



Northgate plc

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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.



Highlights of the year

	2013	2012
Return on capital employed ¹ (%)	11.8	13.1
Underlying profit before taxation ² (£m)	49.5	59.7
Statutory (loss) profit before taxation (£m)	(11.4)	46.0
Underlying basic earnings per share ³ (p)	29.2	31.5
Statutory basic earnings per share (p)	(5.5)	30.4
Net debt ⁴ (£m)	362.7	371.3
Dividend per share ⁵ (p)	7.3	3.0

- Refinancing successfully completed, leading to significant reduction in interest charges going forward and increased operational and financial flexibility
- Net underlying cash generation⁶ of £92.6m (2012 – £138.2m)
- Commercial restructuring completed in the UK
- UK branch expansion plan commenced with three new sites opened in the year
- Underlying pricing improvement of 2% in the UK and reduction of 1% in Spain
- Average utilisation of 88% in the UK (2012 – 89%) and 90% in Spain (2012 – 90%)
- Closing fleet of 49,900 in the UK (2012 – 52,900) and 35,100 in Spain (2012 – 38,400)
- Continued strong used vehicle markets in both the UK and Spain

Our customers

We recognise that continuing to provide industry leading service excellence is critical to our customers across the UK and Spain. By continuing to improve our operations, there are now more vehicles available to rent at short notice, and the improved efficiency of our workshops has maximised the time our vehicles are kept on the road, allowing our customers to focus 100% on their business.



1 Our new Customer Service Centre opened in the year which allows us to provide a high level of service and responsiveness to our customers.

2 Our 'Ready for Rent' line means that there are an increased number and range of vehicles available to customers at short notice.









Our people

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.

Investing in the training and development of our workforce enables a high level of retention and allows everyone to contribute to their full potential.



1 During the year we have delivered 4,000 training days to our employees through our internal training team.

2 We are currently training 64 workshop apprentices under programmes approved by two of our vehicle manufacturers.



Our network

The final quarter of the financial year saw the opening of three new sites in the UK taking the number of hire locations to 65.

These new sites mark the start of a wider branch expansion which will fill in existing regional gaps by adding up to 20 new locations over the next three years, and support the overall strategy for growth in our UK business.



1 Our new Luton depot opened in February 2013.

2 Launch of the new Brent Cross site in March 2013.

3 Huddersfield, our third new site in the year opened in March 2013.





Chairman's statement

Improvements implemented over the past four years have established a strong financial and operational foundation for the Group. Whilst we will maintain our focus on key disciplines of asset management, cash generation and cost control, we aim to maximise returns in both countries and will target growth in the UK where the appropriate return exists.



The successful refinancing completed in April 2013 marks an important milestone in the Group's improvement programme. Over the past four years, the Group has focused on increasing the strength and resilience of the Group's balance sheet, whilst improving return on capital employed (ROCE).

Key financial improvements over the four years include:

- Profit before tax² of £49.5m, an increase of £22.0m compared to £27.5m in the year ended 30 April 2009;
- ROCE¹ of 11.8%, more than double the 5.8% achieved in the year ended 30 April 2009;
- Net debt⁴ of £363m, reduced by £523m from £886m at 30 April 2009;
- Gearing⁷ of 102%, a substantial reduction compared to 571% at 30 April 2009;
- Re-introduction of a dividend.

Operational highlights include:

- Restructuring of our UK and Spanish operations;
- Rebranding of both the UK and Spanish businesses;
- Implementation of improved IT systems.

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

The Group's ROCE¹ was 11.8% (2012 – 13.1%). This compares to the Group's year end weighted average cost of capital (WACC) of 7.9%. Individual country ROCE levels were 14.8% in the UK and 8.4% in Spain.

Net underlying cash generation⁶ was £92.6m (2012 – £138.2m). This continued strong cash generation reduced gearing⁷ from 105% to 102%. Headroom⁸ on our committed debt facilities of £443m was £80m at 30 April 2013.

Our balance sheet now allows the Company to move towards a more normal dividend policy whilst supporting ongoing investment in the Group's organic growth initiatives.

UK

In a continuing difficult trading environment, vehicles on hire declined by 3,300 vehicles in the year to 43,100. As a result, our operating margin⁹ decreased to 22.1% in the year, compared to 23.2% in 2012. Whilst the on hire decline is lower than the 7,400 reduction in the previous year, it was still disappointing and in hindsight was compounded by poor operational control within our depots which reduced the level of vans available for rental. We have now changed the management structure and organisation of our operations and have seen immediate improvement in these areas which we had allowed to fall below our own standards.

A number of changes have been made to our Commercial Sales operation, increasing the skills, resources and support within the sales team. This was initially focused on the Regional Sales area of the business and took place in the second half of the financial year. Changes to the National Sales function have been completed since the year end.

We are encouraged by the initial impact of these changes with vehicles on hire for our sub 100 vehicle customers (mainly managed by our Regional teams) stabilising during the year compared to a 13% fall noted in the same customer segment in the previous year. With the changes now completed we expect to see growth in the sub 100 vehicle sector in the current financial year.

During the year we have identified large areas of the country where significant numbers of potential customers are not effectively serviced by an accessible Northgate site. To address this, we have commenced our branch expansion plans, with three new sites opened in the year ended 30 April 2013. We anticipate opening up to 20 new sites over the next three years. We expect the majority of sites to be on short term leases with moderate levels of capital expenditure. The financial impact of these new sites is estimated at break even in year one and is targeted to exceed the current UK ROCE in year three as the sites reach maturity.

Spain

Whilst our Spanish business now operates at a ROCE above the Group's WACC, the focus remains on increasing returns and generating cash. However, the economic backdrop continues to present very difficult trading conditions. Vehicles on hire declined by 1,900 vehicles in the year ended 30 April 2013 to 32,100, compared to a decline of 5,400 in the year ended 30 April 2012. As a result, our operating margin¹⁰ reduced to 16.7% in the year (2012 – 19.1%).

Cash generation continues to be a primary focus in Spain and underlying cash generation was €64m in the year ended 30 April 2013.

Over the last four years capital employed has been reduced from €829m to €333m with net debt, before any inter group dividend payments, falling from €556m to €102m.

Capital investment continues to fall with vehicle purchases decreasing 39% from 11,900 in the year ended 30 April 2012 to 7,300 in the year ended 30 April 2013.

We have also implemented a new commercial structure which has increased new business wins across a range of sectors, partially offsetting declines seen in our traditional construction markets which now represent 31% of our business compared to 57% in 2009.

Refinancing

During the year the Group successfully replaced its legacy high-coupon private placements, institutional loan and multi bank facility with a £428m single new committed multi bank facility maturing in June 2017.

The revised facility will lead to a significant reduction in future interest payments. The revised covenant package also gives the Group increased operational and financial flexibility.

Dividend

In recognition of the improvements noted in the Group's performance a dividend was re-introduced in the year ended 30 April 2012. The refinancing, balance sheet strength and our confidence in the business outlook allow the Group to move towards a more normal dividend policy. The Board proposes a final dividend in respect of the year ended 30 April 2013 of 6.0p, giving a total dividend for the year of 7.3p (2012 – 3.0p). This represents a 4x cover on underlying earnings³ and a 143% increase on the dividend paid in respect of the year ended 30 April 2012.

It continues to be the Board's intention to pay out a percentage of earnings having established over time the underlying profitability, cash generation and cash requirements of the Group taking into consideration the long term growth prospects of our restructured business.

The Board considers the balance sheet of the Group to be appropriately geared and there to be scope to invest organically to strengthen and grow returns over the medium term whilst establishing a long term dividend policy.

Board changes

I am delighted to report that Jill Caseberry was appointed to the Board as a non-executive Director in December 2012. Jill has extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods. She currently runs her own sales and marketing consultancy and is CEO of a food/beverage start up business. Jill's experience is proving invaluable as we continue to build on our platform for growth.

Current trading and outlook

Improvements implemented over the past four years have established a strong financial and operational foundation for the Group. Whilst we will maintain our focus on key disciplines of asset management, cash generation and cost control, we aim to maximise returns in both countries and will target growth in the UK where the appropriate return exists.

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

Bob Mackenzie
Chairman

Strategy and business model

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

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

Our business model



Buy

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

Manage

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

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

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 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.

Key performance indicators

	Performance	Target
Asset management		
The overall holding cost of vehicles needs to be minimised and utilisation needs to be maintained at a high level in order to maximise return on capital employed (ROCE) whilst holding enough vehicles to meet the flexible demands of our customers.	Utilisation was 88% in the UK and 90% in Spain. A total of 20,700 vehicles were sold in the UK and 11,200 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 22.9 months in Spain at 30 April 2013.	The target for both segments is to maintain utilisation above 90%. However, this will be balanced against the need to ensure that each branch has the right range of vehicles for hire at all times. The holding cost of vehicles will be minimised through managing the mix of purchases and improving the quality and volume of vehicles sold through higher margin retail sales channels.
Pricing		
The revenue per vehicle achieved is a key contributor to ROCE. Hire rates need to reflect the level of flexibility and service offered to our customers.	Underlying revenue per rented vehicle improved by 2% in the UK and reduced by 1% in Spain.	Minimum hire rate thresholds have been set for new vehicles so that the fleet is grown at rates that are beneficial to ROCE. Further improvements are targeted through the recovery of other costs incurred.
Customer service		
In order to grow the business we must deliver the highest possible levels of customer service to set us apart from our competitors.	We have various measures of assessing customer service, with the number of vehicles on hire and the number of customers being two of those indicators. Vehicles on hire have reduced in the year, reflecting the difficult trading conditions, particularly in relation to our larger customers. However, customer numbers have increased in our SME segments in both the UK and Spain, which indicates that our offering is well suited to their needs.	Whilst trading conditions are expected to remain challenging, the restructuring of commercial operations positions the Group well to target profitable growth going forward.
Return on capital employed (ROCE)		
In a capital intensive business, ROCE is a more important measure of performance than profitability alone, as low margin business returns low value to shareholders.	ROCE is maximised through a combination of managing utilisation, hire rates, vehicle holding costs and improvements in operational efficiency. Group ROCE¹ for the year was 11.8% (2012 – 13.1%).	Each KPI has been targeted for improvement to contribute to an overall increase in ROCE of the Group. In the short term ROCE will not increase in a period of growth as capital investment is required up front. In the longer term ROCE is targeted to increase above levels previously achieved.
Earnings per share (EPS)		
Basic EPS is considered to be a key short term measure of performance.	Basic EPS³ was 29.2p compared to 31.5p in the prior year. Earnings³ of £38.8m compare to £41.9m in the prior year. The weighted average number of shares was 133.2m in both years.	The target is to maximise shareholder value by increasing EPS in the short term alongside longer term return on equity.

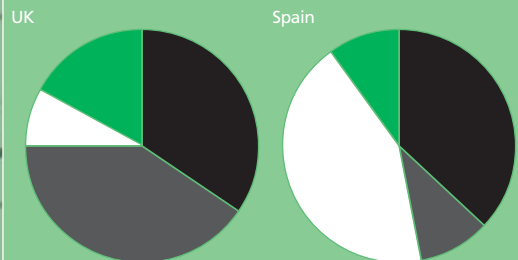


Group at a glance

Northgate partners over 9,000 customers in the UK and Spain, operating across a range of sectors from owners operators to corporate customers. With such a variety of customers, we must deliver a service which complements the needs of each business.

	2013	2012
Total revenue (£m)		
UK	415.7	457.1
Spain	194.2	249.6
	609.9	706.7
Vehicles operated		
UK	49,900	52,900
Spain	35,100	38,400
	85,000	91,300
Closing employees		
UK	1,835	1,869
Spain	818	915
Corporate	21	20
	2,714	2,804
Hire locations		
UK	65	62
Spain	23	23
	88	85

Fleet mix



%	UK	Spain
● Small vans	35	37
● Medium vans	40	10
● Cars	8	43
● Large commercial vehicles, 4x4 and other	17	10

Operational review

Given the difficult economies in which we operate, improving the resilience and strength of the Group's balance sheet has been critical. This has been achieved in parallel with improving the operating platforms in both the UK and Spain.



Group

The Group now has a solid financial and operational foundation. We will now target increasing returns by growing the business with customers who have a flexible vehicle hire requirement. Our view is that for many businesses rental of light commercial vehicles (LCV) is the best sourcing method. It allows them to flex their requirements in line with their business needs. In both countries in which we operate, we aim to be the first choice for LCV rental, providing all our customers' vehicle needs and allowing them to concentrate on better service to their customers.

UK

Despite the improvements achieved in pricing, operational efficiencies and used vehicle residuals, the reduction in the number of vehicles on hire has led to a decrease in operating margin⁹ from 23.2% to 22.1%.

Vehicle fleet and utilisation

In the year the fleet size reduced by 3,000 to 49,900 vehicles (2012 – 52,900 vehicles).

Average utilisation rates for the year ended 30 April 2013 were 88% (2012 – 89%). Whilst vehicle utilisation remains a priority and the target is to return to 2012 levels or above, the UK is also focused on ensuring that each branch has the right range of vehicles available for hire at all times.

Vehicle purchases remained constant at 16,500 for the year ended 30 April 2013.

The average fleet age remained at 21.4 months, reflecting the Group's commitment to run a fleet with a suitable ageing profile, efficiency and reliability.

Hire rates and vehicles on hire

In the year ended 30 April 2013, vehicle hire revenue per rented vehicle (excluding fleet management income) was 1% higher than the prior year. Adjusted for the change in fleet mix, the increase was 2%.

Year on year closing vehicles on hire fell by 3,300 (2012 – 7,400).

During the year we have made key changes to our Commercial Sales operations including:

- Appointment of a new Sales and Marketing Director (September 2012);
- Increase in sales resource and overhaul of the recruitment and the training and development process for sales people. By April 2013 the number of sales people had increased by 20% over the year and of the 118 sales people 58 had been here less than a year, the majority being recruited in the second half of the financial year.

Our commercial operations cover both regional and national customers. Our 4,800 regional customers, who have an average of six vehicles on hire, operate close to our branch network and accounted for 63% of the vehicles on hire at 30 April 2013.

UK continued

Due to its relative size, the initial changes were prioritised in Regional Sales and were completed in the final quarter of the financial year. Planned changes in National Sales have taken place since the year end.

Typically our regional customers have less than 100 vehicles on hire. The changes made in Regional Sales have started to make an impact. For these customers there was a reduction year on year of 300 (1%) vehicles on hire compared to a 4,000 (13%) reduction in the prior year. Additionally, the total number of regional customers increased by 9% over the year compared to a 12% fall experienced in the prior year. Addressing the needs of this large local customer base underpins our growth strategy.

Vehicles on hire to customers with more than 100 vehicles, typically national, declined by 3,000 (15%) in the year compared to a fall of 3,400 (15%) in the year ended 30 April 2012. This decline is predominantly the result of short term price pressures originating in the current economic environment. We believe that opportunities still exist for growth with larger customers who would benefit from our flexible offering. We are seeking to address these opportunities more successfully through the changes made in our National Sales function.

Depot network

During the year we completed an analysis of the existing branch locations across the UK. We concluded that there were significant gaps in our ability to attract potential customers, particularly in the South of England.

Based upon industry standard drive times, our national coverage is c.60%, highlighting that there are potentially over 20 locations that could successfully support a Northgate branch, allowing access to a wider customer base.

In response to this opportunity, the final quarter saw the opening of three sites, taking the number of hire locations at 30 April 2013 to 65. The new sites are performing in line with our plans, however, we are cognisant that they are in their infancy.

During the next financial year we will focus on establishing an enhanced branch network within the London area which provides the largest commercial opportunity. Subject to availability of property, we plan to open six to eight sites within the London area over the next 12 months. We estimate that the sites will take three years to reach maturity and at this point will operate a fleet of approximately 500 vehicles per site.

Each new site will have an initial set up cost of c.£0.2m, covering property, personnel and marketing costs. If the new sites perform in line with our expectations, they should break even in year one and by year three have a ROCE in excess of 16%.

