2011 – £5,486,000) classified as other timing differences relate to movements on fair values of interest rate and foreign currency derivatives, retirement benefit obligations, other timing differences in relation to tax payable in various tax jurisdictions in which the Group operates and other timing differences within the UK.

## 25. Deferred tax (continued)

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

Company	Share based payment £000	Other timing differences £000	Total £000
At 1 May 2010	(151)	(2,311)	(2,462)
Credit to income	(1,004)	–	(1,004)
Charge to equity	–	1,409	1,409
Change in UK tax rate charged to income	83	6	89
Change in UK tax rate charged to equity	–	58	58
At 1 May 2011	(1,072)	(838)	(1,910)
(Credit) charge to income	(51)	34	(17)
Credit to equity	–	(3,692)	(3,692)
Change in UK tax rate charged to income	86	3	89
Change in UK tax rate charged to equity	–	332	332
<b>At 30 April 2012</b>	<b>(1,037)</b>	<b>(4,161)</b>	<b>(5,198)</b>

## 26. Share capital

Group and Company	2012 £000	2011 £000
Allotted and fully paid: 133,232,518 (2011 – 133,232,518) Ordinary shares of 50p each	<b>66,616</b>	66,616

## 27. Share premium account

Group and Company	2012 £000	2011 £000
At 1 May	<b>113,508</b>	113,269
Premium on Ordinary shares issued	–	239
<b>At 30 April</b>	<b>113,508</b>	113,508

## 28. Revaluation reserve

	Group £000	Company £000
At 1 May 2010	1,330	1,371
Foreign exchange differences	33	–
At 1 May 2011	1,363	1,371
Transfer to retained earnings on disposal of revalued property	(54)	–
Foreign exchange differences	(120)	–
<b>At 30 April 2012</b>	<b>1,189</b>	<b>1,371</b>

## 29. Own shares reserve

	Group £000	Company £000
At 1 May 2010	(891)	–
Purchase of own shares	(1,676)	–
Transfer of shares on vesting of share options	937	–
At 1 May 2011	(1,630)	–
Purchase of own shares	(293)	–
Transfer of shares on vesting of share options	1,238	–
<b>At 30 April 2012</b>	<b>(685)</b>	<b>–</b>

**29. Own shares reserve (continued)**

The own shares reserve represents shares held by employee trusts in order to meet commitments under the Group's various share schemes (Note 37). At 30 April 2012 the Guernsey Trust held 265,868 (2011 – 478,758) 50p ordinary shares and the Capita Trust held 23,715 (2011 – 38,964) 50p ordinary shares. The total number of shares held by these employee trusts represents 0.2% of the allotted and fully paid share capital of the Group.

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

The total value paid for the shares held at 30 April 2012 is £685,000 (2011 – £1,872,000).

**30. Merger reserve**

	Group £000	Company £000
<b>At 1 May 2010, 1 May 2011 and 30 April 2012</b>	<b>67,463</b>	<b>63,159</b>

**31. Hedging reserve**

	Group £000	Company £000
At 1 May 2010	(5,720)	(5,378)
Movement in fair value of hedged interest rate derivatives	1,516	1,516
Movement in fair value of hedged foreign currency derivatives	(12,873)	(11,987)
Deferred tax on fair value of interest rate and foreign currency derivatives	(1,559)	(1,467)
Amortisation of terminated foreign currency derivatives (below)	(608)	(600)
Transfer to income statement	15,530	15,530
De-designation of GBP interest rate swaps	610	610
Transfer to translation reserve (Note 32)	1,211	–
At 1 May 2011	(1,893)	(1,776)
Movement in fair value of hedged interest rate derivatives	(11,368)	(11,368)
Movement in fair value of hedged foreign currency derivatives	11,176	2,280
Deferred tax on fair value of interest rate and foreign currency derivatives	3,834	3,360
Amortisation of terminated foreign currency derivatives (below)	(605)	(598)
Transfer to income statement	(4,515)	(4,515)
Transfer to translation reserve (Note 32)	(10,876)	–
<b>At 30 April 2012</b>	<b>(14,247)</b>	<b>(12,617)</b>

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate and foreign currency derivatives that are deferred in equity, as explained in Note 2 and Note 23, less amounts transferred to the income statement and other components of equity.

In an earlier year, certain US Dollar/Sterling cross-currency swaps were terminated. Prior to their termination, these instruments were all designated in cash flow hedging relationships. In accordance with the provisions of IAS 39 (Financial Instruments: Recognition and Measurement) in respect of early termination of cash flow hedges, this value remained deferred in equity to be amortised to the income statement over the remaining life of the originally designated cash flow hedge. An amount of £598,000 (2011 – £600,000) was credited to the income statement in this regard, recognised within finance costs.

**32. Translation reserve**

	Group £000	Company £000
At 1 May 2010	(5,656)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	4,645	–
Net foreign exchange differences on long term borrowings held as hedges	(2,516)	–
Foreign exchange element of fair value movement of hedged derivatives transferred from hedging reserve (Note 31)	(1,211)	–
At 1 May 2011	(4,738)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	(16,711)	–
Net foreign exchange differences on long term borrowings held as hedges	2,610	–
Foreign exchange element of fair value movement of hedged derivatives transferred from hedging reserve (Note 31)	10,876	–
<b>At 30 April 2012</b>	<b>(7,963)</b>	<b>–</b>

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

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

### 33. Capital redemption reserve

	Group £000	Company £000
<b>At 1 May 2010, 1 May 2011 and 30 April 2012</b>	<b>40</b>	<b>40</b>

### 34. Retained earnings

	Group £000	Company £000
At 1 May 2010	68,796	26,108
Profit (loss) for the year	29,393	(18,384)
Share options exercised	(937)	–
Share options fair value charge	1,897	1,897
Defined benefit pension charge recognised directly in equity	(169)	–
Net deferred tax credit recognised directly in equity	50	–
At 1 May 2011	99,030	9,621
Profit (loss) for the year	40,468	(2,957)
Transfer from revaluation reserve on disposal of revalued property	54	–
Deferred taxation on disposal of revalued property	5	–
Share options exercised	(1,238)	–
Share options fair value charge	2,063	2,063
Defined benefit pension charge recognised directly in equity	(227)	–
Net deferred tax credit recognised directly in equity	60	–
<b>At 30 April 2012</b>	<b>140,215</b>	<b>8,727</b>

### 35. Exceptional items

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

	2012 £000	2011 £000
Restructuring costs	<b>7,034</b>	5,583
Partial recovery of acquisition cost of subsidiary undertaking	<b>(775)</b>	–
Impairment of Spanish property assets	–	6,868
Net property losses	<b>443</b>	48
<b>Exceptional administrative expenses</b>	<b>6,702</b>	12,499
Impairment of Spanish intangible assets	–	5,892
<b>Exceptional impairment of intangible assets</b>	–	5,892
Termination of Euro interest rate swaps	<b>3,046</b>	473
Financing fees written off on extinguishment of debt	–	2,728
De-designation of Sterling interest rate swaps	–	610
Termination of cross-currency swaps	–	423
<b>Exceptional finance costs</b>	<b>3,046</b>	4,234
<b>Total pre-tax exceptional items</b>	<b>9,748</b>	22,625
Tax credit on exceptional items	<b>(2,591)</b>	(6,653)
Exceptional tax credit relating to prior year items (Note 10)	<b>(11,505)</b>	(4,237)
Exceptional tax charge to recognise change in UK tax rate (Note 10)	<b>2,880</b>	–
Net recognition of deferred tax assets (Note 10)	–	(5,928)
<b>Exceptional tax credit</b>	<b>(11,216)</b>	(16,818)

#### Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £7,034,000 (2011 – £5,583,000), of which £5,562,000 (2011 – £3,011,000) arose in the United Kingdom and £1,472,000 (2011 – £2,572,000) in Spain.

#### Partial recovery of acquisition cost of subsidiary undertaking

During the year, the Group received an exceptional credit of £775,000 (2011- £Nil) relating to the partial recovery of the cost of a previous acquisition.

**35. Exceptional items** (continued)**Impairment of Spanish property assets**

As part of the restructuring process in Spain in the prior year, certain properties were vacated. These properties were written down to their recoverable amount, incurring a charge of £6,868,000 in the prior year.

**Net property losses**

Net property losses were £443,000 (2011 – £48,000), of which £191,000 (2011 – £54,000) arose in the United Kingdom and £252,000 (2011 – £6,000 profit) arose in Spain.

**Impairment of Spanish intangible assets**

In the prior year as part of the restructuring process in Spain, the two trading brands, Fualsa and Record, were merged under the Northgate brand. This resulted in a write down of intangible brand names that had been created on acquisition of the Spanish businesses of £5,892,000 in the prior year.

**Termination of Euro interest rate swaps**

As explained in Note 23, during the year, €59,000,000 (2011 – €87,168,000) Euro interest rate swaps were closed out at a cash cost of £3,046,000 (2011 – £473,000). At that time, these swaps were in a hedging relationship with the Euro term loan. The notional amount closed out was the amount of Euro term loan which was repaid and cancelled on that date. The net amount deferred into equity at that date of £3,046,000 (2011 – £473,000) was expensed in the income statement.