The Group will look to accelerate opportunities to invest in the network where there is an economic benefit in doing so.



UK continued

Used vehicle sales

Vehicle sales continue to perform strongly with 20,700 vehicles (2012 – 25,200 vehicles) sold during the year at increased values. Disposal volumes fell year on year due to a reduction in the number of vehicles taken off the hire fleet in response to lower on hire decline levels. We expect used vehicle sales volume to continue to fall as we target growth in vehicles on hire, whilst maintaining strict control over new vehicle purchase volumes.

Higher margin retail and semi retail channels accounted for 22% (2012 – 19%) of disposals. Plans are being implemented to continue to grow the proportion of vehicles being disposed via the retail and semi retail channels.

The reduced number of vehicles disposed of, partially offset by the improvement in the values achieved, resulted in a decrease of £20.8m (2012 – £22.5m) in the depreciation charge.

Spain

Trading conditions in Spain remain extremely difficult. Improved cost control, debtor management, vehicle residuals and continued strong fleet management helped to partially mitigate the impact from the fall in revenue. Despite this, the operating margin¹⁰ fell to 16.7% (2012 – 19.1%).

Vehicle fleet and utilisation

The fleet size reduced from 38,400 vehicles as at 30 April 2012 to 35,100 as at 30 April 2013. The average utilisation for the year was 90% (2012 – 90%).

In line with the target of cash generation and reducing the capital employed in Spain, vehicles purchased fell 4,600 to 7,300 (2012 – 11,900). The ageing profile remains highly competitive compared to the industry average with the average age of the fleet being 22.9 months at 30 April 2013, an increase from 21.8 months at 30 April 2012.

Hire rates and vehicles on hire

Average hire revenue per rented vehicle in the year ended 30 April 2013 was 2% lower than the prior year. The mix of vehicles on hire has been impacted by customer demand moving towards smaller vehicles. Adjusting for this mix impact, revenue per vehicle was 1% lower than the prior year.

Revenue per vehicle has also been impacted by a change in customer profile. On average, our customers are now cleaner users of our vehicles and are driving lower mileages. Average miles at point of disposal, adjusting for disposal age, are 3% lower than that experienced in the year ended 30 April 2012 and 6% lower than in the year ended 30 April 2011. This is evidenced by lower maintenance costs and the continued increase in the resale values of vehicles.

Vehicles on hire fell 1,900 in the year ended 30 April 2013, from 34,000 vehicles at 30 April 2012. This compares to a decline of 5,400 in the prior year. As in the UK, investment has been made in the commercial area in Spain.

The primary focus of this investment has been to grow the SME business with the aim of offsetting the decline experienced in Spain's construction markets. Whilst the number of vehicles on hire continued to fall in the year to 30 April 2013, the number of customers increased by 300 to 4,400, reversing the reduction of 300 customers experienced in the year ended 30 April 2012. Increasing commercial activity, coupled with targeted marketing initiatives, provides encouragement that this trend will continue to improve.

Depot network

Existing sites are continually reviewed for suitability, with consideration given to location, size and functionality. Having re-evaluated the current footprint, no changes to the network infrastructure were made in the year. Based on the current fleet size, the 23 locations provide the appropriate level of operational efficiency and geographical coverage.

Used vehicle sales

A total of 11,200 vehicles were disposed of in the year (2012 – 16,800 vehicles). The reduced volume year on year is a direct consequence of the reduced level of vehicles purchased in the year combined with a lower level of vehicles being removed from the rental fleet in response to the reducing rate of on hire decline.

Sales to the higher margin retail market improved, with 9% of total vehicles sold through these channels compared to 5% in the prior year. The improved resale values achieved were partially offset by the reduced number of vehicles being disposed of, resulting in a reduction in the depreciation charge of €6.1m compared to a €4.9m reduction in the prior year.

Bob Contreras
Chief Executive

Financial review

In April 2013 the Group successfully replaced its legacy high-coupon private placements, institutional loan and multi-currency bank facility with a single new committed bank facility maturing in June 2017. The Group estimates that had the new facility been in place at 1 May 2012, the cash interest savings would have been in excess of £15m for the year ended 30 April 2013.



Group

A summary of the Group's underlying financial performance for 2013, with a comparison to 2012, is shown below:

	2013 £m	2012 £m
Revenue	609.9	706.7
Operating profit ¹	86.4	105.2
Net interest expense ¹²	(36.9)	(45.4)
Profit before tax ²	49.5	59.7
Profit after tax ³	38.8	41.9
Basic earnings per share ³	29.2p	31.5p
Return on capital employed ¹	11.8%	13.1%

Group revenue in 2013 decreased by 13.7% to £609.9m (2012 – £706.7m) or 12.4% at constant exchange rates.

Net underlying cash generation⁶ was £92.6m (2012 – £138.2m) after net capital expenditure of £117.7m (2012 – £133.8m) resulting in closing net debt⁴ of £362.7m (2012 – £371.3m). Gearing⁷ improved to 102% (2012 – 105%).

On a statutory basis, operating profit was £79.5m (2012 – £94.5m) and loss before tax was £11.4m (2012 – profit of £46.0m). Basic earnings per share were (5.5)p (2012 – 30.4p). Net cash from operations, including net capital expenditure on vehicles for hire was £100.9m (2012 – £145.8m), with net debt falling by £22.6m from £385.3m at 30 April 2012 to £362.7m at 30 April 2013. Gearing improved to 102% (2012 – 109%).

Return on capital employed

Group return on capital employed¹ was 11.8% compared to 13.1% in the prior year. This represents a substantial improvement on the levels achieved in 2009 of 5.8% when restructuring of the Group commenced.

Group return on equity, calculated as profit after tax (excluding intangible amortisation and exceptional items) divided by average shareholders' funds, was 10.6% (2012 – 11.9%).

Borrowing facilities

In April 2013 the Group successfully replaced its legacy high-coupon private placements, institutional loan and multi-currency bank facility with a single new committed bank facility maturing in June 2017.

Taken together with other loans of the Group, £362.7m was drawn against total committed facilities of £443.1m giving headroom⁸ of £80.4m as detailed below:

	Facility £m	Drawn £m	Headroom £m	Maturity
UK bank facility	428.0	354.9	73.1	Jun-17
Other loans	15.1	7.8	7.3	Up to Nov-13
	443.1	362.7	80.4	

Borrowing facilities continued

A one off charge of £54.0m was incurred as a consequence of extinguishing previous facilities and cancelling hedging arrangements. The net cash outflow relating to the refinancing was £39.1m.

The Group estimates that had the new facility been in place at 1 May 2012, the cash interest savings would have been in excess of £15m for the year ended 30 April 2013.

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, and ranges from a maximum of 2.875% to a minimum of 2.125%. The net debt to EBITDA ratio at 30 April 2013 corresponds to a bank margin of 2.375%.

Following the completion of the refinancing on 29 April 2013, interest rate swap contracts were taken out on 2 May 2013 in order to fix a proportion of bank debt at 2.9% giving an overall cost of the Group's borrowings of 2.8%. This compares to an overall rate of 7.1% at 30 April 2012.

The Group made total borrowing repayments of £410.1m in the year. Scheduled total bank repayments on the new bank facilities of £25.9m commencing in November 2015 are due before they mature in June 2017.

The revised financing arrangements allow the Group increased operational and financial flexibility with a new set of financial covenants¹³ in place 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 2.0x and 3.0x, reflecting the reduced interest charges associated with the new financing arrangements.

Interest cover at 30 April 2013 was 2.7x (2012 – 2.4x) with EBIT headroom, all else being equal, of £22m.

2 Loan to value

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

Loan to value at 30 April 2013 was 50% (2012 – 53%) giving net debt headroom, all else being equal, of £149m.

3 Debt leverage cover ratio

A maximum ratio of net debt to earnings before interest, tax, depreciation and amortisation (EBITDA), tested quarterly on a rolling historic 12-month basis. The covenant ratio which must not be exceeded is 2.0x.

Debt leverage cover at 30 April 2013 was 1.5x (2012 – 1.3x) with EBITDA headroom, all else being equal, of £66m.

Dividend

The Directors recommend the payment of a final dividend of 6.0p per share in relation to the Ordinary shares for the year ended 30 April 2013 (2012 – 3.0p). Subject to approval by shareholders, the dividend will be paid on 21 September 2013 to ordinary shareholders on the register as at close of business on 16 August 2013.

Including the interim dividend paid of 1.3p (2012 – £Nil), the total dividend relating to the year would be 7.3p (2012 – 3.0p). The dividend is covered four times by underlying earnings. Going forward it is the intention of the Board to pay an interim dividend and a final dividend split in line with normal practice.

UK

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

	2013 £m	2012 £m
Revenue		
Vehicle hire	291.1	320.8
Vehicle sales	124.6	136.3
	415.7	457.1
Operating profit¹⁴	64.2	74.4

Hire revenue reduced by 9% to £291.1m (2012 – £320.8m) driven by an 11% reduction in the average number of vehicles on hire, partially offset by a 2% increase in revenue per vehicle.

An improvement in residual values was offset by a reduction in volume of used vehicles sold, which contributed to £1.7m of the decrease in operating profit.

The UK operating margin was as follows:

	2013	2012
Operating margin ⁹	22.1%	23.2%

The UK operating profit margin⁹ has decreased to 22.1% (2012 – 23.2%) as a result of the decrease in vehicles on hire in the year.

Spain

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

	2013 £m	2012 £m
Revenue		
Vehicle hire	150.8	182.9
Vehicle sales	43.4	66.7
	194.2	249.6
Operating profit¹⁵	25.2	35.0

Hire revenue reduced by 18%. The reduction was 14% at constant exchange rates, of which 12% related to the reduction in vehicles on hire and 2% related to a reduction in revenue per vehicle.

Spain continued

An improvement in used vehicle residual values has contributed £5.0m to operating profit in the year with 11,200 vehicles sold (2012 – 16,800).

The Spanish operating margin was as follows:

	2013	2012
Operating margin ¹⁰	16.7%	19.1%

Vehicle hire revenue and operating profit¹⁵ in 2013, expressed at constant exchange rates, would have been higher than reported by £7.1m and £1.2m respectively.

Adjusting for the change in mix of the fleet, revenue per rented vehicle reduced by 1%, demonstrating continued pricing discipline in a difficult trading environment.

The incidence of bad debt was £Nil compared to £2.7m in the prior year, with the reduction being driven by the collection of previously provided debt. Days sales outstanding continued to reduce from 71 days at 30 April 2012 to 64 days at 30 April 2013 due to the continued improvements in controls and processes.

Corporate

Corporate costs¹⁶ were £3.0m compared to £4.2m in the prior year.

Exceptional items

During the year £2.9m of restructuring costs and £0.4m of property disposal losses were incurred, of which £2.0m related to the UK and £1.3m related to Spain.

Financing costs of £54.0m were incurred during the year which includes the costs of exiting the Group's legacy debt and hedging. The related cash impact of these costs and of cancelling previous hedging arrangements was £39.1m.

Interest

Net finance charges for the year before exceptional items were £36.9m (2012 – £45.4m).

The charge includes £6.5m of non-cash interest, primarily from borrowing fees amortised in the year (2012 – £6.6m).

The net cash interest charge has reduced by £8.4m to £30.4m, with a £7.2m saving as a result of the reduction in average net debt throughout the year, a £0.2m saving due to lower borrowing rates of the Group in the year and a £1.0m decrease due to the impact of exchange rates.

Taxation

The Group's underlying effective tax charge for its UK and overseas operations was 22% (2012 – 30%).

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

The prior year underlying tax charge also excludes an £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 was 35% (2012 – 12%).

Earnings per share

Basic earnings per share (EPS)³, were 29.2p (2012 – 31.5p). Basic statutory earnings per share were (5.5)p (2012 – 30.4p).

Underlying earnings for the purposes of calculating EPS³ were £38.8m (2012 – £41.9m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the previous year.

Balance sheet

Net tangible assets at 30 April 2013 were £355.6m (2012 – £353.0m), equivalent to a tangible net asset value of 266.9p per share (2012 – 264.9p per share).

Gearing⁷ at 30 April 2013 was 102% (2012 – 105%) reflecting an £8.6m reduction in net debt⁴. This demonstrates significant progress in strengthening the balance sheet over the previous four years from a gearing level of 571% at 30 April 2009.

Cash flow

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

	2013 £m	2012 £m
Underlying operational cash generation	258.4	312.9
Net capital expenditure	(117.7)	(133.8)
Net taxation and interest payments	(48.1)	(40.9)
Net underlying cash generation ⁶	92.6	138.2
Net refinancing payments		
(April 2013 refinancing)	(39.1)	–
Dividends	(5.7)	–
Other	(2.3)	(2.7)
Net cash generated	45.5	135.5
Opening net debt ⁴	371.3	529.9
Net cash generated	(45.5)	(135.5)
Other non-cash items	17.1	6.8
Exchange differences	19.8	(29.9)
Closing net debt ⁴	362.7	371.3

Underlying cash generation⁶ was £92.6m compared to £138.2m in the previous year.

Cashflow continued

A total of £255.2m was invested in new vehicles in order to replace fleet compared to £306.3m in the prior year. The Group's new vehicle outlay was partially funded by £145.9m of cash generated from the sale of used vehicles. Other net capital expenditure amounted to £8.4m.

After capital expenditure, payments of interest and tax of £48.1m, net payments of £39.1m in relation to the refinancing in the year, dividends of £5.7m and other items of £2.3m, net cash generation (as defined in the table above) was £45.5m, compared to £135.5m in the previous year. Excluding net refinancing payments relating to the April 2013 refinancing, net cash generation was £84.6m.

Treasury

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

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

Credit risk

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

Liquidity and funding

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

Capital management

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

Operating subsidiary undertakings are financed by a combination of retained earnings and bank borrowings.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure. As discussed above, gearing⁷ at 30 April 2013 was 102% compared to 105% at 30 April 2012.

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 Group's borrowing facilities were refinanced on 29 April 2013. All existing interest rate swaps were cancelled at that time and new instruments were put in place on 2 May 2013 which hedged 64% of gross borrowings into fixed rates (30 April 2012 – 96%).

Foreign exchange risk

The Group's reporting currency is, and the majority of its revenue (67%) 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:

	2013 £: €	2012 £: €
Average	1.22	1.17
Year end	1.18	1.23

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

Going concern

In determining whether the Group's 2013 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.

Going concern continued

The principal risks and uncertainties of the Group are outlined on pages 22 to 23. 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 2013 accounts.

- 1 Calculated as operating profit¹¹ divided by average capital employed, being shareholders funds plus net debt⁴.
- 2 Stated before intangible amortisation of £3.6m (2012 – £4.0m, 2009 – £5.3m), exceptional administrative expenses of £3.3m (2012 – £6.7m, 2009 – £3.1m), impairment of assets of £Nil (2012 – £Nil, 2009 – £180.9m) and exceptional finance costs of £54.0m (2012 – £3.0m, 2009 – £33.8m).
- 3 Stated before intangible amortisation of £3.6m (2012 – £4.0m), exceptional administrative expenses of £3.3m (2012 – £6.7m), exceptional finance costs of £54.0m (2012 – £3.0m) and tax on intangible amortisation, exceptional items and exceptional tax credit of £14.7m (2012 – £12.3m).
- 4 Net debt taking into account swapped exchange rates for US loan notes and other loan swapped into Euro being retranslated to Sterling at closing exchange rates.
- 5 Full year dividend relating to the year, comprising interim dividend paid of 1.3p (2012 – £Nil) and final dividend proposed of 6.0p (2012 – 3.0p).
- 6 Net increase in cash and cash equivalents before financing activities and partial recovery of acquisition cost of subsidiary undertaking.
- 7 Calculated as net debt⁴ divided by tangible net assets with tangible net assets being net assets less goodwill and other intangible assets.
- 8 Headroom calculated as facilities of £443.1m less net borrowings of £362.7m. Net borrowings represent net debt of £362.7m stated after the deduction of £15.0m of cash balances, which are available to offset against borrowings.
- 9 Calculated as operating profit¹⁴ divided by revenue of £291.1m (2012 – £320.8m), excluding vehicle sales.
- 10 Calculated as operating profit¹⁵ divided by revenue of £150.8m (2012 – £182.9m), excluding vehicle sales.
- 11 Stated before intangible amortisation of £3.6m (2012 – £4.0m, 2009 – £5.3m), exceptional administrative expenses of £3.3m (2012 – £6.7m, 2009 – £3.1m) and impairment of assets of £Nil (2012 – £Nil, 2009 – £180.9m).
- 12 Stated before exceptional finance costs of £54.0m (2012 – £3.0m).
- 13 Calculated in accordance with covenant requirements of the Group's financing arrangements.
- 14 Excluding amortisation of intangible assets of £2.9m (2012 – £3.1m) and exceptional administrative expenses of £2.1m (2012 – £5.7m).
- 15 Excluding amortisation of intangible assets of £0.7m (2012 – £0.9m) and exceptional administrative expenses of £1.3m (2012 – £1.7m).
- 16 Excluding exceptional administrative expenses of £Nil (2012 – £(0.7)m).