**Financing fees written off on extinguishment of debt**

As part of the refinancing of the Group during April 2011, an eight year term loan facility was provided by M&G UK Companies Financing Fund and an element of these new funds was used to repay part of the existing bank and loan note borrowings of each lender at the date of the refinancing. In accordance with IAS 39, the element of existing bank and loan note borrowings that was repaid was treated as extinguished. Unamortised financing fees of £2,728,000 were written off in the prior year in relation to the element of existing debt that was extinguished.

**De-designation of Sterling interest rate swap**

During April 2011, £63,000,000 Sterling interest rate swaps were de-designated from a relationship with the Sterling denominated term loan. The net amount deferred into equity of £610,000 was expensed in the income statement in the prior year.

**Termination of cross-currency swaps**

During April 2011, cross-currency swaps with notional amounts of \$6,122,000 and €575,000 were closed out at a total cash cost of £423,000. These cross-currency swaps were not in a hedging relationship and therefore this cost was expensed in the income statement in the prior year.

**36. Operating lease arrangements****As lessee**

<b>Group</b>	<b>2012 £000</b>	<b>2011 £000</b>
Minimum lease payments under operating leases recognised in the income statement for the year	<b>5,224</b>	6,172

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:

<b>Group</b>	<b>2012 £000</b>	<b>2011 £000</b>
Within one year	<b>4,367</b>	4,756
In the second to fifth years inclusive	<b>11,683</b>	10,434
After five years	<b>17,145</b>	17,497
	<b>33,195</b>	32,687

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

Leases are negotiated for an average term of 13 years (2011 – 13 years) and rentals are fixed for an average term of seven years (2011 – seven years).

**As lessor**

The revenue of the Group is principally generated from the hire of vehicles under operating lease arrangements. There is no minimum contracted rental period. The revenue of the Group under these arrangements is as shown in the income statement. There are no contingent rentals recognised in income.



### 37. Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration Report on pages 28 to 32.

The Group and Company recognised total expenses of £2,063,000 (2011 – £1,897,000) related to equity-settled share-based payment transactions in the year.

Further details regarding the plans are outlined below.

#### Northgate share option scheme

	2012 Number of share options	2012 Weighted average exercise price £	2011 Number of share options	2011 Weighted average exercise price £
At 1 May	12,323	19.39	103,890	21.08
Forfeited during the year	(12,323)	19.39	(91,567)	21.31
<b>At 30 April</b>	<b>–</b>	<b>–</b>	<b>12,323</b>	<b>19.39</b>
Exercisable at the end of the year	–	–	12,323	19.39

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

#### Executive incentive scheme

	2012 Number of share options	2012 Weighted average exercise price £	2011 Number of share options	2011 Weighted average exercise price £
At 1 May	3,809	9.53	10,492	9.41
Lapsed during the year	(3,809)	9.53	(6,683)	9.34
<b>At 30 April</b>	<b>–</b>	<b>–</b>	<b>3,809</b>	<b>9.53</b>
Exercisable at the end of the year	–	–	3,809	9.53

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

#### Deferred annual bonus plan

All options granted under this scheme are nil cost options.

	2012 Number of share options	2011 Number of share options
At 1 May	520,119	168,469
Granted during the year	260,080	433,812
Exercised during the year	(153,344)	(81,932)
Forfeited during the year	(34,016)	(230)
<b>At 30 April</b>	<b>592,839</b>	<b>520,119</b>

A total of 74,591 (2011 – 35,955) options were exercisable at the end of the year.

The weighted average share price at the date of exercise of options in the current year was £3.24 (2011 – £2.31).

**37. Share based payments** (continued)

The options outstanding at 30 April 2012 had a weighted average remaining contractual life of 3.5 years (2011 – 3.2 years). In the current year, options were granted in August 2011. The aggregate of the estimated fair values of the options granted on this date was considered to be £652,000. In the prior year, options were granted in August 2010. The aggregate of the estimated fair values of the options granted on this date was £827,000.

	2012	2011
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	<b>£2.70</b>	£1.83
Weighted average exercise price	<b>£Nil</b>	£Nil
Expected volatility	<b>133.2%</b>	136.8%
Expected life	<b>3 years</b>	3 years
Risk free rate	<b>1.5%</b>	2.0%
Expected dividends	<b>2.5%</b>	0.0%

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

**All employee share scheme**

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

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

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

	2012 Number of shares	2011 Number of shares
At 1 May	625,949	590,776
Allocated during the year	167,499	172,767
Forfeited during the year	(255,999)	(64,690)
Vested during the year	(61,733)	(72,904)
<b>At 30 April</b>	<b>475,716</b>	625,949

The share price at the date of vesting for matching shares during the year was £2.10 (2011 – £2.98). The non-vested matching shares outstanding at 30 April 2012 had a weighted average remaining period until vesting of 1.6 years (2011 – 1.6 years). In the current year, matching shares were allocated in January 2012. The aggregate of the estimated fair values of the matching shares allocated on this date was £297,000. In the prior year, matching shares were allocated in January 2011. The aggregate of the estimated fair values of the matching shares allocated on this date was £502,000.