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 following principal risks and uncertainties have been identified as being capable of impacting the Group's performance over the next financial year.

Economic environment

There is a link in our business between the demand for our products and services and the levels of economic activity in the countries in which the Group operates. The high level of operational gearing in our business model means that changes in demand can lead to higher levels of variation in profitability.

The Group operates in Spain, where austerity measures have been implemented. These measures could impact on future trading volumes. The underlying macro-economic conditions have also increased the risk of customer failure, particularly in Spain, which may lead to the occurrence of increased bad debt charges.

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.

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.

Should there be a further significant economic downturn the flexible nature of the Group's business model enables vehicles to be placed with other customers. Alternatively, utilisation can be maintained through a combination of a decrease in vehicle purchases and increase in disposals, which although affecting short term profitability, generates cash and reduces debt levels.

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

Eurozone

The Group operates in and generates 32% 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, £273m (2012 – £294m) are located in Spain, against which the Group holds £234m (2012 – £240m) of Euro denominated borrowings providing a net investment hedge.

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.

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 the Board has the ability to increase the level of funding to the Spanish business from locally denominated borrowings.

Vehicle holding costs

The overall holding cost of a vehicle is affected by the pricing levels of new vehicles and the disposal value of vehicles sold.

The Group purchases substantially all of its fleet from suppliers with no agreement for the repurchase of a vehicle at the end of its hire life cycle. The Group is therefore exposed to fluctuations in residual values in the used vehicle market.

An increase in the holding cost of vehicles, if not recovered through hire rate increases, would affect profitability, shareholder returns and cash generation.

Risk is managed on new pricing by negotiating fixed pricing terms with manufacturers a year in advance. Flexibility is maintained to make purchases throughout the year under variable supply terms.

Flexibility in our business model allows us to determine the period over which we hold a vehicle and therefore in the event of a decline in residual values we would attempt to mitigate the impact by ageing out our existing fleet.

Competition and hire rates

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

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

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

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

Access to capital

The Group requires capital to both replace vehicles that have reached the end of their useful life and for growth in the fleet. Additionally, due to the level of the Group's indebtedness, a proportion of the Group's cash flow is required to service its debt obligations. In order to continue to access its credit facilities the Group needs to remain in compliance with its financial covenants throughout the term of its facilities. Current bank facilities are due to mature in June 2017. There is a risk that the Group cannot successfully extend its facilities past this date. Failure to access sufficient financing or meet financial covenants could potentially adversely affect the prospects of the Group.

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

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

The impact of access to capital on the wider risk of going concern is considered on pages 20 and 21.

IT systems

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

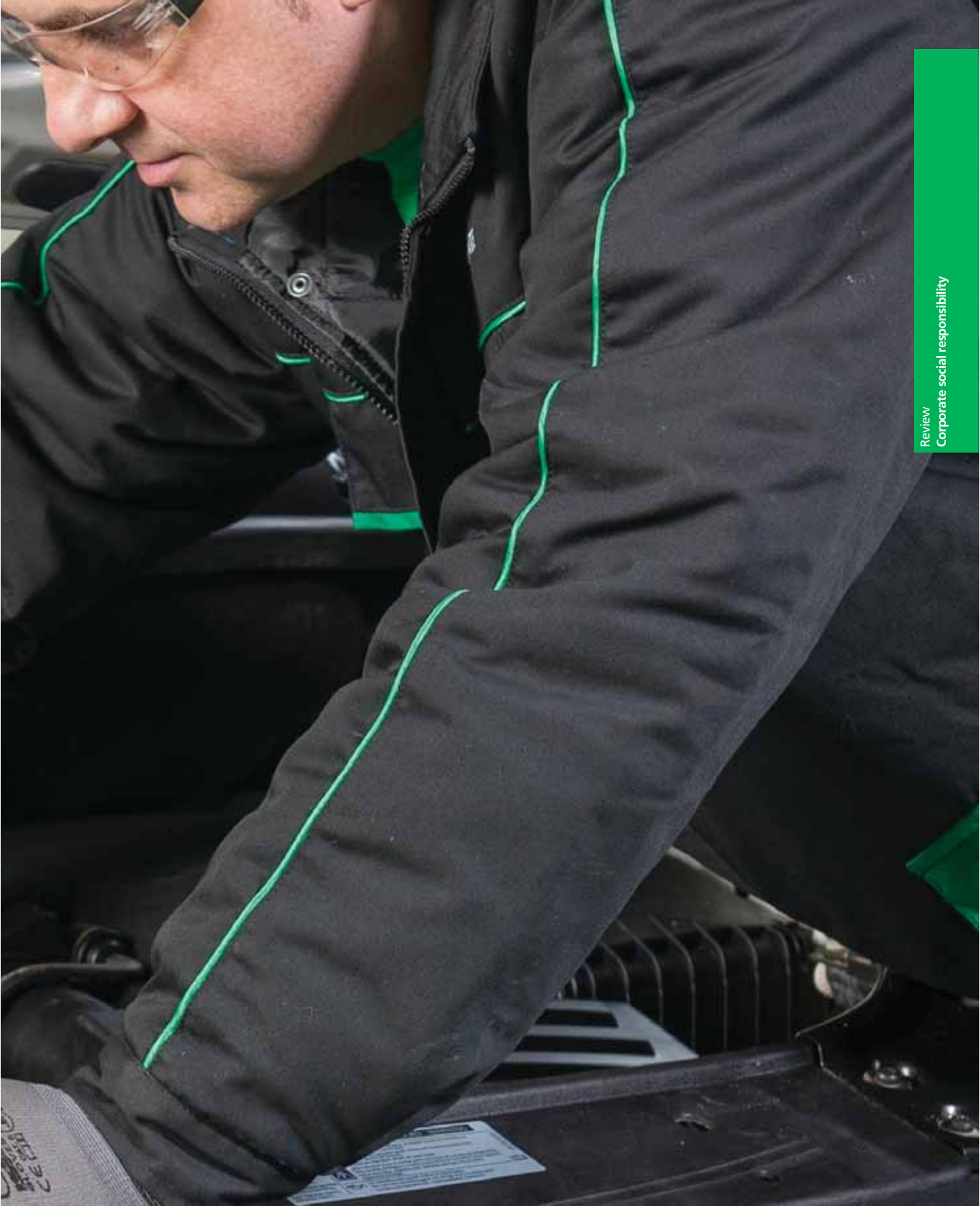
Reliance is placed upon the proper functioning of IT systems for the effective running of operations. Any interruption to the Group's IT systems could have a materially adverse affect on its business.

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

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

Corporate social responsibility

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

The Group provides training for employees in a wide range of health and safety disciplines, most of which is carried out internally by the Group's HS&E department, 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 reported are as follows:

	2013	2012
UK	1.4	1.2
Spain	1.7	5.5
Group	1.5	2.5

During the year, the Group was prosecuted in the UK by the HSE for one breach of the Construction (Design and Management) Regulations which occurred in November 2010. Following this, a review of internal controls was undertaken which allowed the Group to adopt new and improved procedures. We continue to work closely with all authorities and encourage any support and advice they may provide.

Ethics

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

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

Our employees

As a Group we value our employees 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 2013 we had 2,714 (2012 – 2,804) employees across the Group, 1,856 in the UK (2012 – 1,889) and 858 in Spain (2012 – 915).

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

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

Our employees continued

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 available to employees in the UK. Our new employee induction programme has also been fully rolled out in the UK across the year.

In the UK, the company continues to work with two vehicle manufacturers to recruit apprentices. Currently, we are training 64 workshop apprentices.

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 the Chief Executive hosts regular 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.

Our 'Team Green' environmental campaign was rolled out across the Group during the year to improve awareness and performance across all business units.

In the UK, Northgate have been awarded the internationally recognised Environmental Standard ISO 14001. In Spain, Northgate also maintained its accreditation to the ISO 14001 Standard.

During the year, we were able to recycle or recover 100% of all waste streams generated and collected from our vehicle repair workshops in the UK. We were able to recycle or recover 71% of all waste streams generated and collected from our business operations located in Spain. We continue to work closely with our waste management partners to improve waste management arrangements and performance across the Group.

As at 30 April 2013, the UK business operated from a total of 74 locations including 65 rental sites. The Spanish business operates from a total of 32 locations including 23 rental sites. The vast majority of these sites are located on industrial estates, so our activities have minimal impact on the local community 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 2013 the UK fleet of 49,900 vehicles had an average age of 21.4 months. The total fleet in Spain was 35,100 vehicles with an average age of 22.9 months. All vehicles purchases in the year ended 30 April 2013 met the latest Euro V standards.

Our community

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

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

Board of Directors

I am delighted to report that Jill Caseberry was appointed to the Board as a non-executive Director in December 2012. Jill's experience is proving invaluable as we continue to build on our platform for growth.

- 1 **Bob Mackenzie**
Chairman
- 2 **Bob Contreras**
Chief Executive
- 3 **Chris Muir**
Group Finance Director
- 4 **Andrew Allner**
Non-executive Director
- 5 **Jan Astrand**
Non-executive Director
- 6 **Tom Brown**
Non-executive Director
- 7 **Jill Caseberry**
Non-executive Director

Board committees

Audit and Risk

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

Remuneration

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

Nominations

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



Bob Mackenzie ACA
Chairman

Appointed to the Board as Chairman in February 2010. Prior to his appointment, he was Chief Executive of Sea Containers Ltd, including the Chairmanship of its subsidiary GNER. He was formerly Chairman of Dometic Holdings AB, a Swedish based manufacturing company, Chairman of PHS Group plc and held senior executive board appointments with National Parking Corporation, BET plc, Storehouse plc and Hanson plc. He has also acted as a senior adviser to a number of private equity funds. He qualified as a Chartered Accountant with KPMG in 1978. Age 60.

Bob Contreras ACA
Chief Executive

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 50.

Chris Muir ACA
Group Finance Director

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 37.

Andrew Allner FCA
Non-executive Director

Appointed to the Board as a non-executive Director and to the Chair of the Audit and Risk Committee in September 2007. Andrew is currently non-executive Chairman of Marshalls plc, the Go-Ahead Group plc and Fox Marble Holdings plc. He is also Senior Independent Director and Chairman of the Audit Committee at AZ Electronic Materials SA 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 on the London Stock exchange in July 2005. 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 59.

Jan Astrand MBA
Non-executive Director

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
Non-executive Director

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

Jill Caseberry
Non-executive Director

Appointed to the Board as a non-executive Director in December 2012. Jill has extensive sales, marketing and general management experience across a number of blue chip companies including Mars, PepsiCo and Premier Foods. She currently runs her own sales and marketing consultancy and is CEO of a food/beverage start-up business. Prior to setting up these businesses Jill was general manager of a Premier Foods division. Age 48.



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Report of the Directors

The Directors present their report and the audited accounts for the year ended 30 April 2013.

Results

Loss for the year after taxation was £7,357,000 (2012 – profit of £40,468,000).

An interim dividend of 1.3p per share was paid on the Ordinary shares on 11 January 2013.

The Directors recommend the payment of a final dividend of 6.0p per share on the Ordinary shares. This dividend, if approved, will be paid on 21 September 2013 to shareholders on the register at close of business on 16 August 2013.

Principal activities and business review

The Company is an investment holding company.

The principal subsidiaries are listed in Note 17 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 14 to 23, 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 22 and 23 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 24. The Company has one class of Ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

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

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

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

may result in restrictions on the transfer of securities or on voting rights.

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

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

With regards to the appointment and replacement of Directors, the Company is governed by 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 change of control.

Interests in shares

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

	30 April 2013	24 June 2013
Capital Group	12,465,075 (9.36%)	12,465,075 (9.36%)
Standard Life		
Investments Ltd	9,323,756 (7.0%)	9,323,756 (7.00%)
Henderson Global		
Investors Ltd	7,835,483 (5.88%)	8,022,055 (6.02%)
Aberforth Partners	7,481,552 (5.62%)	7,481,552 (5.62%)
Legal & General		
Group plc	6,698,272 (5.03%)	6,698,272 (5.03%)
Aviva plc	6,672,204 (5.01%)	6,672,204 (5.01%)
Artemis		
Investment		
Management Ltd	7,115,776 (5.34%)	6,536,818 (4.90%)

Directors

Details of the present Directors are listed on pages 28 and 29. All have served throughout the year except Jill Caseberry who was appointed on 10 December 2012.

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 33 to 39.

Report of the Directors

Directors continued

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 2013	Ordinary Shares of 50p each 1 May 2012
AJ Allner	13,090	13,090
JG Astrand	51,920	51,920
THP Brown	52,634	52,634
G Caseberry	Nil	Nil*
RL Contreras	118,168	116,608
RD Mackenzie	100,000	100,000
CJR Muir	19,053	17,493

*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 2013 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 33 to 39.

Directors' indemnities

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

Donations

During the year the Group made charitable donations of £5,000 (2012 – £3,000) 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 2013 the Group's creditor days were as shown in Note 20 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 Chief Executive briefing updates, announcements on the Group's intranet, formal and informal meetings at local level and direct written communications. All employees are eligible to participate on an equal basis in the Group's share incentive plan, which has been running successfully since its inception in 2000.

Disabled employees

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

Remuneration report

As required by the Directors' Remuneration Report Regulations 2002, the Remuneration Report, set out on pages 33 to 39, 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 2012 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 2014 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 100 for details of the Company's arrangements for electronic proxy appointment. The second condition is that there is an annual resolution of shareholders approving the reduction of the minimum notice period from 21 days to 14 days.

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

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

Authority for the Company to purchase its own shares

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

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

Financial instruments

Details of the Group's use of financial instruments are given in the Financial Review on page 20 and in Notes 22 and 37 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

24 June 2013

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 28.

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.

Whilst the Committee has followed closely the consultation and pending introduction of the new Directors' Remuneration Reporting Regulations, these Regulations have not yet been approved by Parliament and are not expected to come into effect until 1 October 2013. This report has therefore been prepared in compliance with the existing Regulations. The Committee will report fully under the new Regulations, as required, in 2014.

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.

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

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

Service contracts

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

RL Contreras	27 May 2011
CJR Muir	19 May 2011

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

Basic salaries

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

RL Contreras	£375,000
CJR Muir	£225,000

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.

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 at £175,000. The Committee's intention was to increase his salary to the market level over several years subject to both his and the Company's performance. On 1 May 2012 his basic salary was increased by 14.0% to £200,000. Effective 1 May 2013 his basic salary has been further increased by 12.5% to £225,000. This increase has moved Chris Muir closer to 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 2013 and projections for the year ending 30 April 2014.

For 2013 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 2014 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.