	2012	2011
The inputs into the Black-Scholes model are as follows:		
Weighted average share price	<b>£2.09</b>	£2.91
Weighted average vesting price	<b>£Nil</b>	£Nil
Expected volatility	<b>117.7%</b>	136.8%
Expected life	<b>5 years</b>	5 years
Risk free rate	<b>1.0%</b>	2.3%
Expected dividends	<b>3.2%</b>	0.0%

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

### 37. Share based payments (continued)

#### Management performance share plan

All options granted under this scheme are nil cost options.

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

	2012 Number of share options	2011 Number of share options
At 1 May	1,285,859	1,057,562
Granted during the year	362,372	604,664
Exercised during the year	(87,786)	(80,107)
Forfeited during the year	(239,903)	(296,260)
<b>At 30 April</b>	<b>1,320,542</b>	<b>1,285,859</b>

A total of 64,814 (2011 – Nil) options were exercisable at the end of the year. The weighted average share price at the date of exercise of options in the current year was £2.58 (2011 – £2.31).

The options outstanding at 30 April 2012 had a weighted average remaining contractual life of 1.2 years (2011 – 1.7 years). In the current year, share options were granted in July 2011. The aggregate of the estimated fair values of the options granted on this date was £925,000. In the prior year, share options were granted in July 2010. The aggregate of the estimated fair values of the options granted on this date was £1,105,000.

	2012	2011
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	<b>£2.76</b>	£1.83
Weighted average exercise price	<b>£Nil</b>	£Nil
Expected volatility	<b>133.3%</b>	136.8%
Expected life	<b>3 years</b>	3 years
Risk free rate	<b>1.9%</b>	2.0%
Expected dividends	<b>2.5%</b>	0.0%

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

#### Executive performance share plan

All options granted under this scheme are nil cost options.

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

	2012 Number of share options	2011 Number of share options
At 1 May	482,858	532,173
Granted during the year	251,600	302,593
Lapsed during the year	(49,313)	(351,908)
<b>At 30 April</b>	<b>685,145</b>	<b>482,858</b>

A total of 130,952 (2011 – Nil) options were exercisable at the end of the year.

The options outstanding at 30 April 2012 had a weighted average remaining contractual life of 0.7 years (2011 – 1.8 years). In the current year, share options were granted in July 2011. The aggregate of the estimated fair values of the options granted on this date was £643,000. In the prior year, share options were granted in July 2010. The aggregate of the estimated fair values of the options granted on this date was £553,000.

	2012	2011
The inputs into the Black-Scholes model were as follows:		
Weighted average share price	<b>£2.76</b>	£1.83
Weighted average exercise price	<b>£Nil</b>	£Nil
Expected volatility	<b>133.3%</b>	136.8%
Expected life	<b>3 years</b>	3 years
Risk free rate	<b>1.9%</b>	2.0%
Expected dividends	<b>2.5%</b>	0.0%

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

### 38. Retirement benefit schemes

During the year the Group operated two group personal pension plans and The Willhire Pension Scheme ('the Scheme'), which includes both defined benefit and defined contribution sections. The total operating pension cost to the Group of all these arrangements was £1,407,000 (2011 – £1,425,000) all of which related to the defined contribution schemes.

#### The Scheme

The Scheme, which is established under Trust, is financed through separate trustee administered funds managed by independent professional fund managers on behalf of the Trustees.

The Scheme is closed to both new members and to future service accrual for existing members.

Contributions to the Scheme are based upon actuarial advice following the most recent actuarial valuation of the fund. The most recent actuarial valuation of the Scheme was performed at 6 April 2010 by JLT Pension Capital Strategies.

The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method and the following principal assumptions set out below.

	2012 Valuation % pa	2011 Valuation % pa
Discount rate	4.6	5.3
Inflation rate - RPI	3.1	3.5
Inflation rate - CPI	2.4	n/a
Salary increases	n/a	n/a
Future pension increases	2.4	3.4
Life expectancy of retirees in current year	23 to 26 years	23 to 26 years
Life expectancy of retirees 25 years hence	25 to 28 years	25 to 28 years

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

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

	2012 £000	2011 £000
Interest cost	231	244
Expected return on plan assets	(165)	(171)
Total pension charge	66	73

Actuarial gains and losses have been reported directly in equity, within retained earnings. The cumulative net amount of actuarial losses reflected directly in equity since 3 February 2006 is £133,000 (2011 – £94,000 gain).

The actual return on the scheme assets was a gain of £280,000 (2011 – £235,000). There are no reimbursement rights.