RL Contreras	2013	375	98	309	
	2014	375	98	94	309
CJR Muir	2013	200	56	165	
	2014	225	58	56	185

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

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 36 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 have letters of appointment with the Company under which 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	28 May 2013
AJ Allner	26 September 2007	22 June 2011
JG Astrand	13 February 2001	22 June 2011
THP Brown	13 April 2005	22 June 2011
G Caseberry	10 December 2012	10 December 2012

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*
G Caseberry	Non-executive Director	£50,000

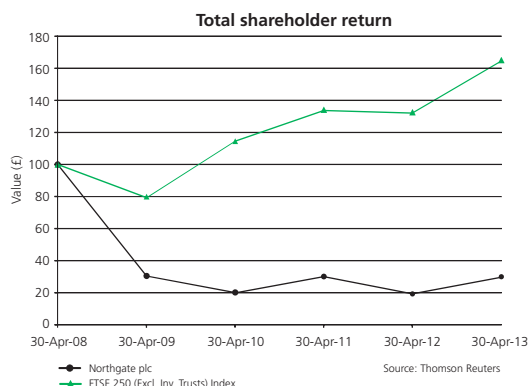
† Including £10,000 in respect of his Chairmanship of the Audit and Risk Committee.

* 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 2013 was 339p (30 April 2012 – 199p). The range during the year was 160p to 350p.



This graph shows the value, by 30 April 2013, of £100 invested in Northgate plc on 30 April 2008 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 2013 £000	Total 2012 £000	Pension contributions**	
						2013 £000	2012 £000
RD Mackenzie	160	–	–	160	160	–	–
AJ Allner	60	–	–	60	60	–	–
JG Astrand	50	–	–	50	50	–	–
THP Brown	68	–	–	68	68	–	–
G Caseberry***	21	–	–	21	–	–	–
RL Contreras	375	–	63	438	766	35	35
CJR Muir	200	–	20	220	339	36	30
Total emoluments excluding pension contributions	934	–	83	1,017	1,443	–	–
Total pension contributions	–	–	–	–	–	71	65

* 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 10 December 2012

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 €64,800 (2012 – €129,600) in respect of his consultancy work in Spain referred to in the Corporate Governance Report on pages 42 to 44.

Incentive plans

Historically, the Group has operated 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 has participated in all three schemes at the same time. 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).

After reviewing the effectiveness of the MPSP, the Committee has determined that it no longer serves the purpose for which it was originally intended and no further awards will be made under the plan, the last award therefore being that made in August 2012. Instead, the Committee is introducing a new long term incentive plan (the 'Equity Value Management Incentive Plan') for the benefit of the UK senior management team only. The UK senior management team currently comprises four individuals, although the Committee has the discretion to include new joiners in future. Participants in this scheme will continue to participate in the DABP.

The participants will share in the growth in the notional equity value of the UK and Irish business over the five year life of the plan from 1 May 2013. Benefits will be paid wholly in cash.

The Committee believes this arrangement will provide a strong incentive to grow the business over that period and at the same time will aid retention of a relatively new management team.

The executive Directors will not participate in this new plan.

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

Awards held by Directors during the year are shown in the table on page 37.

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 623,603 deferred shares to 70 executives were outstanding at 30 April 2013.

Deferred annual bonus plan continued

No bonuses are payable to the executive Directors in respect of the year ended 30 April 2013.

The bonus for the executive Directors in respect of the year ending 30 April 2014 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 £180,028,000 pays zero bonus, £187,502,000 pays one third of annual salary, with a straight line in between.
2. Spain. Performance to be measured against a matrix of local net debt and ROCE, with a maximum bonus of one third of annual salary.
3. Group ROCE. 10.4% pays zero bonus, 11.2% 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's budgeted operating profit for the year.

Executive performance share plan

Only executive Directors and the Company Secretary participate in the EPSP. 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 for executive Directors 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 2013 will be a mixture of underlying EPS and ROCE. 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 for 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
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%
2013 award†	CPI +3%	CPI +11%	11.50%	12.40%

† The EPS targets will be calculated by applying the compound annual growth to the prior year's actual

The ROCE target for the 2013 award reflects the difficult economic environment in Spain and the short term effects of the new branch opening programme in the UK.

The EPS target for the 2010 award was not achieved at the threshold level while the stretch ROCE target was achieved. With two thirds of the award based on EPS and one third on ROCE, this will result in a total vesting of one third of the original award, equating to 100,864 shares for the Chief Executive.

Directors' interests in share awards

	At 1 May 2012	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 2013	Normally exercisable
Executive performance share plan											
RL Contreras	130,952	–	157.5	–	–	–	–	–	–	130,952	Oct 2012 – Oct 2019
	302,593	–	173.5	–	–	–	–	–	–	302,593	Aug 2013 – Aug 2020
	171,546	–	327.9	–	–	–	–	–	–	171,546	Jul 2014 – Jul 2021
	–	269,138	209.0	–	–	–	–	–	–	269,138	Aug 2015 – Aug 2022
	605,091	269,138		–					–	874,229	
CJR Muir	80,054	–	327.9	–	–	–	–	–	–	80,054	Jul 2014 – Jul 2021
	–	143,450	209.0	–	–	–	–	–	–	143,450	Aug 2015 – Aug 2022
	80,054	143,450		–					–	223,504	
Management performance share plan											
CJR Muir	9,602 ¹	–	292.0	–	–	–	–	–	9,602	–	Jul 2012
	28,571 ¹	–	157.5	–	–	–	–	–	–	28,571	Oct 2012 – Oct 2019
	23,618 ¹	–	173.5	–	–	–	–	–	8,645	14,973	Jul 2013 – Jul 2020
	61,791	–		–					18,247	43,544	
Deferred annual bonus plan²											
RL Contreras	29,719 ⁵	–		–	–	–	–	–	–	29,719	Aug 2013 – Aug 2015
	9,149 (with capped value of £30,000) ³	–		–	–	–	–	–	–	9,149 (with capped value of £30,000)	Aug 2014 – Aug 2021
	9,149 ⁴	–	327.9	–	–	327.9	–	–	–	9,149	Aug 2014 – Aug 2021
	44,220 ⁵	–		–	–	–	–	–	–	44,220	Aug 2014 – Aug 2021
	–	78,947 ⁵		–	–	–	–	–	–	78,947	Jul 2015 – Jul 2022
	83,088	78,947		–					–	162,035	
CJR Muir	15,873 ¹	–		–	–	–	–	–	–	15,873	Oct 2012 – Oct 2014
	9,337 ¹	–		–	–	–	–	–	–	9,337	Aug 2013 – Aug 2015
	7,295 (with capped value of £23,920) ³	–		–	–	–	–	–	–	7,295 (with capped value of £23,920)	Aug 2014 – Aug 2021
	7,295 ⁴	–	327.9	–	–	327.9	–	–	–	7,295	Aug 2014 – Aug 2021
	2,908 (with capped value of £6,078) ³	–		–	–	–	–	–	–	2,908 (with capped value of £6,078)	Jul 2015 – Jul 2022
	–	2,908 ⁴	209.0	–	–	209.0	–	–	–	2,908	Jul 2015 – Jul 2022
	–	33,934 ⁵		–	–	–	–	–	–	33,934	Jul 2015 – Jul 2022
	32,505	36,842		–					–	69,347	

¹ These awards were made prior to his appointment to the Board

² Awards can be granted in two forms: (i) a nil cost option over a number of shares (a 'Deferred Award') or (ii) a nil cost option over a fixed value of shares (a 'Linked Deferred Award') granted in association with a HMRC Approved Option (an 'Option').

The value of a Linked Deferred Award is capped at the original face value. 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 above, the awards made during the year were made under the revised Rules.

³ Linked Deferred Award

⁴ Option associated with the relevant linked Deferred Award

⁵ Deferred award

Management performance share plan

As mentioned above, no further awards are to be made under this scheme.

The position as at 30 April 2013 with regard to awards already made is as follows:

	2009	2010	2011	2012	Total
Original award of shares	872,638	604,664	362,372	691,157	2,530,831
Lapsed	350,941	282,437	140,915	99,210	873,503
Vested	521,697	194,309	49,401	–	765,407
Remaining subject to performance	–	127,918	172,056	591,947	891,921

The above awards are held by 37 executives, including 19 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 twelfth annual cycle ended in December 2012 and resulted in 301 employees acquiring 145,512 Partnership shares at 192p each and being allocated the same number of Matching shares. As at 30 April 2013 the Capita Trust held 1,588,439 50p Ordinary shares that have been allocated to employees from the first 12 cycles.

The thirteenth annual cycle started in January 2013 and currently some 410 employees are making contributions to the scheme at an annualised rate of £364,000.

During the year, an award of 250 free shares was made to all eligible employees with one year's service. The total number of shares awarded was 345,750.

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 2013, the value of Bob Contreras' shareholding expressed as a percentage of his basic salary on that date was 107% (2012 – 62%) and of Chris Muir, 32% (2012 – 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 875,000 (2012 – 300,000) Ordinary shares were purchased by the Guernsey Trust and 457,582 (2012 – 254,717) were used to satisfy the exercise of awards under the DABP and MPSP. At 30 April 2013 the Guernsey Trust held 98,037 (2012 – 265,868) Ordinary shares as a hedge against the Group's obligations under these schemes.

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

EPSP

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

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 2013 was 291,024 (2012 – 334,998) of which 239,499 were transferred from the Guernsey Trust, with the balance of 51,525 (2012 – 76,825) being shares already held by the

AESS continued

Capita Trust from forfeitures during the year. The 345,750 free shares referred to above were also sourced from the Guernsey Trust.

At 30 April 2013 the Capita Trust held 22,891 (2012 – 23,715) Ordinary shares which had been forfeited as a result of early withdrawals post January 2013.

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:

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

The dilution position as at 30 April 2013 was 2.78% under the EPSP, MPSP and DABP and 3.25% under the AESS.

Tom Brown

Chairman of the Remuneration Committee

24 June 2013

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.

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

Membership

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

	Date of appointment	Qualification
AJ Allner (Chairman)	26 September 2007	FCA
JG Astrand	6 June 2001	MBA
THP Brown	8 June 2005	MA (Oxon), MBA IMD
G Caseberry	10 December 2012	

The Code requires that at least one member of the Committee should have recent and relevant financial experience: currently, the Chairman of the Committee fulfils this requirement. All members of the Committee are expected to be financially literate.

Whereas Andrew Allner, Tom Brown and Jill Caseberry are considered to be independent, as is stated in the report on Corporate Governance on pages 42 to 44, 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 2013 are given on page 42.

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 2012, the Committee has:

- reviewed the financial statements for the years ended 30 April 2012 and 2013, the half yearly report issued in December 2012 and Interim Management Statements issued in September 2012 and March 2013. 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;
- reviewed the Group's corporate taxation arrangements;
- monitored and reviewed the activities of the Group's internal audit department;
- reviewed a report on impairment;
- monitored the Group's going concern status;
- approved the appointment of PwC as the Company's adviser on tax compliance in place of Deloitte LLP;
- reviewed the Group's Code of Business conduct, including the requirements of the Bribery Act 2010, and the effective monitoring of the giving and receiving of gifts and hospitality; and
- reviewed its own effectiveness and terms of reference.

External auditor

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

- certain audit related work, being work that, in its capacity as auditor, it is best placed to carry out and will generally be asked to do so. Nevertheless, where appropriate, it will be asked for a fee quote; and
- tax compliance, tax advisory and other non-audit related and general consultancy work: this type of work will either be placed on the basis of the lowest fee quote or to consultants who are felt to be best able to provide the expertise and working relationship required. Generally, the external auditor will not be invited to compete for this type of work.

During the year, the Committee reviewed 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 5 on page 63.

Internal audit

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

- reviewed the adequacy of the resources of the internal audit department for both the UK and Spain;
- ensured that the head of internal audit has direct access to the Chairman of the Board and to all members of the Committee;
- conducted a one-to-one meeting with the head of internal audit, approved the internal audit programme, and reviewed quarterly reports by the head of internal audit.

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

Andrew Allner

Chairman of the Audit and Risk Committee

24 June 2013

Corporate governance

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

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

1 Leadership

The business of the Company is managed by the Board of Directors, currently comprising two executive and five non-executive Directors, details of whom are shown on pages 28 and 29.

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

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

2 Effectiveness

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

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

	Board	Audit and risk	Remuneration
No. of Meetings	9	4	7
RD Mackenzie	9	–	7
AJ Allner	8	3	7
JG Astrand	9	4	7
THP Brown	9	4	7
G Caseberry*	3	1	3
RL Contreras	9	–	–
CJR Muir	9	–	–

*Since appointment.

All Directors in office at that time were present at the Annual General Meeting held in September 2012.

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

Before appointment, non-executive Directors are required to assure the Board that they can give the time commitment necessary to properly 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.

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

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

As envisaged in last year's report, Jan's involvement in project work in Spain ceased in November 2012. Details of the consultancy fees paid in the year are shown in Note 38 on page 96.

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.

During the year, the Committee, with the help of management consultants Board Mentoring, led the search for a new non-executive director having, in particular, sales and marketing experience. This resulted in the appointment of Jill Caseberry, whose biographical details are given on page 29, in December 2012.

Board Mentoring have no other connection with the Northgate group of companies.

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

2 Effectiveness continued

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 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, 38% of our total workforce in the UK is female and 34% in Spain.

3 Accountability

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 14 to 23.

Internal control

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

Corporate governance

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

Control environment

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

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

Identification of risks

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

Information and communication

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

Control procedures

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

Monitoring

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

Audit

An account of the work of the Audit and Risk Committee is given in the Report of the Audit and Risk Committee on pages 40 and 41.

4 Remuneration

The Company's policy on remuneration and details of the remuneration of each Director are given in the Remuneration Report on pages 33 to 39.

5 Relations with shareholders

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

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

All shareholders are given the opportunity to raise matters for discussion at the Annual General Meeting, of which

more than the recommended minimum 20 working days notice is given. In compliance with the Transparency Rules, the Company publishes Interim Management Statements in March and September each year.

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

Compliance with the Code

The Board considers that the Company complied with the provisions of the Code throughout the year 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, at the start of the year, only two out of the five relevant Directors were independent. Similarly, the Code states that both the Audit and Remuneration Committees should comprise at least three independent non-executive directors, whereas there were only two. However, since December 2012, with the appointment of Jill Caseberry, the Company has been in full compliance with all aspects of the Code.

By order of the Board

D Henderson
Secretary

24 June 2013

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

24 June 2013

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 2013 which comprise the consolidated income statement, the Group and Parent Company statements of comprehensive income, the Group and Parent Company balance sheets, the Group and Parent Company cash flow statements, the Group and Parent Company notes to the cash flow statements, the Group and Parent Company statements of changes in equity and the related notes 1 to 38. The financial reporting framework that has been applied in their preparation is applicable law and 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 2013 and of the Group's loss 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.

Matters on which we are required to report by exception continued

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

24 June 2013

Consolidated income statement

For the year ended 30 April 2013

	Notes	Underlying 2013 £000	Statutory 2013 £000	Underlying 2012 £000	Statutory 2012 £000
Revenue: hire of vehicles	4	441,944	441,944	503,659	503,659
Revenue: sale of vehicles	4	167,936	167,936	203,039	203,039
Total revenue	4	609,880	609,880	706,698	706,698
Cost of sales		(466,405)	(466,405)	(540,915)	(540,915)
Gross profit		143,475	143,475	165,783	165,783
Administrative expenses (excluding exceptional items and intangible amortisation)		(57,071)	(57,071)	(60,607)	(60,607)
Exceptional administrative expenses	33	–	(3,337)	–	(6,702)
Intangible amortisation	14	–	(3,589)	–	(3,996)
Total administrative expenses		(57,071)	(63,997)	(60,607)	(71,305)
Operating profit	4,5	86,404	79,478	105,176	94,478
Interest income	7	123	123	165	165
Finance costs (excluding exceptional items)	8	(37,029)	(37,029)	(45,610)	(45,610)
Exceptional finance costs	8,33	–	(53,954)	–	(3,046)
Total finance costs		(37,029)	(90,983)	(45,610)	(48,656)
Profit (loss) before taxation		49,498	(11,382)	59,731	45,987
Taxation	9	(10,657)	4,025	(17,803)	(5,519)
Profit (loss) for the year		38,841	(7,357)	41,928	40,468

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

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

Earnings per share

Basic	11	29.2p	(5.5)p	31.5p	30.4p
Diluted	11	28.3p	(5.5)p	30.8p	29.7p

Statements of comprehensive income

For the year ended 30 April 2013

		Group		Company	
	Notes	2013 £000	2012 £000	2013 £000	2012 £000
Amounts attributable to the owners of the Parent Company					
(Loss) profit attributable to the owners		(7,357)	40,468	23,888	(2,957)
Other comprehensive income					
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	30	6,725	(16,711)	–	–
Net foreign exchange differences on long term borrowings and derivatives held as hedges	30	(4,132)	13,486	–	–
Deferred taxation on disposal of revalued property		–	5	–	–
Foreign exchange difference on revaluation reserve	26	46	(120)	–	–
Net fair value gains (losses) on cash flow hedges	29	16,115	(16,188)	14,817	(14,201)
Deferred tax (charge) credit recognised directly in equity relating to cash flow hedges	29	(4,301)	3,834	(3,984)	3,360
Actuarial losses/derecognition of assets on defined benefit pension scheme	32	(490)	(227)	–	–
Deferred tax credit recognised directly in equity relating to defined benefit pension scheme	32	115	60	–	–
Total other comprehensive income		14,078	(15,861)	10,833	(10,841)
Total comprehensive income for the year		6,721	24,607	34,721	(13,798)

Balance sheets

As at 30 April 2013

		Group		Company	
	Notes	2013 £000	2012 £000	2013 £000	2012 £000
Non-current assets					
Goodwill	13	3,589	3,589	–	–
Other intangible assets	14	7,431	9,591	77	–
Property, plant and equipment: vehicles for hire	15	589,161	623,103	–	–
Other property, plant and equipment	16	78,321	74,452	2,582	2,643
Total property, plant and equipment		667,482	697,555	2,582	2,643
Derivative financial instrument assets	22	–	11,249	–	11,249
Deferred tax assets	23	4,688	1,691	997	5,198
Investments	17	–	–	122,892	122,894
Total non-current assets		683,190	723,675	126,548	141,984
Current assets					
Inventories	18	19,192	22,213	–	–
Trade and other receivables	19	77,417	97,278	889,274	882,710
Current tax assets		5,862	–	–	–
Cash and bank balances		14,962	9,707	3,396	964
Total current assets		117,433	129,198	892,670	883,674
Total assets		800,623	852,873	1,019,218	1,025,658
Current liabilities					
Trade and other payables	20	52,592	63,188	375,581	394,345
Derivative financial instrument liabilities	22	–	1,046	1,517	1,631
Current tax liabilities		1,090	4,150	–	–
Short term borrowings	21	7,314	135,558	442	113,654
Total current liabilities		60,996	203,942	377,540	509,630
Net current assets (liabilities)		56,437	(74,744)	515,130	374,044
Non-current liabilities					
Derivative financial instrument liabilities	22	–	15,951	–	15,951
Long term borrowings	21	370,371	259,487	370,371	259,273
Deferred tax liabilities	23	2,604	7,357	–	–
Total non-current liabilities		372,975	282,795	370,371	275,224
Total liabilities		433,971	486,737	747,911	784,854
Net assets		366,652	366,136	271,307	240,804
Equity					
Share capital	24	66,616	66,616	66,616	66,616
Share premium account	25	113,508	113,508	113,508	113,508
Revaluation reserve	26	1,235	1,189	1,371	1,371
Own shares reserve	27	(303)	(685)	–	–
Merger reserve	28	67,463	67,463	63,159	63,159
Hedging reserve	29	(649)	(14,247)	–	(12,617)
Translation reserve	30	(5,370)	(7,963)	–	–
Capital redemption reserve	31	40	40	40	40
Retained earnings	32	124,112	140,215	26,613	8,727
Total equity		366,652	366,136	271,307	240,804

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

The financial statements were approved by the Board of Directors and authorised for issue on 24 June 2013.

They were signed on its behalf by:

RD Mackenzie
Director

CJR Muir
Director

Cash flow statements

For the year ended 30 April 2013

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Net cash from (used in) operations	(a) 100,850	145,826	(28,870)	(39,688)
Investing activities				
Interest received	123	165	80	77
Partial recovery of acquisition cost of subsidiary undertaking	–	775	–	–
Dividends received from subsidiary undertakings	–	–	123,000	45,000
Proceeds from disposal of other property, plant and equipment	1,760	1,876	–	–
Purchases of other property, plant and equipment	(8,744)	(7,705)	–	–
Purchases of intangible assets	(1,396)	(1,982)	(90)	–
Liquidation of subsidiary undertaking	–	–	2	–
Net cash (used in) from investing activities	(8,257)	(6,871)	122,992	45,077
Financing activities				
Dividends paid	(5,719)	–	(5,719)	–
Receipt of bank loans	369,871	–	369,871	–
Repayments of bank loans and other borrowings	(410,140)	(222,592)	(399,643)	(213,852)
Debt issue costs paid relating to previous facilities	(3,354)	(86)	(3,354)	(86)
Costs paid for extinguishment of previous facilities	(23,202)	–	(23,202)	–
(Repayments to) loans from subsidiary undertakings	–	–	(21,296)	214,160
Settlement of financial instruments with subsidiary undertaking	–	–	5,479	(18,950)
Payments to acquire own shares for share schemes	(1,988)	(293)	(1,988)	(293)
Termination of financial instruments	(12,830)	(3,046)	(12,830)	(3,046)
Net cash used in financing activities	(87,362)	(226,017)	(92,682)	(22,067)
Net increase (decrease) in cash and cash equivalents	5,231	(87,062)	1,440	(16,678)
Cash and cash equivalents at 1 May	9,707	96,885	964	18,937
Effect of foreign exchange movements	24	(116)	550	(1,295)
Cash and cash equivalents at 30 April	(b) 14,962	9,707	2,954	964

Notes to the cash flow statements

For the year ended 30 April 2013

(a) Net cash from (used in) operations

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Operating profit (loss)	79,478	94,478	(2,912)	(4,207)
Adjustments for:				
Depreciation of property, plant and equipment	163,313	192,729	61	62
Exchange differences	(5)	25	–	–
Amortisation of intangible assets	3,589	3,996	13	–
Loss on disposal of property, plant and equipment	445	443	–	–
Share options fair value charge	1,502	2,063	1,502	2,063
Operating cash flows before movements in working capital	248,322	293,734	(1,336)	(2,082)
(Increase) decrease in non-vehicle inventories	(166)	229	–	–
Decrease in receivables	20,185	22,456	1,671	329
(Decrease) increase in payables	(9,911)	(3,538)	694	(1,403)
Cash generated from (used in) operations	258,430	312,881	1,029	(3,156)
Income taxes paid	(16,828)	(2,582)	–	–
Interest paid	(31,448)	(38,487)	(29,899)	(36,532)
Net cash generated from (used in) operations	210,154	271,812	(28,870)	(39,688)
Purchase of vehicles	(255,193)	(306,311)	–	–
Proceeds from disposal of vehicles	145,889	180,325	–	–
Net cash from (used in) operations	100,850	145,826	(28,870)	(39,688)

(b) Cash and cash equivalents

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Cash and cash equivalents comprise:				
Cash and bank balances	14,962	9,707	3,396	964
Bank overdrafts	–	–	(442)	–
Cash and cash equivalents	14,962	9,707	2,954	964

Statements of changes in equity

For the year ended 30 April 2013

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 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	–	–	–
Total equity at 1 May 2012	180,124	(685)	(14,247)	(7,963)	68,692	140,215	366,136
Share options fair value charge	–	–	–	–	–	1,502	1,502
Share options exercised	–	–	–	–	–	(2,370)	(2,370)
Loss attributable to owners of the Parent Company	–	–	–	–	–	(7,357)	(7,357)
Dividends paid	–	–	–	–	–	(5,719)	(5,719)
Purchase of own shares	–	(1,988)	–	–	–	–	(1,988)
Transfer of shares on vesting of share options	–	2,370	–	–	–	–	2,370
Other comprehensive income	–	–	8,295	6,112	46	(375)	14,078
Transfers between equity reserves	–	–	5,303	(3,519)	–	(1,784)	–
Total equity at 30 April 2013	180,124	(303)	(649)	(5,370)	68,738	124,112	366,652

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

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 101. The nature of the Group's operations and its principal activities are set out in Note 4 and in the Operational Review and Financial Review on pages 14 to 23.

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 pages 20 and 21 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 2012 but have no material impact on the consolidated results or financial position of the Group.

IFRS 7	Financial Instruments: Disclosures – Transfers of financial assets
IAS 12	Income Taxes – Amendments for deferred tax and recovery of underlying assets

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

The following relevant new standards, amendments to standards and interpretations which have not been applied in these accounts, 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 – 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 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 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 32	Financial Instruments: Presentation – Offsetting financial assets and financial liabilities	1 January 2013
Improvements to IFRS 2011		1 January 2013

2 Principal accounting policies continued

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

Basis of consolidation

Subsidiary undertakings are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 30 April 2012 and 30 April 2013. 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
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Intangible assets – other

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

2 Principal accounting policies continued

Property, plant and equipment

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

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

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

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

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

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.

2 Principal accounting policies continued

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.

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.

2 Principal accounting policies continued

Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and bank overdrafts.

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.

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.

2 Principal accounting policies continued

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 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 two other employee share incentive plans. Under one plan, employees each have the option to purchase an amount of shares annually and receive an equivalent number of free shares. In the other plan, the Board may make discretionary awards of free shares to eligible employees. The Group recognises all 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 at that time.

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

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

Intangible assets

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

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

Impairment of goodwill and other non-current assets

Determining whether goodwill and other non-current assets are impaired 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.

4 Segmental reporting

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

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

4 Segmental reporting continued

	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
Total revenue	457,084	249,614	–	706,698
Underlying operating profit (loss) *	74,402	34,989	(4,215)	105,176
Exceptional administrative expenses	(5,670)	(1,724)	692	(6,702)
Intangible amortisation	(3,135)	(861)	–	(3,996)
Operating profit (loss)	65,597	32,404	(3,523)	94,478
Interest income				165
Finance costs (excluding exceptional items)				(45,610)
Exceptional finance costs				(3,046)
Profit before taxation				45,987
Other information				
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
Total assets				852,873
Reportable segment liabilities	306,477	151,756	–	458,233
Derivative financial instrument liabilities				16,997
Income tax liabilities				11,507
Total liabilities				486,737

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

Revenue from sale of vehicles is included as revenue in accordance with 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 2013 £000	Non-current assets 2013 £000	Revenue 2012 £000	Non-current assets 2012 £000
United Kingdom & Republic of Ireland	415,687	419,418	457,084	429,714
Spain	194,193	259,084	249,614	281,021
	609,880	678,502	706,698	710,735

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

5 Operating profit

	2013 £000	2012 £000
Operating profit is stated after charging:		
Depreciation of property, plant and equipment (Notes 15 and 16)	163,313	192,729
Staff costs (Note 6)	77,683	82,834
Cost of inventories recognised as an expense	205,437	248,665
Net impairment of trade receivables (Note 37)	1,544	4,961
Auditor's remuneration for audit services (below)	364	397
Auditor's remuneration for non-audit services (below)	107	171

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

	2013 £000	2012 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	237	240
Fees payable to the Company's auditor and its associates for the audit of the Company's subsidiaries pursuant to legislation	127	157
Total audit fees	364	397
Other services pursuant to legislation	21	21
Tax services	62	95
Other services	24	55
Total non-audit fees	107	171

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

A description of the work of the Audit and Risk Committee is set out on pages 40 and 41 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditor.

6 Staff costs

	2013 Number	2012 Number
The average number of persons employed by the Group:		
United Kingdom and Republic of Ireland:		
Direct operations	1,369	1,514
Administration	500	481
	1,869	1,995
Spain:		
Direct operations	757	800
Administration	131	123
	888	923
	2,757	2,918
	2013 £000	2012 £000
The aggregate remuneration of Group employees comprised:		
Wages and salaries	67,646	71,870
Social security costs	8,791	9,557
Other pension costs	1,246	1,407
	77,683	82,834

Wages and salaries include £2,944,000 (2012 – £5,319,000) 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 33 to 39.

7 Interest income

	2013 £000	2012 £000
Interest on bank and other deposits	123	165

8 Finance costs

	2013 £000	2012 £000
Interest on bank overdrafts and loans	30,535	38,991
Amortisation of arrangement fees	7,480	7,799
Amortisation of cross-currency derivatives	(610)	(605)
Cross-currency derivatives ineffectiveness	368	459
Interest rate derivatives ineffectiveness	(12)	(28)
Change in fair value of cross-currency derivatives	(133)	(147)
Change in fair value of interest rate derivatives	(445)	(453)
Amortisation of de-designated Sterling interest rate swaps	(179)	(431)
Preference share dividends	25	25
Finance costs (excluding exceptional items)	37,029	45,610
Exceptional finance costs		
Financing costs incurred on extinguishment of bank loans, loan notes and other loan	35,903	–
Terminated cross currency derivatives recycled from hedging reserve on extinguishment of loan notes	(1,446)	–
Amounts recycled from hedging reserve on termination of interest rate and currency derivatives on extinguishment of banks loans, loan notes and other loan	19,497	–
Termination of Euro interest rate swaps	–	3,046
Total exceptional finance costs	53,954	3,046
	90,983	48,656

9 Taxation

	2013 £000	2012 £000
Current tax:		
UK corporation tax	1,285	1,897
Adjustment in respect of prior years	118	(11,505)
Foreign tax	6,466	488
	7,869	(9,120)
Deferred tax:		
Origination and reversal of timing differences	(6,595)	12,044
Adjustment in respect of prior years	(5,301)	(285)
UK rate adjustment	2	2,880
	(11,894)	14,639
	(4,025)	5,519

Corporation tax is calculated at 23.92% (2012 – 25.83%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in those respective jurisdictions.

9 Taxation continued

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

	2013 £000	%	2012 £000	%
(Loss) profit before taxation	(11,382)		45,987	
Tax at the UK corporation tax rate of 23.92% (2012 – 25.83%)	(2,723)	23.9	11,880	25.8
Tax effect of expenses that are not deductible in determining taxable profit	4,015	(35.3)	4,396	9.6
Tax effect of income not taxable in determining taxable profit	–	–	(652)	(1.4)
Difference in taxation in overseas subsidiary undertakings	(406)	3.6	(1,195)	(2.6)
Reduction in UK tax rate	2	–	2,880	6.3
Adjustment to tax charge in respect of prior years	(4,913)	43.2	(11,790)	(25.6)
Tax (credit) charge and effective tax rate for the year	(4,025)	35.4	5,519	12.0

In addition to the amount charged to the income statement, a net deferred tax amount of £4,183,000 has been charged (2012 – £3,899,000 credited) directly to equity (Note 23).

The underlying tax charge of £10,657,000 (2012 – £17,803,000) excludes exceptional tax credits of £13,783,000 (2012 – £11,216,000) as set out in Note 33, and tax credits on intangible amortisation of £899,000 (2012 – £1,068,000).

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

On 1 April 2013 the UK Corporation tax rate changed from 24% to 23%. Accordingly, the tax disclosures reflect deferred tax measured on the new 23% rate. A further change to the UK Corporation tax rate was announced in the March 2013 budget, to reduce the rate to 21% from 1 April 2014, with a further reduction to 20% from 1 April 2015. These changes are expected to be enacted in July 2013. Any rate changes that have not been substantively enacted at the balance sheet date are not recognised in the accounts of the Group.