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

	2012 £000	2011 £000
Present value of defined benefit obligations	(4,402)	(4,832)
Fair value of Scheme assets	4,477	4,690
<b>Asset (liability) recognised in the balance sheet</b>	<b>75</b>	<b>(142)</b>

The asset recognised in the balance sheet is included within other debtors and prepayments (Note 20).

The net movements in the surplus (deficit) were as follows:

	2012 £000	2011 £000
At 1 May	(142)	(539)
Pension charge recognised in the income statement	(66)	(73)
Actuarial losses	(227)	(169)
Contributions	510	639
<b>At 30 April</b>	<b>75</b>	<b>(142)</b>

### 38. Retirement benefit schemes (continued)

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

	2012 £000	2011 £000
At 1 May	4,832	4,501
Interest cost	231	244
Actuarial losses	342	233
Benefits paid	(1,003)	(146)
<b>At 30 April</b>	<b>4,402</b>	4,832

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

	2012 £000	2011 £000
At 1 May	4,690	3,962
Expected return on Scheme assets	165	171
Contributions	510	639
Benefits paid	(1,003)	(146)
Actuarial gains	115	64
<b>At 30 April</b>	<b>4,477</b>	4,690

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

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

	2012 Expected return %	2012 Fair value of assets £000	2011 Expected return %	2011 Fair value of assets £000
Equity instruments	3.9	813	5.0	1,657
Debt instruments	1.9	3,530	3.0	2,782
Other	1.9	134	3.0	251
		<b>4,477</b>		4,690

The Scheme assets do not comprise any of the Group's own financial instruments nor does the Group occupy any property or use any other assets held by the Scheme.

During the current year, contributions totalled £510,000 in accordance with latest actuarial advice received. The estimated amount of contributions expected to be paid to the Scheme during the year ended 30 April 2013 is £510,000.

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

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
<b>Funded status:</b>					
Present value of defined benefit obligation	<b>(4,402)</b>	(4,832)	(4,501)	(3,659)	(4,055)
Fair value of Scheme assets	<b>4,477</b>	4,690	3,962	3,194	3,502
<b>Surplus (deficit) in the Scheme</b>	<b>75</b>	(142)	(539)	(465)	(553)
<b>Experience adjustments on Scheme obligations:</b>					
Amount	<b>(75)</b>	35	65	(59)	(185)
Percentage of Scheme obligations (%)	<b>(1.7)%</b>	0.7%	1.4%	(1.6)%	(4.6)%
<b>Experience adjustments on Scheme assets:</b>					
Amount	<b>115</b>	64	539	(609)	(176)
Percentage of Scheme assets (%)	<b>2.6%</b>	1.4%	13.6%	(19.1)%	(5.0)%



### 39. Financial instruments

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

#### Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 22, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 26 to 34.

#### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as discussed in Notes 22 and 23.

#### Foreign currency sensitivity analysis

The Group is exposed to movements in the exchange rate between Euro and Sterling and US Dollars and Sterling, where Sterling is the functional currency of the Group. As explained in more detail below and in Note 23, identical key terms between US Dollar denominated loan note liabilities and Sterling/US Dollar cross-currency derivatives mean that the profit and loss and equity of the Group is not materially sensitive to fluctuations in the exchange rate between US Dollars and Sterling.

This means that the material sensitivity of the profit or loss and equity of the Group to exchange rate movements arises due to fluctuations in the exchange rate between Euro and Sterling only.

The following tables detail the Group's sensitivity to a €0.10 (2011 – €0.10) increase and decrease in the Euro/Sterling exchange rate.

A €0.10 (2011 – €0.10) movement in the rate in either direction is management's assessment of the reasonably possible change in foreign exchange rates in the near term. The sensitivity analysis includes only any outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a €0.10 (2011 – €0.10) change in foreign currency rates.

	As stated in annual report £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
<b>2012</b>			
Total equity	<b>366,136</b>	<b>363,577</b>	<b>369,146</b>
	As stated in annual report £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
<b>2011</b>			
Total equity	339,759	336,891	343,190

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

#### Sterling/US Dollar cross-currency derivatives

As explained in Note 23, the Group has Sterling/US Dollar cross-currency derivatives to manage its exposure to foreign exchange movements between US Dollars, the denomination of loan note liabilities, and Sterling, the functional currency of the Group. The movement in fair value of these derivatives is a function of both the Sterling/US Dollar exchange rate and market interest rates prevailing in the United Kingdom and United States.

As a result of the key terms of the cross-currency derivatives and the loan notes, against which a hedging relationship is designated, being identical, any gains or losses on foreign exchange included in the fair value of the Sterling/US Dollar cross-currency swaps are transferred to the income statement and are exactly offset in the income statement by an equal and opposite amount on retranslation of the US dollar loan notes to the closing rate prevailing at the balance sheet date, leaving a net impact of £Nil on the income statement for all Sterling/US Dollar exchange rates.