10 Dividends

An interim dividend of 1.3p per ordinary share was paid in January 2013 (2012 – £Nil). The Directors propose a final dividend for the year ended 30 April 2013 of 6.0p per ordinary share (2012 – 3.0p) which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2013. No dividends have been paid between 30 April 2013 and the date of signing the Accounts.

11 Earnings per share

	Underlying 2013 £000	Statutory 2013 £000	Underlying 2012 £000	Statutory 2012 £000
Basic and diluted earnings per share				
The calculation of basic and diluted earnings per share is based on the following data:				
Earnings				
Earnings for the purposes of basic and diluted earnings per share, being net profit (loss) attributable to the owners of the Parent Company	38,841	(7,357)	41,928	40,468
	Number	Number	Number	Number
Number of shares				
Weighted average number of Ordinary shares for the purposes of basic earnings per share	133,232,518	133,232,518	133,232,518	133,232,518
Effect of dilutive potential Ordinary shares: – share options	4,223,706	–	3,074,242	3,074,242
Weighted average number of Ordinary shares for the purposes of diluted earnings per share	137,456,224	133,232,518	136,306,760	136,306,760
Basic earnings (loss) per share	29.2p	(5.5)p	31.5p	30.4p
Diluted earnings (loss) per share	28.3p	(5.5)p	30.8p	29.7p

A total of 4,223,706 potential ordinary shares have not been included within the calculation of statutory diluted earnings per share for the year ended 30 April 2013 (2012 – Nil) as they are antidilutive. However, these potential Ordinary shares could dilute earnings per share in the future.

12 Result of the parent company

A profit of £23,887,000 (2012 – loss of £2,957,000) is dealt with in the accounts of the Company. The Directors have taken advantage of the exemption available under s408(3) of the Companies Act 2006 and not presented an income statement for the Company alone.

13 Goodwill

Group	2013 £000	2012 £000
Carrying value:		
At 1 May 2012 and 30 April 2013	3,589	3,589

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

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

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

13 Goodwill continued

The impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 2013 using growth rates of 1% over a 10 year period, including terminal values, using a discount rate of 9.9% for the UK CGU and 11.2% for the Spain CGU. The projected terminal value is calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity.

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

In the prior year, the impairment assessment was based on risk-adjusted cash flow forecasts derived from a two year business plan approved by the Directors in April 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 Spain CGU. The projected terminal value was calculated based on the Gordon Growth Model assuming cash flows are generated into perpetuity. It was concluded that there were no indicators of additional impairment or reversal of impairment previously charged for both the UK CGU and Spain CGU.

The value in use assessment is sensitive to changes in the key assumptions used, most notably the discount rate and growth rates. A sensitivity analysis has been performed on the UK CGU and Spain CGU. Based on this sensitivity analysis, no reasonably possible changes to the assumptions used for the UK CGU resulted in an additional impairment charge being required. The Spain CGU had headroom of £55m at the balance sheet date. An increase in the discount rate of 2.03% would eliminate the headroom in the Spain CGU.

14 Other intangible assets

	Group		Company	
	Customer relationships £000	Other software £000	Total £000	Other software £000
Cost:				
At 1 May 2011	22,680	9,558	32,238	–
Additions	–	1,982	1,982	–
Disposals	–	(408)	(408)	–
Exchange differences	(571)	(122)	(693)	–
At 1 May 2012	22,109	11,010	33,119	–
Additions	–	1,396	1,396	90
Disposals	(7,185)	–	(7,185)	–
Exchange differences	177	45	222	–
At 30 April 2013	15,101	12,451	27,552	90
Amortisation:				
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)	–
At 1 May 2012	15,519	8,009	23,528	–
Charge for the year	1,642	1,947	3,589	13
Disposals	(7,185)	–	(7,185)	–
Exchange differences	161	28	189	–
At 30 April 2013	10,137	9,984	20,121	13
Carrying amount:				
At 30 April 2013	4,964	2,467	7,431	77
At 30 April 2012	6,590	3,001	9,591	–

15 Property, plant and equipment: vehicles for hire

Group	£000
Cost:	
At 1 May 2011	1,153,675
Additions	305,401
Transfer to motor vehicles	(223)
Transfer to inventories	(454,236)
Exchange differences	(40,036)
At 1 May 2012	964,581
Additions	258,961
Transfer from plant, equipment & fittings	1,233
Transfer to motor vehicles	(467)
Transfer to inventories	(322,071)
Exchange differences	14,012
At 30 April 2013	916,249
Depreciation:	
At 1 May 2011	439,633
Charge for the year	188,443
Transfer to motor vehicles	(93)
Transfer to inventories	(271,213)
Exchange differences	(15,292)
At 1 May 2012	341,478
Charge for the year	158,608
Transfer from plant, equipment & fittings	1,173
Transfer to motor vehicles	(91)
Transfer to inventories	(179,434)
Exchange differences	5,354
At 30 April 2013	327,088
Carrying amount:	
At 30 April 2013	589,161
At 30 April 2012	623,103

At 30 April 2013, the Group had entered into contractual commitments for the acquisition of vehicles for hire amounting to £29,935,000 (2012 – £27,784,000).

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

16 Other property, plant and equipment

Group	Land & buildings £000	Plant, equipment & fittings £000	Motor vehicles £000	Total £000
Cost:				
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)
At 1 May 2012	81,735	16,868	2,381	100,984
Additions	3,849	3,946	634	8,429
Transfer (to) from vehicles for hire	–	(1,233)	467	(766)
Exchange differences	1,765	350	–	2,115
Disposals	(1,399)	(1,542)	(1,107)	(4,048)
At 30 April 2013	85,950	18,389	2,375	106,714
Depreciation:				
At 1 May 2011	18,336	13,182	552	32,070
Charge for the year	1,831	1,940	515	4,286
Transfer from vehicles for hire	–	–	93	93
Exchange differences	(818)	(358)	–	(1,176)
Disposals	(2,796)	(5,613)	(332)	(8,741)
At 1 May 2012	16,553	9,151	828	26,532
Charge for the year	1,827	2,372	506	4,705
Transfer (to) from vehicles for hire	–	(1,173)	91	(1,082)
Exchange differences	339	187	–	526
Disposals	(437)	(1,263)	(588)	(2,288)
At 30 April 2013	18,282	9,274	837	28,393
Carrying amount:				
At 30 April 2013	67,668	9,115	1,538	78,321
At 30 April 2012	65,182	7,717	1,553	74,452
			2013 £000	2012 £000
Land and buildings by category:				
Freehold and long leasehold			62,864	59,984
Short leasehold			4,804	5,198
			67,668	65,182

At 30 April 2013, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £81,000 (2012 – £309,000).

16 Other property, plant and equipment continued

Company	Land & buildings £000
Cost:	
At 1 May 2011, 1 May 2012 and 30 April 2013	3,239
Depreciation:	
At 1 May 2011	534
Charge for the year	62
At 1 May 2012	596
Charge for the year	61
At 30 April 2013	657
Carrying amount:	
At 30 April 2013	2,582
At 30 April 2012	2,643

17 Investments

Company	Shares in subsidiary undertakings £000	Loans to subsidiary undertaking £000	Total £000
Cost:			
At 1 May 2011	103,329	47,000	150,329
Capital reduction of subsidiary undertaking	(25,000)	–	(25,000)
At 1 May 2012	78,329	47,000	125,329
Liquidation of subsidiary undertaking	(2)	–	(2)
At 30 April 2013	78,327	47,000	125,327
Accumulated provisions:			
At 1 May 2011, 1 May 2012 and 30 April 2013	2,435	–	2,435
Carrying amount:			
At 30 April 2013	75,892	47,000	122,892
At 30 April 2012	75,894	47,000	122,894

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

At 30 April 2013, the principal subsidiary undertakings of the Group, all of which are wholly owned and are registered in England and Wales unless otherwise stated, were as follows:

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

*interest held indirectly by the Company

18 Inventories

	Group	
	2013 £000	2012 £000
Vehicles held for resale	14,410	17,771
Spare parts and consumables	4,782	4,442
	19,192	22,213

19 Trade and other receivables

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade receivables	68,633	84,930	–	–
Amounts due from subsidiary undertakings	–	–	889,090	880,854
Other taxes	–	–	86	1,827
Other debtors and prepayments	8,784	12,348	98	29
	77,417	97,278	889,274	882,710

		2013	2012
The average credit period given on trade sales is	UK	38 days	42 days
	Spain	64 days	71 days

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

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

20 Trade and other payables

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Trade payables	24,188	23,446	445	34
Amounts due to subsidiary undertakings	–	–	370,066	381,936
Social security and other taxes	4,789	9,655	165	97
Accruals and deferred income	23,615	30,087	4,905	12,278
	52,592	63,188	375,581	394,345

Trade payables comprise amounts outstanding for trade purchases.

		2013	2012
The average credit period taken on trade purchases is	UK	36 days	48 days
	Spain	59 days	78 days

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

21 Borrowings

Except as detailed in Note 37, the Directors consider that the carrying amounts of the Group's borrowings approximate to their fair value.

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
Bank loans and overdrafts	375,549	129,282	370,313	113,673
Loan notes	–	161,002	–	161,002
Other loan	–	97,752	–	97,752
Cumulative Preference shares	500	500	500	500
Property loans	223	862	–	–
Confirming facilities	1,413	5,647	–	–
	377,685	395,045	370,813	372,927

The borrowings are repayable as follows:

	Group		Company	
	2013 £000	2012 £000	2013 £000	2012 £000
On demand or within one year (shown within current liabilities)				
Bank loans and overdrafts	5,678	83,312	442	67,703
Loan notes	–	45,951	–	45,951
Property loans	223	648	–	–
Confirming facilities	1,413	5,647	–	–
	7,314	135,558	442	113,654
In the second year				
Loan notes	–	42,717	–	42,717
Property loans	–	214	–	–
	–	42,931	–	42,717
In the third to fifth years				
Bank loans	369,871	45,970	369,871	45,970
Loan notes	–	72,334	–	72,334
	369,871	118,304	369,871	118,304
Due after more than five years				
Other loan	–	97,752	–	97,752
Cumulative Preference shares	500	500	500	500
	500	98,252	500	98,252
Total borrowings	377,685	395,045	370,813	372,927
Less: Amount due for settlement within one year (shown within current liabilities)	7,314	135,558	442	113,654
Amount due for settlement after one year	370,371	259,487	370,371	259,273

The UK syndicated bank loans, totalling £369,871,000 at 30 April 2013, would become repayable in full in the event of a change in control of the Group.

21 Borrowings continued

Bank loans

Bank loans and overdrafts are secured and bear interest at rates of 2.38% to 2.85% (2012 – 1.50% to 2.75%) above the relevant interest rate index, being LIBOR for Sterling denominated debt and EURIBOR for Euro denominated debt.

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 repaid the remaining loan notes in full in advance of their maturity date with total repayments in the year amounting to \$249,837,000 and £15,631,000 respectively (2012 – \$7,070,000 and £Nil). In accordance with the terms of the US Notes, on early repayment make-whole amounting to \$20,573,000 and £2,231,000 was paid. Unamortised finance fees which remained at the date of early repayment were recognised as finance costs in the income statement in the year with total costs recognised in the year of £8,315,000 (2012 – £3,054,000). The comparative information at 30 April 2012 was as follows:

Value of loan notes	Weighted average fixed interest rate on the US Notes	Overall weighted average fixed interest rate	Carrying value £000
\$37,201,000 5 year loan notes	7.72%	8.19%	22,867
\$86,620,000 7 year loan notes	7.86%	9.02%	53,245
\$89,318,000 10 year loan notes	7.99%	8.91%	54,904
£15,631,000 10 year loan notes	7.89%	7.89%	15,631
\$36,698,000 10 year loan notes	7.99%	8.89%	22,558
Unamortised finance fees relating to the US Dollar denominated loan Notes			(7,202)
Unamortised finance fees relating to the Sterling denominated loan Notes			(1,001)
			161,002

Other loan

The other loan was repaid in full in April 2013 six years prior to maturity in the amount of £100,000,000. Unamortised finance fees remaining at the date of early repayment were recognised in finance costs within the income statement in the year with total costs recognised in the year of £2,248,000 (2012 – £250,000).

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 (2012 – 1,300,000), of which 1,000,000 (2012 – 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 (2012 – one year). At 30 April 2013, the average borrowing rate for property loans was 2.0% (2012 – 2.8%). All loans are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Confirming facilities

Spanish confirming facilities of £1,413,000 (2012 – £5,647,000) 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.

21 Borrowings continued

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:

	2013 £000	2012 £000
Less than one year	7,262	3,946
In one year to five years	58,197	261,998
	65,459	265,944

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 2012 £000	Cash flow £000	Other non-cash changes £000	Foreign exchange movements £000	At 30 April 2013 £000
Cash at bank and in hand	(9,707)	(5,231)	–	(24)	(14,962)
Bank loans	129,282	229,643	10,891	5,733	375,549
Loan notes	161,002	(169,273)	8,203	68	–
Other loan	97,752	(100,000)	2,248	–	–
Cumulative Preference shares	500	–	–	–	500
Property loans and other borrowings	6,509	(639)	(4,234)	–	1,636
	385,338	(45,500)	17,108	5,777	362,723

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 2013, the gearing of the Group amounted to 102.0% (2012 – 109.2%) where net borrowings are £362,723,000 (2012 – £385,338,000) and shareholders' funds less goodwill and the net book value of intangible assets are £355,632,000 (2012 – £352,956,000).

Financial instruments (see also Note 37)

Financial assets

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

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

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

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

Treasury policies and the management of risk

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

21 Borrowings continued

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group Treasury does not engage in speculative activity and it is policy to avoid using more complex financial instruments. Further details regarding derivative financial instruments are shown in Note 22.

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit rating agencies. Deals are authorised only with banks with which dealing mandates have been agreed and which maintain an A rating. Individual aggregate credit exposures are limited accordingly.

Financing and interest rate risk

The Group's policy is to finance operating subsidiary undertakings by a combination of retained earnings, and medium term bank loans.

Cash at bank and on deposit yield interest based principally on interest rate indices applicable to periods of less than three months, those indices being LIBOR for Sterling denominated cash and EURIBOR for Euro denominated cash. The Group's exposure to interest rate fluctuations on its borrowings and deposits is managed through the use of interest rate derivatives as detailed in Note 22. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix or cap a substantial element of the interest cost on outstanding debt. The Group's borrowing facilities were restructured on 29 April 2013 on which date all existing interest rate and cross-currency swaps were cancelled. At 30 April 2013 0.5% (2012 – 96%) of gross borrowings were at fixed rates of interest comprising £500,000 of preference shares and £1,413,000 of confirming facilities. New interest rate swaps were entered into on 2 May 2013. On that date 61% of gross borrowings were at fixed rates of interest, comprising £55,000,000 and €206,500,000 of interest rate swaps, £500,000 of preference shares and £1,413,000 of confirming facilities (30 April 2012 – £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), as detailed in Note 22.

Foreign currency exchange risk

The Group maintains borrowings in the same currency as its cash requirements, with the exception of borrowings maintained in Euro as net investment hedges against its Euro denominated investments (Note 22) and with the exception of US Dollar denominated loan notes, as explained above.

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

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

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

21 Borrowings continued

There are no cross-currency swaps in place at 30 April 2013. 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
At 30 April 2013			
Cash at bank and in hand	(11,616)	(3,346)	(14,962)
Bank loans	136,000	239,549	375,549
Cumulative Preference shares	500	–	500
Property loans	–	223	223
Confirming facilities	–	1,413	1,413
	124,884	237,839	362,723

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

At 30 April 2012, the gearing of the Group reflecting the above fixed swapped exchange rates amounted to 105.2% where net borrowings were £371,301,000 and shareholders' funds less goodwill and the net book value of intangible assets were £352,956,000.

22 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	
	2013 £000	2012 £000	2013 £000	2012 £000
Interest rate derivatives	–	(16,314)	–	(16,314)
Cross-currency derivatives	–	10,566	(1,517)	9,981
	–	(5,748)	(1,517)	(6,333)
They are represented in the balance sheet as follows:				
Non-current derivative financial instrument assets	–	11,249	–	11,249
Current derivative financial instrument liabilities	–	(1,046)	(1,517)	(1,631)
Non-current derivative financial instrument liabilities	–	(15,951)	–	(15,951)
	–	(5,748)	(1,517)	(6,333)

22 Derivative financial instruments continued**Interest rate derivatives**

The Group's exposure to interest fluctuations on its borrowings is managed through the use of interest rate derivatives. These derivatives are also used to manage the Group's desired mix of fixed and floating rate debt. The policy is to fix a substantial element of the interest cost on outstanding debt. The Group's borrowing facilities were restructured on 29 April 2013 on which date all existing interest rate and cross-currency swaps were cancelled. New interest rate swaps were entered into on 2 May 2013. The Group was therefore not party to any interest rate derivatives at 30 April 2013. The interest rate derivatives to which the Group was party as at 30 April 2012 are summarised below:

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

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

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

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

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

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

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

During the prior 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. 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.

Subsequent to completing the Group's refinancing of its borrowing facilities, on 2 May 2013, £55,000,000 and €206,500,000 of interest rate swaps with a weighted average fixed contract pay rate of 0.68% and 0.48% respectively, all of which had a maturity of 3.6 years, commenced.

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 £12,000 (2012 – £28,000) has been credited to the income statement (Note 8).

The total change in fair values of interest rate derivatives credited to the income statement of £445,000 (2012 – £453,000) is shown within finance costs (Note 8).

22 Derivative financial instruments continued

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:

	2013 £000	2012 £000
Sterling/US Dollar cross-currency swaps	–	2,702
Euro/Sterling cross-currency swaps	–	7,864
	–	10,566

Sterling/US Dollar cross-currency swaps

In April 2013 the Group made early repayment of all outstanding US Dollar denominated loan notes with a capital value of \$178,502,000 with total repayments in the year of \$249,837,000 (2012 – closing capital value of \$249,837,000 with repayments in the year of \$7,070,000).

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

The Group had interest cash outflows in Sterling and interest cash inflows in US Dollars over the life of the contracts. On the termination date of each of the contracts, the Group paid a principal amount in Sterling and received a principal amount in US Dollars. The weighted average interest rate that the Group paid in Sterling in the year was 8.86% (2012 – 8.86%).

All the Group's Sterling/US Dollar cross-currency swaps entered into in September 2009 were designated and were highly effective as cash flow hedges and their fair value to the point of either maturity or termination, along with changes in fair value in the current year, were deferred in equity. To the extent that the cross-currency swaps were not 100% effective, a net amount of £368,000 has been charged (2012 – £459,000) to the income statement (Note 8).

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

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

In the prior year, the following transactions occurred:

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 was taken to the income statement.

Euro/Sterling cross-currency swaps

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

In April 2013 the Group cancelled all remaining Euro/Sterling cross-currency swaps with a total notional value of €114,157,000 (2012 – €141,780,000). The Group had interest cash inflows in Sterling and interest cash outflows in Euro over the life of the contract. On termination date of the contract, the Group paid a principal amount in Euro and received a principal amount in Sterling. The interest rate that the Group paid in Euro during the year was 8.18% (2012 – 8.18%).

In the prior year the following transactions occurred:

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.

22 Derivative financial instruments continued

	Sterling/ US Dollar £000	Euro/ Sterling £000
Gross movement in fair values initially deferred in hedging reserve:		
At 30 April 2012	36,724	(941)
Movement in fair value of hedged instruments	(2,059)	(2,213)
At 30 April 2013	34,665	(3,154)
Cumulative amounts recycled to the income statement:		
At 30 April 2012	(36,712)	12
Movement for the year	263	(8)
At 30 April 2013	(36,449)	4
Cumulative amounts recycled to the currency translation reserve:		
At 30 April 2012	–	(1,213)
Movement for the year	–	3,519
At 30 April 2013	–	2,306
Cumulative amounts recycled to retained earnings		
At 30 April 2012	–	–
Movement for the year	1,784	–
At 30 April 2013	1,784	–
Net fair value deferred in hedging reserve:		
At 30 April 2013	–	(844)
At 30 April 2012	12	(2,142)

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 £68,000 (2012 – £3,887,000). 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 29).

Net investment hedges

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiary undertakings whose functional currency is in Euro by maintaining a proportion of its borrowings in the same currency. In addition, the Group 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 cross-currency swaps

At 30 April 2013, the Company held Sterling/Euro cross-currency swaps with a subsidiary undertaking which had a fair value of £(1,517,000) (2012 – £(585,000)) and weighted average remaining life of one year (2012 – one year) with a weighted average Euro interest receivable rate of 1.20% (2012 – 2.02%) and weighted average GBP interest payable rate of 1.53% (2012 – 2.50%).

23 Deferred tax

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

Group	Accelerated capital allowances £000	Revaluation of buildings £000	Share based payment £000	Intangible assets £000	Losses £000	Other timing differences £000	Total £000
At 1 May 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
At 1 May 2012	35,880	1,469	(1,037)	1,693	(24,649)	(7,690)	5,666
(Credit) charge to income	(12,558)	(56)	129	(430)	4,862	1,458	(6,595)
Charge to equity	–	–	–	–	–	4,175	4,175
Exchange differences	815	13	–	6	(799)	(74)	(39)
Adjustment to UK tax rate charged (credited) to income	35	(45)	38	(49)	–	23	2
Adjustment to UK tax rate charged to equity	–	–	–	–	–	8	8
Adjustments in respect of prior years	(4,662)	–	–	–	–	(639)	(5,301)
At 30 April 2013	19,510	1,381	(870)	1,220	(20,586)	(2,739)	(2,084)

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 2013

Deferred tax assets	(4,688)
Deferred tax liabilities	2,604
Net deferred tax assets	(2,084)
At 30 April 2012	
Deferred tax assets	(1,691)
Deferred tax liabilities	7,357
Net deferred tax liabilities	5,666

In the current year, the net charge to equity of £4,183,000 (2012 – £3,894,000 credit), in respect of other timing differences included £4,301,000 (2012 – £3,834,000 credit) relating to derivative financial instruments which has been reflected in the hedging reserve (Note 29).

There are no deferred tax assets which are not recognised in the balance sheet. Deferred tax assets of £20,586,000 (2012 – £24,649,000) 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 £2,739,000 (2012 – £7,690,000) 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.

23 Deferred tax continued

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

Company	Share based payment £000	Other timing differences £000	Total £000
At 1 May 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
At 1 May 2012	(1,037)	(4,161)	(5,198)
Charge to income	129	47	176
Charge to equity	–	3,984	3,984
Change in UK tax rate charged to income	38	3	41
At 30 April 2013	(870)	(127)	(997)

24 Share capital

Group and Company	2013 £000	2012 £000
Allotted and fully paid:		
133,232,518 (2012 – 133,232,518) Ordinary shares of 50p each	66,616	66,616

25 Share premium account

Group and Company	2013 £000	2012 £000
At 1 May 2011, 1 May 2012 and 30 April 2013	113,508	113,508

26 Revaluation reserve

	Group £000	Company £000
At 1 May 2011	1,363	1,371
Transfer to retained earnings on disposal of revalued property	(54)	–
Foreign exchange differences	(120)	–
At 1 May 2012	1,189	1,371
Foreign exchange differences	46	–
At 30 April 2013	1,235	1,371

27 Own shares reserve

	Group £000	Company £000
At 1 May 2011	(1,630)	–
Purchase of own shares	(293)	–
Transfer of shares on vesting of share options	1,238	–
At 1 May 2012	(685)	–
Purchase of own shares	(1,988)	–
Transfer of shares on vesting of share options	2,370	–
At 30 April 2013	(303)	–

27 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 36). At 30 April 2013 the Guernsey Trust held 98,037 (2012 – 265,868) 50p Ordinary shares and the Capita Trust held 22,891 (2012 – 23,715) 50p Ordinary shares. The total number of shares held by these employee trusts represents 0.1% of the allotted and fully paid share capital of the Group.

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

28 Merger reserve

	Group £000	Company £000
At 1 May 2011, 1 May 2012 and 30 April 2013	67,463	63,159

29 Hedging reserve

	Group £000	Company £000
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	(605)	(598)
Transfer to income statement	(4,515)	(4,515)
Transfer to translation reserve (Note 30)	(10,876)	–
At 1 May 2012	(14,247)	(12,617)
Movement in fair value of hedged interest rate derivatives	(3,236)	(3,236)
Movement in fair value of hedged foreign currency derivatives	(4,272)	(2,059)
Deferred tax on fair value of interest rate and foreign currency derivatives	(4,301)	(3,984)
Amortisation of terminated foreign currency derivatives	(610)	(602)
Transfer to income statement	20,714	20,714
Transfer to retained earnings (Note 32)	1,784	1,784
Transfer to translation reserve (Note 30)	3,519	–
At 30 April 2013	(649)	–

The hedging reserve represents the cumulative amounts of changes in fair values of hedged interest rate and foreign currency derivatives that are deferred in equity, as explained in Note 2 and Note 22, less amounts transferred to the income statement and other components of equity.

30 Translation reserve

	Group £000	Company £000
At 1 May 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 29)	10,876	–
At 1 May 2012	(7,963)	–
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	6,725	–
Net foreign exchange differences on long term borrowings held as hedges	(613)	–
Foreign exchange element of fair value movement of hedged derivatives transferred from hedging reserve (Note 29)	(3,519)	–
At 30 April 2013	(5,370)	–

30 Translation reserve continued

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

The management of the Group's foreign exchange translation risks is detailed in Note 22.

31 Capital redemption reserve

	Group £000	Company £000
At 1 May 2011, 1 May 2012 and 30 April 2013	40	40

32 Retained earnings

	Group £000	Company £000
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	–
At 1 May 2012	140,215	8,727
(Loss) profit for the year	(7,357)	23,887
Dividends paid	(5,719)	(5,719)
Share options exercised	(2,370)	–
Share options fair value charge	1,502	1,502
Defined benefit pension charge recognised directly in equity	(490)	–
Net deferred tax credit recognised directly in equity	115	–
Transfer from hedging reserve	(1,784)	(1,784)
At 30 April 2013	124,112	26,613

33 Exceptional items

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

	2013 £000	2012 £000
Restructuring costs	2,892	7,034
Partial recovery of acquisition cost of subsidiary undertaking	–	(775)
Net property losses	445	443
Exceptional administrative expenses	3,337	6,702
Costs associated with April 2013 refinancing (Note 8)	53,954	–
Termination of Euro interest rate swaps	–	3,046
Exceptional finance costs	53,954	3,046
Total pre-tax exceptional items	57,291	9,748
Tax credit on exceptional items	(13,783)	(2,591)
Exceptional tax credit relating to prior year items (Note 9)	–	(11,505)
Exceptional tax charge to recognise change in UK tax rate (Note 9)	–	2,880
Exceptional tax credit	(13,783)	(11,216)

Restructuring costs

During the year, the Group incurred total exceptional restructuring costs of £2,892,000 (2012 – £7,034,000), of which £2,075,000 (2012 – £5,562,000) arose in the United Kingdom and £817,000 (2012 – £1,472,000) in Spain.

Partial recovery of acquisition cost of subsidiary undertaking

During the prior year, the Group received an exceptional credit of £775,000 relating to the partial recovery of the cost of a previous acquisition.

Net property losses

Net property losses were £445,000 (2012 – £443,000), of which £24,000 profit (2012 – £191,000 loss) arose in the United Kingdom and £469,000 (2012 – £252,000) arose in Spain.

Costs associated with April 2013 refinancing

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

Termination of Euro interest rate swaps

During the prior year, €59,000,000 interest rate swaps were closed out at a cash cost of £3,046,000. 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 was expensed in the prior year income statement.

34 Operating lease arrangements

As lessee

Group	2013 £000	2012 £000
Minimum lease payments under operating leases recognised in the income statement for the year	5,193	5,224

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Group	2013 £000	2012 £000
Within one year	4,581	4,367
In the second to fifth years inclusive	13,549	11,683
After five years	20,163	17,145
	38,293	33,195

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

Leases are negotiated for an average term of 13 years (2012 – 13 years) and rentals are fixed for an average term of seven years (2012 – seven years).

As lessor

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

35 Share based payments

The Group's and Company's various share incentive plans are explained in the Remuneration Report on pages 33 to 39.

The Group and Company recognised total expenses of £1,502,000 (2012 – £2,063,000) related to equity-settled share-based payment transactions in the year.

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

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

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

In August 2012 Free Share awards were granted to all eligible employees of the UK business who had completed one year's service and have a vesting period of three years.

35 Share based payments continued

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

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

	DABP 2013	MPSP 2013	EPSP 2013	AESS 2013	Free Shares 2013
Weighted average remaining contractual life at the end of the year	3.0 years	3.4 years	3.2 years	1.8 years	2.3 years
Weighted average share price at the date of exercise of options in the year	£2.57	£2.48	–	£3.29	£2.80
Date options granted/allocated in the year	July 2012	August 2012	August 2012	January 2013	August 2012
Aggregate estimated fair value of options at the date of grant	£242,000	£1,050,000	£628,000	£410,000	£506,000

The inputs into the Black-Scholes model were as follows:

Weighted average share price	£2.07	£2.10	£2.10	£3.31	£2.02
Weighted average exercise price	£Nil	£Nil	£Nil	£Nil	£Nil
Expected volatility	83.2%	69.4%	69.4%	62.1%	74.7%
Expected life	3 years	3 years	3 years	5 years	3 years
Risk free rate	0.8%	0.7%	0.7%	0.9%	0.6%
Expected dividends	3.0%	3.2%	3.2%	3.1%	3.1%

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

35 Share based payments continued

Details regarding the plans in the year ended 30 April 2012 are outlined below.

	DABP Number of share options 2012	MPSP Number of share options 2012	EPSP Number of share options 2012	AESS Number of matching shares 2012
At 1 May 2011	520,119	1,285,859	482,858	625,949
Granted/allocated during the year	260,080	362,372	251,600	167,499
Exercised during the year	(153,344)	(87,786)	–	(255,999)
Forfeited/lapsed during the year	(34,016)	(239,903)	(49,313)	(61,733)
At 30 April 2012	592,839	1,320,542	685,145	475,716
Exercisable at the end of the year	74,591	64,814	130,952	–

	DABP 2012	MPSP 2012	EPSP 2012	AESS 2012
Weighted average remaining contractual life at the end of the year	3.5 years	1.2 years	0.7 years	1.6 years
Weighted average share price at the date of exercise of options in the year	£3.24	£2.58	–	£2.09
Date options granted/allocated in the year	August 2011	July 2011	July 2011	January 2012
Aggregate estimated fair value of options at the date of grant	£652,000	£925,000	£643,000	£297,000

The inputs into the Black-Scholes model were as follows:

Weighted average share price	£2.70	£2.76	£2.76	£2.09
Weighted average exercise price	£Nil	£Nil	£Nil	£Nil
Expected volatility	133.2%	133.3%	133.3%	117.7%
Expected life	3 years	3 years	3 years	5 years
Risk free rate	1.5%	1.9%	1.9%	1.0%
Expected dividends	2.5%	2.5%	2.5%	3.2%

In the prior year, 12,323 options with a weighted average exercise price of £19.39 were forfeited in relation to the Northgate Share Option Scheme. No share options were granted or exercised in relation to this scheme and no options remained at 30 April 2012.

In the prior year, 3,809 options with a weighted average exercise price of £9.53 lapsed in relation to the Executive Incentive Scheme. No share options were granted or exercised in relation to this scheme and no options remained at 30 April 2012.

36 Retirement benefit schemes

During the year the Group operated two group personal pension plans and The Willhire Pension Scheme ('the Scheme') or ('Scheme'), which includes both defined benefit and defined contribution sections. The total operating pension cost to the Group of all these arrangements was £1,246,000 (2012 – £1,407,000) 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.