The net impact on the hedging reserve, arising from these particular derivatives, therefore represents only the gain or loss on the interest rate element of the fair value of the derivatives, as explained further in Note 23. Consequently, any fluctuation in the rate of the US Dollar has no impact on either profit and loss or equity.

#### Interest rate risk management

The Group is exposed to interest rate risk, as entities within the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap and collar contracts. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

### 39. Financial instruments (continued)

#### Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rates for floating rate liabilities and related derivatives. For the floating rate liabilities, the analysis is prepared on the basis of both the average liability outstanding over the period and average rate applicable for the period. In all instances it is assumed that any derivatives designated in hedging relationships are 100% effective.

A 1.0% (2011 – 1.0%) increase or decrease has been used in the analyses and represents management's best estimate of a reasonably possible change in interest rate in the near term.

	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
<b>2012</b>			
Profit before taxation	<b>45,987</b>	<b>45,022</b>	<b>46,952</b>
Total equity	<b>366,136</b>	<b>365,421</b>	<b>366,850</b>
	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
<b>2011</b>			
Profit before taxation	26,540	24,982	28,098
Total equity	339,759	338,638	340,880

#### Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

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

	Average contract fixed interest rate		Notional principal amount		Fair value	
	2012 %	2011 %	2012 £000	2011 £000	2012 £000	2011 £000
<b>Outstanding receive floating pay fixed contracts</b>						
<b>Sterling</b>						
In less than one year	<b>2.44%</b>	–	<b>25,000</b>	–	<b>(152)</b>	–
In the second year	–	2.44%	–	63,000	–	(610)
After five years	<b>3.62%</b>	3.62%	<b>100,000</b>	100,000	<b>(12,251)</b>	(2,336)
<b>Euro</b>						
In less than one year	<b>2.35%</b>	–	<b>152,832</b>	–	<b>(894)</b>	–
In the second year	–	2.35%	–	212,832	–	(2,455)
In the third to fifth years inclusive*	<b>3.12%</b>	–	<b>76,416</b>	–	<b>(3,036)</b>	–
<b>Outstanding pay floating receive fixed contracts</b>						
<b>Sterling</b>						
In less than one year	<b>1.13%</b>	–	<b>25,000</b>	–	<b>19</b>	–
In the second year	–	1.13%	–	63,000	–	24

\* commencing September 2012 and maturing September 2014

#### Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 22 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

**39. Financial instruments** (continued)**Liquidity and interest risk tables**

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. All interest cash flows and the weighted average effective interest rate have been calculated using interest rate conditions prevailing at the balance sheet date.

<b>2012</b>	<b>Weighted average effective interest rate</b>	<b>&lt;1 year £000</b>	<b>2nd year £000</b>	<b>3-5 years £000</b>	<b>&gt;5 years £000</b>	<b>Total £000</b>
Non-interest bearing	0.00%	29,093	–	–	–	<b>29,093</b>
Fixed interest rate instruments	7.89%	58,102	52,947	94,894	500	<b>206,443</b>
Variable interest rate instruments	4.46%	93,106	8,022	73,714	106,140	<b>280,982</b>
		<b>180,301</b>	<b>60,969</b>	<b>168,608</b>	<b>106,640</b>	<b>516,518</b>

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

The following table details the Group's liquidity analysis for its derivative financial instruments. It includes both liabilities and assets to illustrate how the cashflows are matched in each period.

The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross cash inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amounts disclosed have been determined by reference to the floating rates applicable at the balance sheet date, which have then been used to project future cash flows.

<b>2012</b>	<b>&lt;1 year £000</b>	<b>2nd year £000</b>	<b>3-5 years £000</b>	<b>&gt;5 years £000</b>	<b>Total £000</b>
<b>Liabilities</b>					
Net settled:					
Interest rate swaps	4,472	4,110	8,436	8,242	<b>25,260</b>
<b>Gross settled:</b>					
Cross-currency derivatives	64,592	59,047	81,860	–	<b>205,499</b>
	<b>69,064</b>	<b>63,157</b>	<b>90,296</b>	<b>8,242</b>	<b>230,759</b>
<b>Assets</b>					
Gross settled:					
Cross-currency derivatives	62,396	59,818	82,251	–	<b>204,465</b>
	<b>62,396</b>	<b>59,818</b>	<b>82,251</b>	<b>–</b>	<b>204,465</b>

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

### 39. Financial instruments (continued)

#### 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.

Except as detailed in the following table, the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values or, in the case of interest rate swaps and cross-currency derivatives, are held at fair value:

	Carrying amount		Fair value	
	2012 £000	2011 £000	2012 £000	2011 £000
<b>Financial liabilities</b>				
Loan notes	<b>161,002</b>	161,718	<b>173,316</b>	173,874

#### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to its trade receivables. The trade receivable amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

	2012 £000	2011 £000
<b>Trade receivables</b>		
Trade receivables (maximum exposure to credit risk)	<b>105,308</b>	133,125
Allowance for doubtful receivables	<b>(20,378)</b>	(22,210)
	<b>84,930</b>	110,915
	2012 £000	2011 £000
<b>Ageing of trade receivables not impaired</b>		
Not overdue	<b>63,363</b>	93,843
Past due not more than two months	<b>17,789</b>	15,155
Past due more than two months but not more than four months	<b>2,361</b>	1,461
Past due more than four months but not more than six months	<b>1,417</b>	456
	<b>84,930</b>	110,915

Before accepting any new customers, the Group will perform credit analysis to assess the credit risk on an individual basis. This enables the Group only to deal with creditworthy customers therefore reducing the risk of financial loss from defaults. Of the trade receivables balance at the end of the year, approximately £1,688,000 (2011 – £781,000) is due from the Group's largest customer. There are no customers who represent more than five per cent of the total balance of trade receivables.

The Group has no significant concentration of credit risk as trade receivables consist of a large number of customers, spread across diverse industries and geographical areas in the UK and Spain.

Included in the Group's trade receivables balance are debtors with a carrying amount of £21,567,000 (2011 – £17,072,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

**39. Financial instruments** (continued)

	<b>2012</b> <b>£000</b>	2011 £000
<b>Movement in the allowance for doubtful receivables</b>		
At 1 May	22,210	17,080
Impairment losses recognised	9,364	9,040
Amounts written off as uncollectible	(5,319)	(787)
Impaired losses reversed	(4,403)	(3,583)
Exchange differences	(1,474)	460
<b>At 30 April</b>	<b>20,378</b>	22,210

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

Included in the allowance for doubtful receivables are trade receivables which have been placed under liquidation of £260,000 (2011 – £456,000).

	<b>2012</b> <b>£000</b>	2011 £000
<b>Ageing of impaired trade receivables</b>		
Not overdue	<b>1,605</b>	789
Past due not more than two months	<b>862</b>	431
Past due more than two months but not more than four months	<b>4,926</b>	4,868
Past due more than four months but not more than six months	<b>733</b>	314
Past due more than six months but not more than one year	<b>12,252</b>	15,808
	<b>20,378</b>	22,210

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

Trade receivables (Note 20), cash and cash equivalents and trade payables (Note 21) are shown at amortised cost. All other financial instruments are at fair value.

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

**40. Related party transactions****Transactions with subsidiary undertakings**

Transactions between the Company and its subsidiary undertakings, which are related parties, are £5,868,000 (2011- £4,682,000) net interest payable.

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

**Remuneration of key management personnel**

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

During the year, consultancy fees of £111,000 (2011 – £Nil) were paid by Northgate España Renting Flexible S.A to JG Astrand. The details of the consultancy are set out in the Corporate Governance report on pages 34 and 35.

In respect of the compensation of key management personnel, the short term employee benefits, post-employment (pension) benefits, termination benefits and details of share options granted are set out in the audited part of the Remuneration Report on pages 28 to 32. The fair value charged to the income statement in respect of equity-settled share-based payment transactions with the Directors is £418,000 (2011 – £251,000). There are no other long term benefits accruing to key management personnel, other than as set out in the audited part of the Remuneration Report.

# Five year financial summary

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

## Income statement

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
<b>Revenue: hire of vehicles</b>	<b>503,659</b>	537,285	563,698	609,645	578,462
Operating profit (loss)	<b>94,478</b>	82,575	71,109	(117,531)	118,206
Net finance costs	<b>(48,491)</b>	(56,035)	(61,494)	(78,083)	(38,714)
Profit (loss) before taxation	<b>45,987</b>	26,540	9,615	(195,614)	79,492
Taxation	<b>(5,519)</b>	2,853	14,741	9,912	(18,158)
Profit (loss) for the year	<b>40,468</b>	29,393	24,356	(185,702)	61,334
<b>Basic earnings (loss) per Ordinary share</b>	<b>30.4p</b>	22.1p	23.1p	(572.6)p	188.6p
Dividends	–	–	–	19,359	18,982
<b>Dividends per Ordinary share</b>	<b>–</b>	–	–	25.0p	60.9p