36 Retirement benefit schemes continued

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.

	2013 Valuation % pa	2012 Valuation % pa
Discount rate	4.3	4.6
Inflation rate – RPI	3.3	3.1
Inflation rate – CPI	2.6	2.4
Salary increases	n/a	n/a
Future pension increases	2.6	2.4
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:

	2013 £000	2012 £000
Interest cost	201	231
Expected return on plan assets	(106)	(165)
Total pension charge	95	66

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 £9,000 (2012 – £133,000).

The actual return on the scheme assets was a gain of £591,000 (2012 – £280,000). 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:

	2013 £000	2012 £000
Present value of defined benefit obligations	(4,901)	(4,402)
Fair value of Scheme assets	5,515	4,477
Surplus in the Scheme	614	75
Amounts not recognised	(614)	–
Asset recognised in the balance sheet	–	75

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

The net movements in the surplus (deficit) were as follows:

	2013 £000	2012 £000
At 1 May	75	(142)
Pension charge recognised in the income statement	(95)	(66)
Actuarial gains (losses)	124	(227)
Contributions	510	510
At 30 April	614	75

36 Retirement benefit schemes continued

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

	2013 £000	2012 £000
At 1 May	4,402	4,832
Interest cost	201	231
Actuarial losses	361	342
Benefits paid	(63)	(1,003)
At 30 April	4,901	4,402

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

	2013 £000	2012 £000
At 1 May	4,477	4,690
Expected return on Scheme assets	106	165
Contributions	510	510
Benefits paid	(63)	(1,003)
Actuarial gains	485	115
At 30 April	5,515	4,477

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:

	2013 Expected return %	2013 Fair value of assets £000	2012 Expected return %	2012 Fair value of assets £000
Equity instruments	—	—	3.9	813
Debt instruments	1.9	5,461	1.9	3,530
Other	1.9	54	1.9	134
		5,515		4,477

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 ending 30 April 2014 is £510,000.

36 Retirement benefit schemes continued

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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Funded status:					
Present value of defined benefit obligation	(4,901)	(4,402)	(4,832)	(4,501)	(3,659)
Fair value of Scheme assets	5,515	4,477	4,690	3,962	3,194
Surplus (deficit) in the Scheme	614	75	(142)	(539)	(465)
Experience adjustments on Scheme obligations:					
Amount	6	(75)	35	65	(59)
Percentage of Scheme obligations (%)	0.1%	(1.7)%	0.7%	1.4%	(1.6)%
Experience adjustments on Scheme assets:					
Amount	485	115	64	539	(609)
Percentage of Scheme assets (%)	8.8%	2.6%	1.4%	13.6%	(19.1)%

37 Financial instruments

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

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings as disclosed in Notes 24 to 32.

Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters as discussed in Notes 21 and 22.

Foreign currency sensitivity analysis

During the year, the Group has been exposed to movements in the exchange rate between Euro and Sterling and US Dollars and Sterling, where Sterling is the functional currency of the Group. As explained in more detail below and in Note 22, identical key terms between US Dollar denominated loan note liabilities and Sterling/US Dollar cross-currency derivatives meant 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 (2012 – €0.10) increase and decrease in the Euro/Sterling exchange rate.

37 Financial instruments continued

A €0.10 (2012 – €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 (2012 – €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
2013			
Total equity	366,652	362,338	371,763
	As stated in annual report £000	As would be stated if €0.10 increase £000	As would be stated if €0.10 decrease £000
2012			
Total equity	366,136	363,577	369,146

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

Sterling/US Dollar cross-currency derivatives

As explained in Note 22, until the refinancing of the Group in April 2013, the Group had 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 was 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 was transferred to the income statement and was 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 22. 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 contracts. Hedging activities are reviewed regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rates for floating rate liabilities and related derivatives. For the floating rate liabilities, the analysis is prepared on the basis of both the average liability outstanding over the period and average rate applicable for the period. In all instances it is assumed that any derivatives designated in hedging relationships are 100% effective.

37 Financial instruments continued

A 1.0% (2012 – 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
2013			
Loss before taxation	(11,382)	(11,800)	(10,965)
Total equity	366,652	366,335	366,970
	As stated in annual report £000	As would be stated if 1.0% increase £000	As would be stated if 1.0% decrease £000
2012			
Profit before taxation	45,987	45,022	46,952
Total equity	366,136	365,421	366,850

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	
	2013 %	2012 %	2013 £000	2012 £000	2013 £000	2012 £000
Outstanding receive floating pay fixed contracts						
Sterling						
In less than one year	–	2.44%	–	25,000	–	(152)
After five years	–	3.62%	–	100,000	–	(12,251)
Euro						
In less than one year	–	2.35%	–	152,832	–	(894)
In the third to fifth years inclusive	–	3.12%	–	76,416	–	(3,036)
Outstanding pay floating receive fixed contracts						
Sterling						
In less than one year	–	1.13%	–	25,000	–	19

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 21 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

37 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.

	Weighted average effective interest rate	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
2013						
Non-interest bearing	0.00%	25,601	—	—	—	25,601
Fixed interest rate instruments	5.00%	25	25	75	500	625
Variable interest rate instruments	2.67%	15,877	9,868	389,093	—	414,838
		41,503	9,893	389,168	500	414,064
	Weighted average effective interest rate	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
2012						
Non-interest bearing	0.00%	29,093	—	—	—	29,093
Fixed interest rate instruments	7.89%	58,102	52,947	94,894	500	206,443
Variable interest rate instruments	4.46%	93,106	8,022	73,714	106,140	280,982
		180,301	60,969	168,608	106,640	516,518

At the balance sheet date, there are no derivative financial instruments in existence. The following table details the Group's liquidity analysis for its derivative financial instruments at 30 April 2012. It includes both liabilities and assets to illustrate how the cashflows are matched in each period.

	<1 year £000	2nd year £000	3-5 years £000	>5 years £000	Total £000
2012					
Liabilities					
Net settled:					
Interest rate swaps	4,472	4,110	8,436	8,242	25,260
Gross settled:					
Cross-currency derivatives	64,592	59,047	81,860	—	205,499
	69,064	63,157	90,296	8,242	230,759
Assets					
Gross settled:					
Cross-currency derivatives	62,396	59,818	82,251	—	204,465
	62,396	59,818	82,251	—	204,465

Fair value of financial instruments

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

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

All the financial instruments below are categorised as Level 2.

37 Financial instruments continued

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	
	2013 £000	2012 £000	2013 £000	2012 £000
Financial liabilities				
Loan notes	–	161,002	–	173,316

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.

	2013 £000	2012 £000
Trade receivables		
Trade receivables (maximum exposure to credit risk)	85,457	105,308
Allowance for doubtful receivables	(16,824)	(20,378)
	68,633	84,930
Ageing of trade receivables not impaired		
Not overdue	61,545	63,363
Past due not more than two months	5,023	17,789
Past due more than two months but not more than four months	517	2,361
Past due more than four months but not more than six months	1,548	1,417
	68,633	84,930

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 £685,000 (2012 – £1,688,000) 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 £7,088,000 (2012 – £21,567,000) 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.

	2013 £000	2012 £000
Movement in the allowance for doubtful receivables		
At 1 May	20,378	22,210
Impairment losses recognised	5,894	9,364
Amounts written off as uncollectible	(5,615)	(5,319)
Impaired losses reversed	(4,350)	(4,403)
Exchange differences	517	(1,474)
At 30 April	16,824	20,378

37 Financial instruments continued

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 £164,000 (2012 – £260,000).

	2013 £000	2012 £000
Ageing of impaired trade receivables		
Not overdue	481	1,605
Past due not more than two months	419	862
Past due more than two months but not more than four months	3,078	4,926
Past due more than four months but not more than six months	736	733
Past due more than six months but not more than one year	12,110	12,252
	16,824	20,378

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

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

38 Related party transactions**Transactions with subsidiary undertakings**

Transactions between the Company and its subsidiary undertakings, which are related parties, are £7,394,000 (2012 – £5,868,000) net interest payable.

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

Remuneration of key management personnel

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

During the year, consultancy fees of £55,000 (2012 – £111,000) were paid by Northgate España Renting Flexible S.A to JG Astrand. The details of the consultancy are set out in the Corporate Governance report on pages 42 to 44.

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 33 to 39. The fair value charged to the income statement in respect of equity-settled share-based payment transactions with the Directors is £299,000 (2012 – £418,000). 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

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Revenue: hire of vehicles	441,944	503,659	537,285	563,698	609,645
Operating profit (loss)	79,478	94,478	82,575	71,109	(117,531)
Net finance costs	(90,860)	(48,491)	(56,035)	(61,494)	(78,083)
(Loss) profit before taxation	(11,382)	45,987	26,540	9,615	(195,614)
Taxation	4,025	(5,519)	2,853	14,741	9,912
(Loss) profit for the year	(7,357)	40,468	29,393	24,356	(185,702)
Basic (loss) earnings per Ordinary share	(5.5)p	30.4p	22.1p	23.1p	(572.6)p
Dividends	5,719	–	–	–	19,359
Dividends per Ordinary share	4.3p	–	–	–	25.0p

Balance sheet

	2013 £000	2012 £000	2011 £000	2010 £000	2009 £000
Assets employed					
Non-current assets	683,190	723,675	819,082	885,124	983,173
Net current assets (liabilities)	56,437	(74,744)	145,170	(6,024)	172,373
Non-current liabilities	(372,975)	(282,795)	(624,493)	(573,994)	(972,787)
	366,652	366,136	339,759	305,106	182,759
Financed by					
Share capital	66,616	66,616	66,616	66,475	3,527
Share premium account	113,508	113,508	113,508	113,269	67,972
Reserves	186,528	186,012	159,635	125,362	111,260
	366,652	366,136	339,759	305,106	182,759
Net asset value per Ordinary share	275p	275p	255p	229p	563p

Notice of Annual General Meeting

Notice is hereby given that the one hundred and fifteenth Annual General Meeting of Northgate plc ('the Company') will be held at 60 Great Portland Street, London W1W 7RT at 11.30 a.m. on 19 September 2013 for the purpose of considering and, if thought fit, passing the following resolutions of which resolutions 1 to 13 will be proposed as ordinary resolutions and resolutions 14, 15 and 16 will be proposed as special resolutions:

1. To receive the Directors' report and audited accounts of the Company for the year ended 30 April 2013.
2. To declare a final dividend of 6p per Ordinary share.
3. To receive and approve the Remuneration Report for the financial year ended 30 April 2013 set out on pages 33 to 39 of the 2013 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. To re-elect Miss G Caseberry as a director.
13. That the Board be and it is hereby generally and unconditionally authorised pursuant to s551 of the Companies Act 2006 ('the Act') to exercise all powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £22,000,000 provided that this authority shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after such expiry and the Board may allot shares or grant rights to subscribe for or convert securities into shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.
14. That subject to the passing of Resolution 13 the Board be and it is hereby empowered pursuant to s570 of the Companies Act 2006 to allot equity securities (within the meaning of s560 of the Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of s561 of the Act did not apply to any such allotment provided that this power shall be limited:
 - a. to the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them; and
 - b. to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal value of £3,330,000 and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.
15. That a general meeting, other than an annual general meeting, may be called on not less than 14 clear days' notice.
16. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of s693(4) of the Companies Act 2006) of Ordinary shares of 50p each of the Company on such terms and in such manner as the Directors may from time to time determine, provided that:
 - a. the maximum number of Ordinary shares hereby authorised to be acquired is 13,300,000 representing approximately 10% of the issued Ordinary share capital of the Company as at 24 June 2013;
 - 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 354,865 shares representing approximately 0.27% of the issued Ordinary share capital of the Company.

24 June 2013

By Order of the Board

D Henderson

Secretary

Registered office:
Norflex House
Allington Way
Darlington, DL1 4DY

NOTES

1. A member entitled to attend and vote at the Annual General Meeting ('the Meeting') may appoint another person(s) (who need not be a member of the Company) to exercise all or any of his rights to attend, speak and vote at the Meeting. A member can appoint more than one proxy in relation to the Meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by him.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Your proxy could be the Chairman, another director of the Company or another person who has agreed to attend to represent you. Your proxy must vote as you instruct and must attend the Meeting for your vote to be counted. Appointing a proxy does not preclude you from attending the Meeting and voting in person.
3. A proxy form which may be used to make this appointment and give proxy instructions accompanies this notice. Details of how to appoint a proxy are set out in the notes to the proxy form. As an alternative to completing a hard copy proxy form, proxies may be appointed by using the electronic proxy appointment service in accordance with the procedures set out in Note 6 below. CREST members may appoint proxies using the CREST electronic proxy appointment service (see Note 7 below). In each case the appointment must be received by the Company not less than 48 hours before the time of the Meeting.
4. A copy of this notice has been sent for information only to persons who have been nominated by a member to enjoy information rights under section 146 of the Act ('a Nominated Person'). The rights to appoint a proxy cannot be exercised by a Nominated Person: they can only be exercised by the member. However, a Nominated Person may have a right under an agreement between him and the member by whom he was nominated to be appointed as a proxy for the Meeting or to have someone else so appointed. If a Nominated Person does not have such a right or does not wish to exercise it, he may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.
5. To be entitled to attend and vote, whether in person or by proxy, at the Meeting, members must be registered in the register of members of the Company 48 hours before the time of the Meeting (or, if the Meeting is adjourned, 48 hours before the adjourned meeting). Changes to entries on the register after this time shall be disregarded in determining the rights of persons to attend or vote (and the number of votes they may cast) at the Meeting or adjourned meeting.
6. Shareholders wishing to appoint a proxy online should visit www.capitashareportal.com and follow the instructions on screen. If you have not already registered with The Share Portal you will need to identify yourself with your personal Investor Code (see Attendance Card). To be valid your proxy appointment(s) and instructions should reach Capita Registrars no later than 48 hours before the time set for the Meeting.
7. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website (www.euroclear.com/CREST). CREST Personal Members or other CREST sponsored members and those members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message ('a CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
8. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the Meeting. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
9. Members satisfying the thresholds in section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the Meeting. The Company cannot require the members requesting the publication to pay its expenses. Any statement placed on the website must also be sent to the Company's auditor no later than the time it makes its statement available on the website. The business which may be dealt with at the Meeting includes any statement that the Company has been required to publish on its website.
10. The Company must cause to be answered at the Meeting any question relating to the business being dealt with at the Meeting which is put by a member attending the Meeting, except in certain circumstances, including if it would interfere unduly with the preparation for the Meeting or if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered or if to do so would involve the disclosure of confidential information.
11. As at 24 June 2013 (being the latest practicable date prior to the publication of this notice), the Company's issued share capital consists of 133,232,518 Ordinary shares of 50 pence each, carrying one vote each and 1,000,000 preference shares of 50 pence each, which do not carry any rights to vote on the above resolutions. Therefore the total voting rights in the Company are 133,232,518.
12. The contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting, the total voting rights that members are entitled to exercise at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website: www.northgateplc.com.
13. You may not use any electronic address provided in this notice of meeting to communicate with the Company for any purposes other than those expressly stated.
14. Under sections 338 and 338A of the Act, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a resolution which those members intend to move (and which may properly be moved) at the Meeting; and/or (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed resolution) which may properly be included in the business at the Meeting. A resolution may properly be moved, or a matter properly included in the business, unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (b) it is defamatory of any person; or (c) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person(s) making it and must be received by the Company not later than 7 August 2013, being the date 6 clear weeks before the Meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Shareholder information

Classification

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

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

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

Financial calendar

December

Publication of Half Yearly Report

January

Payment of interim dividend

March

Publication of Interim Management Statement

June

Announcement of year end results

July

Report and accounts posted to shareholders

September

Annual General Meeting

Payment of final dividend

Publication of Interim Management Statement

Secretary and registered office

D Henderson FCIS

Norflex House

Allington Way

Darlington

DL1 4DY

Tel: 01325 467558

Registrars

Capita Registrars

Shareholder Administration Support

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