## Balance sheet

	2012 £000	2011 £000	2010 £000	2009 £000	2008 £000
<b>Assets employed</b>					
Non-current assets	<b>723,675</b>	819,082	885,124	983,173	1,209,207
Net current (liabilities) assets	<b>(74,744)</b>	145,170	(6,024)	172,373	164,221
Non-current liabilities	<b>(282,795)</b>	(624,493)	(573,994)	(972,787)	(974,875)
	<b>366,136</b>	339,759	305,106	182,759	398,553
<b>Financed by</b>					
Share capital	<b>66,616</b>	66,616	66,475	3,527	3,527
Share premium account	<b>113,508</b>	113,508	113,269	67,972	67,972
Reserves	<b>186,012</b>	159,635	125,362	111,260	327,054
	<b>366,136</b>	339,759	305,106	182,759	398,553
<b>Net asset value per Ordinary share</b>	<b>275p</b>	255p	229p	563p	1,227p



# Notice of Annual General Meeting

Notice is hereby given that the one hundred and fourteenth Annual General Meeting of Northgate plc ('the Company') will be held at Norflex House, Allington Way, Darlington DL1 4DY at 11.30 a.m. on 19 September 2012 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 12 will be proposed as ordinary resolutions and resolutions 13, 14 and 15 will be proposed as special resolutions:

1. To receive the Directors' report and audited accounts of the Company for the year ended 30 April 2012.
2. To declare a final dividend of 3.0p per Ordinary share
3. To receive and approve the Remuneration Report for the financial year ended 30 April 2012 set out on pages 28 to 32 of the 2012 Annual Report and Accounts.
4. To re-appoint Deloitte LLP as auditor of the Company to hold office until the conclusion of the next Annual General Meeting.
5. To authorise the Audit and Risk Committee to determine the remuneration of the auditor.
6. To re-elect Mr RD Mackenzie as a Director.
7. To re-elect Mr AJ Allner as a Director.
8. To re-elect Mr JG Astrand as a Director.
9. To re-elect Mr THP Brown as a Director.
10. To re-elect Mr RL Contreras as a Director.
11. To re-elect Mr CJR Muir as a Director.
12. 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:
  - a. up to an aggregate nominal amount of £22,000,000 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and
  - b. up to a further aggregate nominal amount of £22,000,000, provided that (i) they are equity securities (within the meaning of s560(1) of the Act) and (ii) are offered in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
13. That subject to the passing of Resolution 12 the Board be and it is hereby empowered pursuant to s570 of the Companies Act 2006 to allot equity securities (within the meaning of s560 of the Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of s561 of the Act did not apply to any such allotment provided that this power shall be limited:
  - a. to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and
  - b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £3,330,000 and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
14. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.
15. 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 2012;
  - 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.

The Directors of the Company consider that all the proposals set out in the above Resolutions are in the best interests of the Company and of the shareholders as a whole. They unanimously recommend that you vote in favour of them as they intend to do in respect of their own beneficial holdings which amount in aggregate to 351,745 shares representing approximately 0.26% of the issued Ordinary share capital of the Company.

26 June 2012

By Order of the Board

**D Henderson**  
Secretary

Registered office:  
Norflex House  
Allington Way  
Darlington  
DL1 4DY

## NOTES

1. A member entitled to attend and vote at the Annual General Meeting ('the meeting') may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. A proxy form which may be used to make this appointment and give proxy instructions accompanies this notice. Details of how to appoint a proxy are set out in the notes to the proxy form. As an alternative to completing a hard copy proxy form, proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours before the time of the Meeting.
4. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act ('a Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
5. To be entitled to attend and vote, whether in person or by proxy, at the Meeting, members must be registered in the register of members of the Company 48 hours before the time of the Meeting (or, if the Meeting is adjourned, 48 hours before the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
6. Shareholders wishing to appoint a proxy online should visit [www.capitashareportal.com](http://www.capitashareportal.com) and follow the instructions on screen. (If you have not already registered with The Share Portal you will need to identify yourself with your personal Investor Code (see Attendance Card). To be valid your proxy appointment(s) and instructions should reach Capita Registrars no later than 48 hours before the time set for the Meeting.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
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 26 June 2012 (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](http://www.northgateplc.com).
13. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.
14. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than 7 August 2012, being the date 6 clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

# Shareholder information

## Classification

Information concerning day to day movements in the price of the Company's Ordinary shares is available on Cityline 09058 171690.

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

The Company's joint corporate brokers are Jefferies International Limited and Oriel Securities Limited and the Company's Ordinary shares are traded on SETSmm.

## Financial calendar

December	Publication of Half Yearly Report
January	Payment of interim dividend (if applicable)
March	Publication of Interim Management Statement
June	Announcement of year end results
July	Report and accounts posted to shareholders
September	Annual General Meeting Payment of final dividend (if applicable) Publication of Interim Management Statement

## Secretary and registered office

D Henderson FCIS  
Norflex House  
Allington Way  
Darlington  
DL1 4DY

Tel: 01325 467558

The Group's website address is [northgateplc.com](http://northgateplc.com)

## Registrars

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

Tel: 0871 6640300 (calls cost 10p per minute plus network extras)

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